

DRAFT - FOR DISCUSSION PURPOSES ONLY

P.E.I. LITERACY ALLIANCE INC.

**FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017**

P.E.I. LITERACY ALLIANCE INC.

YEAR ENDED MARCH 31, 2017

CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statement of Net Assets	2
Statement of Changes in Net Assets	3
Statement of Revenues and Expenditures	4
Statement of Cash Flow	5
NOTES TO FINANCIAL STATEMENTS	6 - 8
SCHEDULES	
Schedule I - PGI Golf Tournament For Literacy	9
Schedule II - Ready, Set, Learn	9
Schedule III - P.E.I. Volunteers for Literacy	10
Schedule IV - Math Tutor Training Program	10
Schedule V - Family Literacy Workshops	11

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of P.E.I. Literacy Alliance Inc.

We have audited the accompanying financial statements of P.E.I. Literacy Alliance Inc. which is comprised of the statement of net assets as at March 31, 2017 and the statements of changes in net assets, revenues and expenditures and cash flow for the year then ended. These financial statements are the responsibility of the Alliance's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Management's Responsibility for the Financial Statements

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

Auditor's 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 the auditor's 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, the auditor considers 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 a qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the Alliance derives revenue from donations and fees, the completeness of which are not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenue over expenses, assets and net assets.

Qualified Opinion

In our opinion, except for the effect of the matter described in the previous paragraph, these financial statements present fairly, in all material respects, the statement of financial net assets as at March 31, 2017 and the statements of changes in net assets, revenues and expenditures and cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

CHARTERED PROFESSIONAL ACCOUNTANTS
September 19, 2017
Charlottetown, Prince Edward Island

P.E.I. LITERACY ALLIANCE INC.

STATEMENT OF NET ASSETS

MARCH 31, 2017

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
CURRENT		
Cash	\$ 45,000	\$ 50,241
Restricted Cash	17,796	40,701
Receivables	8,207	15,674
Prepaid expenses	<u>4,211</u>	<u>-</u>
	<u>\$ 75,214</u>	<u>\$ 106,616</u>

<u>LIABILITIES</u>		
CURRENT		
Payables and accruals, including government remittances payable of \$Nil (2016 - \$616)	\$ 3,453	\$ 5,505
Deferred revenue	<u>17,796</u>	<u>40,701</u>
	21,249	46,206

<u>NET ASSETS</u>		
UNRESTRICTED	<u>53,965</u>	<u>60,410</u>
	<u>\$ 75,214</u>	<u>\$ 106,616</u>

APPROVED ON BEHALF OF THE BOARD:

_____ Member

_____ Member

P.E.I. LITERACY ALLIANCE INC.
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2017

	<u>2017</u>	<u>2016</u>
UNRESTRICTED NET ASSETS - BEGINNING OF YEAR	\$ 60,410	\$ 103,097
Deficiency of revenues over expenditures	<u>(6,445)</u>	<u>(42,687)</u>
UNRESTRICTED NET ASSETS - END OF YEAR	<u>\$ 53,965</u>	<u>\$ 60,410</u>

DRAFT - FOR DISCUSSION PURPOSES ONLY

P.E.I. LITERACY ALLIANCE INC.
STATEMENT OF REVENUES AND EXPENDITURES
YEAR ENDED MARCH 31, 2017

	<u>2017</u>	<u>2016</u>
REVENUES		
Project revenue (net of deferred revenue) - Note 6	\$ 222,857	\$ 246,652
Raise a Reader	31,729	14,080
Donations	5,165	11,771
Transfer from Family Literacy Workshops	3,685	-
Reading Town	-	5,467
Interest and miscellaneous	2,095	1,234
Plain Language Revenue	<u>1,260</u>	<u>1,260</u>
	<u>266,791</u>	<u>280,464</u>
EXPENDITURES		
Advertising	-	1,481
Bursaries and scholarships	4,000	3,000
Conferences, travel and accommodations	4,654	5,140
Honoraria	350	1,006
Insurance	2,569	2,016
Interest and bank charges	926	875
Office and miscellaneous	2,119	1,787
Professional fees	10,354	8,880
Project expenses - Note 6	224,881	282,512
Rent	512	61
Telephone	2,060	2,180
Wages and benefits	<u>20,811</u>	<u>14,213</u>
	<u>273,236</u>	<u>323,151</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>\$ (6,445)</u>	<u>\$ (42,687)</u>

P.E.I. LITERACY ALLIANCE INC.
STATEMENT OF CASH FLOW
YEAR ENDED MARCH 31, 2017

	<u>2017</u>	<u>2016</u>
CASH PROVIDED FROM (USED FOR)		
CASH FLOW FROM OPERATING ACTIVITIES		
Deficiency of revenues over expenditures	\$ (6,445)	\$ (42,687)
Net changes in non-cash working capital items		
Receivables	7,467	(8,833)
Prepaid expense	(4,211)	604
Payables and accruals	(2,052)	(298)
Deferred revenue	<u>(22,905)</u>	<u>1,507</u>
DECREASE IN CASH	(28,146)	(49,707)
CASH, BEGINNING OF YEAR	<u>90,942</u>	<u>140,649</u>
CASH, END OF YEAR	<u>\$ 62,796</u>	<u>\$ 90,942</u>
 CASH CONSISTS OF:		
Unrestricted Cash	\$ 45,000	\$ 50,241
Restricted Cash	<u>17,796</u>	<u>40,701</u>
	<u>\$ 62,796</u>	<u>\$ 90,942</u>

P.E.I. LITERACY ALLIANCE INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017

1. MANDATE

The P.E.I. Literacy Alliance advances literacy for the people of Prince Edward Island.

2. NATURE OF OPERATIONS

The P.E.I. Literacy Alliance Inc. is incorporated under the laws of Prince Edward Island as a not-for-profit organization. The Alliance is registered as a charitable organization with Canada Revenue Agency under the Income Tax Act and as such, is exempt from income taxes.

3. ACCOUNTING POLICIES

CASH

Cash consists of cash on deposit, less cheques issued and outstanding.

PROPERTY AND EQUIPMENT

Property and equipment are expensed on acquisition.

REVENUE RECOGNITION

Grant revenue is recognized in accordance with the terms and conditions of the grant. Deferred revenues result from the project completion dates of specific grants extending beyond the fiscal year end.

USE OF ESTIMATES

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

DONATED SERVICES

In order to achieve its objectives, the Alliance depends on the services donated by many individuals. Since these services are not normally purchased by the Alliance and because of the difficulty in determining their fair value, donated services are not monetarily recorded in the records of the Alliance.

FINANCIAL INSTRUMENTS

The Alliance's financial assets measured at cost consist of cash, short term investments and receivables. Financial liabilities measured at amortized cost consist of payables and accruals. Unless otherwise noted, it is management's opinion that the Alliance is not exposed to significant interest, currency, or credit risks arising from these financial instruments.

P.E.I. LITERACY ALLIANCE INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017

4. GOING CONCERN AND FUTURE OPERATIONS

These financial statements have been prepared on the going concern basis which assumes that the Alliance will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities in the normal course of business. There is significant doubt about the appropriateness of the use of the going concern assumption because the Alliance has experienced a significant loss of funding. The application of the going concern basis is dependant on the Alliance's ability to sustain future funding. The Alliance has unrestricted net assets to fund their mandate but eventually new funding will be required.

These financial statements do not reflect adjustments that would be necessary if the going concern assumptions were not appropriate. If the going concern basis was not appropriate, adjustments would be necessary to the the reported revenues and expenses and the statement of revenue and expenditures classifications used.

5. BANK INDEBTEDNESS

The organization has a prime + 5% demand operating loan at the Provincial Credit Union which operates through the Alliance's current chequing account. The outstanding balance at March 31, 2017 was \$Nil (2016 - \$Nil). The operating loan is secured by a first charge on all personal property owned by the Alliance.

6. NET PROJECT INCOME

		Expenses				
	Page	Revenue	and Transfers	Deferred Revenue	Net 2017	Net 2016
PGI Golf Tournament For Literacy	8	\$ 41,753	\$ 29,108	\$ -	\$ 12,645	\$ 16,616
Ready, Set, Learn	8	140,479	148,468	-	(7,989)	(35,400)
PEI Volunteers for Literacy	9	40,616	37,634	9,906	(6,924)	778
Math Tutoring Training Program	9	6,230	5,986	-	244	(17,854)
Family Literacy Workshops	10	<u>3,685</u>	<u>3,685</u>	-	-	-
		<u>\$ 232,763</u>	<u>\$ 224,881</u>	<u>\$ 9,906</u>	<u>\$ (2,024)</u>	<u>\$ (35,860)</u>

P.E.I. LITERACY ALLIANCE INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017

7. ADMINISTRATIVE WAGE COST ALLOCATION

Administrative wages reported on the statement of revenue and expenditures of \$20,811 (2016 - \$14,213) are reported after allocation of \$59,232 (2016 - \$80,539) to various projects. The amounts allocated represent the time administrative staff have spent working on specific projects.

Administrative wage costs have been allocated as follows:

	<u>2017</u>	<u>2016</u>
PGI Golf Tournament for Literacy	\$ 10,406	\$ 9,475
Ready, Set, Learn	24,813	39,796
PEI Volunteers for Literacy	20,811	15,160
Math Tutoring Training Program	3,202	16,108
Administration	<u>20,811</u>	<u>14,213</u>
	<u>\$ 80,043</u>	<u>\$ 94,752</u>

8. PRIOR YEAR FIGURES

The organization has decided to allocate administrative wages incurred on projects as identified in Note 7. In order to provide comparable information, the 2016 allocation of administrative wage costs to the projects have changed prior year figures.

During the year, a funding partner for the P.E.I. Volunteers for Literacy project amended their spending criteria, which now allows for more administrative costs to be funded. As a result, prior year deferred revenue end of year on Schedule III (page 10), and the related restricted cash on the 2016 Statement of Net Assets (page 2), have decreased by \$15,937 to account for allowable administrative costs incurred on the project for the 2016 fiscal year.

P.E.I. LITERACY ALLIANCE INC.
SCHEDULE I - PGI GOLF TOURNAMENT FOR LITERACY
SCHEDULE II - READY, SET, LEARN!
YEAR ENDED MARCH 31, 2017

	<u>2017</u>	<u>2016</u>
SCHEDULE I - PGI GOLF TOURNAMENT FOR LITERACY		
REVENUE	\$ <u>41,753</u>	\$ <u>43,189</u>
EXPENSES		
Advertising	377	1,198
Awards	387	319
Gifts/honoraria	600	150
Learner's Award	200	200
Meals	6,300	6,531
Miscellaneous	5,960	5,618
Professional fees	3,390	683
Resource materials	564	7
Travel	924	2,392
Wages	<u>10,406</u>	<u>9,475</u>
	<u>29,108</u>	<u>26,573</u>
NET PROJECT INCOME	\$ <u>12,645</u>	\$ <u>16,616</u>

SCHEDULE II - READY, SET, LEARN! (2016 - SUMMER TUTORING PROGRAM FOR KIDS)		
REVENUE	\$ <u>140,479</u>	\$ <u>154,500</u>
EXPENSES		
Materials	975	1,026
Office and miscellaneous	2,464	2,331
Travel	7,137	13,450
Wages	<u>137,892</u>	<u>173,093</u>
	<u>148,468</u>	<u>189,900</u>
NET PROJECT LOSS	\$ <u>(7,989)</u>	\$ <u>(35,400)</u>

P.E.I. LITERACY ALLIANCE INC.
SCHEDULE III - P.E.I. VOLUNTEERS FOR LITERACY
SCHEDULE IV - MATH TUTOR TRAINING PROGRAM
YEAR ENDED MARCH 31, 2017

	<u>2017</u>	<u>2016</u>
SCHEDULE III - P.E.I. VOLUNTEERS FOR LITERACY		
REVENUE		
Revenue	\$ 22,668	\$ 30,322
Deferred revenue, beginning of year	<u>17,948</u>	<u>24,600</u>
	<u>40,616</u>	<u>54,922</u>
EXPENSES		
Office supplies	686	885
Professional fees	7,762	766
Registration fees	2,265	4,119
Rent	191	-
Resource materials	1,960	1,200
Travel	720	709
Wages	<u>24,050</u>	<u>28,517</u>
	<u>37,634</u>	<u>36,196</u>
EXCESS OF REVENUE OVER EXPENDITURES	2,982	18,726
DEFERRED REVENUE, END OF YEAR	<u>(9,906)</u>	<u>(17,948)</u>
NET PROJECT INCOME (LOSS)	<u>\$ 12,888</u>	<u>\$ 36,674</u>
 SCHEDULE IV - MATH TUTOR TRAINING PROGRAM		
REVENUE	<u>\$ 6,230</u>	<u>\$ 6,470</u>
EXPENSES		
Gifts/honoraria	43	-
Office supplies	27	267
Professional fees	-	303
Resource materials	198	619
Wages	<u>5,718</u>	<u>23,135</u>
	<u>5,986</u>	<u>24,324</u>
NET PROJECT INCOME (LOSS)	<u>\$ 244</u>	<u>\$ (17,854)</u>

P.E.I. LITERACY ALLIANCE INC.
SCHEDULE V - FAMILY LITERACY WORKSHOPS
YEAR ENDED MARCH 31, 2017

	<u>2017</u>	<u>2016</u>
SCHEDULE V - FAMILY LITERACY WORKSHOPS		
REVENUE		
Deferred revenue, beginning of year	\$ 3,685	\$ 9,204
EXPENSE		
Equipment	<u>-</u>	<u>5,519</u>
EXCESS OF REVENUES OVER EXPENDITURES	3,685	3,685
DEFERRED REVENUE, END OF YEAR	-	(3,685)
TRANSFER TO ADMINISTRATIVE	<u>(3,685)</u>	<u>-</u>
NET PROJECT INCOME	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

DRAFT - FOR DISCUSSION PURPOSES ONLY