



Calgary's | **trust** | for public education

Financial Statements

December 31, 2018



RSM Alberta LLP

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Independent Auditors' Report

To the Board of Governors of
EducationMatters, Calgary's Public Education Trust

Opinion

We have audited the financial statements of EducationMatters, Calgary's Public Education Trust (the "Trust"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2018, and its financial performance and its cash flows for the year ended December 31, 2018 in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of EducationMatters, Calgary Public Education Trust for the year ended December 31, 2017 were audited by another firm of Chartered Professional Accountants who expressed an unmodified conclusion on those financial statements on March 8, 2018.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Trust or to cease operations, or has no realistic alternative but to do so.

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Those charged with governance are responsible for overseeing the Trust's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

RSM Alberta LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Calgary, Canada

March 21, 2019

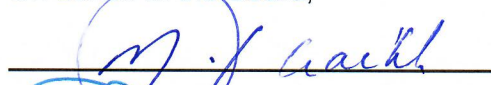
EducationMatters, Calgary's Public Education Trust
Statement of Financial Position
December 31, 2018

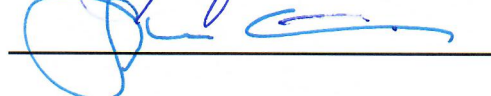
	2018	2017
Assets		
Current assets		
Cash and cash equivalents (notes 3 and 7)	\$ 1,899,149	\$ 1,978,053
Accounts receivable	1,000	-
Goods and Services Tax recoverable	<u>880</u>	<u>1,103</u>
	1,901,029	1,979,156
Investments (notes 4 and 7)	5,575,899	5,467,580
Property and equipment (note 5)	<u>9,605</u>	<u>19,329</u>
	<u>\$ 7,486,533</u>	<u>\$ 7,466,065</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 35,453	\$ 34,960
Deferred operating contributions (note 6)	<u>441,000</u>	<u>441,000</u>
	<u>476,453</u>	<u>475,960</u>
Funds		
Operating fund	778,282	774,693
Flow-through fund	835,876	957,130
Endowment fund (note 7)	<u>5,395,922</u>	<u>5,258,282</u>
	<u>7,010,080</u>	<u>6,990,105</u>
	<u>\$ 7,486,533</u>	<u>\$ 7,466,065</u>

Commitments (note 8)

See accompanying notes to the financial statements

On behalf of the Board,


 _____, Governor


 _____, Governor

EducationMatters, Calgary's Public Education Trust
Statement of Operations
Year Ended December 31, 2018

	2018				2017
	Operating Fund	Flow-Through Fund	Endowment Fund	Total	
Revenue					
Contributions	\$ 683,703	\$ 1,211,796	\$ 382,652	\$ 2,278,151	\$ 2,508,319
Interfund fees	104,400	(27,393)	(77,007)	-	-
Gains (losses) on investments (note 4)	(9,000)	-	(147,373)	(156,373)	439,661
Interest and dividend revenue	<u>32,706</u>	<u>-</u>	<u>168,414</u>	<u>201,120</u>	<u>115,409</u>
	<u>811,809</u>	<u>1,184,403</u>	<u>326,686</u>	<u>2,322,898</u>	<u>3,063,389</u>
Expenditures					
Grants (notes 6 and 10)	-	1,328,319	189,046	1,517,365	1,471,190
Salaries and benefits (note 10)	541,032	-	-	541,032	527,398
Communications (note 10)	4,975	-	-	4,975	14,341
Fund development (note 10)	18,000	-	-	18,000	22,680
Office	35,317	-	-	35,317	30,709
Investment fees	44,264	-	-	44,264	42,037
Professional fees	24,907	-	-	24,907	24,306
Special events (note 10)	12,785	-	-	12,785	26,346
Computer applications and support	55,561	-	-	55,561	67,005
Rent	38,993	-	-	38,993	38,993
Amortization	<u>9,724</u>	<u>-</u>	<u>-</u>	<u>9,724</u>	<u>9,724</u>
	<u>785,558</u>	<u>1,328,319</u>	<u>189,046</u>	<u>2,302,923</u>	<u>2,274,729</u>
Excess (deficiency) of revenue over expenditures	<u>\$ 26,251</u>	<u>\$ (143,916)</u>	<u>\$ 137,640</u>	<u>\$ 19,975</u>	<u>\$ 788,660</u>

See accompanying notes to the financial statements

EducationMatters, Calgary's Public Education Trust
Statement of Changes in Fund Balances
Year Ended December 31, 2018

	Operating Fund	Flow- Through Fund	Endowment Fund	Total
Fund balances, December 31, 2016	\$ 728,963	\$ 638,999	\$ 4,833,483	\$ 6,201,445
Excess (deficiency) of revenue over expenditures	59,738	310,123	418,799	788,660
Interfund transfers	<u>(14,008)</u>	<u>8,008</u>	<u>6,000</u>	<u>-</u>
Fund balances, December 31, 2017	774,693	957,130	5,258,282	6,990,105
Excess (deficiency) of revenue over expenditures	26,251	(143,916)	137,640	19,975
Interfund transfers	<u>(22,662)</u>	<u>22,662</u>	<u>-</u>	<u>-</u>
Fund balances, December 31, 2018	<u>\$ 778,282</u>	<u>\$ 835,876</u>	<u>\$ 5,395,922</u>	<u>\$ 7,010,080</u>

See accompanying notes to the financial statements

EducationMatters, Calgary's Public Education Trust
Statement of Cash Flows
Year Ended December 31, 2018

	2018	2017
Cash provided by (used in):		
Operating activities		
Excess of revenue over expenditures	\$ 19,975	\$ 788,660
Adjusting items:		
Amortization	9,724	9,724
Loss (gain) on investments	<u>156,373</u>	<u>(439,661)</u>
	<u>186,072</u>	<u>358,723</u>
Changes in non-cash items		
Accounts receivable	(1,000)	-
Goods and Services Tax recoverable	223	(1,103)
Accounts payable and accrued liabilities	<u>493</u>	<u>(936)</u>
	<u>(284)</u>	<u>(2,039)</u>
Cash provided by (used in) operating activities	<u>185,788</u>	<u>356,684</u>
Investing activities		
Purchase of investments	(510,811)	(172,294)
Disposal of investments	<u>246,119</u>	<u>203,895</u>
Cash provided by (used in) investing activities	<u>(264,692)</u>	<u>31,601</u>
Cash inflow (outflow)	(78,904)	388,285
Cash and cash equivalents, beginning of year	<u>1,978,053</u>	<u>1,589,768</u>
Cash and cash equivalents, end of year	<u>\$ 1,899,149</u>	<u>\$ 1,978,053</u>
Cash and cash equivalents are comprised of:		
Cash	\$ 223,441	\$ 159,944
Treasury bills (note 3)	<u>1,675,708</u>	<u>1,818,109</u>
	<u>\$ 1,899,149</u>	<u>\$ 1,978,053</u>

See accompanying notes to the financial statements

EducationMatters, Calgary's Public Education Trust

Notes to Financial Statements

December 31, 2018

1. Nature of Trust

EducationMatters, Calgary's Public Education Trust, (the "Trust") was formed by way of a trust indenture on January 20, 2003. The Trust is a registered charity and a public trust under the *Income Tax Act* (Canada) and, accordingly, is exempt from income taxes and can issue donation receipts for income tax purposes. The Trust's mandate is to promote citizen engagement with and inspire passion for public education and to mobilize resources for programs that enhance public education.

The Board of Trustees of the Calgary Board of Education (the "CBE Board") appoints all Trust governors. At least two, but not more than 50%, of the Trust governors must be members of the CBE Board.

2. Significant accounting policies

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) Revenue

The Trust receives contributions in the form of donations to specified funds, operating grants and event funding.

The Trust recognizes contributions when the amounts can be reasonably estimated and collection is assured.

The Trust follows the deferral method of accounting for restricted contributions related to general operations of the Trust. These contributions are recognized as revenue in the operating fund in the period in which the related expenses are incurred.

The Trust recognizes interest, dividends and fee revenue when the amounts are earned on an accrual basis.

(b) Trust funds

The Trust holds operating, flow-through and endowment funds. The Trust follows the deferral accounting method for the operating fund and the restricted fund accounting method for the flow-through and endowment funds.

The Trust restricts endowment fund grants in any fiscal period to a maximum of 4.5% of the market value of the endowment at the end of the prior fiscal year.

EducationMatters, Calgary's Public Education Trust
Notes to Financial Statements
December 31, 2018

Operating fund

Operating fund contributions received that relate to services to be provided in a subsequent period are shown as deferred operating contributions on the statement of financial position.

Flow-through fund

Flow-through funds are spent during the year in which they are received or the year following to support a wide range of programs and projects.

Endowment fund

Endowment funds are created by donors to provide long-term support for discretionary spending, general fields of interest or designated specific programs or projects.

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and short-term investments with a maturity date of three months or less.

(d) Investments

Investments include pooled investment funds that consist of mutual funds and are measured at fair value.

(e) Property and equipment

The Trust capitalizes administrative assets, consisting of computer equipment and office equipment, at cost and amortizes them over their estimated useful lives of five years on a straight-line basis.

Property and equipment is evaluated for impairment when events or circumstances indicate its carrying value may not be recoverable. Any impairment is measured by comparing the carrying value of the assets to the fair value, based on the present value of future cash flows expected to be generated from the assets.

(f) Measurement uncertainty

The valuation of property and equipment is based on management's best estimates of the future recoverability of these assets and the determination of costs subject to classification as property and equipment. The amounts recorded for amortization of the property and equipment are based on management's best estimates of the remaining useful lives and period of future benefit of the related assets.

The valuation of accrued liabilities is based on management's best estimates of expenses incurred during the year that will be payable in future periods.

EducationMatters, Calgary's Public Education Trust

Notes to Financial Statements

December 31, 2018

By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

(g) Financial instruments

The Trust initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions that are measured at the exchange amount.

The Trust subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in pooled investment funds that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in excess of revenue over expenditures.

Financial assets measured at amortized cost include cash and cash equivalents and accounts receivable. The Trust's financial assets measured at fair value include the pooled investment funds.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Financial assets measured at cost or amortized cost are tested for impairment, at the end of each year, to determine whether there are indicators that the asset may be impaired. The amount of the write-down, if any, is recognized in excess of revenue over expenditures. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account. The reversal may be recorded provided it is no greater than the amount that had been previously reported as a reduction in the asset and it does not exceed original cost. The amount of the reversal is recognized in excess of revenue over expenditures.

The Trust recognizes its transaction costs in excess of revenue over expenditures in the period incurred for its equity investments and for all other financial assets and liabilities that are subsequently measured at fair value. Financial instruments that are subsequently measured at cost or amortized cost are adjusted by the transaction costs and financing fees that are directly attributable to their origination, issuance or assumption.

(h) Expenditures

Administrative expenses are charged to endowment funds in accordance with donor agreements. Interest income earned on flow-through funds is allocated to the operating fund in lieu of an administration fee. Expenses incurred for a specific fund are charged to that fund.

EducationMatters, Calgary's Public Education Trust
Notes to Financial Statements
December 31, 2018

(i) Donated services

Donated services are not recognized in the financial statements as there is no objective basis available to measure the value of such services.

3. Cash and cash equivalents

Cash and cash equivalents include short-term investments of \$1,675,708 (2017 - \$1,818,109) consisting entirely of investments in Canadian treasury bills with maturity dates of 90 days or less. Short-term investments yield an average interest rate of 1.22% (2017 - 1.05%).

4. Investments

	2018	2017
Pooled Funds - Endowment Fund	\$ 5,161,698	\$ 5,052,891
Pooled Funds - Operating Fund	<u>414,201</u>	<u>414,689</u>
	<u>\$ 5,575,899</u>	<u>\$ 5,467,580</u>

Investments are comprised of \$5,575,899 (2017 - \$5,467,580) in pooled investment funds measured at fair value. The Trust's policy is to liquidate gifted shares on the same day as they are received. There were no gifted shares held at December 31, 2018 or 2017.

Loss on investments of \$156,373 (2017 gain - \$439,661) includes unrealized loss of \$215,300 (2017 gain - \$392,876).

5. Property and equipment

			<u>Net Book Value</u>	
	Cost	Accumulated Amortization	2018	2017
Computer equipment	\$ 144,874	\$ 135,420	\$ 9,454	\$ 18,194
Office equipment	<u>25,850</u>	<u>25,699</u>	<u>151</u>	<u>1,135</u>
	<u>\$ 170,724</u>	<u>\$ 161,119</u>	<u>\$ 9,605</u>	<u>\$ 19,329</u>

6. Related party transactions

The Trust is economically dependent on contributions from the Calgary Board of Education ("CBE") and is committed to provide services to CBE in fund development, grants and student awards. During the year, the Trust received \$660,000 (2017 - \$660,000) from the CBE. Contributions in the amount of \$440,000 were deferred to 2019 in accordance with spending the funds over a twelve-month period and is included in the deferred operating contributions on the statement of financial position.

EducationMatters, Calgary's Public Education Trust
Notes to Financial Statements
December 31, 2018

The Trust rented office space and purchased services of \$38,993 (2017 - \$38,993) and \$6,265 (2017 - \$6,990), respectively, from the CBE.

Grants awarded to CBE schools by the Trust are distributed to recipients by way of the CBE. In 2018, this amount was \$1,020,914 (2017 - \$944,941).

7. Endowment funds

Endowment funds are invested to provide long-term support, and are comprised of the following:

	2018	2017
Cash and cash equivalents	\$ 234,224	\$ 205,391
Investments	<u>5,161,698</u>	<u>5,052,891</u>
	<u>\$ 5,395,922</u>	<u>\$ 5,258,282</u>

8. Commitments

The Trust's office lease with the CBE was renewed in September 2018 for an additional one-year term to August 31, 2019 and requires monthly rental payments of \$3,249.

9. Financial instruments

The Trust is exposed to the following significant financial risks:

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The financial instruments that potentially subject the Trust to significant concentration of credit risk consist primarily of cash and cash equivalents and investments. The Trust mitigates its exposure to credit loss by placing its cash and cash equivalents and investments with major financial institutions.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Trust's investments in pooled investment funds expose the company to price risks as equity investments are subject to price changes in the open market.

EducationMatters, Calgary's Public Education Trust
Notes to Financial Statements
December 31, 2018

10. Additional information on fund development

(a) Expenses incurred to raise funds

	2018	2017
Fundraising event	\$ 12,785	\$ 26,346
Fund development expenses	18,000	22,680
Fund development salaries and benefits	<u>144,657</u>	<u>148,714</u>
	<u>\$ 175,442</u>	<u>\$ 197,740</u>

(b) Funds raised during 2018 were \$1,618,151 (2017 - \$1,807,418).

(c) Summary of disbursements

	2018	2017
Grants	\$ 1,032,194	\$ 996,911
Scholarships	<u>485,171</u>	<u>474,279</u>
	<u>\$ 1,517,365</u>	<u>\$ 1,471,190</u>

In 2018 there were three disbursements of contributions greater than 10% of the gross contributions received in 2018. The following projects were supported:

- (1) Calgary Board of Education Exploratory or Dual Credit programs engage in learning experiences that can earn students credits in high school and post-secondary education institutions simultaneously allow students to discover and explore career pathways, which can help them plan for successful transitions to post-secondary and/or the workforce, provide workplace certification/accreditation or offer preferred placement at post-secondary institutions. During the year ended December 31, 2018, contributions in the amount of \$316,500 (2017 - \$315,248) were disbursed to this project.
- (2) Library to Learning Commons projects transform school libraries in Calgary Board of Education Schools into modern, welcoming Learning Commons. During the year ended December 31, 2018, contributions in the amount of \$165,000 (2017 - \$217,695) were disbursed to this project.
- (3) Maker Education is a way of introducing engineering to young learners. Such concrete experiences provide a meaningful context for understanding abstract science and math concepts traditionally taught by schools while expanding the world of knowledge now accessible to students for the first time. During the year ended December 31, 2018, contributions in the amount of \$188,500 (2017 - \$NIL) were disbursed to this project.

EducationMatters, Calgary's Public Education Trust
Notes to Financial Statements
December 31, 2018

(d) Allocation of total expenditures and disbursements

Total expenditures and disbursements after allocation of salaries and benefits to the cost centres consist of the following:

	2018	2017
Grant disbursements	\$ 1,517,365	\$ 1,471,190
Communication expenses	4,975	14,341
Fund development expenses, excluding events	162,657	171,394
Events	12,785	26,346
Program expenses	595,417	581,734
Amortization expense	<u>9,724</u>	<u>9,724</u>
	<u>\$ 2,302,923</u>	<u>\$ 2,274,729</u>

Salary and benefit costs are incurred to operate the Trust and its programs in a cost-effective manner while maximizing all opportunities to further the Trust's mission. The Trust allocates salary and benefits based on the actual time spent in each cost centre by each staff person.