

**READ SASKATOON INC.**  
**Financial Statements**  
**Year Ended March 31, 2020**

## 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, 2020, and the statements of revenues and expenditures, changes in net assets, cash flows and related schedules 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, 2020, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

### 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, 2020, current assets and net assets as at March 31, 2020. Our audit opinion on the financial statements for the year ended March 31, 2019 was modified accordingly because of the possible effects of this limitation of scope.

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 ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 ASNPO, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the 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.

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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 control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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, 2020

CHARTERED PROFESSIONAL ACCOUNTANTS

# READ SASKATOON INC.

## Statement of Financial Position

March 31, 2020

	2020	2019
<b>ASSETS</b>		
Current		
Cash (Note 3)	\$ 464,755	\$ 429,253
Investments (Note 4)	159,261	191,595
Accounts receivable (Note 5)	6,937	36,070
Goods and services tax recoverable	4,315	3,320
Prepaid expenses	1,253	2,792
	636,521	663,030
Capital assets (Note 6)	127,740	138,848
	\$ 764,261	\$ 801,878
<b>LIABILITIES AND NET ASSETS</b>		
Current		
Accounts payable and accrued liabilities	\$ 30,811	\$ 31,190
Deferred revenues (Note 7)	293,142	337,722
	323,953	368,912
Deferred capital contributions (Note 8)	63,250	68,750
	387,203	437,662
Net assets		
Unrestricted fund	102,768	84,318
Invested in capital assets	64,490	70,098
Restricted fund (Note 9)	209,800	209,800
	377,058	364,216
	\$ 764,261	\$ 801,878

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, 2020

	2020	2019
<b>Revenues</b>		
Grant Revenue (Schedule 1)	\$ 725,924	\$ 524,750
Donations	113,454	85,251
PGI Golf Tournament for Literacy (Schedule 5)	80,363	79,940
Lit Up! (Schedule 5)	30,361	85,280
Rental	26,073	22,611
Internal management fees (Note 11)	14,000	5,000
Contract services	9,176	6,991
Amortization of deferred capital contributions (Note 8)	5,500	5,500
Other	2,028	7,511
Office sales	1,010	4,245
Facilities	110	2,825
Speed scrabble	-	5,876
	<b>1,007,999</b>	<b>835,780</b>
<b>Expenditures</b>		
Salaries and wages	588,920	464,324
Facilities, utilities and maintenance	76,264	84,550
Program materials	72,938	56,534
Rental	72,303	69,682
Sub-contracts	54,076	46,790
Office	22,832	22,064
Advertising and promotion	20,037	11,223
Professional fees	14,189	11,208
Administration (Note 11)	14,000	5,000
Amortization	11,108	11,107
Travel	9,253	5,740
Nutrition	9,250	8,959
Professional development	7,245	10,323
Equipment rentals	6,783	6,543
Insurance	6,194	3,589
Donation	5,000	-
Licenses and memberships	4,364	5,114
Interest and bank charges (Note 3)	1,097	1,383
Honorariums	250	500
	<b>996,103</b>	<b>824,633</b>
Excess of revenues over expenditures from operations	11,896	11,147
<b>Other revenues (expenditures)</b>		
Investment	946	9,408
Excess of revenues over expenditures for the year	<b>\$ 12,842</b>	<b>\$ 20,555</b>

See notes to financial statements

# READ SASKATOON INC.

## Statement of Changes in Net Assets

Year Ended March 31, 2020

	Unrestricted fund	Invested in capital assets	Restricted fund (Note 9)	2020	2019
Net assets - beginning of year	\$ 84,318	\$ 70,098	\$ 209,800	\$ 364,216	\$ 343,661
Excess (deficiency) of revenues over expenditures for the year	18,450	(5,608)	-	12,842	20,555
Net assets - end of year	\$ 102,768	\$ 64,490	\$ 209,800	\$ 377,058	\$ 364,216

# READ SASKATOON INC.

## Statement of Cash Flows Year Ended March 31, 2020

	2020	2019
Operating activities		
Excess of revenues over expenditures for the year	\$ 12,842	\$ 20,555
Items not affecting cash:		
Amortization of capital assets	11,108	11,107
Amortization of deferred capital contributions	(5,500)	(5,500)
	18,450	26,162
Changes in non-cash working capital:		
Accounts receivable	29,133	(21,903)
Goods and services tax recoverable	(995)	(150)
Prepaid expenses	1,539	9,267
Accounts payable and accrued liabilities	(379)	6,198
Deferred revenues	(44,580)	52,669
	(15,282)	46,081
Cash flow from operating activities	3,168	72,243
Investing activity		
Net decrease (increase) in value of investments	32,334	(8,348)
Increase in cash flow	35,502	63,895
Cash - beginning of year	429,253	365,358
Cash - end of year (Note 3)	\$ 464,755	\$ 429,253

# READ SASKATOON INC.

Notes to Financial Statements

Year Ended March 31, 2020

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## 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 ASNFPO 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.

### 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:

Leasehold improvements	15 years	straight-line method over the length of the lease plus one renewal term
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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.

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# READ SASKATOON INC.

Notes to Financial Statements

Year Ended March 31, 2020

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## 2. Summary of significant accounting policies *(continued)*

### Revenue recognition

The Organization 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.

### 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 recorded as expenditures when incurred and are deducted from the original cost of the investment.

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

Financial instruments recorded at fair value include investments.

### 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.

# READ SASKATOON INC.

Notes to Financial Statements

Year Ended March 31, 2020

## 3. Cash

	2020	2019
Cash on hand	\$ 450,445	\$ 450,977
Cash in investment account	28,837	-
Outstanding deposits	3,810	4,750
Cheques issued and outstanding	(18,337)	(26,474)
	<u>\$ 464,755</u>	<u>\$ 429,253</u>

During the year, the Organization incurred interest and bank charges of \$1,097 (2019 - \$1,383).

## 4. Investments

	2020	2019
Saskatoon Community Foundation	\$ 99,468	\$ 98,931
Quadrus Investment Services Ltd.	59,793	-
Credential Asset Management	-	92,664
	<u>\$ 159,261</u>	<u>\$ 191,595</u>

The Quadrus Investment Services Ltd. 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 \$nil (2019 - \$285).

## 6. Capital assets

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Leasehold improvements	\$ 166,617	\$ 38,877	\$ 127,740	\$ 138,848

# READ SASKATOON INC.

## Notes to Financial Statements

Year Ended March 31, 2020

### 7. Deferred revenue

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

	2020	2019
<b>Adult literacy</b>		
Ministry of Immigration and Career Training	\$ 17,250	\$ 17,250
Nutrien	7,000	-
CNH Industrial Canada Ltd.	1,500	-
	25,750	17,250
<b>Family literacy</b>		
Ministry of Education	16,503	20,921
Harold Latrace Foundation	15,000	-
Conexus Credit Union	6,666	6,666
SaskMilk	4,125	4,125
Affinity Credit Union	3,000	3,000
	45,294	34,712
<b>Financial literacy</b>		
Anonymous donor	78,000	100,000
Minister of Social Services	20,812	-
TD Canada Trust	18,750	18,750
Conexus Credit Union	10,000	10,000
Manulife	5,000	-
Canadian Western Bank	1,500	1,500
	134,062	130,250
<b>Individual programs</b>		
Saskatoon Public Schools Foundation - Reading Guide Program	22,417	49,961
Community Initiatives Fund - Volunteer Tutor	10,000	9,900
Community Initiatives Fund - Family literacy training	10,000	-
Conexus Credit Union - matched savings	3,260	13,450
Community Initiatives Fund - One, Two, Buckle My Shoe	-	20,000
nehiyawak Camp	-	18,897
	45,677	112,208
<b>Operational</b>		
City of Saskatoon	9,167	9,167
Prepaid rental income	2,192	2,166
Affinity Credit Union	2,000	2,000
	13,359	13,333
<b>Self-generated</b>		
PGI Golf Tournament	17,000	23,414
Storytelling event	7,500	2,500
Lit Up!	4,500	-
nehiyawak Camp	-	4,055
	29,000	29,969
	\$ 293,142	\$ 337,722

# READ SASKATOON INC.

Notes to Financial Statements

Year Ended March 31, 2020

## 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.

	2020	2019
Balance, beginning of the year	\$ 68,750	\$ 74,250
Amortization of deferred capital contributions	(5,500)	(5,500)
Balance, end of the year	\$ 63,250	\$ 68,750

## 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.

## 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, 2020 are as follows:

2021	\$ 49,260
2022	52,104
2023	53,052
2024	53,052
2025	53,052
Thereafter	13,263
	<u>\$ 273,783</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.

# READ SASKATOON INC.

Notes to Financial Statements

Year Ended March 31, 2020

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## 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, 2020.

### Credit risk

Credit risk arises from the potential that a grantors, donors, sponsors or other sources will fail to perform its obligations. The Organization is exposed to credit risk from the aforementioned parties. The Organization transacts with a significant number of parties which minimizes concentration of credit risk. The Organization regularly reviews the collectibility of all existing receivables.

### 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, accounts payable and accrued liabilities. The Organization manages this risk through monitoring project budgets and future cash flow forecasts.

### 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.

### 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.

## 13. COVID-19

On March 12, 2020 COVID-19 was declared a pandemic by the World Health Organization. This has resulted in significant economic uncertainty and financial markets have experienced significant volatility in response to the developing COVID-19 pandemic. The interest bearing accounts, cash accounts and investment portfolio of the Organization has been subject to these market fluctuations and the impact is reflected in the financial statements for the year ended March 31, 2020. In addition, the Organization has undertaken the following activities in relation to the COVID-19 pandemic, closing office to the public, ceasing normal programming and mandatory working from home requirements for those able to do so. The Organization has switched to provide programming remotely, the situation is dynamic and the ultimate duration and magnitude of the potential impact on future results is currently undeterminable.

## 14. 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, 2020

	2020	2019
Operational funding		
Operational grants	\$ 91,129	\$ 54,384
Program funding		
Financial literacy funding (Schedule 2)	203,088	233,500
Family literacy funding (Schedule 3)	183,134	76,387
Adult literacy funding (Schedule 4)	79,000	103,500
Children's reading guide funding	49,961	3,196
Nehiyawak language funding	48,072	20,233
Community Initiatives Fund - One, Two, Buckle My Shoe	25,000	-
Community Initiatives Fund - Volunteer Tutor	24,900	25,000
Matched savings	11,640	2,550
Community Initiatives Fund - Family literacy training	10,000	-
Saskatoon Community Foundation - Quality of Life	-	6,000
Program funding total	634,795	470,366
	\$ 725,924	\$ 524,750

Financial Literacy Funding

(Schedule 2)

Year Ended March 31, 2020

	2020	2019
Anonymous donor	\$ 100,000	\$ 125,000
Conexus Credit Union	30,000	30,000
Minister of Social Services	29,138	-
TD Canada Trust	25,000	26,250
United Way	13,950	48,750
Canadian Western Bank	5,000	3,500
	\$ 203,088	\$ 233,500

# READ SASKATOON INC.

## Family Literacy Funding

(Schedule 3)

Year Ended March 31, 2020

	2020	2019
Korchinski Family Foundation	\$ 82,734	\$ -
Ministry of Education	49,900	33,683
Conexus Credit Union	20,000	20,001
Community Initiatives Funding	10,000	-
Affinity Credit Union	10,000	7,000
SaskTel	6,000	-
SaskMilk	4,500	4,041
Scotiabank	-	4,870
Saskatoon Community Foundation - Criss Cross	-	4,709
Family Focus Eyecare	-	2,083
	<b>\$ 183,134</b>	<b>\$ 76,387</b>

## Adult Literacy Funding

(Schedule 4)

Year Ended March 31, 2020

	2020	2019
Ministry of Immigration and Career Training	\$ 51,750	\$ 69,000
Ministry of Education	17,250	-
Dakota Dunes Community Development	10,000	34,500
	<b>\$ 79,000</b>	<b>\$ 103,500</b>

## Supplemental Revenues and Expenditures

(Schedule 5)

Year Ended March 31, 2020

	2020	2019
Lit Up!		
Revenues	\$ 30,361	\$ 85,280
Expenditures	(5,219)	(20,755)
	<b>\$ 25,142</b>	<b>\$ 64,525</b>
PGI Golf Tournament for Literacy		
Revenues	\$ 80,363	\$ 79,940
Expenditures	(17,813)	(17,913)
	<b>\$ 62,550</b>	<b>\$ 62,027</b>