

P.E.I. LITERACY ALLIANCE INC.

FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2021

P.E.I. LITERACY ALLIANCE INC.

YEAR ENDED MARCH 31, 2021

CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Net Assets	3
Statement of Changes in Net Assets	4
Statement of Revenues and Expenditures	5
Statement of Cash Flow	6
NOTES TO FINANCIAL STATEMENTS	7 - 9
SCHEDULES	
Schedule I - PGI Golf Tournament For Literacy	10
Schedule II - Ready, Set, Learn!	10
Schedule III - P.E.I. Volunteers for Literacy	11
Schedule IV - Essential Skills for Atlantic Fisheries	11
Schedule V - Family Literacy	12
Schedule VI - Imagination Library	12

INDEPENDENT AUDITOR'S REPORT

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

Opinion

I 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, 2021 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 my opinion, these financial statements present fairly, in all material respects, the financial position of P.E.I. Literacy Alliance Inc. as at March 31, 2021, 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

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described below in the Auditors' Responsibilities for the Audit of the Financial Statements section of the report. I am independent of P.E.I. Literacy Alliance Inc. in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Material Uncertainty Related to Going Concern

I draw attention to Note 4 in the financial statements, which indicates that the Alliance has not secured funding past the 2023 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. My 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 my auditors' report thereon, in the Annual Report.

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

In connection with my audit of the financial statements, my 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 my knowledge obtained in the audit, or otherwise appears to be materially misstated.

I obtained the Annual Report prior to the date of this auditors' report. If, based on the work I have performed on this other information, I conclude that there is a material misstatement of this other information, I am required to report that fact in this auditors' report. I 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

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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.

I 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 I identify during my audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Rachael G. Mella CPA, CA

CHARTERED PROFESSIONAL ACCOUNTANT

September 27, 2021

Charlottetown, Prince Edward Island

P.E.I. LITERACY ALLIANCE INC.

STATEMENT OF NET ASSETS

MARCH 31, 2021

ASSETS

	<u>2021</u>	<u>2020</u>
CURRENT		
Cash	\$ 206,768	\$ 76,812
Restricted Cash	37,883	10,000
Reserve funds	222,508	161,610
Short-term investments	10,025	101,989
Receivables	<u>31,801</u>	<u>37,243</u>
	<u>\$ 508,985</u>	<u>\$ 387,654</u>

LIABILITIES

CURRENT		
Payables and accruals, including government remittances payable of \$774 (2020 - \$511)	\$ 19,754	\$ 11,189
Deferred revenue	<u>37,883</u>	<u>10,000</u>
	<u>57,637</u>	<u>21,189</u>

NET ASSETS

Unrestricted	228,840	204,855
Internally Restricted - Reserve	<u>222,508</u>	<u>161,610</u>
	<u>451,348</u>	<u>366,465</u>
	<u>\$ 508,985</u>	<u>\$ 387,654</u>

APPROVED ON BEHALF OF THE BOARD:

Colin Beck Member

[Signature] Member

P.E.I. LITERACY ALLIANCE INC.
STATEMENT OF CHANGES IN NET ASSETS
MARCH 31, 2021

	Internally Restricted Reserve	Unrestricted	2021	2020
Balance, Beginning of year	161,610	204,855	\$ 366,465	\$ 251,999
Excess of revenues over expenditures	-	83,985	83,985	122,856
Reserve allocation	60,000	(60,000)	-	-
Reserve interest earned	898	-	898	2,530
Reserve expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,920)</u>
Balance, End of year	<u>222,508</u>	<u>228,840</u>	<u>\$ 451,348</u>	<u>\$ 366,465</u>

P.E.I. LITERACY ALLIANCE INC.
STATEMENT OF REVENUES AND EXPENDITURES
MARCH 31, 2021

	<u>2021</u>	<u>2020</u>
REVENUES		
Project revenue (net of deferred revenue) - Note 6	\$ 365,145	\$ 443,034
Grant - Province of PEI	200,000	200,000
Donations	2,622	16,710
Miscellaneous revenue	<u>16,183</u>	<u>4,631</u>
	<u>583,950</u>	<u>664,375</u>
EXPENDITURES		
Project expenses - Note 6	375,432	469,081
Wages and benefits	65,795	35,865
Professional fees	25,518	13,087
Equipment rental	11,798	2,306
Office and miscellaneous	10,568	6,668
Telephone	3,427	2,295
Conferences, travel and accommodations	3,370	5,102
Insurance	2,731	2,558
Advertising	533	737
Interest and bank charges	521	705
Awards, bursaries, scholarships and honoraria	272	2,390
Rent	<u>-</u>	<u>725</u>
	<u>499,965</u>	<u>541,519</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 83,985</u>	<u>\$ 122,856</u>

P.E.I. LITERACY ALLIANCE INC.

STATEMENT OF CASH FLOW

MARCH 31, 2021

	<u>2021</u>	<u>2020</u>
CASH PROVIDED FROM (USED FOR)		
CASH FLOW FROM OPERATING ACTIVITIES		
Excess of revenues over expenditures	\$ 83,985	\$ 122,856
Net changes in non-cash working capital items		
Receivables	5,442	(16,401)
Payables and accruals	8,565	(2,509)
Deferred revenue	<u>27,883</u>	<u>(184,050)</u>
	<u>125,875</u>	<u>(80,104)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Interest earned on reserve	898	2,530
Reserve expenditures	<u>-</u>	<u>(10,920)</u>
	<u>898</u>	<u>(8,390)</u>
INCREASE IN CASH	126,773	(88,494)
CASH, BEGINNING OF YEAR	<u>350,411</u>	<u>438,905</u>
CASH, END OF YEAR	<u><u>\$ 477,184</u></u>	<u><u>\$ 350,411</u></u>
CASH CONSISTS OF:		
Unrestricted cash	\$ 206,768	\$ 76,812
Restricted cash	37,883	10,000
Reserve - GIC	222,508	161,610
Short-term investment	<u>10,025</u>	<u>101,989</u>
	<u><u>\$ 477,184</u></u>	<u><u>\$ 350,411</u></u>

P.E.I. LITERACY ALLIANCE INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

1. MISSION

The P.E.I. Literacy Alliance ensures that literacy barriers are minimized and gaps in services are filled so that all people in PEI reach their highest achievable literacy level.

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

CORONAVIRUS (COVID-19) IMPACT

In March 2020, the World Health Organization declared COVID-19 a world-wide pandemic. COVID-19 has since had a significant impact on global economies and equity, debt and commodity markets. P.E.I. Literacy Alliance Inc. has considered the impact of COVID-19 and other market volatility in preparing its financial statements.

In response to the pandemic, management has implemented social distancing protocols, increased cleaning processes and personal protective equipment for staff and clients at its facilities in accordance with government health and safety requirements. The Organization has also leveraged assistance through the Canada Emergency Wage Subsidy program. Management will continue to monitor programs available to offset additional costs associated with COVID-19 and apply for them as deemed appropriate.

The Organization's assets and liabilities have not been materially impacted by COVID-19. Other than adjusting events that provide evidence of conditions that existed at the end of the reporting period, the impact of events that arise after the reporting period will be accounted for in future reporting periods.

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.

P.E.I. LITERACY ALLIANCE INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

3. ACCOUNTING POLICIES (CONTINUED)

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.

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 obtained a funding commitment from the Province of Prince Edward Island for 2021, 2022 and 2023 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 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, 2021 was \$Nil (2020 - \$Nil). The operating loan is secured by a first charge on all personal property owned by the Alliance.

P.E.I. LITERACY ALLIANCE INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

6. NET PROJECT INCOME

	<u>Page</u>	<u>Revenue</u>	<u>Expenses and Transfers</u>	<u>Deferred Revenue</u>	<u>Net 2021</u>	<u>Net 2020</u>
PGI Golf Tournament For Literacy	10	\$ -	\$ -	\$ -	\$ -	\$ 3,478
Ready, Set, Learn!	10	142,204	167,479	-	(25,275)	(15,554)
PEI Volunteers for Literacy	11	-	-	-	-	(2,425)
Essential Skills for Atlantic Fisheries	11	93,502	101,475	-	(7,973)	(11,546)
Family Literacy	12	6,956	5,049	-	1,907	-
Imagination Library	12	<u>122,483</u>	<u>101,429</u>	<u>-</u>	<u>21,054</u>	<u>-</u>
		<u>\$ 365,145</u>	<u>\$ 375,432</u>	<u>\$ -</u>	<u>\$ (10,287)</u>	<u>\$ (26,047)</u>

7. ADMINISTRATIVE WAGE COST ALLOCATION

Administrative wages reported on the statement of revenue and expenditures of \$65,795 (2020 - \$35,865) are reported after allocation of \$54,290 (2020 - \$70,486) 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>2021</u>	<u>2020</u>
PGI Golf Tournament for Literacy	\$ -	\$ 22,106
Ready, Set, Learn!	6,542	18,464
PEI Volunteers for Literacy	-	2,366
Essential Skills for Atlantic Fisheries	6,542	27,550
Imagination library	41,206	-
Administration	<u>65,795</u>	<u>35,865</u>
	<u>\$ 120,085</u>	<u>\$ 106,351</u>

P.E.I. LITERACY ALLIANCE INC.
SCHEDULE I - PGI GOLF TOURNAMENT FOR LITERACY
SCHEDULE II - READY, SET, LEARN!
MARCH 31, 2021

	<u>2021</u>	<u>2020</u>
SCHEDULE I - PGI GOLF TOURNAMENT FOR LITERACY		
REVENUE		
Sponsors	\$ -	\$ 38,075
Revenue	<u>-</u>	<u>1,200</u>
	<u>-</u>	<u>39,275</u>
EXPENSES		
Wages	-	22,106
Miscellaneous	-	5,791
Meals	-	5,122
Gifts/honoraria	-	1,200
Advertising	-	798
Professional fees	-	459
Awards	-	200
Travel	-	121
	<u>-</u>	<u>35,797</u>
NET PROJECT INCOME	<u>\$ -</u>	<u>\$ 3,478</u>

SCHEDULE II - READY, SET, LEARN!

REVENUE		
Wage subsidies	\$ 61,794	\$ 104,373
Sponsors	45,410	108,948
Grant - Province of PEI	35,000	35,000
Reserve contributions	<u>-</u>	<u>10,920</u>
	<u>142,204</u>	<u>259,241</u>
EXPENSES		
Wages	137,705	238,433
Materials	8,107	3,911
Office and miscellaneous	7,627	5,539
Software	7,010	-
Travel	4,025	17,866
Equipment rental/purchase	<u>3,005</u>	<u>9,046</u>
	<u>167,479</u>	<u>274,795</u>
NET PROJECT LOSS	<u>\$ (25,275)</u>	<u>\$ (15,554)</u>

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

MARCH 31, 2021

	<u>2021</u>	<u>2020</u>
SCHEDULE III - P.E.I. VOLUNTEERS FOR LITERACY		
REVENUE		
Revenue	\$ -	\$ 2,000
	<u>-</u>	<u>2,000</u>
EXPENSES		
Wages	-	2,366
Office supplies	-	1,321
Resource materials	-	480
Travel	-	258
	<u>-</u>	<u>4,425</u>
NET PROJECT LOSS	<u>\$ -</u>	<u>\$ (2,425)</u>

SCHEDULE IV - ESSENTIAL SKILLS FOR ATLANTIC FISHERIES

REVENUE	<u>\$ 93,502</u>	<u>\$ 142,518</u>
EXPENSES		
Wages	66,565	79,440
Professional fees	16,621	32,506
Training Allowance	10,211	15,422
Office and miscellaneous	3,751	4,957
Resource materials	2,157	2,773
Travel	1,150	9,052
Meals	547	2,257
Rent	403	3,255
Equipment rental/purchase	70	4,402
	<u>101,475</u>	<u>154,064</u>
NET PROJECT LOSS	<u>\$ (7,973)</u>	<u>\$ (11,546)</u>

P.E.I. LITERACY ALLIANCE INC.
SCHEDULE V - FAMILY LITERACY
SCHEDULE VI - IMAGINATION LIBRARY
MARCH 31, 2021

	<u>2021</u>	<u>2020</u>
SCHEDULE VI - FAMILY LITERACY		
REVENUE		
Donations	\$ <u>6,956</u>	\$ <u>-</u>
EXPENSES		
Resources materials	2,202	-
Equipment rental and purchase	1,249	-
Office	819	-
Telephone	672	-
Travel	<u>107</u>	<u>-</u>
	<u>5,049</u>	<u>-</u>
NET PROJECT INCOME	<u>\$ 1,907</u>	<u>\$ -</u>
SCHEDULE VII - IMAGINATION LIBRARY		
REVENUE		
Grant - Province of PEI	\$ 55,000	\$ -
Donations	44,600	-
Sponsors	<u>22,883</u>	<u>-</u>
	<u>122,483</u>	<u>-</u>
EXPENSES		
Resource Materials	57,457	-
Wages and benefits	41,206	-
Professional fees	2,215	-
Telephone	217	-
Gifts/honoraria	200	-
Printing	<u>134</u>	<u>-</u>
	<u>101,429</u>	<u>-</u>
NET PROJECT INCOME	<u>\$ 21,054</u>	<u>\$ -</u>