

P.E.I. LITERACY ALLIANCE INC.

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2019

P.E.I. LITERACY ALLIANCE INC.

YEAR ENDED MARCH 31, 2019

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INDEPENDENT AUDITORS' REPORT

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

Opinion

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, 2019 and the statements of changes in net assets, revenues and expenditures and cash flow for the year then ended and a summary of significant accounting policies and other explanatory information.

In our opinion, these financial statements present fairly, in all material respects, the financial position of P.E.I. Literacy Alliance Inc. as at March 31, 2019, and the results of its operations and cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described below in the Auditors' Responsibilities for the Audit of the Financial Statements section of the report. We are independent of P.E.I. Literacy Alliance Inc. 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 these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 4 in the financial statements, which indicates that the Alliance has not secured funding past the 2020 fiscal year. As stated in Note 4, this indicates that a material uncertainty exists that may cast significant doubt on the Alliance's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for other information. The other information comprises the information, other than the financial statements and our auditors' report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Annual Report prior to the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditors' report. We have nothing to report.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the P.E.I. Literacy Alliance Inc.'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 P.E.I. Literacy Alliance Inc. or to cease operations, or has no realistic alternative but to do so.

(Continued)

Those charged with governance are responsible for overseeing the P.E.I. Literacy Alliance Inc.'s financial reporting process.

Auditors' 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 auditors' 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 P.E.I. Literacy Alliance Inc.'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 P.E.I. Literacy Alliance Inc.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause P.E.I. Literacy Alliance Inc. 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 representation.

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.

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



CHARTERED PROFESSIONAL ACCOUNTANTS
September 26, 2019
Charlottetown, Prince Edward Island

P.E.I. LITERACY ALLIANCE INC.
STATEMENT OF NET ASSETS
MARCH 31, 2019

ASSETS

CURRENT	<u>2019</u>	<u>2018</u>
Cash	\$ 184,855	\$ 99,698
Restricted Cash	194,050	9,150
Reserve - GIC	60,000	-
Receivables	<u>20,842</u>	<u>119,444</u>
	<u>\$ 459,747</u>	<u>\$ 228,292</u>


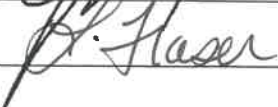
LIABILITIES

CURRENT		
Payables and accruals, including government remittances payable of \$2,416 (2018 - \$3,721)	\$ 13,698	\$ 9,524
Deferred revenue	<u>194,050</u>	<u>9,150</u>
	207,748	18,674

NET ASSETS

Unrestricted	191,999	209,618
Internally Restricted - Reserve	<u>60,000</u>	<u>-</u>
	<u>251,999</u>	<u>209,618</u>
	<u>\$ 459,747</u>	<u>\$ 228,292</u>

APPROVED ON BEHALF OF THE BOARD:


 _____ Member

 _____ Member

P.E.I. LITERACY ALLIANCE INC.
STATEMENT OF CHANGES IN NET ASSETS
MARCH 31, 2019

	Internally Restricted Reserve	Unrestricted	2019	2018
Balance, Beginning of year	-	209,618	\$ 209,618	\$ 53,965
Excess of revenues over expenditures	-	42,381	42,381	155,653
Reserve allocation	<u>60,000</u>	<u>(60,000)</u>	<u>-</u>	<u>-</u>
Balance, End of year	<u>60,000</u>	<u>191,999</u>	<u>\$ 251,999</u>	<u>\$ 209,618</u>

P.E.I. LITERACY ALLIANCE INC.
STATEMENT OF REVENUES AND EXPENDITURES
MARCH 31, 2019

	<u>2019</u>	<u>2018</u>
REVENUES		
Project revenue (net of deferred revenue) - Note 6	\$ 301,942	\$ 274,479
Grant - Province of PEI	150,000	150,000
Donations	3,317	58,484
Miscellaneous revenue	1,413	12,922
	<u>456,672</u>	<u>495,885</u>
EXPENDITURES		
Project expenses - Note 6	305,474	258,793
Wages and benefits	69,781	38,516
Professional fees	11,941	9,639
Office and miscellaneous	8,619	9,782
Conferences, travel and accommodations	4,526	8,947
Telephone	3,902	2,949
Equipment rental	3,205	3,346
Awards, bursaries, scholarships and honoraria	2,900	4,189
Insurance	2,484	2,502
Interest and bank charges	817	1,203
Rent	425	366
Advertising	217	-
	<u>414,291</u>	<u>340,232</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 42,381</u>	<u>\$ 155,653</u>

P.E.I. LITERACY ALLIANCE INC.

STATEMENT OF CASH FLOW

MARCH 31, 2019

	<u>2019</u>	<u>2018</u>
CASH PROVIDED FROM (USED FOR)		
CASH FLOW FROM OPERATING ACTIVITIES		
Excess of revenues over expenditures	\$ 42,381	\$ 155,653
Net changes in non-cash working capital items		
Receivables	98,602	(111,237)
Prepaid expense	-	4,211
Payables and accruals	4,174	6,071
Deferred revenue	<u>184,900</u>	<u>(8,646)</u>
INCREASE IN CASH	330,057	46,052
CASH, BEGINNING OF YEAR	<u>108,848</u>	<u>62,796</u>
CASH, END OF YEAR	<u>\$ 438,905</u>	<u>\$ 108,848</u>

CASH CONSISTS OF:

Unrestricted cash	\$ 184,855	\$ 99,698
Restricted cash	194,050	9,150
Reserve - GIC	<u>60,000</u>	<u>-</u>
	<u>\$ 438,905</u>	<u>\$ 108,848</u>

P.E.I. LITERACY ALLIANCE INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

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.

RESTRICTED CASH

Restricted cash consists of cash on hand that has been externally restricted for specific purposes.

RESERVE

The Alliance has internally restricted cash to fund any potential operating shortfalls in the future by creating a reserve. The internally restricted cash has been invested in a GIC.

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
MARCH 31, 2019

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 2020 fiscal year. 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 Alliance 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, 2019 was \$Nil (2018 - \$Nil). The operating loan is secured by a first charge on all personal property owned by the Alliance.

6. NET PROJECT INCOME

	<u>Page</u>	<u>Revenue</u>	<u>Expenses and Transfers</u>	<u>Deferred Revenue</u>	<u>Net 2019</u>	<u>Net 2018</u>
PGI Golf Tournament For Literacy	9	\$ 41,710	\$ 29,485	\$ -	\$ 12,225	\$ 21,759
Ready, Set, Learn!	9	191,271	205,823	-	(14,552)	3,687
PEI Volunteers for Literacy	10	7,190	11,423	-	(4,233)	(9,760)
Essential Skills for Atlantic Fisheries	10	<u>61,771</u>	<u>58,743</u>	<u>-</u>	<u>3,028</u>	<u>-</u>
		<u>\$ 301,942</u>	<u>\$ 305,474</u>	<u>\$ -</u>	<u>\$ (3,532)</u>	<u>\$ 15,686</u>

P.E.I. LITERACY ALLIANCE INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

7. ADMINISTRATIVE WAGE COST ALLOCATION

Administrative wages reported on the statement of revenue and expenditures of \$69,781 (2018 - \$38,516) are reported after allocation of \$45,664 (2018 - \$41,049) 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>2019</u>	<u>2018</u>
PGI Golf Tournament for Literacy	\$ 12,139	\$ 9,797
Ready, Set, Learn!	14,154	12,684
PEI Volunteers for Literacy	8,614	18,568
Essential Skills for Atlantic Fisheries	10,757	-
Administration	<u>69,781</u>	<u>38,516</u>
	<u>\$ 115,445</u>	<u>\$ 79,565</u>

P.E.I. LITERACY ALLIANCE INC.
SCHEDULE I - PGI GOLF TOURNAMENT FOR LITERACY
SCHEDULE II - READY, SET, LEARN!
MARCH 31, 2019

	<u>2019</u>	<u>2018</u>
SCHEDULE I - PGI GOLF TOURNAMENT FOR LITERACY		
REVENUE		
Revenue	\$ 1,100	\$ 26,635
Sponsors	39,960	22,500
Donations	<u>650</u>	<u>1,000</u>
	<u>41,710</u>	<u>50,135</u>
EXPENSES		
Wages	12,139	9,797
Meals	7,887	6,367
Miscellaneous	6,927	7,569
Travel	736	2,415
Professional fees	525	1,102
Gifts/honoraria	412	350
Awards	400	97
Advertising	280	679
Equipment rental/purchase	<u>179</u>	<u>-</u>
	<u>29,485</u>	<u>28,376</u>
NET PROJECT INCOME	<u>\$ 12,225</u>	<u>\$ 21,759</u>

SCHEDULE II - READY, SET, LEARN!

REVENUE		
Wage subsidies	\$ 70,663	\$ 117,144
Donations	-	30,000
Grant - Province of PEI	35,000	35,000
Sponsors	<u>85,608</u>	<u>19,084</u>
	<u>191,271</u>	<u>201,228</u>
EXPENSES		
Wages	183,421	179,576
Travel	15,437	8,665
Materials	3,100	4,362
Office and miscellaneous	3,033	4,112
Equipment rental/purchase	777	526
Gifts/honoraria	<u>55</u>	<u>300</u>
	<u>205,823</u>	<u>197,541</u>
NET PROJECT INCOME (LOSS)	<u>\$ (14,552)</u>	<u>\$ 3,687</u>

P.E.I. LITERACY ALLIANCE INC.
SCHEDULE III - P.E.I. VOLUNTEERS FOR LITERACY
SCHEDULE IV - ESSENTIAL SKILLS FOR ATLANTIC FISHERIES
MARCH 31, 2019

	<u>2019</u>	<u>2018</u>
SCHEDULE III - P.E.I. VOLUNTEERS FOR LITERACY		
REVENUE		
Revenue	\$ -	\$ 20,400
Deferred revenue, beginning of year	<u>7,190</u>	<u>9,906</u>
	<u>7,190</u>	<u>30,306</u>
EXPENSES		
Wages	8,618	28,327
Office supplies	1,411	1,659
Equipment rental	547	-
Travel	518	730
Gifts/honoraria	300	-
Professional fees	29	872
Resource materials	<u>-</u>	<u>1,288</u>
	<u>11,423</u>	<u>32,876</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(4,233)	(2,570)
DEFERRED REVENUE, END OF YEAR	<u>-</u>	<u>(7,190)</u>
NET PROJECT INCOME (LOSS)	\$ (4,233)	\$ (9,760)
 SCHEDULE IV - ESSENTIAL SKILLS FOR ATLANTIC FISHERIES		
REVENUE	\$ <u>61,771</u>	\$ <u>-</u>
EXPENSES		
Wages	51,154	-
Office and miscellaneous	3,069	-
Equipment rental/purchase	2,866	-
Advertising/publicity	1,139	-
Meals	157	-
Resource materials	40	-
Professional fees	40	-
Travel	<u>278</u>	<u>-</u>
	<u>58,743</u>	<u>-</u>
NET PROJECT INCOME	\$ <u>3,028</u>	\$ <u>-</u>