

Financial Statements of

LET'S TALK SCIENCE

And Independent Auditor's Report thereon

Year ended August 31, 2023



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INDEPENDENT AUDITOR'S REPORT

To the Directors of Let's Talk Science

Opinion

We have audited the financial statements of Let's Talk Science (the Entity), which comprise:

- the statement of financial position as at August 31, 2023
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at August 31, 2023 and its results of operations, its changes in net assets and its cash flows for the year then ended 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 auditor's report.

We are independent of the Entity 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.

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

Management is responsible for the preparation and fair presentation of the 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 Entity'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 the Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditor's 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 auditor's 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 the 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.



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- 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.
- 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.

A handwritten signature in black ink that reads 'KPMG LLP' in a cursive, slanted font. A horizontal line is drawn underneath the signature.

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

December 12, 2023

LET'S TALK SCIENCE

Statement of Financial Position

August 31, 2023, with comparative information for 2022

	2023	2022
Assets		
Current assets:		
Cash	\$ 569,231	\$ 1,328,926
Accounts receivable	909,558	548,997
HST receivable	70,891	60,588
Prepaid expenses	321,143	290,587
Current portion of investments (note 2)	4,303,097	4,460,510
	<u>6,173,920</u>	<u>6,689,608</u>
Equipment and technology (note 3)	69,827	95,836
Long-term investments (note 2)	1,196,903	1,385,409
	<u>\$ 7,440,650</u>	<u>\$ 8,170,853</u>

Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 737,101	\$ 655,348
Deferred contributions (note 5)	4,826,529	5,789,436
	<u>5,563,630</u>	<u>6,444,784</u>
Deferred capital contributions (note 5)	69,827	95,836
Deferred contributions for expenses of future periods (note 5)	120,854	101,124
	<u>5,754,311</u>	<u>6,641,744</u>
Net assets:		
Unrestricted	1,686,339	1,529,109
Commitments (note 7)		
	<u>\$ 7,440,650</u>	<u>\$ 8,170,853</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director _____ Director

LET'S TALK SCIENCE

Statement of Operations

Year ended August 31, 2023, with comparative information for 2022

	2023	2022
Revenue:		
Federal government and agencies	\$ 9,504,797	\$ 7,033,680
Corporate	2,476,835	2,003,570
Individuals and foundations	1,700,562	1,827,702
Interest and other income	375,678	305,914
Provincial governments	101,040	126,727
	<u>14,158,912</u>	<u>11,297,593</u>
Program, product development and delivery expenses (note 8):		
Wages and benefits	8,525,012	7,155,096
Program delivery and development	3,089,758	2,302,611
Information systems and technology	691,190	508,720
Marketing and communication	684,897	483,978
Occupancy	241,383	180,781
Training, development and conferences	161,280	111,993
	<u>13,393,520</u>	<u>10,743,179</u>
General and administrative expenses:		
Wages and benefits	308,708	276,696
General administration	234,749	177,966
Amortization of equipment and technology	64,705	70,344
	<u>608,162</u>	<u>525,006</u>
	<u>14,001,682</u>	<u>11,268,185</u>
Excess of revenue over expenses	\$ 157,230	\$ 29,408

See accompanying notes to financial statements.

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Statement of Changes in Net Assets

Year ended August 31, 2023, with comparative information for 2022

		Investment in equipment and technology (note 6)	Unrestricted	2023 Total	2022 Total
Net assets, beginning of year	\$	-	\$ 1,529,109	\$ 1,529,109	\$ 1,499,701
Excess of revenue over expenses		-	157,230	157,230	29,408
Net assets, end of year	\$	-	\$ 1,686,339	\$ 1,686,339	\$ 1,529,109

See accompanying notes to financial statements.

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Statement of Cash Flows

Year ended August 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 157,230	\$ 29,408
Items not involving cash:		
Amortization of deferred contributions	(14,094,207)	(10,503,771)
Amortization of deferred capital contributions	64,705	(66,621)
Amortization of equipment and technology	(64,705)	70,344
<u>Changes in non-cash operating working capital</u>	<u>(319,667)</u>	<u>(366,678)</u>
	(14,256,644)	(10,837,318)
Financing activities:		
Receipt of deferred capital contributions	38,697	65,797
Receipt of deferred contributions	13,151,030	9,842,841
	<u>13,189,727</u>	<u>9,908,638</u>
Investing activities:		
Purchase of equipment and technology	(38,697)	(65,797)
Investments, net	345,919	(2,345,919)
	<u>307,222</u>	<u>(2,411,716)</u>
Decrease in cash	(759,695)	(3,340,396)
Cash, beginning of year	1,328,926	4,669,322
<u>Cash, end of year</u>	<u>\$ 569,231</u>	<u>\$ 1,328,926</u>

See accompanying notes to financial statements.

LET'S TALK SCIENCE

Notes to Financial Statements

Year ended August 31, 2023

Let's Talk Science (the "Organization" or "LTS") 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 for the current fiscal year but not received at the end of an accounting period is accrued. Where a portion of operational funding which has been received 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.

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Notes to Financial Statements (continued)

Year ended August 31, 2023

1. Significant accounting policies (continued):

(a) Revenue recognition (continued):

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

The Organization maintains a reserve in order to mitigate against unexpected business interruptions.

(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

(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 the statement of revenue and expenses in the year in which they become known or are revised.

LET'S TALK SCIENCE

Notes to Financial Statements (continued)

Year ended August 31, 2023

1. Significant accounting policies (continued):

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. 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.

(f) Internal development costs and digital content assets:

Internal development costs include direct costs of internally developing recognized programs, systems and digital content assets to assist in the educational programs for various levels of students and educators. The development costs have been expensed as incurred. As a result, our digital content assets and website intellectual property, while critical to the overall strategy of the Organization, are not reflected in the financial statements.

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Notes to Financial Statements (continued)

Year ended August 31, 2023

2. Investments:

	2023	2022
Investments	\$ 5,500,000	\$ 5,845,919
Less current portion of investments	4,303,097	4,460,510
	\$ 1,196,903	\$ 1,385,409

Investments consist of a redeemable short-term investment certificate bearing interest at a rate of 5.05% and maturity of July 24, 2024. The current portion of investments represents amounts which the Organization intends to spend in the next fiscal period. Long-term investments represent amounts to be spent after August 31, 2024.

3. Equipment and technology:

			2023	2022
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and fixtures	\$ 95,290	\$ 95,290	-	-
Computer hardware and software	768,639	698,812	69,827	95,836
	\$ 863,929	\$ 794,102	\$ 69,827	\$ 95,836

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$88,364 (2022 - \$55,596) 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, 2023

5. Deferred contributions:

(a) Deferred contributions for 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.

6. Investment in equipment and technology:

(a) Investment in equipment consists of the following:

	2023	2022
Equipment and technology	\$ 69,827	\$ 95,836
Less deferred capital contributions	(69,827)	(95,836)
	\$ -	\$ -

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

	2023	2022
Deficiency of revenue over expenses:		
Amortization of deferred capital contributions	\$ (64,705)	\$ 66,621
Amortization of equipment and technology	64,705	(70,344)
	-	(3,723)
Net change in investment in equipment and technology:		
Purchase of equipment and technology	38,697	65,797
Receipt of deferred capital contributions	(38,697)	(65,797)
	-	-
Change in investment in equipment and technology	\$ -	\$ (3,723)

LET'S TALK SCIENCE

Notes to Financial Statements (continued)

Year ended August 31, 2023

7. Commitments:

The Organization leases building space for its head office operations in London, Ontario and regional operations in both Newfoundland and Alberta. The following represents the payments required for these leases over the remaining terms.

2023	\$	103,740
2024		94,689
2025		97,486
2026		98,391
2027		92,725
	\$	487,031

Effective August 31, 2023, the office in Alberta had been closed. The commitments above therefore only represent the lease obligations for offices in London and Newfoundland.

8. Allocation of expenses:

Expenses for functional teams to directly support programs incurred during the year of \$270,616 (2022 - \$246,449) are allocated to program, product development and delivery, based on time allocation of staff and consumption of other resources.

9. Financial risks and concentration of risk:

(a) Interest rate risk:

The Organization mitigates its interest rate risk by using fixed interest rate financial instruments. Further details about the fixed rate investments are included in note 2. There has been no significant change to the risk exposures from 2022.

(b) Liquidity 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 2022.

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Notes to Financial Statements (continued)

Year ended August 31, 2023

9. Financial risks and concentration of risk (continued):

(c) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Organization is exposed to credit risk with respect to accounts receivable. The Organization assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

(d) Market risk:

Market price risk is the risk that value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issue or all other factors affecting all instruments traded in the market. Market price risk is managed by the Organization through construction of a diversified portfolio. All of the Organization's financial instruments are carried at fair value with fair value changes recognized in the statement of revenue and expenses. There have been no changes to the risk exposures from 2022.