

DRAFT - FOR DISCUSSION PURPOSES ONLY

P.E.I. LITERACY ALLIANCE INC.

**FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018**

P.E.I. LITERACY ALLIANCE INC.

YEAR ENDED MARCH 31, 2018

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

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, 2018 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, 2018 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
August 22, 2018
Charlottetown, Prince Edward Island

P.E.I. LITERACY ALLIANCE INC.

STATEMENT OF NET ASSETS

MARCH 31, 2018

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
CURRENT		
Cash	\$ 99,698	\$ 45,000
Restricted Cash	9,150	17,796
Receivables	119,444	8,207
Prepaid expenses	<u>-</u>	<u>4,211</u>
	<u>\$ 228,292</u>	<u>\$ 75,214</u>
<u>LIABILITIES</u>		
CURRENT		
Payables and accruals, including government remittances payable of \$3,721 (2017 - \$NIL)	\$ 9,524	\$ 3,453
Deferred revenue	<u>9,150</u>	<u>17,796</u>
	18,674	21,249
<u>NET ASSETS</u>		
UNRESTRICTED	<u>209,618</u>	<u>53,965</u>
	<u>\$ 228,292</u>	<u>\$ 75,214</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, 2018

	<u>2018</u>	<u>2017</u>
UNRESTRICTED NET ASSETS - BEGINNING OF YEAR	\$ 53,965	\$ 60,410
Excess (deficiency) of revenues over expenditures	<u>155,653</u>	<u>(6,445)</u>
UNRESTRICTED NET ASSETS - END OF YEAR	<u>\$ 209,618</u>	<u>\$ 53,965</u>

DRAFT - FOR DISCUSSION PURPOSES ONLY

P.E.I. LITERACY ALLIANCE INC.
STATEMENT OF REVENUES AND EXPENDITURES
YEAR ENDED MARCH 31, 2018

	<u>2018</u>	<u>2017</u>
REVENUES		
Project revenue (net of deferred revenue) - Note 6	\$ 274,479	\$ 222,857
Grant - Province of PEI	150,000	-
Donations	58,484	36,894
Miscellaneous revenue	<u>12,922</u>	<u>7,040</u>
	<u>495,885</u>	<u>266,791</u>
 EXPENDITURES		
Project expenses - Note 6	258,793	224,881
Wages and benefits	38,516	20,811
Office and miscellaneous	9,782	2,119
Professional fees	9,639	10,354
Conferences, travel and accommodations	8,947	4,654
Awards, bursaries, scholarships and honoraria	4,189	4,350
Equipment rental	3,346	-
Telephone	2,949	2,060
Insurance	2,502	2,569
Interest and bank charges	1,203	926
Rent	<u>366</u>	<u>512</u>
	<u>340,232</u>	<u>273,236</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 <u>\$ 155,653</u>	 <u>\$ (6,445)</u>

P.E.I. LITERACY ALLIANCE INC.
STATEMENT OF CASH FLOW
YEAR ENDED MARCH 31, 2018

	<u>2018</u>	<u>2017</u>
CASH PROVIDED FROM (USED FOR)		
CASH FLOW FROM OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenditures	\$ 155,653	\$ (6,445)
Net changes in non-cash working capital items		
Receivables	(111,237)	7,467
Prepaid expense	4,211	(4,211)
Payables and accruals	6,071	(2,052)
Deferred revenue	<u>(8,646)</u>	<u>(22,905)</u>
INCREASE (DECREASE) IN CASH	46,052	(28,146)
CASH, BEGINNING OF YEAR	<u>62,796</u>	<u>90,942</u>
CASH, END OF YEAR	<u>\$ 108,848</u>	<u>\$ 62,796</u>
 CASH CONSISTS OF:		
Unrestricted cash	\$ 99,698	\$ 45,000
Restricted Cash	<u>9,150</u>	<u>17,796</u>
	<u>\$ 108,848</u>	<u>\$ 62,796</u>

P.E.I. LITERACY ALLIANCE INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018

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, 2018

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 significant losses of funding in recent years and has only obtained a funding commitment from the Province of Prince Edward Island for the 2018 and 2019 fiscal years. 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, 2018 was \$Nil (2017 - \$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 2018	Net 2017
PGI Golf Tournament For Literacy	8	\$ 50,135	\$ 28,376	\$ -	\$ 21,759	\$ 12,645
Ready, Set, Learn	8	201,228	197,541	-	3,687	(7,989)
PEI Volunteers for Literacy	9	30,306	32,876	7,190	(9,760)	(6,924)
Math Tutoring Training Program	9	-	-	-	-	244
		<u>\$ 281,669</u>	<u>\$ 258,793</u>	<u>\$ 7,190</u>	<u>\$ 15,686</u>	<u>\$ (2,024)</u>

P.E.I. LITERACY ALLIANCE INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018

7. ADMINISTRATIVE WAGE COST ALLOCATION

Administrative wages reported on the statement of revenue and expenditures of \$38,516 (2017 - \$20,811) are reported after allocation of \$41,049 (2017 - \$59,232) 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>2018</u>	<u>2017</u>
PGI Golf Tournament for Literacy	\$ 9,797	\$ 10,406
Ready, Set, Learn	12,684	24,813
PEI Volunteers for Literacy	18,568	20,811
Math Tutoring Training Program	-	3,202
Administration	<u>38,516</u>	<u>20,811</u>
	<u>\$ 79,565</u>	<u>\$ 80,043</u>

8. PRIOR YEAR FIGURES

The prior year figures have been restated to conform to current year presentation

P.E.I. LITERACY ALLIANCE INC.
SCHEDULE I - PGI GOLF TOURNAMENT FOR LITERACY
SCHEDULE II - READY, SET, LEARN!
YEAR ENDED MARCH 31, 2018

	<u>2018</u>	<u>2017</u>
SCHEDULE I - PGI GOLF TOURNAMENT FOR LITERACY		
REVENUE		
Revenue	\$ 26,635	\$ 21,453
Sponsors	22,500	17,600
Donations	<u>1,000</u>	<u>2,700</u>
	<u>50,135</u>	<u>41,753</u>
EXPENSES		
Advertising	679	377
Awards	97	387
Gifts/honoraria	350	600
Learner's Award	-	200
Meals	6,367	6,300
Miscellaneous	7,565	5,960
Professional fees	1,102	3,390
Resource materials	4	564
Travel	2,415	924
Wages	<u>9,797</u>	<u>10,406</u>
	<u>28,376</u>	<u>29,108</u>
NET PROJECT INCOME	<u>\$ 21,759</u>	<u>\$ 12,645</u>
 SCHEDULE II - READY, SET, LEARN!		
REVENUE		
Wage subsidies	\$ 117,144	\$ 104,219
Donations	30,000	2,560
Grant - Province of PEI	35,000	20,000
Sponsors	<u>19,084</u>	<u>13,700</u>
	<u>201,228</u>	<u>140,479</u>
EXPENSES		
Equipment rental/purchase	526	-
Gifts/honoraria	300	-
Materials	4,362	975
Office and miscellaneous	4,112	2,464
Travel	8,665	7,137
Wages	<u>179,576</u>	<u>137,892</u>
	<u>197,541</u>	<u>148,468</u>
NET PROJECT INCOME (LOSS)	<u>\$ 3,687</u>	<u>\$ (7,989)</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, 2018

	<u>2018</u>	<u>2017</u>
SCHEDULE III - P.E.I. VOLUNTEERS FOR LITERACY		
REVENUE		
Revenue	\$ 20,400	\$ 22,668
Deferred revenue, beginning of year	<u>9,906</u>	<u>17,948</u>
	<u>30,306</u>	<u>40,616</u>
EXPENSES		
Office supplies	1,659	686
Professional fees	872	7,762
Registration fees	-	2,265
Rent	-	191
Resource materials	1,288	1,960
Travel	730	720
Wages	<u>28,327</u>	<u>24,050</u>
	<u>32,876</u>	<u>37,634</u>
EXCESS OF REVENUE OVER EXPENDITURES	(2,570)	2,982
DEFERRED REVENUE, END OF YEAR	<u>(7,190)</u>	<u>(9,906)</u>
NET PROJECT LOSS	<u>\$ (9,760)</u>	<u>\$ (6,924)</u>
 SCHEDULE IV - MATH TUTOR TRAINING PROGRAM		
REVENUE	<u>\$ -</u>	<u>\$ 6,230</u>
EXPENSES		
Gifts/honoraria	-	43
Office supplies	-	27
Resource materials	-	198
Wages	<u>-</u>	<u>5,718</u>
	<u>-</u>	<u>5,986</u>
NET PROJECT INCOME	<u>\$ -</u>	<u>\$ 244</u>