



**2011-2012
ANNUAL REPORT**

Education Quality and
Accountability Office





Education Quality and Accountability Office
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Telephone: 1-888-327-7377 | Web site: www.eqao.com

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Education Quality and
Accountability Office



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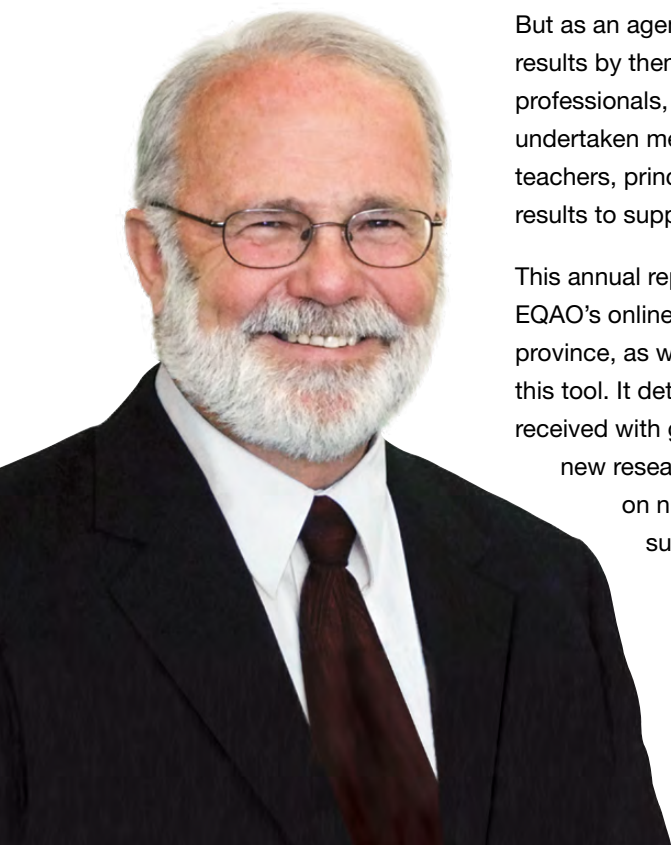


Reaching a New Level of Influence

With each passing year, the Education Quality and Accountability Office (EQAO), a key part of Ontario's publicly funded education system, reaches new levels of sophistication, maturity and quality of service to the educational community, parents and the public. The year 2011–2012 in particular has been one in which this agency established a new benchmark of service to Ontario's students and education community, as it implemented a number of new initiatives that were several years in the making.

Measuring student achievement in reading, writing and mathematics through provincial standards-based tests continues to provide a reliable gauge of student learning of curriculum expectations. But as an agency of educators and system administrators, we have always recognized that test results by themselves are just numbers until they are interpreted and made use of by dedicated professionals, thoughtful policy-makers and engaged parents. Over the past few years, we have undertaken meaningful research and have been developing new tools and resources to help teachers, principals, school board administrators and parents make the best use of EQAO testing results to support improved learning outcomes.

This annual report details many of the activities and successes of the past year. It introduces EQAO's online reporting system made available to elementary school principals across the province, as well as the workshops conducted to help school teams draw maximum benefit from this tool. It details a new resource, *Understanding Levels of Achievement*, launched this year and received with great appreciation by the education community. The annual report also describes new research undertaken to explore factors that influence student achievement, and it reports on numerous activities undertaken by EQAO to reach out to parents and guardians in support of their children's learning.



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EQAO has carried out these value-added activities while maintaining its hallmark standard of excellence for large-scale assessment development and scoring. Great assessments lie somewhere between art and science. We remain particularly proud of and attentive to our test development and administrative processes. From the way the tests are linked to curriculum expectations, to their creation in partnership with committees of Ontario educators, to their review and analysis by expert psychometricians and their scoring by specially trained teachers, EQAO continues to ensure that all of its processes lead to tests that are fair, valid and reliable assessments of student learning.

As we look to the future, our challenge will be to continue delivering exceptional services and supports within the constraints of reduced resources. As an agency of the Government of Ontario, EQAO is doing its part to address the fiscal reality affecting the broader public sector and indeed the province and country as a whole. The 2012 provincial budget included a reduction in EQAO's funding that will amount to some \$2.4 million over the next three years. This is a substantial reduction, and EQAO's Board of Directors is turning its attention to the impact this will have on the work of the agency. As we address this challenge, we will remain committed to our foundational principles of public accountability, fair and meaningful student evaluation and the delivery of significant and efficient supports to those responsible for ensuring the progress and learning of all Ontario students.

A handwritten signature in black ink that reads "Brian Desbiens".

Dr. Brian L. Desbiens, Chair

A handwritten signature in black ink that reads "Marguerite Jackson".

Marguerite Jackson, CEO



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Dr. Brian L. Desbiens
Chair

Tenure:
June 1, 2005–
March 16, 2014



Jerry Ponikvar
Vice-Chair

Tenure:
July 4, 1997–
May 16, 2014



Marguerite Jackson
CEO

Tenure:
November 1, 2001–
June 30, 2013



Dr. Bette M. Stephenson
Director Emeritus

EQAO'S BOARD OF DIRECTORS



Roland Boudreau

Tenure:
June 2, 2011–
June 1, 2014



Evelyn Bradley

Tenure:
July 15, 2005–
July 14, 2012



Hélène Chayer

Tenure:
June 25, 2008–
May 11, 2013



Dave Cooke

Tenure:
June 25, 2008–
May 11, 2013



Dr. Dieudonné Detchou

Tenure:
January 13, 2010–
January 12, 2013



Dr. Elizabeth (Lee) Ford-Jones

Tenure:
June 2, 2011–
June 1, 2014

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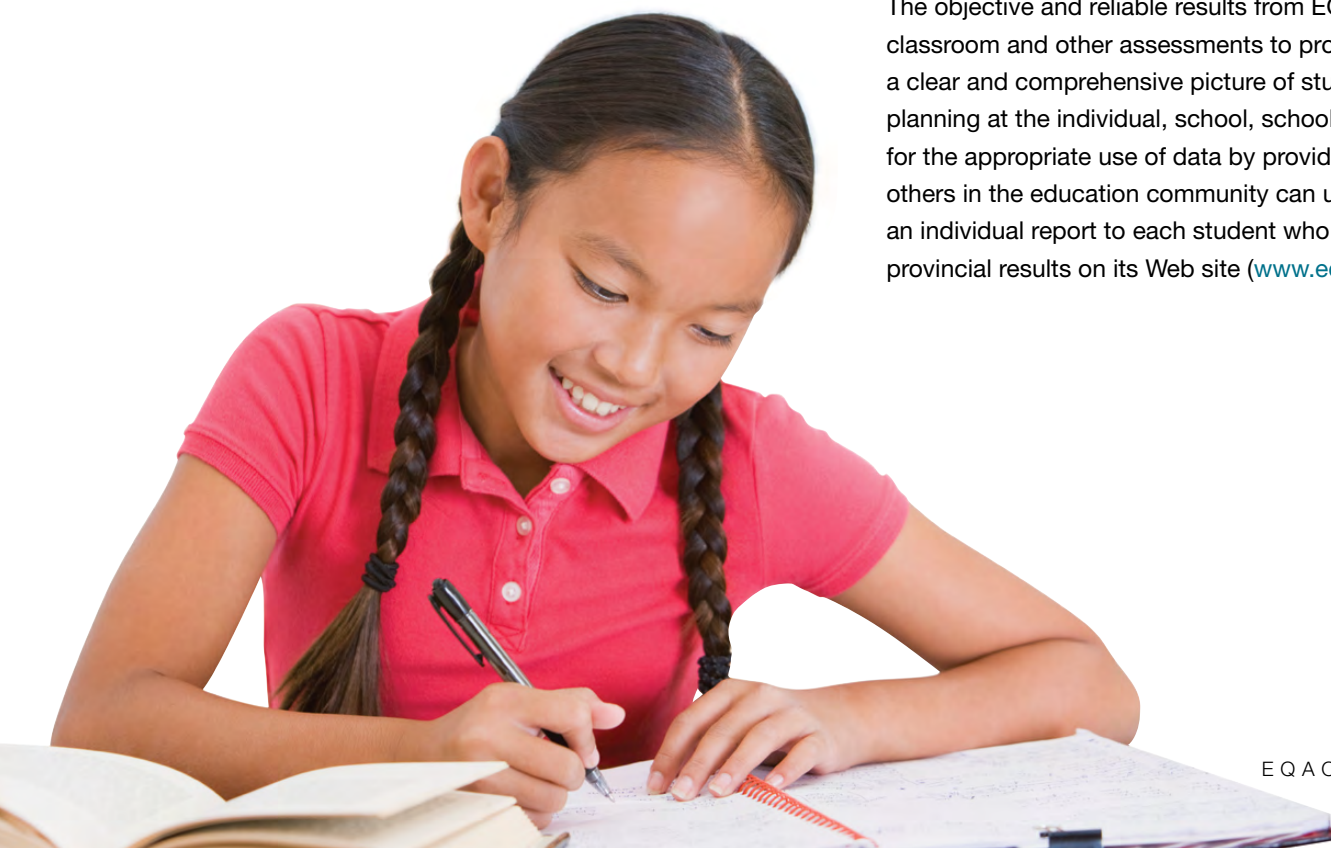
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About EQAO

The Education Quality and Accountability Office (EQAO) is an arm's-length agency of Ontario's Ministry of Education. EQAO's mandate is to conduct province-wide tests at key points in every student's primary, junior and secondary education and report the results to educators, parents and the public.

EQAO's tests measure student achievement in reading, writing and mathematics in relation to *Ontario Curriculum* expectations. The resulting data provide accountability and a gauge of quality in Ontario's publicly funded education system. By providing this important evidence about learning, EQAO acts as a catalyst for increasing the success of Ontario students.

The objective and reliable results from EQAO's tests complement the information obtained from classroom and other assessments to provide students, parents, teachers and administrators with a clear and comprehensive picture of student achievement and a basis for targeted improvement planning at the individual, school, school board and provincial levels. EQAO helps build capacity for the appropriate use of data by providing resources that educators, parents, policy-makers and others in the education community can use to improve learning and teaching. EQAO distributes an individual report to each student who writes a test, and posts school, school board and provincial results on its Web site (www.eqao.com).



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VALUES

EQAO values giving all students the opportunity to reach their highest possible level of achievement.

EQAO values its role as a service to educators, parents, students, government and the public in support of teaching and learning in the classroom.

EQAO values credible evidence that informs professional practice and focuses attention on interventions that improve student success.

EQAO values research that informs large-scale assessment and classroom practice.

EQAO values the dedication and expertise of Ontario's educators, their involvement in all aspects of the assessment process and the positive difference their efforts make in student outcomes.

EQAO values the delivery of its programs and services with equivalent quality in both English and French.





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"Best of Class" Assessments

One of EQAO's main priorities is to maintain the quality and integrity of Ontario's large-scale full-census assessment program. EQAO's province-wide assessments are directly linked to the learning expectations of *The Ontario Curriculum* and have repeatedly been noted for their quality. The agency is often called upon to share its expertise with other education systems in North America and around the world. An important operational objective remains the incorporation into the agency's assessment programs of leading-edge assessment practices, learned of through research on large-scale assessment and through consultation with external experts.

EQAO regularly convenes and consults a panel of international testing experts to review all aspects of its test development processes. This Psychometric Expert Panel reviews EQAO's test development, administration, scoring, psychometric and reporting processes either to confirm them or to provide recommendations for improvement. The agency also continues to retain Scholars-in-Residence—professors from the University of Alberta and Michigan State University—to audit EQAO's scoring procedures, review preliminary assessment results and provide guidance on research projects.

The focus on ensuring quality assessments has enabled EQAO to meet or exceed virtually all the established psychometric standards for test and scoring validity and reliability. These include benchmarks for classification consistency and accuracy, scorer agreement on individual test items and test item statistics,

as documented in EQAO's [Technical Report](#). The agency will continue reviewing and refining its practices in all areas of the provincial testing program.

In 2011, EQAO commissioned an independent audit by a leading international test security firm. This review confirmed that EQAO has established world-class quality-assurance procedures for test administration. As one of the elements of its quality assurance program, the agency assigns monitors to visit a random sample of schools, ensuring that all school boards in the province are monitored over a three-year period. These monitors help verify that proper administration guidelines and systematic approaches are followed. During this fiscal year, monitors were sent to 180 English- and 40 French-language elementary schools and 45 English- and 20 French-language secondary schools.

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This year, EQAO had an opportunity to partner with the Ontario Institute for Studies in Education (OISE) of the University of Toronto on the "18th OISE Survey of Educational Issues: Public Attitudes Toward Education in Ontario," 2012. The survey found continued and widespread support for EQAO's province-wide testing program. Large majorities of the general public and of parents favour the provincial assessment of all students, and this high level of support has been sustained for many years.

In keeping with the Ministry of Education's mandate, EQAO also coordinates Ontario student participation in national and international assessments. During this fiscal year, the [Trends in International Mathematics and Science Study \(TIMSS\)](#) and [Progress in International Reading Literacy Study \(PIRLS\)](#) were successfully administered with sample sizes that will enable the reporting of overall results for Ontario students in 2012. Participation in these tests has, in the past, confirmed the results of provincial tests. Notably, the information from provincial, national and international tests provide evidence that Ontario students are acquiring important knowledge and skills and are well positioned in relation to their peers across Canada and around the globe.

Sample EQAO tests can be viewed on the agency's Web site.

[Primary- and Junior-Division Assessments](#)
[Grade 9 Assessment of Mathematics](#)
[Ontario Secondary School Literacy Test](#)



Supporting Student Progress

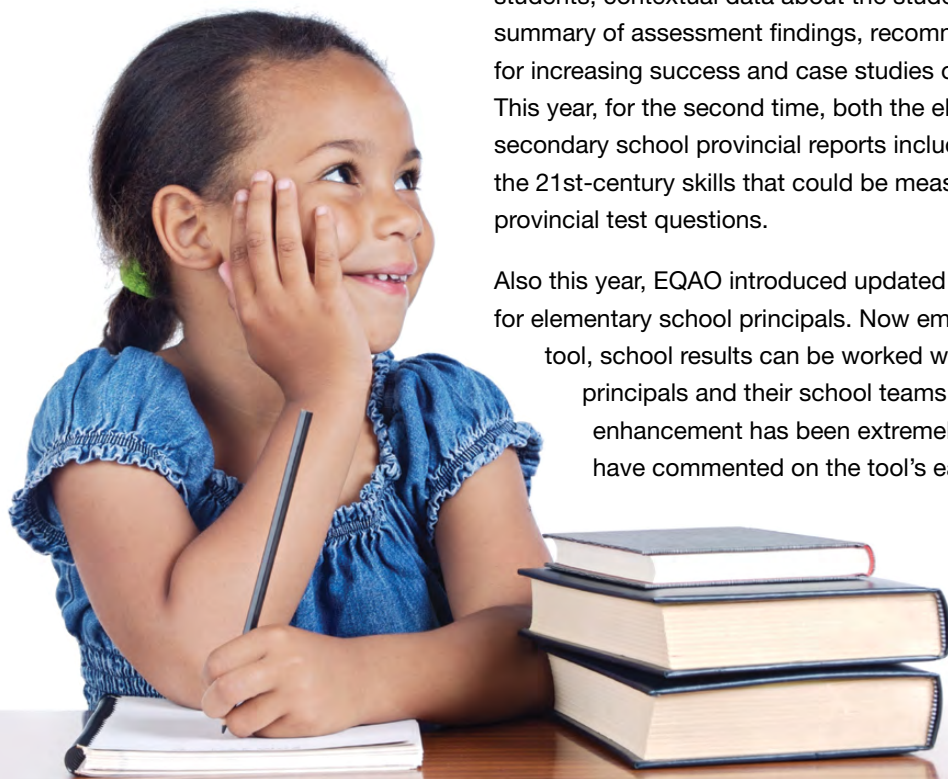
EQAO is committed to being an integrator of a broad range of evidence that identifies areas where interventions can be made in order to help ensure that all students have the opportunity to reach their highest possible level of achievement. To this end, the agency collects and reports data and evidence that is of direct benefit to student instruction and achievement.

Following each of this year's assessments, EQAO provided wide-ranging reports on student achievement to students, parents, school communities, educators and the public. This included comprehensive [provincial reports](#) to the public with student achievement results, results for various groups of students, contextual data about the student population, a summary of assessment findings, recommended strategies for increasing success and case studies of successful schools. This year, for the second time, both the elementary and the secondary school provincial reports included an analysis of the 21st-century skills that could be measured by the provincial test questions.

Also this year, EQAO introduced updated reporting features for elementary school principals. Now embedded in an online tool, school results can be worked with interactively by principals and their school teams. Feedback about this enhancement has been extremely positive. Principals have commented on the tool's ease of use, its ability to

allow for quick, meaningful analyses of results and its provision of strong new support for students, instructional programs and school processes. A similar resource has been available to school board directors and superintendents to assist them in their leadership roles since 2009.

The agency continued to provide [public reports](#) for each school and school board in the province. These reports are a useful starting point for conversations about student achievement within school communities. As always, each student who participated in a test received an [Individual Student Report \(ISR\)](#). This year, the ISR for the Grade 9 Assessment of Mathematics was enhanced to include the student's results on the mathematics portions of the primary-division assessment they wrote in Grade 3 and the junior-division assessment they wrote in Grade 6. These milestones of achievement provide parents and students with important information about progress that can help inform discussions with teachers concerning learning needs and supports.



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Another marquee initiative this year was the release of a curriculum-based support for elementary school educators. Titled *Understanding Levels of Achievement: Using EQAO Information to Improve Student Learning*, this resource is part of the agency's ongoing efforts to help principals, teachers and other members of school staff support student progress. It was developed in collaboration with elementary school teachers from across the province to help educators link student achievement on the provincial tests and their own classroom instruction and evaluation. The guide includes descriptions of the achievement levels and areas that typically require attention to move a student from one achievement level to the next, as well as recommended strategies and links to resources to support student learning in these areas. This resource was received by the education community with much acclaim.



Building Capacity

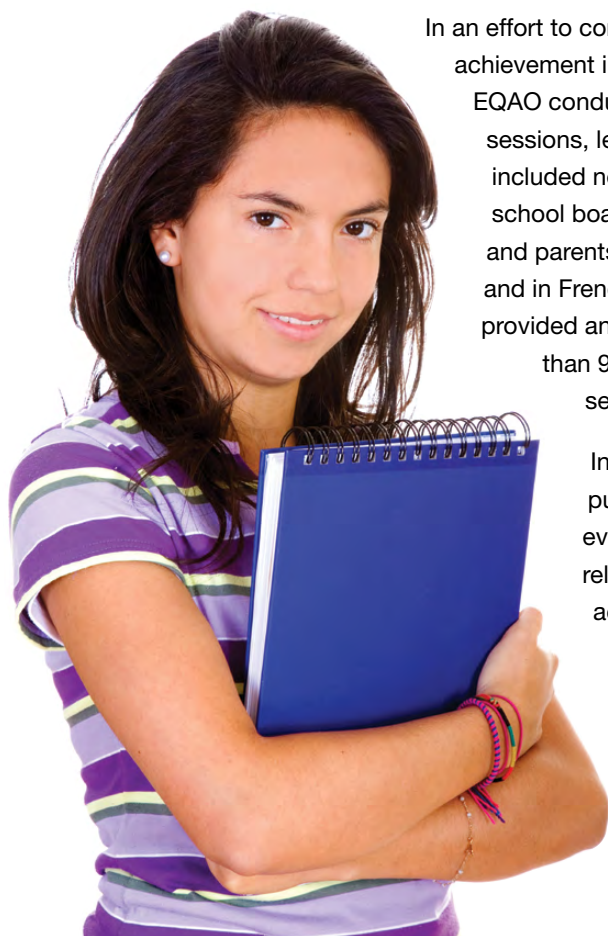
One of EQAO's key objectives is to promote the use of its data for system-wide improvement. Time and again, school communities that have effectively used EQAO data and those from other sources as a foundation for evidence-based decision making have witnessed notable improvements in student achievement. EQAO undertakes many activities each year to help stakeholders use the results of provincial testing to guide policy development and professional practice.

In an effort to continue building the capacity for using student achievement information among education stakeholders, EQAO conducted numerous presentations, information sessions, learning seminars and workshops. Participants included new principals and vice-principals, teachers, school board support staff, faculty of education students and parents. These sessions were conducted in English and in French in all regions of the province. The sessions provided an opportunity to connect directly with more than 950 parents, 5000 educators and 3500 pre-service teachers over the past year.

In addition to these sessions, EQAO uses its public releases as an opportunity to inject evidence and analysis into public discourse related to education quality and student achievement. Providing interpretations, a deeper

analysis of its results and an illumination of system successes and areas requiring attention often gives rise to local, regional and system-wide discussions focused on student success.

For example, as part of the [2011 OSSLT](#) release, EQAO explored the characteristics of students who were unsuccessful on the OSSLT. The agency reported that of the 104 030 students who wrote the test, 11 660 were unsuccessful and had not met the provincial reading standard in Grade 3 and also had not in Grade 6. The agency was able to paint a portrait of this group of students, finding that two-thirds were enrolled in the applied English course in Grade 10, more than half (55%) had special education needs, 62% were boys and 83% reported reading for less than three hours a week outside school. Reporting these data became a public reinforcement of the need to provide personalized interventions, particularly for students with differentiated learning needs, at every stage of schooling.



That message was reinforced in EQAO's [2011 public release](#) of results from the primary division, junior division and Grade 9 math assessments. In this release, the agency revealed that a large majority of students who had not met the math standard in Grade 3 but were well supported and improved to meet it in Grade 6 carried that success forward

into Grade 9. Of the students who had not met the provincial standard in Grade 3 but had met it in Grade 6, 77% in the academic Grade 9 mathematics course met the provincial standard again, as did 60% in the applied mathematics course.

EQAO's capacity building efforts include the annual identification and profiling

of schools that have been successful at using EQAO information to support student achievement. These schools are profiled in EQAO's provincial report and on its [Web site](#), and are awarded the [Dr. Bette M. Stephenson Recognition of Achievement](#). In 2011, 22 schools were recognized in this way. Drawing attention to these schools and sharing their strategies for success provides a remarkable body of knowledge and allows them to serve as models for school communities across the province.

Thanks in large part to EQAO's capacity building efforts, all stakeholders in Ontario's publicly funded education system have become increasingly adept at using student achievement information to guide their support for students. EQAO will continue to leverage its knowledge and experience and work toward having maximum benefit drawn from its assessments to support all students in the system.



Valuable Research Data

EQAO has a commitment to demonstrate that all of its practices are grounded in research-based knowledge. The agency conducts original research for two specific purposes: to investigate the statistical and psychometric processes that result in high-quality data and to study factors that influence education quality and student achievement.

The following research was published this year:

Counting the EQAO Grade 9 Mathematics Assessment for Course Marks Makes a Difference in Student Results

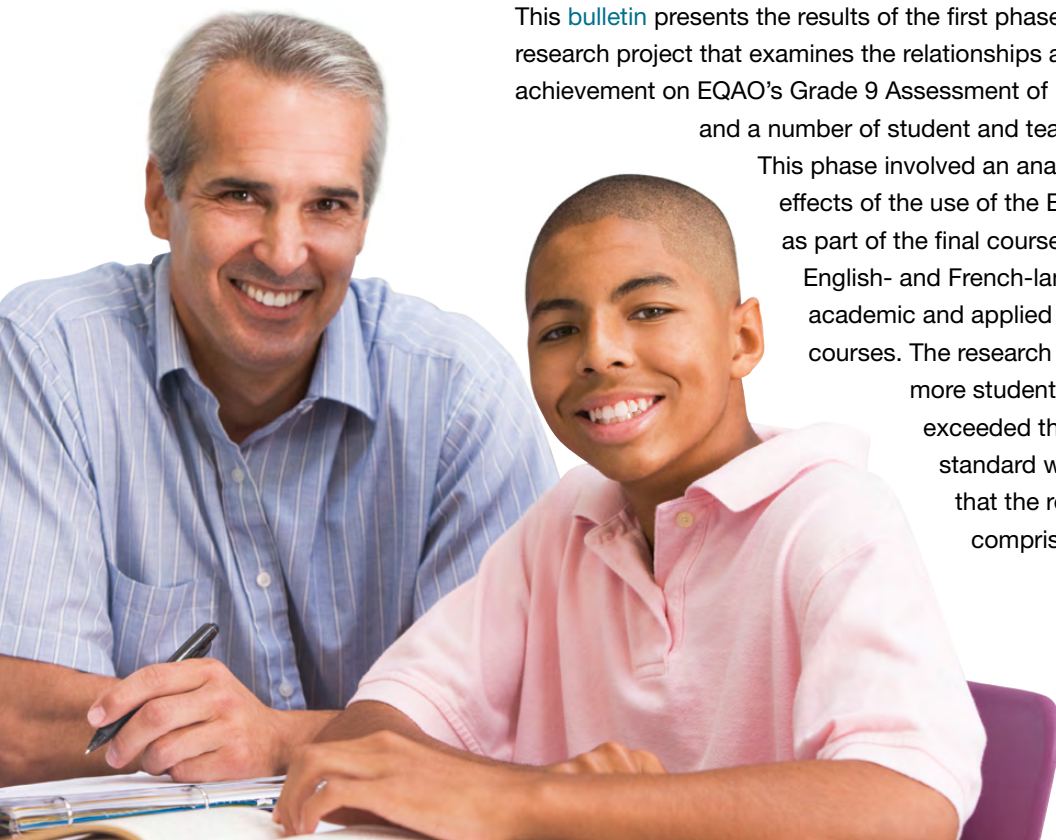
This [bulletin](#) presents the results of the first phase of a larger research project that examines the relationships among student achievement on EQAO's Grade 9 Assessment of Mathematics and a number of student and teacher factors.

This phase involved an analysis of the effects of the use of the EQAO results as part of the final course mark for English- and French-language academic and applied mathematics courses. The research found that more students met or exceeded the provincial standard when they knew that the results would comprise part of their

final course mark. For this reason, EQAO encourages teachers who use the assessment as part of the year-end mark—and almost all do—to ensure that their students are fully aware of the assessment's weight in determining their final mark.

Characteristics of High- and Low-Achieving English-Language Schools

This research [bulletin](#) summarizes results that are part of EQAO's larger, comprehensive study that seeks to better understand which school and teacher practices contribute to higher levels of student achievement on the assessments of students in reading, writing and mathematics in the primary and junior divisions. Two years' worth of EQAO questionnaire results for principals, teachers and students were sorted into those from high-achieving schools (in which 75% or more of the students achieved the provincial standard or above) and those from low-achieving schools (in which fewer than 50% of the students achieved the provincial standard or above). Differences among the attitudes, behaviours and practices of principals, teachers and students of schools in these categories are summarized.



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Starting Early: Teaching, Learning and Assessment: Linking Early-Childhood Development with Academic Outcomes

This [bulletin](#) presents information and insights obtained from a research study in which EQAO linked students' Early Development Instrument (EDI) assessment results in kindergarten to their provincial reading, writing and mathematics assessment results in Grade 3. The study reiterates how effective teaching ensures the steady progress of all students, regardless of their starting point. Information about the early development of children entering the school system can provide important insights on how to structure programs and supports to give all of them the best possible start.

EQAO also began publishing a series of research- and analysis-based articles under the rubric "[In the Know with EQAO](#)." Articles published this year examine topics such as the [impact of Ontario's provincial testing](#) program, correlations between student achievement and [reading enjoyment](#), and the effects on achievement of students' awareness of the [Grade 9 math assessment](#) counting toward their course mark.

A number of additional research projects are underway and will be reported on in the next fiscal year. EQAO's diverse research projects provide important insights about improving education in Ontario and ensuring that every child has the chance to be a successful learner. All research publications are publicly available at www.eqao.com.





Effective Business Practices

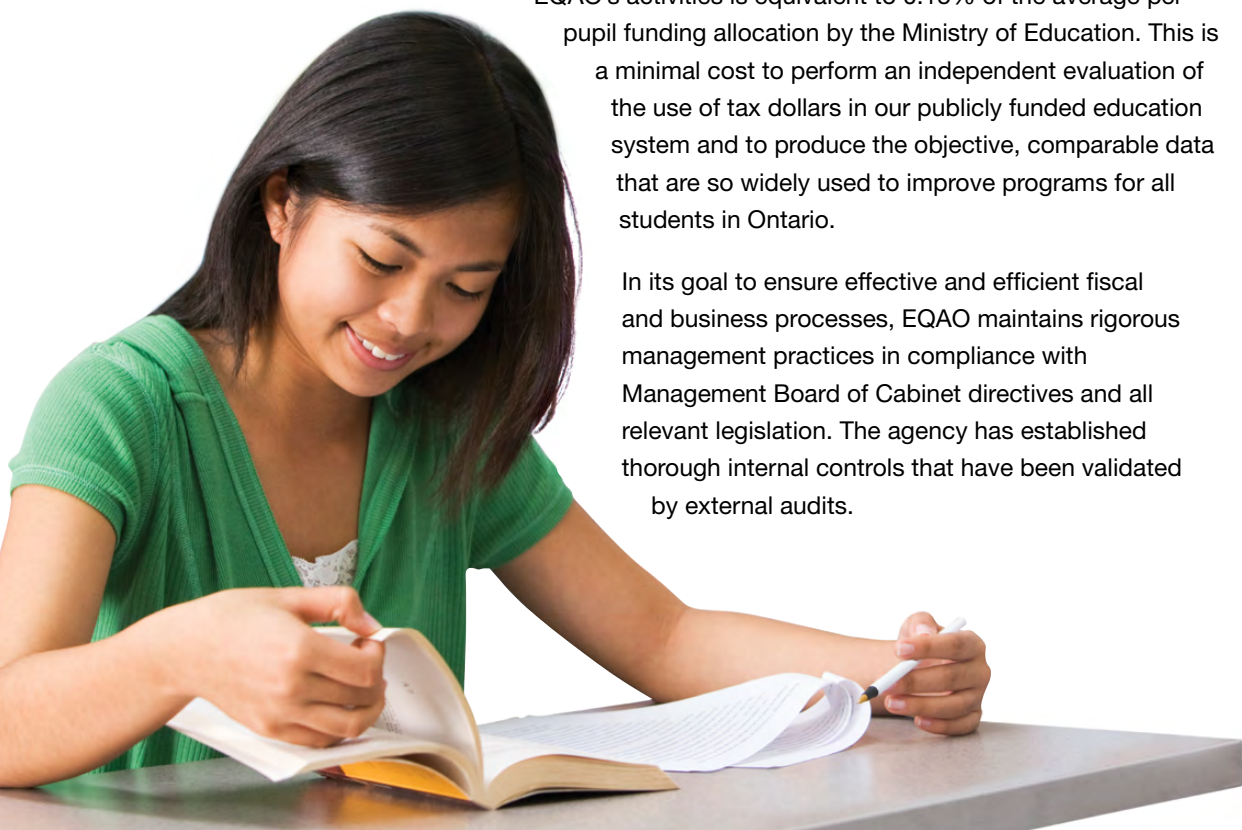
One of the agency's longstanding strategic priorities is to maintain effective business practices and controls. The agency's efforts in this regard have been recognized by **Ontario's Auditor General**. EQAO continues to strive to deliver the best possible service while remaining a responsible steward of public funds.

For only \$17 per student, or about \$32 million in total for the 2011–2012 fiscal year, the provincial testing program measures how well students across the province are meeting the reading, writing and mathematics expectations defined in *The Ontario Curriculum* at key stages in their education. The cost of all of EQAO's activities is equivalent to 0.15% of the average per-pupil funding allocation by the Ministry of Education. This is a minimal cost to perform an independent evaluation of the use of tax dollars in our publicly funded education system and to produce the objective, comparable data that are so widely used to improve programs for all students in Ontario.

In its goal to ensure effective and efficient fiscal and business processes, EQAO maintains rigorous management practices in compliance with Management Board of Cabinet directives and all relevant legislation. The agency has established thorough internal controls that have been validated by external audits.

As part of its attention to delivering effective business practices, EQAO continues to be committed to leveraging technology to enhance its operations and delivery of programs, both internally and externally. EQAO works to identify and implement appropriate new technologies, both for its business practices and for its assessments. This year, the agency has initiated three short-term projects within the context of its strategic information and information technology project. These projects include the adoption of technology enhancements for EQAO's accounting systems, the acquisition of SharePoint 2010 as a content management system and plans for the redevelopment of the agency's Web site to leverage the benefits and efficiencies of the content management platform. A Request for Information was also issued this year for integrated online assessment systems.

The agency's audited financial results for the year ended March 31, 2012, are included in this annual report. The Statement of Operations and Accumulated Surplus indicate a balanced budget with expenditures of \$32.86M. These expenditures were funded by the Ministry of Education.



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Education Quality and Accountability Office

We have audited the accompanying financial statements of the Education Quality and Accountability Office, which comprise the statement of financial position as at March 31, 2012, the statements of operations and accumulated surplus, changes in net financial 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 generally accepted accounting principles, 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Education Quality and Accountability Office as at March 31, 2012, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

June 7, 2012
Toronto, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

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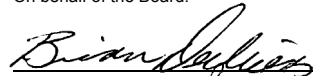
Statement of Financial Position

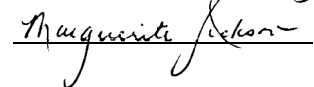
March 31, 2012, with comparative figures for 2011

	2012	2011
Financial Assets		
Current assets:		
Cash	\$ 3,672,633	\$ 2,998,377
Board restricted fund (note 3)	5,560,594	4,993,718
Accounts receivable (note 4)	478,018	925,453
	9,711,245	8,917,548
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	3,172,697	2,733,289
Deferred revenue	2,175,404	2,124,287
	5,348,101	4,857,576
Net financial assets	4,363,144	4,059,972
Non-Financial Assets		
Prepaid expenses (note 5)	709,949	605,589
Capital assets (note 6)	487,501	370,265
	1,197,450	975,854
Accumulated surplus	\$ 5,560,594	\$ 5,035,826

See accompanying notes to financial statements.

On behalf of the Board:

 Chair

 Chief Executive Officer

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EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Statement of Operations and Accumulated Surplus

Year ended March 31, 2012, with comparative figures for 2011

	2012 Budget (Unaudited)	2012 Actual	2011 Actual
Revenue:			
Ministry of Education:			
Base allocation payments (note 2)	\$ 32,814,053	\$ 32,857,743	\$ 32,875,158
Other	—	524,768	459,698
	32,814,053	33,382,511	33,334,856
Expenses:			
Service and rental	15,923,626	16,505,943	16,872,258
Salaries and wages	12,421,412	12,077,453	12,036,804
Transportation and communication	3,963,899	3,738,685	3,372,364
Supplies and equipment	505,798	535,662	593,732
	32,814,735	32,857,743	32,875,158
Annual surplus	(682)	524,768	459,698
Accumulated surplus, beginning of year	5,035,826	5,035,826	4,576,128
Accumulated surplus, end of year	\$ 5,035,144	\$ 5,560,594	\$ 5,035,826

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Statement of Changes in Net Financial Assets

Year ended March 31, 2012, with comparative figures for 2011

	2012 Budget (Unaudited)	2012 Actual	2011 Actual
Annual surplus	\$ (682)	\$ 524,768	\$ 459,698
Acquisition of capital assets	247,591	(315,379)	(150,666)
Amortization of capital assets	—	198,143	380,478
	247,591	(117,236)	229,812
Acquisition of prepaid expenses	—	(709,949)	(605,589)
Use of prepaid expenses	—	605,589	387,209
	—	(104,360)	(218,380)
Increase in net financial assets	246,909	303,172	471,130
Net financial assets, beginning of year	4,059,972	4,059,972	3,588,842
Net financial assets, end of year	\$ 4,306,881	\$ 4,363,144	\$ 4,059,972

See accompanying notes to financial statements.

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Statement of Cash Flows

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 524,768	\$ 459,698
Amortization of capital assets which does not affect cash	198,143	380,478
	722,911	840,176
Change in non-cash operating working capital:		
Accounts receivable	447,435	(766,329)
Accounts payable and accrued liabilities	439,408	(383,809)
Deferred revenue	51,117	(26,651)
Prepaid expenses	(104,360)	(218,380)
	1,556,511	(554,993)
Financing activities:		
Acquisition of capital assets	(315,379)	(150,666)
Investing activities:		
Additions to board restricted fund	(566,876)	(545,556)
Increase (decrease) in cash	674,256	(1,251,215)
Cash, beginning of year	2,998,377	4,249,592
Cash, end of year	\$ 3,672,633	\$ 2,998,377

See accompanying notes to financial statements.



EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Notes to Financial Statements

Year ended March 31, 2012

The Education Quality and Accountability Office (the "Agency") was established by the Province of Ontario by the EQAO Act, June 1996. The Agency was created to assure greater accountability and to contribute to the enhancement of the quality of education in Ontario. This is done through assessments and reviews based on objective, reliable and relevant information, and the timely public release of that information along with recommendations for system improvement.

1. Significant accounting policies:

These financial statements, which have been prepared in accordance with Canadian generally accepted accounting principles for governments, as established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants ("CICA") and, where applicable, the recommendations of the Accounting Standards Board of the CICA, reflect the accounting policies set out below:

(a) Revenue recognition:

The Agency is funded by the Ministry of Education in accordance with established budget arrangements. These transfer payments are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met and reasonable estimates of the amounts can be made.

Other revenue is recognized at the time the service is rendered.

(b) Deferred revenue:

Certain amounts, including transfer payments from the Ministry of Education, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. In addition, certain amounts received are used to pay expenses for which the related service is yet to be performed, or are in excess of the expenses actually incurred. These amounts are recorded as deferred revenue at year end.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Notes to Financial Statements (continued)

Year ended March 31, 2012

1. Significant accounting policies (continued):

(c) Capital assets:

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer equipment	3 years
Furniture and fixtures	5 years

For assets acquired or brought into use during the year, amortization is calculated from the month following that in which additions come into operation.

The Agency considers the carrying value of long-lived assets when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the Agency expects an asset to generate cash flows less than the asset's carrying value, at the lowest level of identifiable cash flows, the Agency recognizes a loss for the difference between the asset's carrying value and its fair value.

(d) Measurement uncertainty:

The preparation of financial statements 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 revenue and expenses during the year. Such estimates include providing for amortization of capital assets. Actual results could differ from those estimates.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Notes to Financial Statements (continued)

Year ended March 31, 2012

2. Ministry of Education funding:

The Agency received base allocation payments in accordance with the year's approved budget. Actual expenses incurred in the year are less than the budgeted amounts. The difference between base allocation payments received and actual expenses incurred represents deferred revenue. A breakdown of revenue reported on the statement of operations and accumulated surplus is noted below:

	2012	2011
Gross base allocation payments	\$ 32,908,860	\$ 32,848,507
Allocation from (to) deferred revenue	(51,117)	26,651
Ministry of Education - base allocation payments	\$ 32,857,743	\$ 32,875,158

3. Board restricted fund:

A board restricted fund was established by a Board of Directors' resolution for the purpose of examining assessment processes and researching emerging methodologies in large scale assessment in order to maintain Ontario's high quality assessment programs as best of class. The fund is currently invested in a Royal Bank of Canada current account. The Agency has the authority to retain any revenue that is not provincial funding according to the EQAO Act, the Agency Establishment and Accountability Directive and the Financial Administration Act.

	2012	2011
Balance, beginning of year	\$ 4,993,718	\$ 4,448,162
Appropriation of other income	451,237	467,841
Interest income earned on funds	115,639	77,715
Balance, end of year	\$ 5,560,594	\$ 4,993,718

4. Accounts receivable:

Included in accounts receivable is a transfer payment in the amount of nil (2011 - \$620,000) due from the Ministry of Education.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Notes to Financial Statements (continued)

Year ended March 31, 2012

5. Prepaid expenses:

Prepaid expenses are paid in cash and recorded as assets before they are used or consumed. As at year end, the balance is made up of the following amounts:

	2012	2011
Prepaid expenses	\$ 131,715	\$ 105,879
Prepaid secondees	578,234	499,710
	\$ 709,949	\$ 605,589

6. Capital assets:

			2012	2011
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	\$ 1,937,960	\$ 1,481,923	\$ 456,037	\$ 324,247
Furniture and fixtures	251,191	219,727	31,464	46,018
	\$ 2,189,151	\$ 1,701,650	\$ 487,501	\$ 370,265

Amortization of capital assets recorded in the current year amounts to \$198,143 (2011 - \$380,478).

7. Lease commitments:

The Agency leases premises under a long-term lease that expires on December 31, 2012. Under the terms of the lease, the Agency is required to pay an annual base rent which is predetermined based on square footage rates plus operating and maintenance charges.

The minimum annual lease payments related to the office lease and office equipment for 2013 is \$494,280.

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Year ended March 31, 2012

8. Financial instruments:

The Agency's financial instruments consist of cash, board restricted fund, accounts receivable and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values due to their short-term nature.

It is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from these financial instruments.



**Education Quality and
Accountability Office**



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