

READ SASKATOON INC.
Financial Statements
Year Ended March 31, 2022

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of READ Saskatoon Inc. have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

The integrity and reliability of READ Saskatoon Inc.'s reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee. The Audit Committee is appointed by the Board and meets periodically with management and the members' auditors to review significant accounting, reporting and internal control matters. Following its review of the financial statements and discussions with the auditors, the Audit Committee reports to the Board of Directors prior to its approval of the financial statements. The Audit Committee also considers, for review by the Board and approval by the members, the engagement or re-appointment of the external auditors.

The financial statements have been audited on behalf of the members by Virtus Group Chartered Professional Accountants & Business Advisors LLP, in accordance with Canadian generally accepted auditing standards.


Sheryl Harrow Yurach


Kristine Sparrow

Saskatoon, SK
May 25, 2022



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, 2022, 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, 2022, 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 (ASFNPO).

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 (deficiency) of revenues over expenditures, and cash flows from operations for the year ended March 31, 2022, current assets and net assets as at March 31, 2022. Our audit opinion on the financial statements for the year ended March 31, 2021 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 ASFNPO, 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.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

Saskatoon, Saskatchewan
May 25, 2022

Virtus Group LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

READ SASKATOON INC.


Statement of Financial Position

March 31, 2022

	2022	2021
ASSETS		
Current		
Cash (Note 3)	\$ 929,796	\$ 580,691
Investments (Note 4)	198,753	189,967
Accounts receivable (Note 5)	34,355	3,467
Goods and services tax recoverable	3,258	5,482
Prepaid expenses	1,535	1,491
	1,167,697	781,098
Capital assets (Note 6)	105,524	116,632
	\$ 1,273,221	\$ 897,730
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	\$ 66,936	\$ 53,149
Deferred revenues (Note 7)	715,185	421,222
	782,121	474,371
Deferred capital contributions (Note 8)	52,250	57,750
	834,371	532,121
Net assets		
Unrestricted fund	175,776	96,927
Invested in capital assets	53,274	58,882
Restricted fund (Note 9)	209,800	209,800
	438,850	365,609
	\$ 1,273,221	\$ 897,730

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, 2022

	2022	2021
Revenues		
Grant Revenue (<i>Schedule 1</i>)	\$ 915,452	\$ 777,935
Donations	151,529	145,229
Government assistance (<i>Note 12</i>)	120,216	-
PGI Golf Tournament for Literacy (<i>Schedule 2</i>)	64,810	54,242
Other	17,224	52,759
Contract services	14,142	1,699
Internal management fees (<i>Note 11</i>)	11,668	6,332
Amortization of deferred capital contributions (<i>Note 8</i>)	5,500	5,500
Office sales	900	30
Facilities	-	225
Rental	-	19,726
	1,301,441	1,063,677
Expenditures		
Salaries and wages	850,371	620,543
Sub-contracts	89,624	116,103
Rental	70,109	74,110
Program materials	59,500	146,139
Office	36,633	38,036
Facilities, utilities and maintenance	36,235	34,216
Advertising and promotion	20,012	16,927
PGI Golf Tournament for Literacy (<i>Schedule 2</i>)	18,537	8,035
Professional fees	13,888	15,073
Administration (<i>Note 11</i>)	11,668	6,332
Amortization	11,108	11,108
Donation	-	5,000
Professional development	6,392	4,892
Insurance	6,019	4,733
Licenses and memberships	3,405	2,889
Nutrition	2,525	2,471
Travel	2,446	1,344
Interest and bank charges	766	915
	1,239,238	1,108,866
Excess (deficiency) of revenues over expenditures from operations	62,203	(45,189)
Other revenues		
Investment	11,038	33,740
Excess (deficiency) of revenues over expenditures for the year	\$ 73,241	\$ (11,449)

See notes to financial statements

READ SASKATOON INC.

Statement of Changes in Net Assets

Year Ended March 31, 2022

	Unrestricted fund	Invested in capital assets	Restricted fund (Note 9)	2022	2021
Net assets - beginning of year	\$ 96,927	\$ 58,882	\$ 209,800	\$ 365,609	\$ 377,058
Excess (deficiency) of revenues over expenditures for the year	78,849	(5,608)	-	73,241	(11,449)
Net assets - end of year	\$ 175,776	\$ 53,274	\$ 209,800	\$ 438,850	\$ 365,609

READ SASKATOON INC.

Statement of Cash Flows

Year Ended March 31, 2022

	2022	2021
Operating activities		
Excess (deficiency) of revenues over expenditures for the year	\$ 73,241	\$ (11,449)
Items not affecting cash:		
Amortization of capital assets	11,108	11,108
Amortization of deferred capital contributions	(5,500)	(5,500)
	78,849	(5,841)
Changes in non-cash working capital:		
Accounts receivable	(30,888)	3,470
Goods and services tax recoverable	2,224	(1,167)
Prepaid expenses	(44)	(238)
Accounts payable and accrued liabilities	13,787	22,338
Deferred revenues	293,963	128,080
	279,042	152,483
Cash flow from operating activities	357,891	146,642
Investing activity		
Net decrease (increase) in value of investments	(8,786)	(30,706)
Increase in cash flow	349,105	115,936
Cash - beginning of year	580,691	464,755
Cash - end of year	\$ 929,796	\$ 580,691

See notes to financial statements

READ SASKATOON INC.

Notes to Financial Statements

Year Ended March 31, 2022

1. Purpose of the Organization

READ Saskatoon Inc. (the "Organization") is a not-for-profit organization incorporated under the Non-profit Corporations Act of Saskatchewan. 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.

Impact on operations of COVID-19 (coronavirus)

In early March 2020, the impact of the global outbreak of COVID-19 (coronavirus) began to have a significant impact on businesses through the restrictions put in place by the Canadian, provincial, and municipal governments regarding travel, business operations, and isolation/quarantine orders.

The Organization's operations were impacted in the current year by COVID-19, due to the inability to host fundraising events including the LitUp! Gala. The Organization was also able to access certain government programs to help offset some of these reduced revenues (see Note 12 for further information).

At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Organization as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. While the extent of the impact is unknown, we anticipate this outbreak may continue to cause continued modification of services and initiatives which may negatively impact the Organization's business and financial condition.

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.

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READ SASKATOON INC.

Notes to Financial Statements

Year Ended March 31, 2022

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:

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.

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.

The Organization recognizes subsidies and grants received from various government programs as revenue in the period qualified after all necessary applications have been completed and collection is reasonably assured. If the grant or subsidy arose as a result of incurring certain expenses the corresponding grant or subsidy revenue will be reported in the same period as the expenses. These amounts may be subject to review by Canada Revenue Agency or other government agencies. Any differences between the amounts recorded in the financial statements and the amount received will be recognized in income in the period in which new information becomes known.

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READ SASKATOON INC.

Notes to Financial Statements

Year Ended March 31, 2022

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

Financial instruments policy

The Organization adopted the amendments to Section 3856 *Financial Instruments* effective January 1, 2021. The amended standard has had minimal impact on the Organization.

The Organization recognizes financial instruments when the Organization becomes party to the contractual provisions of the financial instrument.

Arm's length financial instruments

Financial instruments originated/acquired or issued/assumed in an arm's length transaction ("arm's length financial instruments") are initially recorded at their fair value.

The Organization subsequently measures investments in equity instruments quoted in an active market at fair value. Fair value is determined by published price quotations. All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in excess of revenues over expenses. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

Related party financial instruments

The Organization has no related party financial instruments required to be recognized at fair value.

All other related party financial instruments are measured at cost on initial recognition and subsequently measured using the cost method less any reduction for impairment. When the financial instrument has repayment terms, cost is determined using the undiscounted cash flows, excluding interest, dividend, variable and contingent payments, less any impairment losses previously recognized by the transferor. When the financial instrument does not have repayment terms, but the consideration transferred has repayment terms, cost is determined based on the repayment terms of the consideration transferred.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of related party financial instruments are immediately recognized in excess of revenues over expenses.

Financial instruments recorded at amortized cost include: cash, accounts receivable, and accounts payable and accrued liabilities. The fair value of cash, accounts receivable, and accounts payable and accrued liabilities approximate their carrying value due to the immediate or short-term period to maturity.

Financial instruments recorded at fair value include investments.

Pledges

Because of the uncertainty surrounding the collectability of pledges, the Organization recognizes only those pledges for which amounts have been received prior to year end.

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, 2022

3. Cash

	2022	2021
Cash on hand	\$ 930,874	\$ 578,895
Cash in investment account	29,141	28,990
Outstanding deposits	203	6,434
Cheques issued and outstanding	(30,422)	(33,628)
	<u>\$ 929,796</u>	<u>\$ 580,691</u>

4. Investments

	2022	2021
Saskatoon Community Foundation	\$ 123,084	\$ 117,006
Quadrus Investment Services Ltd.	75,669	72,961
	<u>\$ 198,753</u>	<u>\$ 189,967</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 (2021 - \$2,500).

6. Capital assets

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Leasehold improvements	\$ 166,617	\$ 61,093	\$ 105,524	\$ 116,632

In the year ended March 31, 2022, the Organization has assessed for full and partial impairment on capital assets and determined that there is no impairment.

READ SASKATOON INC.

Notes to Financial Statements

Year Ended March 31, 2022

7. Deferred revenues

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

	March 31, 2021	Contributions received (repaid)	Recognized as revenues	March 31, 2022
Adult literacy	\$ 34,500	\$ 143,824	\$ (141,823)	\$ 36,501
Family literacy	65,562	200,048	(210,569)	55,041
Financial literacy	190,196	289,833	(305,050)	174,979
Spark	47,014	54,100	(64,343)	36,771
Volunteer Tutor	11,667	25,000	(29,167)	7,500
Matched savings	8,260	14,841	(4,650)	18,451
CIF - Spark	11,667	25,000	(27,779)	8,888
Training contracts	13,889	975	(5,836)	9,028
Operational	11,167	126,817	(112,568)	25,416
Rental income campaign pledge	-	232,765	-	232,765
PGI golf tournament	20,800	12,600	(20,800)	12,600
LIT UP!	2,500	9,292	-	11,792
Donations	4,000	-	(4,000)	-
Campaign pledges	-	86,953	(1,500)	85,453
	\$ 421,222	\$ 1,222,048	\$ (928,085)	\$ 715,185

As a one-time major gift campaign to increase programs and services post-COVID, the Organization obtained \$2,211,599 in pledges and grants for current and future expenditures. In accordance with the Organization's policy presented in Note 2, only \$319,718 was received during the year, with \$1,500 recognized as revenue and \$318,218 recognized as deferred revenue.

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.

	2022	2021
Balance, beginning of the year	\$ 57,750	\$ 63,250
Amortization of deferred capital contributions	(5,500)	(5,500)
Balance, end of the year	\$ 52,250	\$ 57,750

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.

READ SASKATOON INC.

Notes to Financial Statements

Year Ended March 31, 2022

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 yielding monthly rent payments as follows: for the first two years \$3,473 plus occupancy costs, for the years three through six \$4,105 plus occupancy costs, for the years seven through ten \$4,421 plus occupancy costs.

Future minimum lease payments for the entity as at March 31, 2022 are as follows:

2023	\$	53,052
2024		53,052
2025		53,052
2026		13,263
	\$	<u>172,419</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. Government assistance

During the year, the Organization received government assistance in the forms of the Canada Emergency Wage Subsidy (CEWS), the Canada Emergency Rent Subsidy (CERS), and the Canada Recovery Hiring Program (CRHP). The Organization received \$82,530 (2021 - \$nil) under the CEWS program, \$9,743 (2021 - \$nil) under the CERS program, and \$27,943 (2021 - \$nil) under the CRHP program. These amounts have been included as income in the current year.

13. 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, 2022.

Credit risk

Credit risk arises from the potential that grantors, donors, sponsors or other sources will fail to perform their 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.

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READ SASKATOON INC.

Notes to Financial Statements

Year Ended March 31, 2022

13. Financial instruments *(continued)*

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.

READ SASKATOON INC.

Grant Revenue

(Schedule 1)

Year Ended March 31, 2022

	2022	2021
Operational funding		
Operational grants	\$ 113,119	\$ 147,941
Program funding		
Financial literacy funding	305,050	269,783
Family literacy funding	210,569	102,504
Adult literacy funding	141,823	138,403
Spark	64,343	62,638
Community Initiatives Fund - Volunteer Tutor	29,167	23,333
CIF - Spark	27,779	8,333
Matched savings	18,102	-
SCF - Reconciliation Project	5,500	10,000
Community Initiatives Fund - Family literacy training	-	15,000
Program funding total	802,333	629,994
	\$ 915,452	\$ 777,935

Supplemental Revenues and Expenditures

(Schedule 2)

Year Ended March 31, 2022

	2022	2021
PGI Golf Tournament for Literacy		
Revenues	\$ 64,810	\$ 54,242
Expenditures	(18,537)	(8,035)
	\$ 46,273	\$ 46,207