

Financial Statements of

LET'S TALK SCIENCE

Year ended August 31, 2017



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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, 2017, 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, 2017, 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 24, 2017

London, Canada

LET'S TALK SCIENCE

Statement of Financial Position

August 31, 2017, with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash	\$ 226,659	\$ 3,129,259
Accounts receivable (note 10)	724,004	80,777
HST receivable	246,198	183,859
Prepaid expenses	53,029	71,789
Current portion of investments (notes 2 and 10)	1,524,070	1,575,568
	<u>2,773,960</u>	<u>5,041,252</u>
Equipment and technology (note 3)	131,408	133,415
Long-term investments (notes 2 and 10)	384,129	1,025,834
	<u>\$ 3,289,497</u>	<u>\$ 6,200,501</u>

Liabilities, Deferred Contributions and Net Assets

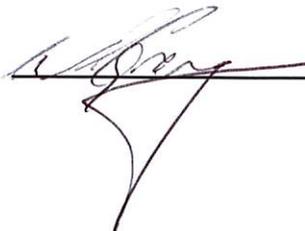
Current liabilities:		
Accounts payable and accrued liabilities (note 9)	\$ 468,874	\$ 239,950
Deferred contributions (notes 4 and 10)	1,678,990	4,580,215
	<u>2,147,864</u>	<u>4,820,165</u>
Deferred capital contributions (note 4)	123,828	124,597
Deferred contributions for expenses of future periods (note 4)	156,205	543,587
	<u>280,033</u>	<u>668,184</u>
Net assets:		
Investment in equipment and technology (note 5)	7,580	8,818
Unrestricted	854,020	703,334
	<u>861,600</u>	<u>712,152</u>
Commitments (note 6)		
Subsequent event (note 10)		
	<u>\$ 3,289,497</u>	<u>\$ 6,200,501</u>

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, 2017, with comparative information for 2016

	2017	2016
Revenue:		
Federal government and agencies	\$ 2,862,339	\$ 2,048,239
Corporate	2,214,396	2,200,666
Individuals and foundations	1,417,548	880,951
Provincial governments	1,075,209	597,788
Fees and other	227,740	186,993
	<u>7,797,232</u>	<u>5,914,637</u>
Program, product development and delivery expenses (note 7):		
Wages and benefits	3,720,127	2,829,483
Program delivery and development	2,647,357	1,656,159
Marketing and communication	360,119	346,382
Training, development and conferences	281,710	279,098
Occupancy (note 6)	170,658	167,427
Information systems and technology	148,080	176,812
	<u>7,328,051</u>	<u>5,455,361</u>
General and administrative expenses:		
General administration	140,441	173,329
Wages and benefits	107,159	132,820
Amortization of equipment and technology	72,133	61,793
	<u>319,733</u>	<u>367,942</u>
	<u>7,647,784</u>	<u>5,823,303</u>
Excess of revenue over expenses	\$ 149,448	\$ 91,334

See accompanying notes to financial statements.

LET'S TALK SCIENCE

Statement of Changes in Net Assets

Year ended August 31, 2017, with comparative information for 2016

	Investment in equipment and technology (note 5)	Unrestricted	2017 Total	2016 Total
Balance, beginning of year	\$ 8,818	\$ 703,334	\$ 712,152	\$ 620,818
Excess (deficiency) of revenue over expenses	(128)	149,576	149,448	91,334
Net change in investment in equipment and technology	(1,110)	1,110	-	-
Balance, end of year	\$ 7,580	\$ 854,020	\$ 861,600	\$ 712,152

See accompanying notes to financial statements.

LET'S TALK SCIENCE

Statement of Cash Flows

Year ended August 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 149,448	\$ 91,334
Adjustments for:		
Amortization of deferred contributions	(7,582,930)	(5,776,003)
Amortization of deferred capital contributions	(88,067)	(98,187)
Amortization of equipment and technology	88,195	101,441
Changes in non-cash operating working capital:		
Accounts receivable	(643,227)	(30,507)
HST receivable	(62,339)	(65,477)
Prepaid expenses	18,760	(8,490)
Accounts payable and accrued liabilities	228,924	(13,313)
	(7,891,236)	(5,799,202)
Financing activities:		
Receipt of deferred contributions	4,294,323	7,049,629
Receipt of deferred capital contributions	87,298	87,111
	4,381,621	7,136,740
Investing activities:		
Investments, net	693,203	1,252,688
Purchase of equipment and technology	(86,188)	(91,754)
	607,015	1,160,934
Increase (decrease) in cash	(2,902,600)	2,498,472
Cash, beginning of year	3,129,259	630,787
Cash, end of year	\$ 226,659	\$ 3,129,259

See accompanying notes to financial statements.

LET'S TALK SCIENCE

Notes to Financial Statements

Year ended August 31, 2017

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:

The financial statements have been prepared in accordance with Canadian Accounting Standards for Not-For-Profit Organizations in Part III of the CPA Canada Handbook - Accounting. The significant policies are detailed as follows:

(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 earned.

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

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Notes to Financial Statements (continued)

Year ended August 31, 2017

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. Through our post-secondary partners Let's Talk Science also benefits from the use of office and facility space and equipment. Volunteer labour and partner in-kind contributions are essential to the delivery of LTS Outreach activities. As a result of the difficulty of determining fair value, contributed services, the use of office and facility space and equipment 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.

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Notes to Financial Statements (continued)

Year ended August 31, 2017

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.

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Notes to Financial Statements (continued)

Year ended August 31, 2017

2. Investments:

	2017	2016
Investments	\$ 1,908,199	\$ 2,601,402
Less current portion of investments	1,524,070	1,575,568
Long-term investments	\$ 384,129	\$ 1,025,834

Investments consist of guaranteed investment certificates (GIC) bearing interest at a rate of 1.02% and 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, 2018, as designated by the various funding parties and the Organization's strategic plans.

3. Equipment and technology:

	2017		2016	
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and fixtures	\$ 95,290	\$ 57,696	\$ 37,594	\$ 27,581
Computer hardware and software	481,859	388,045	93,814	89,872
Web development	261,854	261,854	-	15,962
	\$ 839,003	\$ 707,595	\$ 131,408	\$ 133,415

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Notes to Financial Statements (continued)

Year ended August 31, 2017

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:

	2017	2016
Equipment and technology	\$ 131,408	\$ 133,415
Less deferred capital contributions	123,828	124,597
	\$ 7,580	\$ 8,818

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

	2017	2016
Excess (deficiency) of revenue over expenses:		
Amortization of deferred contributions	\$ 88,067	\$ 98,187
Amortization of equipment and technology	(88,195)	(101,441)
	(128)	(3,254)
Net change in investment in equipment and technology:		
Purchase of equipment and technology	86,188	91,754
Receipt of deferred capital contributions	(87,298)	(87,111)
	(1,110)	4,643
Change in investment in equipment and technology	\$ (1,238)	\$ 1,389

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Notes to Financial Statements (continued)

Year ended August 31, 2017

6. Commitments:

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

2018	\$	141,645
2019		125,868
2020		128,070
2021		113,938
2022		48,229

7. Allocation of expenses:

Expenditures incurred during the year of \$262,138 (2016 - \$232,735) 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 2016.

9. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$17,805 (2016 - \$12,790) which includes amounts payable for payroll related taxes. All amounts are current.

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Notes to Financial Statements (continued)

Year ended August 31, 2017

10. Subsequent event:

Subsequent to year end the Organization received funding from Innovation, Science and Economic Development Canada in the amount of \$2,825,000. Of the funds received, \$650,000 related to operations in fiscal 2017 and as such was recorded in accounts receivable and deferred revenue. The remaining \$2,175,000 are funds intended for use throughout fiscal 2018.