

**FOOTHILLS ACADEMY SOCIETY**

**Financial Statements**

**Year Ended August 31, 2019**

**FOOTHILLS ACADEMY SOCIETY**  
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**Year Ended August 31, 2019**

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## INDEPENDENT AUDITOR'S REPORT

### To the Members of Foothills Academy Society

#### Opinion

We have audited the financial statements of Foothills Academy Society (the "Society") which comprise the statement of financial position as at August 31, 2019, and the statements of operations, changes in net assets 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 Society as at August 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with Accounting standards for not-for-profit organizations (ASNPO).

#### 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 Society 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 ASNPO 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 Society'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 Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society'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 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 Society'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 Society'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 Society 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.

November 21, 2019  
Calgary, Alberta

*Sihota Taylor*

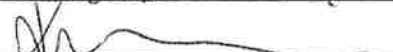
Chartered Professional Accountants

**FOOTHILLS ACADEMY SOCIETY**  
**Statement of Financial Position**  
**August 31, 2019**

	2019	2018
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents (Note 2)	\$ 2,625,520	\$ 2,581,611
Accounts receivable (Note 3)	423,702	284,753
Prepaid expenses	118,355	110,663
Marketable securities	982,645	1,789,345
	<b>4,150,222</b>	<b>4,766,372</b>
PROPERTY AND EQUIPMENT (Note 4)	<b>10,485,847</b>	<b>10,568,308</b>
LONG TERM MARKETABLE SECURITIES	<b>1,627,408</b>	<b>196,789</b>
LIFE INSURANCE INVESTMENTS (Note 5)	<b>267,578</b>	<b>265,898</b>
ENDOWMENT FUND INVESTMENTS (Note 6)	<b>3,059,203</b>	<b>2,916,341</b>
	<b>\$ 19,590,258</b>	<b>\$ 18,713,708</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 495,996	\$ 198,469
Deferred revenue (Note 7)	954,968	921,441
	<b>1,450,964</b>	<b>1,119,910</b>
DEPOSIT HELD IN TRUST (Note 2)	<b>269,936</b>	<b>180,640</b>
UNAMORTIZED EXTERNAL CAPITAL CONTRIBUTIONS (Note 8)	<b>4,622,537</b>	<b>4,727,595</b>
	<b>6,343,437</b>	<b>6,028,145</b>
<b>NET ASSETS</b>		
Invested in property and equipment	<b>5,863,310</b>	<b>5,840,713</b>
Restricted for endowment (Note 9)	<b>3,059,203</b>	<b>2,916,341</b>
Unrestricted	<b>750,000</b>	<b>750,000</b>
Internally restricted reserve (Note 10)	<b>3,574,308</b>	<b>3,178,509</b>
	<b>13,246,821</b>	<b>12,685,563</b>
	<b>\$ 19,590,258</b>	<b>\$ 18,713,708</b>

ON BEHALF OF THE BOARD

  
 \_\_\_\_\_ Governor

  
 \_\_\_\_\_ Governor

See notes to financial statements

**FOOTHILLS ACADEMY SOCIETY**

**Statement of Operations**

**Year Ended August 31, 2019**

	2019	2018
<b>REVENUES</b>		
Grants - Government of Alberta	\$ 3,630,940	\$ 3,617,488
Tuition	3,343,625	3,211,651
Program fees	1,559,408	1,400,211
Donations, fundraising and other grants (Notes 11, 12)	1,329,876	1,470,978
Endowment fund investment income (Note 13)	126,460	144,572
Amortization of unamortized capital contributions (Note 8)	105,058	105,058
Other investment income (Note 14)	79,868	47,087
	<b>10,175,235</b>	<b>9,997,045</b>
<b>EXPENSES</b>		
Salaries, wages and employee benefits	6,884,020	6,650,458
Transportation - students	609,313	583,974
Amortization	453,488	403,659
Building operations and maintenance	377,011	298,490
Fundraising events (Note 12)	281,323	284,565
Administrative services and contracts	210,866	250,404
Program materials and supplies	175,805	150,821
Instructional materials and supplies	175,369	144,196
Utilities and telephone	172,456	150,251
Instructional services and contracts	132,896	141,349
Bank charges and interest	82,381	90,934
Insurance	77,451	76,583
Non-refundable GST	35,188	33,220
Life insurance premiums	19,078	19,078
	<b>9,686,645</b>	<b>9,277,982</b>
<b>EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS</b>	<b>488,590</b>	<b>719,063</b>
UNREALIZED GAINS (Note 15)	72,668	146,520
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>\$ 561,258</b>	<b>\$ 865,583</b>

See notes to financial statements

**FOOTHILLS ACADEMY SOCIETY**  
**Statement of Changes in Net Assets**  
**Year Ended August 31, 2019**

	Invested in property and equipment	Restricted for endowment (Note 9)	Unrestricted	Internally restricted reserve (Note 10)	2019	2018
<b>NET ASSETS -</b>						
<b>BEGINNING OF YEAR</b>	\$ 5,840,713	\$ 2,916,341	\$ 750,000	\$ 3,178,509	\$ 12,685,563	\$ 11,819,980
Excess of revenues over expenses	(348,430)	142,862	766,826	-	\$ 561,258	865,583
Net investment in capital assets	371,027	-	(333,755)	(37,272)	-	-
Endowment fund distributions	-	-	-	-	-	-
Transfer from unrestricted to internally restricted	-	-	(433,071)	433,071	-	-
<b>NET ASSETS -</b>						
<b>END OF YEAR</b>	\$ 5,863,310	\$ 3,059,203	\$ 750,000	\$ 3,574,308	\$ 13,246,821	\$ 12,685,563

See notes to financial statements

**FOOTHILLS ACADEMY SOCIETY**

**Statement of Cash Flows**

**Year Ended August 31, 2019**

	2019	2018
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenses	\$ 561,258	\$ 865,583
Items not affecting cash:		
Amortization	453,488	403,659
Unrealized gains (Note 15)	(72,668)	(146,520)
Amortization of unamortized capital contributions	(105,058)	(105,058)
Non-cash endowment fund investment income accrual	(126,460)	(144,572)
	<b>710,560</b>	<b>873,092</b>
Changes in non-cash working capital:		
Accounts receivable	(138,949)	128,910
Accounts payable and accrued liabilities	297,523	33,714
Deferred revenue	33,527	(42,209)
Prepaid expenses	(7,692)	(17,847)
Deposit held in trust (Note 2)	89,296	180,640
	<b>273,705</b>	<b>283,208</b>
Cash flow from operating activities	<b>984,265</b>	<b>1,156,300</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(371,027)	(403,438)
Net (investment in) sale of marketable securities	(569,329)	269,212
Cash flow used by investing activities	<b>(940,356)</b>	<b>(134,226)</b>
<b>FINANCING ACTIVITY</b>		
Endowment fund distributions received	-	116,932
<b>INCREASE IN CASH</b>	<b>43,909</b>	<b>1,139,006</b>
Cash - beginning of year	2,581,611	1,442,605
<b>CASH - END OF YEAR</b>	<b>\$ 2,625,520</b>	<b>\$ 2,581,611</b>

See notes to financial statements



# FOOTHILLS ACADEMY SOCIETY

## Notes to Financial Statements

Year Ended August 31, 2019

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Foothills Academy Society (the "Society") is an educational institution which provides special needs children the facilities, programs and specialized tools necessary for their learning. In addition, the Society aids the greater community through professional development, research, material development, assessment plus intervention strategies and specialized tutoring. The Society is incorporated under the Societies Act of Alberta as a Not-For-Profit Organization and is a registered charity under the Income Tax Act.

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of presentation

The financial statements were prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO).

#### Deferral method of accounting and revenue recognition

The Society follows the deferral method of accounting for contributions, resulting in the recognition of revenues as follows:

Grants and tuition are recognized as revenue when courses and programs are delivered. Tuition is charged to cover operating costs; however, approximately 40% of the students qualified for a reduced tuition, which is supplemented through fundraising activities.

Donations and fundraising proceeds, if externally restricted, are recognized as revenue in the period when the related expenses are recognized. Donations and fundraising proceeds which are not externally restricted are recognized as revenue when received.

Externally restricted capital contributions are recorded as deferred capital contributions until invested in capital assets. Amounts expended, representing externally funded capital assets, are then transferred to unamortized external capital contributions. Unamortized capital contributions are recognized as revenue in the year the related amortization expense of the funded capital asset is recorded.

Community service revenues are recognized when services are rendered.

Investment income (losses) earned on marketable securities are not restricted and therefore recognized when earned. Unrealized gains and losses on marketable securities are also recognized annually.

#### Contributed materials and services

Contributed materials are recognized at their estimated fair market value as items of both revenue and expense.

Volunteers contribute their time to assist the Society in carrying out its educational services. Due to the difficulty in determining the fair value of these services, contributed services are not recognized in the financial statements.

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# FOOTHILLS ACADEMY SOCIETY

## Notes to Financial Statements

Year Ended August 31, 2019

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

Cash consists of cash on hand, bank balances, and guaranteed investment certificates with maturities of three months or less. Interest earned and any market value gains or losses are recognized annually in the statement of operations. The fair value of cash equivalents approximate their carrying value due to their short maturity.

Marketable securities

Marketable securities consist of fixed income investments with maturities of more than three months but less than twelve months from the date of purchase. Long term marketable securities consist of fixed income investments with maturities greater than one year from the date of purchase and investments in equity instruments.

Life insurance investments

The Society has received gifts of policies of life insurance. Any insurance premiums paid by the donor to maintain the policies in good standing are recognized as donation revenue with a corresponding life insurance premium expense. The cash surrender value is recorded as an asset, with changes in the cash surrender value included in the statement of operations annually. As the realizable amount in excess of the cash surrender value is not certain, the Society will record the benefits as donation revenue when the proceeds are certain.

Property and equipment

Property and equipment are stated at cost less accumulated amortization. Purchased property and equipment are originally recorded at cost. Contributed property and equipment are originally recorded at fair market value at the date of contribution. Amortization is provided on a straight line basis, with no amortization taken in the year of acquisition, over the assets' estimated useful lives as follows:

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Building and play structure	40 - 50 years
Automotive	10 years
Equipment, furniture and fixtures	10 years
Computers and audio visual	3 years

The Society regularly reviews its property and equipment to eliminate obsolete items.

Foreign currency translation

The Society uses the temporal method to translate its foreign currency transactions, which are limited to marketable securities denominated in US dollars. US dollar denominated marketable securities are translated at the exchange rate in effect at the date of the statement of financial position. Realized foreign investment income recognized in the current year statement of operations is translated at average year exchange rates. Exchange gains and losses are included in the statement of operations.

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# FOOTHILLS ACADEMY SOCIETY

## Notes to Financial Statements

Year Ended August 31, 2019

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Pension plan

The Society contributes to the Private School Teachers' Pension Plan ("the Plan") for the employees who are teachers at Foothills Academy. The Alberta Teachers' Retirement Fund Board, a corporation of the Province of Alberta, is the trustee and administrator of the Plan. The Plan is a contributory defined benefit pension plan. The determination of the value of the benefits and the required contributions for the Plan is made on the basis of periodic actuarial valuations by the trustee and administrator of the Plan. The required contributions are funded and expensed on an annual basis.

#### Financial instruments

##### *Measurement of financial instruments*

The Society initially measures its financial assets and liabilities at fair value.

The Society subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments and other securities that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include cash and cash equivalents and accounts receivable.

Financial assets measured at fair value include marketable securities, life insurance investments and endowment fund investments.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and deposit held in trust.

##### *Impairment*

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the statement of operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

##### *Transaction costs*

The Society recognizes its transaction costs in the statement of operations in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their obligation, issuance or assumption.

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**FOOTHILLS ACADEMY SOCIETY**

**Notes to Financial Statements**

**Year Ended August 31, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Measurement uncertainty and 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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates. Accounts specifically affected by estimates in these financial statements include accounts receivable and property and equipment.

2. DEPOSIT HELD IN TRUST

The Society is holding in trust \$269,936 (2018 - \$180,640) for an organization of which it is a member. The funds do not belong to the Society and as such the amount held in trust, included in cash and cash equivalents, is not available for use by the Society. Further information regarding the deposit held in trust is disclosed in Note 16.

3. ACCOUNTS RECEIVABLE

Accounts receivable consists of:

	<b>2019</b>	<b>2018</b>
Tuition, assessments and community services	\$ 73,933	\$ 84,316
Fundraising	304,960	151,179
Goods and services tax recoverable	40,385	39,659
Interest receivable	4,424	9,599
	<b>\$ 423,702</b>	<b>\$ 284,753</b>

4. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Building	\$ 12,952,010	\$ 4,569,636	\$ 8,382,374	\$ 8,628,797
Land	892,188	-	892,188	892,188
Computers and audio visual	275,802	69,511	206,291	133,998
Equipment	785,560	286,254	499,306	568,305
Furniture and fixtures	376,855	90,452	286,403	253,678
Play structure	50,384	31,988	18,396	19,655
Automotive	89,609	26,883	62,726	71,687
Parking lot	138,163	-	138,163	-
	<b>\$ 15,560,571</b>	<b>\$ 5,074,724</b>	<b>\$ 10,485,847</b>	<b>\$ 10,568,308</b>

Construction of the parking lot was not complete at August 31, 2019.

## FOOTHILLS ACADEMY SOCIETY

### Notes to Financial Statements

Year Ended August 31, 2019

#### 5. LIFE INSURANCE INVESTMENTS

Life insurance investments consists of:

	2019	2018
Cash surrender value of life insurance policies	\$ 267,578	\$ 265,898

#### 6. ENDOWMENT FUND INVESTMENTS

An endowment fund has been put in trust with The Calgary Foundation for funding community services. At August 31, 2019, the fair value of the fund was \$1,446,992 (2018 - \$1,379,010). In accordance with the fund management agreement, 5% of the market value of the fund is scheduled to be paid out annually in July. Management has instructed the Calgary Foundation to reinvest the annual distribution for the 2019 year. During the year ended August 31, 2019, \$Nil (2018 - \$55,285) was received by the Society.

An endowment fund has been put in trust with The Calgary Foundation for funding tuition assistance. At August 31, 2019, the fair value of the fund was \$483,229 (2018 - \$460,845). In accordance with the fund management agreement, 5% of the market value of the fund is scheduled to be paid out annually in July. Management has instructed the Calgary Foundation to reinvest the annual distribution for the 2019 year. During the year ended August 31, 2019, \$Nil (2018 - \$18,481) was received by the Society.

An endowment fund has been put in trust with The Calgary Foundation for funding bursary support if the bursary program needs exceed the 1995-1996 benchmark of \$502,182. At August 31, 2019, the fair value of the fund was \$1,128,982 (2018 - \$1,076,486). In accordance with the fund management agreement, 5% of the market value of the fund is scheduled to be paid out annually in July. Management has instructed the Calgary Foundation to reinvest the annual distribution for the 2019 year. During the year ended August 31, 2019, \$Nil (2018 - \$43,166) was received by the Society.

In addition to the managed endowment funds, three principal funds totaling \$33,406 (2018 - \$32,572) are owned and operated by The Calgary Foundation. Revenue earned on the principal funds is paid out annually for funding school programs.

#### 7. DEFERRED REVENUE

Deferred revenue represents amounts collected in the current year which will be recognized as revenue in the next fiscal year and consists of amounts received in respect of:

	2019	2018
Community services	\$ -	\$ 22,900
Tuition	865,168	800,934
Donations, fundraising and grants	89,800	97,607
	\$ 954,968	\$ 921,441

**FOOTHILLS ACADEMY SOCIETY**  
**Notes to Financial Statements**  
**Year Ended August 31, 2019**

8. UNAMORTIZED EXTERNAL CAPITAL CONTRIBUTIONS

Unamortized external capital contributions are being amortized over 50 years. The change in the balance for the year is as follows:

Balance, beginning of year	<b>\$ 4,727,595</b>
Amortization of unamortized capital contributions	<u><b>(105,058)</b></u>
Balance, end of year	<u><b>\$ 4,622,537</b></u>

9. NET ASSETS RESTRICTED FOR ENDOWMENT

Endowments consist of internally and externally restricted amounts where the endowment principal is to be maintained intact. The investment income generated from assets held for endowment purposes must be used in accordance with the various purposes established by the donors or management.

	<b>2019</b>	<b>2018</b>
Externally restricted	<b>\$ 1,818,853</b>	<b>\$ 1,818,853</b>
Internally restricted	<b>1,240,350</b>	<b>1,097,488</b>
	<u><b>\$ 3,059,203</b></u>	<u><b>\$ 2,916,341</b></u>

The internally restricted endowment amount consists of investment income earned in excess of endowment distributions received. This amount has been internally restricted by management for the purpose of earning investment income in future periods.

10. INTERNALLY RESTRICTED RESERVE

The Board of Governors of the Society has established an internally restricted reserve that is managed in accordance with its investment policy and building lifecycle assessment. The internally restricted reserve is comprised of:

	<b>2019</b>	<b>2018</b>
Building maintenance reserve	<b>\$ 2,343,349</b>	<b>\$ 2,184,121</b>
Bursary and operating reserve	<b>1,230,959</b>	<b>994,388</b>
	<u><b>\$ 3,574,308</b></u>	<u><b>\$ 3,178,509</b></u>

The bursary and operating reserve was established in 2018 as initial funds allocated to provide for unbudgeted material operating events and sustainable bursary funding. During the year ended August 31, 2019, \$236,571 (2018 - \$994,388) was added to the bursary and operating reserve. Additional annual allocations and withdrawals from the reserve are subject to approval by the Board of Governors.

The building lifecycle assessment prepared by an independent professional engineering firm in 2017 recommends an annual allocation of \$196,500 to the initial reserve amount of \$2,000,000. During the year ended August 31, 2019, \$196,500 (2018 - \$393,000) was added to the building maintenance reserve and building refurbishment costs of \$37,272 (2018 - \$208,879) were deducted from the reserve.

**FOOTHILLS ACADEMY SOCIETY**  
**Notes to Financial Statements**  
**Year Ended August 31, 2019**

11. DONATED MATERIALS

During the year, the Society received and recognized \$129,441 (2018 - \$115,402) in donated materials.

12. FUNDRAISING EXPENSES

As required under section 7(2) of the Charitable Fundraising Regulation in Alberta, the following amounts are disclosed for the years ended August 31, 2019 and August 31, 2018:

	<b>2019</b>	<b>2018</b>
Gross contributions received from fundraising activities used for tuition bursaries and program fees (includes net raffle and casino proceeds from Foothills Academy Parents Association)	<b>\$ 1,150,644</b>	<b>\$ 1,212,091</b>
Expenses incurred for fundraising activities	<b>(281,323)</b>	<b>(284,565)</b>

Employees are not remunerated for fundraising activities. Fundraising by employees is done on a voluntary basis.

13. ENDOWMENT FUND INVESTMENT INCOME

	<b>2019</b>	<b>2018</b>
Realized gains on endowment fund investments	<b>\$ 95,453</b>	<b>\$ 112,111</b>
Interest and other investment income	<b>66,447</b>	<b>68,023</b>
Administration fees	<b>(35,440)</b>	<b>(35,562)</b>
	<b>\$ 126,460</b>	<b>\$ 144,572</b>

Realized gains (losses) on dispositions of endowment fund investments are inclusive of the fair market value adjustments recognized in prior periods.

14. OTHER INVESTMENT INCOME

	<b>2019</b>	<b>2018</b>
Realized loss on marketable securities	<b>\$ (2,082)</b>	<b>\$ -</b>
Dividend income	<b>20,657</b>	<b>-</b>
Interest income	<b>61,293</b>	<b>47,807</b>
	<b>\$ 79,868</b>	<b>\$ 47,807</b>

Realized gains (losses) on dispositions of marketable securities are inclusive of the fair market value adjustments recognized in prior periods.

**FOOTHILLS ACADEMY SOCIETY**  
**Notes to Financial Statements**  
**Year Ended August 31, 2019**

15. UNREALIZED GAINS

Unrealized gains consist of the following:

	2019	2018
Unrealized gain on marketable securities	\$ 54,587	\$ 10,360
Unrealized gain on endowment fund investments	16,402	113,263
Unrealized gain on life insurance investments	1,679	22,897
	<b>\$ 72,668</b>	<b>\$ 146,520</b>

16. RELATED PARTY TRANSACTIONS

Transactions with the following related parties are considered to be in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Amounts due to or from the related parties and the recorded amounts of the transactions are included within these financial statements, unless otherwise stated.

The Foothills Academy Parent Association (FAPA) carries on certain fundraising initiatives and the resulting earnings are paid to the Foothills Academy Society. Included in accounts receivable is \$Nil (2018 - \$Nil) owing from FAPA. During the year, the Society received \$125,018 (2018 - \$186,497) in fundraising proceeds from FAPA.

The Co-Executive Directors of the Society are also Coordinators of the Calgary Region LD and ADHD Network (the "Network") for which funds are being held in trust (Note 2). As the Co-Executive Directors have significant influence over the Network, the Society and the Network are related parties. During the year, the Society received \$35,865 (2018 - \$Nil) from the Network in accordance with the written agreement in place with the Network. The funds received have been recognized as revenue and reflect a recovery of the administration costs of the Society in supporting the Network.

17. ECONOMIC DEPENDENCE

The Foothills Academy Society's primary source of revenue is grants from the Alberta Government. The Foothills Academy Society's ability to continue viable operations is dependant on this funding.

18. COMMITMENTS

Pension plan contributions paid and expensed by the Society for the year ended August 31, 2019 amounted to \$283,438 (2018 - \$278,264).

The Society has annual lease commitments on office equipment with annual lease payments of \$57,532 due in 2020. The Society also has a service maintenance contract with an annual payment of \$17,244 due in 2020.

19. FINANCIAL INSTRUMENTS RISK MANAGEMENT

The Society has exposure to various risks through its financial instruments. The significant risks are detailed below.

*(continues)*



## FOOTHILLS ACADEMY SOCIETY

### Notes to Financial Statements

Year Ended August 31, 2019

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#### 19. FINANCIAL INSTRUMENTS RISK MANAGEMENT *(continued)*

##### Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge the obligation or commitment, resulting in a financial loss to the Society. The reported fair value of the financial instrument takes into account the creditworthiness of its issuer. The Society manages the risk by maintaining cash balances, investing with large well established banks and monitoring performance. Grant revenue is paid to the Society by the Province of Alberta. The balance of operating revenue is received from a large number of diverse parties which minimizes the concentration of credit risk.

##### Liquidity risk

Liquidity risk is the risk that the Society will not be able to meet its liabilities as they fall due. A substantial portion of the Society's assets are investments traded in active markets that can be readily liquidated and therefore the Society's liquidity risk is considered to be low. In addition, the Society aims to retain sufficient cash positions to manage liquidity risk.

##### 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. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. Market risk is mitigated by maintaining a diversified investment portfolio managed by professional investment advisors in accordance with the investment policy established by the Board of Governors of the Society.

##### Currency rate risk

Currency rate risk is the risk that the value of a financial instrument might be adversely affected by a change in currency exchange rates. At August 31, 2019, \$461,672 (2018 - \$Nil) was invested in US securities representing 18% (2018 - 0%) of total marketable securities. The value of these securities in US dollars at August 31, 2019 was \$347,252 (2018 - \$Nil).

##### Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Society manages exposure through its normal operating, investing and financing activities. The Society is exposed to interest rate risk primarily through its investments in fixed income securities which amounted to \$1,378,628 as at August 31, 2019 (2018 - \$1,986,134) representing 53% (2018 - 100%) of total marketable securities.

##### Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Society is exposed to other price risk through its investments in equity instruments which amounted to \$1,231,424 as at August 31, 2019 (2018 - \$Nil) representing 47% (2018 - 0%) of total marketable securities.

