Financial Statements of

LET'S TALK SCIENCE

Year ended August 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Directors of Let's Talk Science

We have audited the accompanying financial statements of Let's Talk Science, which comprise the statement of financial position as at August 31, 2016, the statements of revenue and expenses, changes in net assets, and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the organization's preparation and fair presentation of the financial statements 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 organization's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Let's Talk Science as at August 31, 2016, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

November 9, 2016

London, Canada

LET'S TALK SCIENCE
Statement of Financial Position

August 31, 2016, with comparative information for 2015

	2016	2015
Assets		
Current assets:		
Cash	$ 3,129,259	$ 630,787
Accounts receivable	80,777	50,270
HST receivable	183,859	118,382
Prepaid expenses	71,789	63,299
Current portion of investments (note 2)	1,575,568	2,608,740
	5,041,252	3,471,478
Equipment and technology (note 3)	133,415	143,102
Long-term investments (note 2)	1,025,834	1,245,350
	$ 6,200,501	$ 4,859,930
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 9)	$ 239,950	$ 253,263
Deferred contributions (note 4)	4,580,215	3,169,971
	4,820,165	3,423,234
Deferred capital contributions (note 4)	124,597	135,673
Deferred contributions for expenses of future periods (note 4)	543,587	680,205
	668,184	815,878
Net assets:		
Investment in equipment and technology (note 5)	8,818	7,429
Unrestricted	703,334	613,389
	712,152	620,818
Commitments (note 6)		
	$ 6,200,501	$ 4,859,930

See accompanying notes to financial statements.

On behalf of the Board:

__________ Director __________ Director

LET'S TALK SCIENCE

Statement of Revenue and Expenses

Year ended August 31, 2016, with comparative information for 2015

		2016		2015
Revenue:				
Corporate	$	2,200,666	$	1,826,848
Provincial governments		597,788		1,306,872
Federal government and agencies		2,048,239		479,247
Individuals and foundations		880,951		393,084
Fees and other		186,993		161,886
		5,914,637		4,167,937
Program, product development and delivery expenses (note 7):				
Wages and benefits		2,829,483		2,138,767
Program delivery and development		1,656,159		876,307
Marketing and communication		346,382		343,924
Training, development and conferences		279,098		251,153
Information systems and technology		176,812		128,772
Occupancy (note 6)		167,427		88,176
		5,455,361		3,827,099
General and administrative expenses:				
Wages and benefits		132,820		129,528
General administration		173,329		96,093
Amortization of equipment and technology		61,793		31,772
		367,942		257,393
		5,823,303		4,084,492
Excess of revenue over expenses	$	91,334	$	83,445

See accompanying notes to financial statements.

LET'S TALK SCIENCE

Statement of Changes in Net Assets

Year ended August 31, 2016, with comparative information for 2015

	Investment in equipment and technology	Unrestricted	2016 Total	2015 Total
Balance, beginning of year	$ 7,429	$ 613,389	$ 620,818	$ 537,373
Excess (deficiency) of revenue over expenses	(3,254)	94,588	91,334	83,445
Net change in investment in equipment and technology	4,643	(4,643)	-	-
Balance, end of year	$ 8,818	$ 703,334	$ 712,152	$ 620,818

See accompanying notes to financial statements.

LET'S TALK SCIENCE

Statement of Cash Flows

Year ended August 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	$ 91,334	$ 83,445
Adjustments for:		
Amortization of deferred contributions	(5,776,003)	(4,017,428)
Amortization of deferred capital contributions	(98,187)	(53,054)
Amortization of equipment and technology	101,441	74,543
Changes in non-cash operating working capital:		
Accounts receivable	(30,507)	206,770
HST receivable	(65,477)	(41,953)
Prepaid expenses	(8,490)	(2,273)
Accounts payable and accrued liabilities	(13,313)	111,886
	(5,799,202)	(3,638,064)
Financing activities:		
Receipt of deferred contributions	7,049,629	5,044,896
Receipt of deferred capital contributions	87,111	88,924
	7,136,740	5,133,820
Investing activities:		
Investments, net	1,252,688	(1,040,298)
Purchase of equipment and technology	(91,754)	(91,334)
	1,160,934	(1,131,632)
Increase in cash	2,498,472	364,124
Cash, beginning of year	630,787	266,663
Cash, end of year	$ 3,129,259	$ 630,787

See accompanying notes to financial statements.

Let’s Talk Science (the “Organization”) is a national, charitable organization committed to improving science literacy through leadership, innovative educational programs, research and advocacy. The Organization was incorporated without share capital. The Organization is a registered charity and is classified as a charitable organization under Section 149.1(1)(b) of the Income Tax Act (Canada).

The Organization helps children and youth fulfill their potential and prepare for their future careers and role as citizens in a rapidly changing world by supporting their learning and engagement through science, technology, engineering and mathematics ("STEM").

The Organization offers programs, services and resources that help youth develop positive attitudes, critical skills and career awareness, and connect the STEM and education communities to support youth development and strengthen learning.

The Organization is unique in its reach to diverse audiences, which include preschool through high school youth and educators, and post-secondary and industry-based volunteers. The Organization is supported by universities, colleges, governments, industry, foundations, and individuals.

1. Significant accounting policies:

(a) Revenue recognition:

The Organization follows the deferral method of accounting for contributions.

The Organization collects funds in advance to operate its programs. Accordingly, cash and investments fluctuate with the balance of deferred contributions on the statement of financial position.

Operational funding is recorded as revenue in the period to which they relate. Funding approved but not received at the end of an accounting period is accrued. Where a portion of operational funding is related to an expense of a future period, it is deferred and recognized as income in the year in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Pledges are not recorded until received by the Organization.

Fee for service revenue, including consulting and royalty revenue, and interest revenue are recognized as it is earned.

The Organization maintains a reserve of up to four months of expenses in order to continue operations uninterrupted.

1. Significant accounting policies (continued):

(b) Equipment and technology:

Equipment and technology are recorded at cost. Contributed equipment is recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments, which extend the estimated life of an asset, are capitalized. Amortization is calculated as follows:

Asset	Basis	Rate
Furniture and fixtures	Declining balance	20%
Computer hardware and software	Straight-line	3 years
Web development	Straight-line	3 years

(c) Contributed services:

Volunteers contribute many hours per year to assist the Organization in carrying out its service delivery activities. As a result of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

(d) Use of estimates:

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the carrying value of equipment and technology and valuation allowances for receivables. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known or are revised.

1. Significant accounting policies (continued):

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

2. Investments:

		2016		2015
Investments	$	2,601,402	$	3,854,090
Less current portion of investments		1,575,568		2,608,740
Long-term investments	$	1,025,834	$	1,245,350

The Organization invests in investments with interest rates between 1.00% and 1.35% maturing during 2017.

The current portion of investments consists of redeemable short-term investment certificates and guaranteed investment certificates which the organization intends to spend in the next fiscal period.

Long-term investments, which consist largely of contributions received for expenses of future periods (note 4), represent the portion of the funding to be spent after August 31, 2017, as designated by the various funding parties and the Organization's strategic plans.

3. Equipment and technology:

						2016		2015
		Cost		Accumulated amortization		Net book value		Net book value
Furniture and fixtures	$	76,898	$	49,317	$	27,581	$	10,117
Computer hardware and software		414,163		324,291		89,872		77,375
Web development		261,854		245,892		15,962		55,610
	$	752,915	$	619,500	$	133,415	$	143,102

4. Deferred contributions:

(a) Deferred contributions, expenses of future periods:

Deferred contributions represent funding received which relates to expenditures of future periods. The periods in which the deferred amounts are expected to be spent range from one to three years in accordance with the funding contracts. Deferred contributions have been invested as outlined in note 2.

(b) Deferred capital contributions:

Contributions restricted for the purchase of equipment and technology assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related equipment and technology assets.

5. Investment in equipment and technology:

(a) Investment in equipment consists of the following:

	2016	2015
Equipment and technology	$ 133,415	$ 143,102
Less deferred capital contributions	124,597	135,673
	$ 8,818	$ 7,429

(b) Change in investment in equipment and technology consists of the following:

	2016	2015
Excess (deficiency) of revenue over expenses:		
Amortization of deferred contributions	$ 98,187	$ 53,054
Amortization of equipment and technology	(101,441)	(74,543)
	(3,254)	(21,489)
Net change in investment in equipment and technology:		
Purchase of equipment and technology	91,754	91,334
Receipt of deferred capital contributions	(87,111)	(88,924)
	4,643	2,410
Change in investment in equipment and technology	$ 1,389	$ (19,079)

6. Commitments:

The Organization leases building space for its head office operations in London, Ontario and regional operations in Newfoundland.

Subsequent to year end, the Organization entered into a lease for a new premise in London beginning December 1, 2016. The following annual commitment amounts include these lease payments:

2017	$	113,704
2018		125,582
2019		106,435
2020		110,166
2021		113,938

7. Allocation of expenses:

Expenditures incurred during the year of $232,735 (2015 - $131,420) are allocated directly to program, product development and delivery expenses and general and administrative expenses based on time allocation of staff and consumption of other resources.

8. Financial risks:

(a) Interest rate risk:

The Organization is exposed to interest rate risk on its fixed interest rate financial instruments. Further details about the fixed rate investments are included in note 2.

(b) Liquidity rate risk:

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages its liquidity risk by monitoring its operating requirements. The Organization prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2015.

9. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $12,790 (2015 - $34,413) which includes amounts payable for payroll related taxes. All amounts are current.