

Financial Statements of

THE LEARNING PARTNERSHIP

Year ended June 30, 2018



KPMG LLP
Vaughan Metropolitan Centre
100 New Park Place, Suite 1400
Vaughan ON L4K 0J3
Canada
Tel 905-265-5900
Fax 905-265-6390

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of The Learning Partnership

We have audited the accompanying financial statements of The Learning Partnership, which comprise the statement of financial position as at June 30, 2018, the statements of operations, 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 entity'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 entity'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.



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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Learning Partnership as at June 30, 2018 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

September 27, 2018
Vaughan, Canada

THE LEARNING PARTNERSHIP

Statement of Financial Position

June 30, 2018, with comparative information for 2017


| | 2018 | 2017 |
|----------------------------------------|--------------|---------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 210,218 | \$ 63,339 |
| Investments (note 2) | 2,583,298 | 1,797,515 |
| Amounts receivable | 1,134,156 | 1,476,585 |
| Program materials | 298,191 | 244,644 |
| Prepaid expenses | 193,966 | 206,798 |
| | 4,419,829 | 3,788,881 |
| Investments (note 2) | 4,040,046 | 5,864,328 |
| Capital and intangible assets (note 3) | 358,371 | 500,775 |
| | \$ 8,818,246 | \$ 10,153,984 |

Liabilities, Deferred Capital Contributions and Net Assets

| | | |
|------------------------------------------|--------------|---------------|
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 902,465 | \$ 443,984 |
| Deferred contributions (note 4) | 609,871 | 1,261,911 |
| Deferred revenue | 106,882 | 10,000 |
| | 1,619,218 | 1,715,895 |
| Deferred lease inducement | 30,723 | 35,575 |
| Deferred capital contributions (note 5) | 75,702 | 135,676 |
| Net assets: | | |
| Internally restricted (note 6) | 7,092,603 | 8,266,838 |
| Lease commitments (note 7) | | |
| | \$ 8,818,246 | \$ 10,153,984 |

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director, Chair

THE LEARNING PARTNERSHIP

Statement of Operations

Year ended June 30, 2018, with comparative information for 2017

| | 2018 | 2017 |
|-----------------------------------------------------------|-----------------------|---------------------|
| Revenue: | | |
| Fees and program designated contributions (notes 4 and 5) | \$ 5,274,594 | \$ 6,094,318 |
| Donations, member and other contributions | 424,171 | 457,925 |
| Tribute events | 385,225 | 511,105 |
| Operating designated contributions (notes 4 and 5) | 515,501 | 620,387 |
| Interest and other | 110,527 | 142,424 |
| | <u>6,710,018</u> | <u>7,826,159</u> |
| Expenses: | | |
| Program (note 8) | 5,244,656 | 5,701,937 |
| Administrative and fundraising (note 9) | 2,639,597 | 2,586,028 |
| | <u>7,884,253</u> | <u>8,287,965</u> |
| Deficiency of revenue over expenses | <u>\$ (1,174,235)</u> | <u>\$ (461,806)</u> |

See accompanying notes to financial statements.

THE LEARNING PARTNERSHIP

Statement of Changes in Net Assets

Year ended June 30, 2018, with comparative information for 2017

| | | | 2018 | 2017 |
|-------------------------------------------------|--------------------------------------|--------------|---------------------|---------------------|
| | Internally restricted (note 6) | Unrestricted | Total | Total |
| Balance, beginning of year | \$ 8,266,838 | \$ — | \$ 8,266,838 | \$ 8,728,644 |
| Excess (deficiency) of revenue over expenses | 29,938 | (1,204,173) | (1,174,235) | (461,806) |
| Interfund transfer (note 6) | (1,204,173) | 1,204,173 | — | — |
| Balance, end of year | \$ 7,092,603 | \$ — | \$ 7,092,603 | \$ 8,266,838 |

See accompanying notes to financial statements.

THE LEARNING PARTNERSHIP

Statement of Cash Flows

Year ended June 30, 2018, with comparative information for 2017

| | 2018 | 2017 |
|------------------------------------------------|----------------|--------------|
| Cash flows from (used in): | | |
| Operating activities: | | |
| Deficiency of revenue over expenses | \$ (1,174,235) | \$ (461,806) |
| Items not affecting cash: | | |
| Amortization of capital assets | 39,899 | 38,469 |
| Amortization of intangible assets | 153,758 | 209,190 |
| Amortization of deferred lease inducement | (4,852) | (4,851) |
| Loss on disposal of capital assets | 4,142 | 123 |
| Amortization of deferred capital contributions | (59,974) | (211,713) |
| Change in non-cash operating working capital: | | |
| Amounts receivable | 342,429 | (606,435) |
| Program materials | (53,547) | (19,411) |
| Prepaid expenses | 12,832 | (94,906) |
| Accounts payable and accrued liabilities | 458,481 | (36,450) |
| Deferred contributions | (652,040) | (872,295) |
| Deferred revenue | 96,882 | — |
| | (836,225) | (2,060,085) |
| Financing activities: | | |
| Receipt of deferred capital contributions | — | 118,393 |
| Investing activities: | | |
| Purchase of capital assets | (28,864) | (55,393) |
| Purchase of intangible assets | (26,531) | (143,910) |
| Sale of investments, net | 1,038,499 | 2,089,553 |
| | 983,104 | 1,890,250 |
| Increase (decrease) in cash | 146,879 | (51,442) |
| Cash, beginning of year | 63,339 | 114,781 |
| Cash, end of year | \$ 210,218 | \$ 63,339 |

See accompanying notes to financial statements.

THE LEARNING PARTNERSHIP

Notes to Financial Statements

Year ended June 30, 2018

The Learning Partnership ("TLP"), incorporated as The Learning Partnership Canada/Partenariat Canadien en Éducation, is a corporation without share capital under the laws of Ontario. TLP is a registered charity under the Income Tax Act (Canada) and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes.

TLP is governed by a Board of Directors, which consists of representatives from business, education and the community.

TLP is dedicated to building stakeholder partnerships to support, promote and advance publicly funded education in Canada. TLP does this through five key deliverables:

- innovative student programs;
- executive leadership for educators;
- policy and knowledge mobilization;
- tribute celebrations of excellence; and
- ongoing collaborations across Canada.

1. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations applied within the framework of the accounting policies summarized below.

(a) Revenue recognition:

TLP follows the deferral method of accounting for contributions. Grants and unrestricted contributions are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Donations are recorded when received, since pledges are not legally enforceable claims. Externally restricted contributions are deferred when initially received and recognized as revenue in the year in which the related expenses are recognized. Operating designated contribution amounts are recorded based on a stated percentage or allowable amount of program expenses.

THE LEARNING PARTNERSHIP

Notes to Financial Statements (continued)

Year ended June 30, 2018

1. Significant accounting policies (continued):

Fees are recognized in income when earned. Membership contributions are recognized as revenue in the year to which they apply.

TLP recognizes revenue relating to gifts-in-kind when they would otherwise have been purchased and where the fair value can be readily determined.

These financial statements do not reflect the substantial value of volunteer time contributed to the work of TLP.

(b) Financial instruments:

TLP initially measures its financial assets and financial liabilities at fair value and subsequently measures all of its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, amounts receivable and investments.

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

Transaction costs related to investments are capitalized and amortized on a straight-line basis over the useful life of the related investment.

(c) Program materials:

Program materials are valued at the lower of cost, on a first-in, first-out basis, and replacement cost.

(d) Program expenses:

The cost of each function includes the cost of personnel and other expenses that are directly related to the function. General support and other support costs are not allocated.

THE LEARNING PARTNERSHIP

Notes to Financial Statements (continued)

Year ended June 30, 2018

1. Significant accounting policies (continued):

(e) Capital and intangible assets:

Capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution less accumulated amortization. Intangible assets consist of software and website development costs, and are recorded at cost less accumulated amortization. Amortization is computed on a straight-line basis over the estimated useful lives of the capital and intangible assets as follows:

Capital assets:

| | |
|------------------------|--------------------------------------|
| Furniture and fixtures | 10 years |
| Office equipment | 10 years |
| Computer hardware | 5 years |
| Leasehold improvements | Over the remaining term of the lease |

Intangible assets:

| | |
|----------------------------------------|---------|
| Software and website development costs | 3 years |
|----------------------------------------|---------|

Work in process comprises direct development and other costs incurred to prepare an asset for use. No amortization is recorded until development is substantially complete and the assets are ready for use.

(f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. These estimates and assumptions are based on management's historical experience, best knowledge of current events and actions that the Board of Directors may undertake in the future. Significant accounting estimates include allocations of personnel and other expenses to program expenses and estimated useful lives of capital and intangible assets. Actual results could differ from those estimates.

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Notes to Financial Statements (continued)

Year ended June 30, 2018

2. Investments:

Investments comprise fixed income securities as follows:

| | 2018 | 2017 |
|------------------------------------|--------------|--------------|
| Cash and cash equivalents | \$ 1,757,005 | \$ 679,021 |
| Ontario Savings Bonds | – | 535,200 |
| Guaranteed investment certificates | 4,866,339 | 6,447,622 |
| | 6,623,344 | 7,661,843 |
| Less current portion | 2,583,298 | 1,797,515 |
| | \$ 4,040,046 | \$ 5,864,328 |

Guaranteed investment certificates have maturity dates of one to three years (2017 - one to four years) and interest rates ranging from 1.60% to 2.60% (2017 - 1.55% to 2.60%).

3. Capital and intangible assets:

Capital assets:

| | | | 2018 | 2017 |
|------------------------|------------|--------------------------|----------------|----------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Furniture and fixtures | \$ 106,272 | \$ 44,678 | \$ 61,594 | \$ 72,159 |
| Office equipment | 11,775 | 2,259 | 9,516 | 13,532 |
| Computer hardware | 114,850 | 68,723 | 46,127 | 51,809 |
| Leasehold improvements | 103,632 | 30,873 | 72,759 | 67,673 |
| | \$ 336,529 | \$ 146,533 | \$ 189,996 | \$ 205,173 |

Intangible assets:

| | | | 2018 | 2017 |
|----------------------------------------|------------|--------------------------|----------------|----------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Software and website development costs | \$ 833,373 | \$ 664,998 | \$ 168,375 | \$ 295,602 |

Included in software and website development costs is work in process of \$69,172 (2017 - \$42,641).

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Notes to Financial Statements (continued)

Year ended June 30, 2018

4. Deferred contributions:

The changes in the deferred contributions balance are as follows:

| | 2018 | 2017 |
|---------------------------------------------------|--------------|--------------|
| Balance, beginning of year | \$ 1,261,911 | \$ 2,134,206 |
| Restricted contributions received during the year | 5,078,081 | 5,630,697 |
| Revenue recognized during the year: | | |
| Fees and program designated contributions | (5,214,620) | (5,932,202) |
| Operating designated contributions | (515,501) | (570,790) |
| Balance, end of year | \$ 609,871 | \$ 1,261,911 |

5. Deferred capital contributions:

The changes in the deferred capital contributions balance are as follows:

| | 2018 | 2017 |
|--------------------------------------------------------------------------------------|------------|------------|
| Balance, beginning of year | \$ 135,676 | \$ 228,996 |
| Restricted contributions received during the year to be spent on capital projects | – | 118,393 |
| Revenue recognized during the year: | | |
| Program designated contributions | (59,974) | (162,116) |
| Operating designated contributions | – | (49,597) |
| Balance, end of year | \$ 75,702 | \$ 135,676 |

6. Internally restricted net assets:

Internally restricted net assets include funds that have been internally restricted by the Board of Directors for spending on ongoing and future strategic initiatives and national expansion with the approval of the Board of Directors, and as a contingency reserve to protect TLP against unforeseen loss of revenue or significant unanticipated expenses.

In 2018, the Board of Directors approved the transfer of \$1,204,173 from internally restricted net assets to unrestricted net assets (2017 - \$455,482).

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Notes to Financial Statements (continued)

Year ended June 30, 2018

7. Lease commitments:

Future minimum lease payments for the office premises and office equipment of TLP are as follows:

| | |
|------------|-------------------|
| 2019 | \$ 156,000 |
| 2020 | 156,000 |
| 2021 | 155,000 |
| 2022 | 161,000 |
| 2023 | 159,000 |
| Thereafter | 195,000 |
| | <u>\$ 982,000</u> |

8. Program expenses:

| | 2018 | 2017 |
|-------------------|---------------------|---------------------|
| Labour costs | \$ 3,109,452 | \$ 3,304,637 |
| Program resources | 1,407,887 | 1,523,293 |
| Events | 510,719 | 609,067 |
| Travel | 216,598 | 264,940 |
| | <u>\$ 5,244,656</u> | <u>\$ 5,701,937</u> |

9. Administrative and fundraising expenses:

| | 2018 | 2017 |
|----------------------|---------------------|---------------------|
| Labour costs | \$ 1,746,249 | \$ 1,569,666 |
| Tribute events | 181,543 | 172,710 |
| Office and general | 422,061 | 470,992 |
| Other administrative | 289,744 | 372,660 |
| | <u>\$ 2,639,597</u> | <u>\$ 2,586,028</u> |

THE LEARNING PARTNERSHIP

Notes to Financial Statements (continued)

Year ended June 30, 2018

10. Financial instruments:

TLP is exposed to various risks related to financial instruments. See note 2 regarding maturity and interest rate risks related to investments.

Credit risk:

Credit risk is the risk of an unexpected loss if a counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject TLP to credit risk consist principally of cash, amounts receivable and fixed income investments.