

READ SASKATOON INC.
Financial Statements
Year Ended March 31, 2019

INDEPENDENT AUDITOR'S REPORT

To the Members of READ Saskatoon Inc.

Qualified Opinion

We have audited the financial statements of READ Saskatoon Inc. (the "Organization"), which comprise the statement of financial position as at March 31, 2019, and the statements of revenues and expenditures, changes in net assets and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2019, and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended March 31, 2019, current assets and net assets as at March 31, 2019.

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 Organization 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

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

Independent Auditor's Report to the Members of READ Saskatoon Inc. *(continued)*

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 controls.
- 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 Organization's internal controls.
- 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 Organization'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 Organization 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.

HWB Chartered Accountants Prof. Corp.

Saskatoon, Saskatchewan
May 29, 2019

CHARTERED PROFESSIONAL ACCOUNTANTS

READ SASKATOON INC.

Statement of Financial Position

March 31, 2019

	2019	2018
ASSETS		
Current		
Cash (Note 3)	\$ 429,253	\$ 365,358
Investments (Note 4)	191,595	183,247
Accounts receivable (Note 5)	36,070	14,167
Goods and services tax recoverable	3,320	3,170
Prepaid expenses	2,792	12,059
	663,030	578,001
Capital assets (Note 6)	138,848	149,955
	\$ 801,878	\$ 727,956
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	\$ 31,190	\$ 24,992
Deferred revenues (Note 7)	337,722	285,053
	368,912	310,045
Deferred capital contributions (Note 8)	68,750	74,250
	437,662	384,295
Net assets		
Unrestricted fund	84,318	58,156
Invested in capital assets	70,098	75,705
Restricted fund (Note 9)	209,800	209,800
	364,216	343,661
	\$ 801,878	\$ 727,956

Lease commitments (Note 10)

ON BEHALF OF THE BOARD



Director



Director

See notes to financial statements

READ SASKATOON INC.

Statement of Revenues and Expenditures

Year Ended March 31, 2019

	2019	2018
Revenues		
Grant revenue (Schedule 1)	\$ 524,750	\$ 439,252
Lit Up! (Schedule 5)	85,280	72,475
Donations	85,251	60,574
PGI Golf Tournament for Literacy (Schedule 5)	79,940	72,239
Rental income	22,611	21,757
Other	7,511	6,083
Contract services	6,991	44,626
Speed scrabble	5,876	5,026
Amortization of deferred capital contributions	5,500	5,500
Internal management fees (Note 11)	5,000	14,552
Office sales	4,245	2,715
Facilities income	2,825	1,463
	835,780	746,262
Expenditures		
Salaries and wages	464,324	398,460
Facilities, utilities and maintenance	84,550	55,713
Rental	69,682	57,459
Program materials	56,534	34,696
Sub-contracts	46,790	42,453
Office expenses	22,064	22,575
Advertising and promotion	11,223	8,026
Professional fees	11,208	15,789
Amortization	11,107	12,493
Professional development	10,323	6,505
Nutrition	8,959	7,603
Equipment rentals	6,543	4,730
Travel	5,740	3,890
Licenses and memberships	5,114	2,042
Administration (Note 11)	5,000	14,552
Insurance	3,589	2,998
Interest and bank charges (Note 3)	1,383	2,471
Honorariums	500	150
	824,633	692,605
Excess of revenues over expenditures from operations	11,147	53,657
Other revenues		
Investment	9,408	6,627
Excess of revenues over expenditures for the year	\$ 20,555	\$ 60,284

See notes to financial statements

READ SASKATOON INC.

Statement of Changes in Net Assets

Year Ended March 31, 2019

	Unrestricted Fund	Invested in capital assets	Restricted Fund	2019	2018
Net assets - beginning of year	\$ 58,156	\$ 75,705	\$ 209,800	\$ 343,661	\$ 283,377
Excess (deficiency) of revenues over expenditures for the year	26,162	(5,607)	-	20,555	60,284
Net assets - end of year	\$ 84,318	\$ 70,098	\$ 209,800	\$ 364,216	\$ 343,661

READ SASKATOON INC.

Statement of Cash Flow

Year Ended March 31, 2019

	2019	2018
Operating activities		
Excess of revenues over expenditures for the year	\$ 20,555	\$ 60,284
Items not affecting cash:		
Amortization of capital assets	11,107	12,493
Amortization of deferred capital contributions	(5,500)	(5,500)
	26,162	67,277
Changes in non-cash working capital:		
Accounts receivable	(21,903)	(1,868)
Goods and services tax recoverable	(150)	14,142
Prepaid expenses	9,267	(5,822)
Accounts payable and accrued liabilities	6,198	10,553
Deferred revenues	52,669	89,589
	46,081	106,594
Cash flow from operating activities	72,243	173,871
Investing activity		
Net increase in value of investments	(8,348)	(6,146)
Increase in cash flow	63,895	167,725
Cash - beginning of year	365,358	197,633
Cash - end of year (Note 3)	\$ 429,253	\$ 365,358

See notes to financial statements

READ SASKATOON INC.

Notes to Financial Statements

Year Ended March 31, 2019

1. Purpose of the organization

READ Saskatoon Inc. (the "organization") is a not-for-profit organization incorporated under the Not-for-profit Corporations Act. As a registered charity the organization is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

The organization is a community-based volunteer organization that offers free literacy services to adults and families.

2. Summary of significant accounting policies

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Measurement uncertainty

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 expenditures during the period. Significant items subject to such estimates and assumptions include amortization of capital assets, accrued liabilities and deferred capital contributions. 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.

Cash

Cash is defined as cash on hand, net of outstanding deposits and cheques issued and outstanding at the reporting date.

Investments and other non-cash assets

All gains and losses from the sale, collection, or other disposition of investments and other non-cash assets are accounted for in the fund that owned the assets.

Ordinary revenue from investments, receivables, and similar assets is accounted for in the fund owning the assets, with the exception of revenue derived from investment of endowments funds. Unrestricted endowment fund investments are accounted for as revenue of the operation fund or, if they are restricted, as deferred amounts until the terms of the restriction have been met.

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READ SASKATOON INC.

Notes to Financial Statements

Year Ended March 31, 2019

2. Summary of significant accounting policies (continued)

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Equipment	20%	declining balance method
Computer equipment	55%	declining balance method
Leasehold improvements	15 years	straight-line method over the length of the lease plus one renewal term

Only half the amortization is recognized in the year of acquisition and the year of disposal.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Revenue recognition

READ Saskatoon Inc. follows the deferral method of accounting for contributions.

Restricted contributions for expenses of future periods (including grant revenues, Lit Up! sponsorships and PGI Golf Tournament sponsorships) are recognized as revenue in the year in which the related expenditures are incurred.

Restricted contributions for the purchase of capital assets that will be amortized are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired capital assets.

Unrestricted contributions (such as donations and fundraising activities) are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contract services and rental revenues are service related revenues. These revenues are recognized systematically over the term of approved agreements and when reasonable assurance exists regarding the measurement and collectibility of the agreed upon consideration.

Office sales are recognized when products are delivered to customers, there is clear evidence that an arrangement exists, amounts are fixed or can be determined, and the ability to collect is reasonably assured.

Investment income is recognized as revenue when reasonable assurance exists regarding measurement and collectibility.

Contributed services

Volunteers contribute a significant amount of their time each year. Due to the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

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READ SASKATOON INC.

Notes to Financial Statements

Year Ended March 31, 2019

2. Summary of significant accounting policies (continued)

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in revenues. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Financial instruments recorded at amortized cost include: cash, accounts receivable, and accounts payable and accrued liabilities.

Financial instruments recorded at fair value include investments.

3. Cash

	2019	2018
Cash on hand	\$ 450,977	\$ 407,352
Outstanding deposits	4,750	1,492
Cheques issued and outstanding	(26,474)	(43,486)
	\$ 429,253	\$ 365,358

During the year, the organization incurred interest and bank charges of \$1,383 (2018 - \$2,471).

4. Investments

	2019	2018
Credential Asset Management	\$ 92,664	\$ 89,431
Saskatoon Community Foundation	98,931	93,816
	\$ 191,595	\$ 183,247

The Credential Asset Management investment consists of mutual funds recorded at fair market value. The Saskatoon Community Foundation investment consists of investments in a managed fund recorded at fair market value.

5. Accounts receivable

Impairment of accounts receivable is not recorded in the financial statements since the entity has a history of collecting all of its receivables. During the year, the organization incurred bad debts of \$250 (2018 - \$nil).

READ SASKATOON INC.

Notes to Financial Statements

Year Ended March 31, 2019

6. Capital assets

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Equipment	\$ 414	\$ 414	\$ -	\$ -
Computer equipment	7,713	7,713	-	-
Leasehold improvements	166,617	27,769	138,848	149,955
	\$ 174,744	\$ 35,896	\$ 138,848	\$ 149,955

7. Deferred revenue

The following is a summary of the organization's deferred revenue:

	2019	2018
Adult literacy		
Ministry of Immigration and Career Training	\$ 17,250	\$ 17,250
Family literacy		
Ministry of Education	20,921	10,921
Conexus Credit Union	6,666	6,667
SaskMilk	4,125	3,667
Affinity Credit Union	3,000	10,000
Saskatchewan Indian Gaming Authority	-	5,000
Scotiabank	-	4,870
Family Focus Eyecare	-	2,083
	34,712	43,208
Financial literacy		
Anonymous donor	100,000	125,000
TD Canada Trust	18,750	20,000
Conexus Credit Union	10,000	10,000
Canadian Western Bank	1,500	-
	130,250	155,000
Individual programs		
Saskatoon Public Schools Foundation - Reading Guide Program	49,961	15,796
Community Initiatives Fund - One, Two, Buckle My Shoe	20,000	-
nehiyawak Camp	18,897	1,580
Conexus Credit Union - matched savings	13,450	7,500
Community Initiatives Fund - Volunteer Tutor	9,900	9,900
Saskatoon Community Foundation - Quality of Life	-	10,709
	112,208	45,485

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READ SASKATOON INC.

Notes to Financial Statements

Year Ended March 31, 2019

7. Deferred revenue (continued)

	2019	2018
Operational		
City of Saskatoon	9,167	9,167
Affinity Credit Union	2,000	2,000
Prepaid rental income	2,166	1,804
Korchinski Family Foundation	-	1,154
Prairie Policy	-	850
Saskdata Systems Ltd.	-	450
	13,333	15,425
Self-generated		
PGI Golf Tournament	23,414	7,160
nehiyawak Camp	4,055	-
Storytelling event	2,500	150
Speed Scrabble	-	1,375
	29,969	8,685
	\$ 337,722	\$ 285,053

8. Deferred capital contributions

Deferred capital contributions represents the unamortized amount of grants received for the purchase or development of capital assets. Deferred capital contributions are amortized on the same basis as the related capital assets.

	2019	2018
Balance, beginning of the year	\$ 74,250	\$ 79,750
Amortization of deferred capital contributions	(5,500)	(5,500)
Balance, end of the year	\$ 68,750	\$ 74,250

9. Restrictions on net assets

In 2000, the organization's Board of Directors internally restricted a Long Live READ Fund, the purpose of which is to ensure the long term viability of the organization. This internally restricted amount is not available for other purposes without approval of the Board of Directors. In the current year, there was \$nil (2018 - \$36,700) transferred to the internally restricted fund.

READ SASKATOON INC.

Notes to Financial Statements

Year Ended March 31, 2019

10. Lease commitments

The organization is committed to future lease obligations under a lease agreement for office space in Saskatoon, Saskatchewan. For the lease period from July 1, 2016 to June 30, 2026, for the first two years yielding a monthly rent payment of \$3,473 plus occupancy costs. For the years three through six yielding a monthly rent payment of \$4,105 plus occupancy costs. For the years seven through ten yielding a monthly rent payment of \$4,421 plus occupancy costs.

Future minimum lease payments for the entity as at March 31, 2019 are as follows:

2020	\$	49,260
2021		49,260
2022		49,260
2023		52,104
2024		53,052
Thereafter		<u>119,367</u>
	\$	<u>372,303</u>

11. Internal management and facilities fees

The organization charges internal management fees and internal facilities fees to the various programs carried out during the year.

12. Financial instruments

The organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the organization's risk exposure and concentration as of March 31, 2019.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk from these parties. The organization transacts with a significant number of parties which minimizes concentration of credit risk. There has been no change in this risk exposure from 2018.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its receipt of funds from its funders and other related sources, and accounts payable and accrued liabilities. The organization manages this risk through monitoring project budgets and future cash flow forecasts. There has been no change in this risk exposure from 2018.

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. The organization is mainly exposed to other price risk.

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READ SASKATOON INC.

Notes to Financial Statements

Year Ended March 31, 2019

12. Financial instruments *(continued)*

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 organization is exposed to other price risk through its investments. There has been no change in this risk exposure from 2018.

13. Comparative figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year. The reclassifications do not impact net assets.

READ SASKATOON INC.

Grant Revenue

(Schedule 1)

Year Ended March 31, 2019

	2019	2018
Operational funding		
Operational grants	\$ 54,384	\$ 33,138
Program funding		
Financial literacy funding (Schedule 4)	233,500	139,250
Adult literacy funding (Schedule 2)	103,500	88,833
Family literacy funding (Schedule 3)	76,387	128,131
Community Initiatives Fund - Volunteer Tutor	25,000	17,300
Nehiyawak language funding	20,233	-
Saskatoon Community Foundation - Quality of Life	6,000	14,000
Children's reading guide funding	3,196	-
Matched savings	2,550	-
Train the Facilitator	-	12,600
Saskatoon Community Foundation - Criss Cross Applesauce	-	6,000
Program funding total	470,366	406,114
	\$ 524,750	\$ 439,252

Adult Literacy Funding

(Schedule 2)

Year Ended March 31, 2019

	2019	2018
Ministry of Immigration and Career Training	\$ 69,000	\$ 41,400
Dakota Dunes Community Development	34,500	14,833
Ministry of Education	-	27,600
Affinity Credit Union	-	5,000
	\$ 103,500	\$ 88,833

Family Literacy Funding

(Schedule 3)

Year Ended March 31, 2019

	2019	2018
Ministry of Education	\$ 33,683	\$ 43,683
Conexus Credit Union	20,001	18,333
Affinity Credit Union	7,000	-
Scotiabank	4,870	20,000
Saskatoon Community Foundation - Criss Cross	4,709	-
SaskMilk	4,041	4,000
Family Focus Eyecare	2,083	5,000
Saskatoon Public Schools Foundation	-	22,115
Saskatchewan Indian Gaming Authority	-	10,000
CIBC	-	5,000
	\$ 76,387	\$ 128,131

See notes to financial statements

READ SASKATOON INC.

Financial Literacy Funding Year Ended March 31, 2019

(Schedule 4)

	2019	2018
Anonymous donor	\$ 125,000	\$ 33,250
United Way	48,750	65,000
Conexus Credit Union	30,000	20,000
TD Canada Trust	26,250	20,000
Canadian Western Bank	3,500	1,000
	<u>\$ 233,500</u>	<u>\$ 139,250</u>

Supplemental Revenues and Expenditures Year Ended March 31, 2019

(Schedule 5)

	2019	2018
Lit Up!		
Revenues	\$ 85,280	\$ 72,475
Expenditures	(20,755)	(22,111)
	<u>\$ 64,525</u>	<u>\$ 50,364</u>
PGI Golf Tournament for Literacy		
Revenues	\$ 79,940	\$ 72,239
Expenditures	(17,913)	(15,678)
	<u>\$ 62,027</u>	<u>\$ 56,561</u>