

**PEARSON EDUCATIONAL FOUNDATION  
FINANCIAL STATEMENTS  
JUNE 30, 2012  
(Unaudited)**

# PEARSON EDUCATIONAL FOUNDATION

JUNE 30, 2012

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## REVIEW ENGAGEMENT REPORT

To the members of  
**Pearson Educational Foundation**

We have reviewed the statement of financial position of Pearson Educational Foundation as at June 30, 2012 and the statements of changes in net assets, operations and cash flows for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the foundation.

A review does not constitute an audit and consequently we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian generally accepted accounting principles.

*SLK Abramovitch LLP*

Montreal, Quebec  
October 16, 2012

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<sup>1</sup>By Howard Levine, CPA, CA auditor

**PEARSON EDUCATIONAL FOUNDATION**  
(Incorporated under the Québec Companies Act)  
**STATEMENT OF FINANCIAL POSITION**

| As at June 30                          | 2012             | 2011             |
|----------------------------------------|------------------|------------------|
| (Unaudited)                            |                  |                  |
| <b>Assets</b>                          |                  |                  |
| <b>Current</b>                         |                  |                  |
| Cash and cash equivalents              | \$157,559        | \$172,994        |
| Accounts receivable                    | 15,211           | 1,030            |
| Sundry receivable                      | 16,369           | 6,830            |
|                                        | <b>\$189,139</b> | <b>\$180,854</b> |
| <b>Liabilities and net assets</b>      |                  |                  |
| <b>Current</b>                         |                  |                  |
| Accounts payable                       | \$ 6,942         | \$ 2,500         |
| <b>Deferred contributions</b> (Note 4) | <b>95,648</b>    | <b>69,035</b>    |
| <b>Net assets</b>                      |                  |                  |
| Internally restricted (Note 5)         | 115,117          | 80,701           |
| Unrestricted (deficiency)              | (28,628)         | 28,618           |
|                                        | <b>86,549</b>    | <b>109,319</b>   |
|                                        | <b>\$189,139</b> | <b>\$180,854</b> |

ON BEHALF OF THE BOARD

\_\_\_\_\_ Director

**PEARSON EDUCATIONAL FOUNDATION**  
**STATEMENT OF CHANGES IN NET ASSETS**

For the year ended June 30

|                                                      |                          |                 | <b>2012</b>      | 2011             |
|------------------------------------------------------|--------------------------|-----------------|------------------|------------------|
| (Unaudited)                                          | Internally<br>restricted | Unrestricted    | <b>Total</b>     | Total            |
| Balance – beginning of year                          | \$ 80,701                | 28,618          | <b>\$109,319</b> | \$108,218        |
| Excess (deficiency) of revenues over<br>expenditures | 50,394                   | (57,246)        | <b>(6,852)</b>   | 1,101            |
| Internally designated transfers (Note 5)             | (15,918)                 | --              | <b>(15,918)</b>  | --               |
| <b>Balance – end of year</b>                         | <b>\$115,117</b>         | <b>(28,628)</b> | <b>\$ 86,549</b> | <b>\$109,319</b> |

**PEARSON EDUCATIONAL FOUNDATION****STATEMENT OF OPERATIONS**

For the year ended June 30

2012

2011

(Unaudited)

|                                                 | 2012              | 2011            |
|-------------------------------------------------|-------------------|-----------------|
| <b>Revenues</b>                                 |                   |                 |
| Donations                                       | \$227,874         | \$247,638       |
| Activities                                      | 2,441             | 2,320           |
| Interest                                        | 666               | 612             |
|                                                 | <b>230,981</b>    | <b>250,570</b>  |
| <b>Expenditures</b>                             |                   |                 |
| In-kind donations                               | 31,971            | 50,650          |
| Activities                                      | 158,856           | 183,914         |
| Administrative fees                             | 38,232            | 6,249           |
| Office and general                              | 1,671             | 1,707           |
| Insurance                                       | 1,532             | 1,435           |
| Promotion                                       | 2,465             | 2,519           |
| Professional fees                               | 2,889             | 2,740           |
| Banks charges                                   | 217               | 255             |
|                                                 | <b>237,833</b>    | <b>249,469</b>  |
| <b>Deficiency of revenues over expenditures</b> | <b>\$ (6,852)</b> | <b>\$ 1,101</b> |

**PEARSON EDUCATIONAL FOUNDATION****STATEMENT OF CASH FLOWS**

For the year ended June 30

**2012****2011****(Unaudited)**

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|                                                  |                  |                  |
|--------------------------------------------------|------------------|------------------|
| <b>Cash flow from operating activities:</b>      |                  |                  |
| Excess (deficiency) of revenue over expenditures | \$ (6,852)       | \$ 1,101         |
| Changes in non-cash elements of working capital: |                  |                  |
| Transfer to deferred contributions               | (15,918)         | --               |
| Accounts receivable                              | (14,181)         | 2,670            |
| Sundry receivable                                | (9,539)          | 3,912            |
| Accounts payable                                 | 4,442            | (926)            |
| Deferred contributions                           | 26,613           | (9,349)          |
|                                                  |                  |                  |
| <b>Net decrease in cash position</b>             | <b>(15,435)</b>  | <b>(2,592)</b>   |
|                                                  |                  |                  |
| <b>Cash position</b>                             |                  |                  |
| Beginning of year                                | 172,994          | 175,586          |
|                                                  |                  |                  |
| <b>End of year</b>                               | <b>\$157,559</b> | <b>\$172,994</b> |

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# PEARSON EDUCATIONAL FOUNDATION

## NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

June 30, 2012

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### **Note 1 - Status**

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The Pearson Educational Foundation is incorporated under Part III of Québec Companies Act as a non-for-profit organization. The Foundation is active in the collection of donations and the provision of financial support to schools, centers and individuals. As such, the Foundation is exempt from income tax.

### **Note 2 - Significant accounting policies**

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The financial statements of the Foundation have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

#### **Cash and cash equivalents**

Cash and cash equivalents consist of cash on deposit and short-term deposits with a term to maturity of 90 days or less at the date of purchase.

#### **Use of estimates**

Certain items recognized in the financial statements are subject to measurement uncertainty. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may vary from the current estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the periods in which they become known. The financial statements have, in management's opinion, been prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

#### **Financial instruments**

Cash and cash equivalents are classified as held-for-trading. Changes in fair value are recorded in the statement of operations. Accounts receivable are classified as loans and receivables. They are initially recorded at fair value and subsequently measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities. They are initially recorded at fair value and subsequently measured at amortized cost.

#### **Revenue and expense recognition**

- i) The Foundation follows the deferral method of accounting for grants and contributions. Restricted grants and contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted grants and contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.
- ii) Grants and contributions received in advance are reflected in the financial statements as deferred revenues.
- iii) Expenses related to programs to be delivered in the next fiscal year are reflected in the financial statements as deferred charges.



**PEARSON EDUCATIONAL FOUNDATION**  
**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS**

June 30, 2012

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**Note 2 - Significant accounting policies** (continued)

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**Contributed materials and services**

Contributions of materials and services are recognized as both revenues and expenses in these financial statements when a fair value can be reasonably estimated and when the materials and services are used in the normal course of the Foundation's operations and would otherwise have been purchased.

The work of the Foundation is dependent on the voluntary service of many members and others. Since these services are not normally purchased by the Foundation and because of the difficulty of determining their fair value, contributed services are not recognized in these financial statements.

**Pledges**

The amount of any pledges to contribute funds to the Foundation is included in revenues when the amount to be received can be reasonably estimated and ultimate collection is reasonably assured.

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**Note 3 - Future accounting policy**

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The Foundation has determined that it will adopt accounting standards for not-for-profit organizations (Part III of the CICA Handbook) effective July 1, 2012 and is currently assessing the difference between current Canadian GAAP and this alternative and the potential impact to the financial statements.

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**Note 4 – Deferred contributions**

2012

2011

Deferred contributions represent unspent resource externally restricted operating funding received for specific purposes. Changes in deferred contribution balances are as follows:

|                                          |          |          |
|------------------------------------------|----------|----------|
| Balance – beginning of year              | \$69,035 | \$78,384 |
| Internally designated transfers (Note 6) | 15,918   | --       |
| Grants, donations and investments        | 27,782   | 24,655   |
| Recognized as revenue                    | (17,087) | (34,004) |
| Balance – end of year                    | \$95,648 | \$69,035 |

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**Note 5 – Restrictions on net assets**

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These internally restricted amounts are to be held and not disbursed without the approval of the Board of Directors.

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**Note 6 – Transfer of funds**

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In the fiscal year ended June 30, 2012, the directors approved the transfer of \$15,918 from the internal fund to externally restricted net assets.

**PEARSON EDUCATIONAL FOUNDATION**  
**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS**

June 30, 2012

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**Note 7 - Financial instruments**

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**Fair values**

The fair values of the Foundation's short-term financial assets and liabilities, cash, term deposits, accounts receivable, sundry receivable and accounts payable and accrued liabilities approximate their carrying values due to their short-term nature.

**Credit risk**

The Foundation is exposed to credit risk on the accounts receivable from its customers. In order to reduce its credit risk, the Foundation has adopted credit policies which include the analysis of the financial position of its customers and the regular review of their credit limits.

**Note 8 - Capital disclosures**

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The Foundation's objectives when managing capital are to safeguard the Foundation's ability to continue as a going concern and to maintain sufficient cash resources to continue to expand its operations.

The Foundation's overall strategy with respect to capital risk management remains unchanged for the year ended June 30, 2012.

Pearson Educational Foundation  
 Schedule of funds  
 For the year ended June 30, 2012  
 (Unaudited)

| Description                                       | Balance<br>Beginning of<br>year | Internally designated<br>transfers | Deposits | Expenses | Balance End of<br>year |
|---------------------------------------------------|---------------------------------|------------------------------------|----------|----------|------------------------|
| <b>Internally Restricted</b>                      |                                 |                                    |          |          |                        |
| Beacon Hill Fund                                  | 2910.00                         |                                    |          | \$ 1,665 | \$ 1,245               |
| Beaconsfield High School Resource Fund            | -15.00                          |                                    | 15       |          | -                      |
| Beurling - Food Program                           | 420.00                          |                                    |          |          | 420                    |
| BHS Arts                                          | 97.00                           |                                    |          |          | 97                     |
| BHS Challenge Day                                 | 1328.00                         |                                    |          | 1,328    | -                      |
| BHS Europe Trip                                   | 255.00                          |                                    |          | 255      | -                      |
| BHS Gallant Fund                                  | 0.00                            |                                    | 1,000    | 1,000    | -                      |
| BHS Music Fund                                    | 944.00                          |                                    | 1,455    |          | 2,399                  |
| BHS Phys Ed Dept                                  | 1116.00                         |                                    |          | 1,116    | -                      |
| Children's World Academy Fund                     | 2428.00                         |                                    |          |          | 2,428                  |
| Christmas Park General Fund                       | 3155.00                         |                                    | 2,959    | 2,342    | 3,772                  |
| Conny Held Memorial Fund                          | 0.00                            |                                    |          | -        | -                      |
| Dorset General Fund                               | 151.27                          |                                    | 49       |          | 200                    |
| Dr. Judith Springate Scholarship                  | 0.00                            |                                    | 1,000    | 1,000    | -                      |
| Edgewater Camp Fund                               |                                 |                                    | 378      |          | 378                    |
| Experiential STEM Education Fund                  |                                 |                                    | 24,625   | 6,486    | 18,139                 |
| Forest Hill Sr. Fund                              | 485.00                          |                                    |          |          | 485                    |
| Friends of Louise Chalmers Theatre Association    | 3618.00                         | (3,618)                            |          |          | -                      |
| Grant 11-12 : Lakeside Academy Food for Our World |                                 |                                    | 1,500    | 1,398    | 102                    |
| Grant 11-12: Allion Volleyball Program            |                                 |                                    | 3,000    | 2,800    | 200                    |
| Grant 11-12: Alt Centre Cooking Program           |                                 |                                    | 1,200    |          | 1,200                  |
| Grant 11-12: BHS Kilometer of Courage             |                                 |                                    | 485      | 454      | 31                     |
| Grant 11-12: BHS Parents of Sick Children         |                                 |                                    | 138      | 70       | 68                     |
| Grant 11-12: Birchwood Murals Project             |                                 |                                    | 400      | 375      | 25                     |
| Grant 11-12: Dorset Intergenerational Technology  |                                 |                                    | 2,600    | 2,577    | 23                     |
| Grant 11-12: Lindsay Place Homework Program       |                                 |                                    | 200      | -        | 200                    |
| Grant 11-12: Macdonald High Digital Photography   |                                 |                                    | 1,000    |          | 1,000                  |
| Grant 11-12: Margaret Manson Environment Club     |                                 |                                    | 720      |          | 720                    |
| Grant 11-12: Mount Pleasant GPS program           |                                 |                                    | 1,250    | 1,171    | 79                     |
| Grant 11-12: Orchard Tap Dance Program            |                                 |                                    | 1,200    | 892      | 308                    |
| Grant 11-12: PACC Learning Centre                 |                                 |                                    | 500      |          | 500                    |

Pearson Educational Foundation  
 Schedule of funds  
 For the year ended June 30, 2012  
 (Unaudited)

| Description                                         | Balance<br>Beginning of<br>year | Internally designated<br>transfers | Deposits | Expenses | Balance End of<br>year |
|-----------------------------------------------------|---------------------------------|------------------------------------|----------|----------|------------------------|
| Grant 11-12: PCHS Bistro                            |                                 |                                    | 500      |          | 500                    |
| Grant 11-12: PCHS Robotics Club Competition         |                                 |                                    | 1,650    | 89       | 1,561                  |
| Grant 11-12: Place Cartier Peace Art Project        |                                 |                                    | 2,600    | 1,880    | 720                    |
| Grant 11-12: Portage Alt Drug Prevention Mentoring  |                                 |                                    | 957      | 862      | 95                     |
| Grant 11-12: Riverdale Boys to Men                  |                                 |                                    | 900      |          | 900                    |
| Grant 11-12: Riverdale Elementary Links             |                                 |                                    | 2,000    | 245      | 1,755                  |
| Grant 11-12: Sherwood Forest Robotics Club          |                                 |                                    | 1,800    | 1,687    | 113                    |
| Grant 11-12: St. Anthony Circus                     |                                 |                                    | 290      | 252      | 38                     |
| Grant 11-12: St. Lawrence Academy Holocaust Study   |                                 |                                    | 500      | 210      | 290                    |
| Grant 11-12: Sunshine Academy Robotics Club         |                                 |                                    | 1,800    | 1,687    | 113                    |
| Grant 11-12: Verdun Suspicious Fish Publishing Proj |                                 |                                    | 2,000    | 1,874    | 126                    |
| Grant 11-12: Westwood Sr. Make it Happen Day        |                                 |                                    | 1,350    | 883      | 467                    |
| John Killingbeck Memorial Fund                      | 4667.00                         |                                    | 797      | 1,500    | 3,964                  |
| John Rennie High School General Fund                | 1753.85                         |                                    | 958      | 1,292    | 1,420                  |
| John Rennie High School Sports Etude                | 6800.09                         |                                    | 7,532    | 5,068    | 9,264                  |
| John Rennie Hockey Fund                             | 825.00                          |                                    |          |          | 825                    |
| John Rennie Robotics Fund                           | 100.00                          |                                    |          |          | 100                    |
| JRHS Don Kinsella Bursary Fund                      |                                 |                                    | 200      | 125      | 75                     |
| Lakeside Academy General Fund                       | 583.00                          |                                    | 387      | 393      | 577                    |
| Lakeside Jubilation Gala-2012                       |                                 |                                    | 197      |          | 197                    |
| LaSalle Comprehensive Equador Trip                  | 3250.00                         |                                    | 2,425    | 5,458    | 217                    |
| LaSalle Comprehensive General Fund                  | 4258.57                         |                                    |          | 3,788    | 471                    |
| LBPSB Food fund                                     | -2735.00                        |                                    | 2,735    |          | -                      |
| LBPSB Hungry Kids program                           |                                 |                                    | 690      | 690      | -                      |
| Lindsay Place General Fund                          | 100.00                          |                                    |          |          | 100                    |
| Lindsay Place High School Alumni Fund               | 2202.00                         | (2,202)                            | 4,496    | 4,091    | 405                    |
| LCCHS : Make the Right Choice                       |                                 |                                    | 790      |          | 790                    |
| Maple Grove General Fund                            | 0.00                            |                                    | 4,850    | 4,019    | 831                    |
| Maple Grove : Fondation Go                          | 0.00                            |                                    |          |          |                        |
| Margaret Manson Elementary School General Fund      | 3295.00                         |                                    |          | 1,164    | 3,295                  |
| Margaret Manson Learning Awards                     | 5162.00                         |                                    |          | 20       | 4,248                  |
| Meadowbrook General Fund                            | 20.10                           |                                    | 250      |          | 0                      |
| Meadowbrook General Fund                            | 624.00                          |                                    |          | 624      | -                      |

Pearson Educational Foundation  
 Schedule of funds  
 For the year ended June 30, 2012  
 (Unaudited)

| Description                              | Balance<br>Beginning of<br>year | Internally designated<br>transfers | Deposits          | Expenses           | Balance End of<br>year |
|------------------------------------------|---------------------------------|------------------------------------|-------------------|--------------------|------------------------|
| Orchard Elementary Fund                  | -400.03                         |                                    | 353               |                    | (47)                   |
| Partnership Science & Tech Days          |                                 |                                    | 4,065             | 4,052              | 13                     |
| Patricia Rodler Memorial Fund            | 121.00                          |                                    |                   | 121                | -                      |
| PCHS General Fund                        | 230.00                          |                                    |                   |                    | 230                    |
| Pearson Culinary Fund                    | 76.00                           |                                    |                   |                    | 76                     |
| Riverdale General Fund                   | -5208.00                        |                                    | 4,409             |                    | (799)                  |
| Rona Cupak Fund                          | 4386.00                         |                                    | 222               | 2,330              | 2,278                  |
| Springdale Graduation Fund               |                                 |                                    | 754               | 478                | 276                    |
| St. John Fisher Fund                     | 2500.00                         |                                    |                   |                    | 2,500                  |
| St. Lawrence Academy Sr Fund             | 1164.00                         |                                    |                   |                    | 1,164                  |
| (No Suggestions) Literacy Fund           |                                 |                                    | 9,321             |                    | 9,321                  |
| St. Thomas High School 50th Anniversary  | 6786.00                         |                                    |                   | 1,070              | 5,716                  |
| St. Thomas Hockey Fund                   | 2336.00                         |                                    |                   | 1,241              | 1,095                  |
| Terry Fox Fund                           | 194.00                          |                                    |                   | 194                | -                      |
| Terry Fox General Fund                   | 250.00                          |                                    |                   |                    | 250                    |
| Thorndale Christmas Baskets              | -17.00                          |                                    | 1,702             | 1,690              | (5)                    |
| Thorndale General Fund                   | 1350.00                         |                                    | 194               |                    | 1,544                  |
| TOPS 2012                                |                                 |                                    | 1,649             | 1,547              | 102                    |
| Verdun camp                              |                                 |                                    | 10,050            |                    | 10,050                 |
| Verdun Elementary Field Trip             | 1512.00                         |                                    | 50                |                    | 1,562                  |
| Verdun Elementary Fund                   | 6925.00                         |                                    | 4,850             |                    | 11,775                 |
| Verdun Lunch Program                     | 100.00                          |                                    |                   |                    | 100                    |
| Westwood Bridge to Burundi               | 3128.00                         | (3,128)                            | -                 | -                  | -                      |
| Westwood High General Fund               | 6970.00                         | (6,970)                            | -                 | -                  | -                      |
| Westwood Senior High School General Fund | 500.00                          |                                    |                   |                    | 500                    |
|                                          | <b>80700.9</b>                  | <b>-\$</b>                         | <b>\$ 125,947</b> | <b>\$ 75,553.0</b> | <b>\$ 115,177</b>      |

Pearson Educational Foundation  
 Schedule of funds  
 For the year ended June 30, 2012  
 (Unaudited)

| Description                                    | Balance<br>Beginning of<br>year | Internally designated<br>transfers | Deposits  | Expenses  | Balance End of<br>year |
|------------------------------------------------|---------------------------------|------------------------------------|-----------|-----------|------------------------|
| <b>Externally Restricted</b>                   |                                 |                                    |           |           |                        |
| Bauer Memorial Beaconsfield High School        | 3,540                           |                                    | 1,000     |           | 4,540                  |
| Born to Read                                   | 42,434                          |                                    | 11,670    | 6,044     | 48,060                 |
| Friends of Louise Chalmers Theatre Association |                                 | 3,618                              | 1,816     |           | 5,434                  |
| Harry Fischer Fund                             | 534                             |                                    |           | 700       | 534                    |
| Lindsay Place High School Alumni Fund          |                                 | 2,202                              |           | 300       | 1,502                  |
| Lindsay Place : Dylan Ford Scholarship         | -                               |                                    | 300       | 300       | -                      |
| Macdonald High Alumni Association Fund         | 22,527                          |                                    | 116       | 1,500     | 21,143                 |
| Road to Resilience                             |                                 |                                    | 400       |           | 400                    |
| Westwood High Schweitzer Scholarship           |                                 | 6,970                              | 6,000     |           | 12,970                 |
| Westwood Jr. Bridge to Burundi                 |                                 |                                    | 1,050     |           | 1,050                  |
| Westwood Bridge to Burundi                     |                                 | 3,128                              | 5,430     | 8,543     | 15                     |
|                                                | \$ 69,035                       | \$ 15,918                          | \$ 27,782 | \$ 17,087 | \$ 95,648              |

October 16, 2012

Ms. Barbara Freeston  
**Pearson Educational Foundation**  
1925 Brookdale Avenue  
Dorval, Quebec H9B 2Y7

Dear Ms. Freeston,

You have requested that we review the financial statements of **Pearson Educational Foundation**, which comprise the balance sheet as at June 30, 2013 and the statements of changes in net assets, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. We are pleased to confirm our acceptance and our understanding of this review engagement by means of this letter.

### **Our Responsibilities**

We will conduct the review, consisting primarily of inquiry, analytical procedures and discussion of **Pearson Educational Foundation's** financial statements in accordance with Canadian generally accepted standards for review engagements.

We will communicate in writing to those charged with governance/oversight responsibility for the financial reporting process any relationships between us and **Pearson Educational Foundation** (including its related entities) that, in our professional judgment, may reasonably be thought to bear on our independence.

### **Objective, Scope and Limitations**

This review engagement does not constitute an audit, and therefore does not provide assurance that we will become aware of any or all significant matters that might be identified in an audit. For example, it does not contemplate a study and evaluation of internal control, tests of accounting records and of responses to inquiries by obtaining audit evidence through inspection, observation or confirmation, or other procedures ordinarily performed during an audit.

Accordingly, this review is not intended to, and will not, result in the expression of an audit opinion or the fulfilling of any statutory or other audit requirement. In addition, each page of the financial statements will be conspicuously marked "unaudited".

This engagement cannot be relied upon to prevent or detect fraud and error and other irregularities. The control over and responsibility for the prevention and detection of fraud and error remain solely with management.

### **Form of Report**

Unless unanticipated difficulties are encountered, our report will be substantially in the following form:

#### **REVIEW ENGAGEMENT REPORT**

To the Members:

We have reviewed the statement of financial position of **Pearson Educational Foundation** as at June 30, 2013 and the statements of changes in net assets, operations and cash flows for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of inquiry, analytical procedures and discussion related to information supplied to us by the foundation

A review does not constitute an audit and consequently we do not express an audit opinion on these financial

statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian generally accepted accounting principles..

Montreal, Quebec

Chartered Professional Accountants

If we conclude that a modification to our report on the financial statements is necessary, we will discuss the reasons with you in advance. If for any reason we are unable to complete the review of your financial statements, we will not issue a report on such statements as a result of this engagement.

#### **Adoption of Canadian Accounting Standards for Private Enterprises**

**Pearson Educational Foundation** has adopted the Canadian accounting standards for private enterprises (ASPE) on July 1, 2011. Adopting ASPE will require retroactive restatement of the opening balances at June 30, 2011 and the financial statements for the year ended June 30, 2012 and providing additional financial statement disclosures relating to the transition.

It is the responsibility of management to review the requirements of the ASPE to:

- a) Identify the material differences that impact on **Pearson Educational Foundation** including adjustments and disclosures between the pre-changeover accounting standards and the ASPE; and
- b) Appropriately calculate and account for each of the transition adjustments required and to provide us with supporting documentation.

As part of this transition, the financial statements for the year ending June 30, 2012 will be restated in accordance with the Canadian accounting standards for private enterprises (ASPE). As we were not engaged to review the restated comparative information, the corresponding figures included in this year's financial statements are neither audited nor reviewed. This will be explained in an additional paragraph that we will add to our review engagement report on the current year's financial statements. The wording for the additional paragraph will be as follows:

We draw attention to Note 2 to the financial statements which describes that **Pearson Educational Foundation** adopted the Canadian accounting standards for private enterprises on July 1, 2011 with a transition date of June 30, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the balance sheets as at June 30, 2012 and June 30, 2011, and the statements of changes in net assets, operations and cash flows for the year ended June 30, 2012 and related disclosures. We were not engaged to report on the restated comparative information and, as such, it is neither audited nor reviewed.

#### **Use and Distribution of Our Report**

Our review engagement report on the financial statements has been issued solely for the use of **Pearson Educational Foundation** and those to whom our report is specifically addressed by us.

We ask that our name be used only with our consent and that any information to which we have attached a communication be issued with that communication unless otherwise agreed to by us.

#### **Reproduction of Review Engagement Report**

Management is responsible for the accurate reproduction of the financial statements, the review engagement report and other related information. This includes any incorporation by reference to either full or summarized financial statements that we have reviewed.

We are not required to read the information contained in your website, or to consider the consistency of other information in the electronic site with the original document.

#### **Management's Responsibilities**

Our review will be conducted on the basis that management and, where appropriate, those charged with governance/oversight acknowledge and understand that they have responsibility:

- a) For the preparation and fair presentation of the financial statements in accordance with the Canadian accounting



standards for private enterprises;

- b) For such internal control as management determines is necessary for the prevention and detection of fraud and error; and
- c) To provide us with:
  - i. Complete financial records and related data;
  - ii. Copies of all minutes of meetings of shareholders, directors and committees of directors;
  - iii. Information relating to any known or probable instances of non-compliance with legislative or regulatory requirements, including financial reporting requirements;
  - iv. Information relating to any illegal or possibly illegal acts and all facts related thereto;
  - v. Information regarding all related parties and related party transactions;
  - vi. An assessment of the reasonableness of significant assumptions underlying fair value measurements and disclosures in the financial statements;
  - vii. Any plans or intentions that may affect the carrying value or classification of assets or liabilities;
  - viii. Information relating to measurement and disclosure of transactions with related parties;
  - ix. An assessment of all areas of measurement uncertainty known to management that are required to be disclosed in accordance with Section 1508 - Measurement uncertainty of the *CICA Handbook - Accounting*;
  - x. Information relating to claims and possible claims, whether or not they have been discussed with **Pearson Educational Foundation's** legal counsel;
  - xi. Information relating to other liabilities and contingent gains or losses, including those associated with guarantees, whether written or oral, under which **Pearson Educational Foundation** is contingently liable;
  - xii. Information on whether **Pearson Educational Foundation** has satisfactory title to assets, liens or encumbrances on assets exist, and assets are pledged as collateral;
  - xiii. Information relating to compliance with aspects of contractual agreements that may affect the financial statements; and
  - xiv. Information concerning subsequent events.

At the conclusion of our review, we will require certain written representations from you and, where appropriate, those charged with governance about the financial statements and related matters.

### **Preparation of Schedules**

We understand that you or your employees will prepare certain schedules and locate specified documents for our use before our engagement which is planned to commence on May 1, 2013.

This assistance will facilitate our work and will help to minimize our costs. Any failure to provide these working papers or documents on a timely basis may impede our services and require us to suspend our services or withdraw from the engagement.

### **Working Papers**

The working papers, files, other materials, reports and work created, developed or performed by us during the course of the engagement are the property of our Firm, constitute confidential information and will be retained by us in accordance with our Firm's policies and procedures.

### **File Inspections**

In accordance with professional regulations (and by our Firm's policy), our client files may periodically be reviewed by practice inspectors and by other engagement file reviewers to ensure that we are adhering to professional and Firm standards. File reviewers are required to maintain confidentiality of client information.

### **Governing Legislation**

This engagement letter is subject to and governed by the laws of the Province of Quebec. The Province of Quebec will have exclusive jurisdiction in relation to any claim, dispute or difference concerning this engagement letter and any matter arising from it. Each party irrevocably waives any right it may have to object to any action being brought in those courts, to claim that the action has been brought in an inappropriate forum, or to claim that those courts do not have jurisdiction.

### **Dispute Resolution**

You agree that:

- a) Any dispute that may arise regarding the meaning, performance, or enforcement of this engagement will, prior to resorting to litigation, be submitted to mediation; and
- b) You will engage in the mediation process in good faith once a written request to mediate has been given by any party to the engagement.

### **Time Frames**

We will use all reasonable efforts to complete the engagement as described in this letter within the agreed upon time frames. However, we shall not be liable for failures or delays in performance that arise from causes beyond our control, including the untimely performance by **Pearson Educational Foundation** of its obligations.

### **Fees**

Fees at Regular Billing Rates

Our professional fees will be based on our regular billing rates plus direct out-of-pocket expenses and applicable GST/HST/QST and are due when rendered. Fees for any additional services will be established separately.

If significant additional time is necessary, we will discuss the reasons with you and agree on a revised fee estimate before we incur the additional costs.

Fees will be rendered as work progresses and are payable on presentation.

### **Termination**

If we elect to terminate our services for nonpayment or for any other reason provided for in this letter, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all of our out-of-pocket costs, through the date of termination.

### **Costs of Responding to Government or Legal Processes**

In the event we are required to respond to a subpoena, court order, government agency or other legal process for the production of documents and/or testimony relative to information we obtained and/or prepared during the course of this engagement, you agree to compensate us at our normal hourly rates for the time we expend in connection with such response and to reimburse us for all of our out-of-pocket costs (including applicable GST/HST/QST) incurred.

### **Other Services**

In addition to the review services referred to above, we will, as allowed by the *Rules of Professional Conduct/Code of Ethics*, *Ordre des Comptables Agréés du Québec*, prepare your federal and provincial income tax returns and other special reports as required. Management will provide the information necessary to complete these returns/reports and will file them with the appropriate authorities on a timely basis.

### **Use of Information**

It is acknowledged that we will have access to all personal information in your custody that we require to complete our engagement. Our services are provided on the basis that:

- a) You represent to us that management has obtained any required consents for collection, use and disclosure to us of personal information required under applicable privacy legislation; and
- b) We will hold all personal information in compliance with our Privacy Statement.

### **Communications**

In connection with this engagement, we may communicate with you or others via telephone, facsimile, post, courier and email transmission. As all communications can be intercepted or otherwise used or communicated by an unintended third party, or may not be delivered to each of the parties to whom they are directed and only to such parties, we cannot guarantee or warrant that communications from us will be properly delivered only to the addressee. Therefore, we specifically disclaim and waive any liability or responsibility whatsoever for interception or unintentional disclosure of communications transmitted by us in connection with the performance of this engagement. In that regard, you agree that we shall have no liability for any loss or damage to any person or entity resulting from the communications, including any consequential, incidental, direct, indirect, or special damages, such as loss of revenues or anticipated profits, or disclosure or communication of confidential or proprietary information.

This engagement letter includes the relevant terms that will govern the engagement for which it has been prepared. The terms of this letter supersede any prior oral or written representations or commitments by or between the parties. Any material changes or additions to the terms set forth in this letter will only become effective if evidenced by a written amendment to this letter, signed by all of the parties.

If you have any questions about the contents of this letter, please raise them with us. If the services outlined are in accordance with your requirements and if the above terms are acceptable to you, please sign the copy of this letter in the space provided and return it to us.

We appreciate the opportunity of continuing to be of service to your foundation

Yours truly,

**SLK ABRAMOVITCH S.E.N.C.R.L./LLP**

Professional Chartered Accountants

Acknowledged and agreed on behalf of **Pearson Educational Foundation** by:

Signed \_\_\_\_\_ Date \_\_\_\_\_  
Barbara Freeston