

P.E.I. Literacy Alliance Inc.

Financial Statements
March 31, 2022



September 28, 2022

Independent Auditor's 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 comprise the statement of financial position as at March 31, 2022, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of P.E.I. Literacy Alliance Inc. as at March 31, 2022, and the results of its operations and its cash flows 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 in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our 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.

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.

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.

Other Matter

The financial statements for the year ended March 31, 2021 were audited by another auditor who expressed an unqualified opinion on these financial statements on September 27, 2021.

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 Canadian accounting standards for not-for-profit organizations, 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 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 P.E.I. Literacy Alliance Inc. or to cease operations, or has no realistic alternative but to do so.



Member of The AC Group of Independent Accounting Firms

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

ArsenaultBestCameronEllis

Chartered Professional Accountants

P.E.I. Literacy Alliance Inc.

Statement of Financial Position

As at March 31, 2022

	2022 \$	2021 \$
Assets		
Current assets		
Cash	146,152	244,651
Restricted cash	253,658	222,508
Short-term investments	10,113	10,025
Accounts receivable (note 3)	52,705	31,801
Prepaid expenses	12,307	-
	<u>474,935</u>	<u>508,985</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	25,722	19,754
Deferred revenue (note 4)	-	37,883
	<u>25,722</u>	<u>57,637</u>
Net Assets		
Unrestricted	195,555	228,840
Internally restricted (note 7)	<u>253,658</u>	<u>222,508</u>
	<u>449,213</u>	<u>451,348</u>
	<u>474,935</u>	<u>508,985</u>

Approved by the Board of Directors

Colin Beck

Director

Serena Smith

Director

P.E.I. Literacy Alliance Inc.

Statement of Changes in Net Assets

For the year ended March 31, 2022

	Internally Restricted \$	Unrestricted \$	Total 2022 \$	Total 2021 \$
Balance - Beginning of year	222,508	228,840	451,348	366,465
Excess revenue (expenses) for the year	-	(2,135)	(2,135)	84,883
Reserve allocation (note 7)	31,150	(31,150)	-	-
Balance - End of year	<u>253,658</u>	<u>195,555</u>	<u>449,213</u>	<u>451,348</u>

P.E.I. Literacy Alliance Inc.

Statement of Operations

For the year ended March 31, 2022

	2022 \$	2021 \$
Revenue		
Project revenue (Schedules 1 and 2) (note 5)	561,174	365,145
Grant - Province of PEI (note 5)	152,250	200,000
Donations	7,143	2,622
Miscellaneous revenue	15,672	17,081
	<u>736,239</u>	<u>584,848</u>
Expenses		
Project expenses (Schedules 1 and 2)	592,819	375,432
Wages and benefits (note 6)	82,274	65,795
Professional fees	28,934	25,518
Equipment rentals	1,795	11,798
Office and miscellaneous	8,684	10,568
Telephone	3,652	3,427
Conferences, travel and accommodations	3,430	3,370
Insurance	2,733	2,731
Advertising	1,389	533
Interest and bank charges	1,286	521
Awards, bursaries, scholarships and honoraria	11,244	272
Rent	134	-
	<u>738,374</u>	<u>499,965</u>
Excess revenue (expenses) for the year	<u>(2,135)</u>	<u>84,883</u>

P.E.I. Literacy Alliance Inc.

Statement of Cash Flows

For the year ended March 31, 2022

	2022 \$	2021 \$
Cash provided by (used in)		
Operating activities		
Excess revenue (expenses) for the year	(2,135)	84,883
Net change in non-cash working capital items		
Decrease (increase) in accounts receivable	(20,904)	5,442
Increase in prepaid expenses	(12,307)	-
Increase in accounts payable and accrued liabilities	5,968	8,565
Increase (decrease) in deferred revenue	(37,883)	27,883
Increase (decrease) in net cash	(67,261)	126,773
Net cash - Beginning of year	477,184	350,411
Net cash - End of year	409,923	477,184
Net cash consists of		
Cash	146,152	244,651
Restricted cash	253,658	222,508
Short-term investments	10,113	10,025
	409,923	477,184

P.E.I. Literacy Alliance Inc.

Notes to Financial Statements

March 31, 2022

1 Nature of operations

The mission of P.E.I. Literacy Alliance Inc. is to ensure literacy barriers are minimized and gaps in services are filled so that all people in PEI reach their highest achievable literacy level.

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.

2 Summary of significant accounting policies

Basis of accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. These financial statements include the following significant accounting policies:

Cash

Cash consists of cash on hand and the organizations's bank account balances.

Restricted cash

The Alliance has internally restricted cash in a separate bank account to fund any potential operating shortfalls in the future.

Revenue recognition

The Alliance follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Donations are recognized as revenue when received and interest and miscellaneous revenue are recognized when earned.

Government assistance

Government assistance related to operating and project expenses are recorded as revenue as the related expenses are incurred.

P.E.I. Literacy Alliance Inc.

Notes to Financial Statements

March 31, 2022

Use of estimates

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current period. Significant items subject to such estimates and assumptions include the valuation of accounts receivable. Actual results could differ from those estimates.

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

(a) Measurement of financial instruments

P.E.I. Literacy Alliance Inc.'s financial instruments consist of cash, restricted cash, short-term investments, accounts receivable, and accounts payable and accrued liabilities.

The Alliance initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. This fair value amount is then deemed to be the amortized cost of the financial instrument.

The Alliance subsequently measures all its financial assets and financial liabilities at amortized cost.

(b) Impairment

For financial assets measured at cost or amortized cost, the Alliance determines whether there are indications of possible impairment. When there is an indication of impairment, and the Alliance determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in excess revenue (expenses). A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in excess revenue (expenses).

(c) Risks

Transacting in financial instruments exposes the Alliance to certain financial risks and uncertainties. These risks include:

P.E.I. Literacy Alliance Inc.

Notes to Financial Statements

March 31, 2022

- i) Credit risk: The Alliance is exposed to credit risk in connection with the collection of its accounts receivable. The Alliance mitigates this risk by performing continuous evaluation of its accounts receivables.
- ii) Liquidity risk: The Alliance's exposure to liquidity risk is dependent on the collection of accounts receivable, and grants, or raising of funds to meet commitments and sustain operations. The Alliance controls liquidity risk by management of working capital and cash flows.

3 Accounts receivable

	2022	2021
	\$	\$
Trade accounts receivable	20,931	-
Government contributions receivable	15,000	20,000
HST receivable	16,774	11,801
	<hr/>	<hr/>
	52,705	31,801

4 Deferred revenue

	2022	2021
	\$	\$
Balance - Beginning of year	37,883	10,000
Contributions received during the year	697,206	611,833
Amount recognized as revenue during the year	(735,089)	(583,950)
	<hr/>	<hr/>
Balance - End of year	-	37,883
Projects:		
Ready, Set, Learn!	-	37,883
	<hr/>	<hr/>

P.E.I. Literacy Alliance Inc.

Notes to Financial Statements

March 31, 2022

5 Government assistance

The Alliance received government assistance for operations during the year. Government assistance has been recognized in the statement of operations as follows:

	2022	2021
	\$	\$
Project revenue:		
Ready, Set, Learn!	139,556	98,794
Essential Employability Skills	-	794
Imagination Library	110,000	55,000
Grant - Province of PEI	152,250	200,000
Miscellaneous revenue	-	12,310
	<hr/>	<hr/>
	401,806	366,898

P.E.I. Literacy Alliance Inc.

Notes to Financial Statements

March 31, 2022

6 Administrative wage cost allocation

Administrative wages reported on the statement of revenue and expenditures of \$82,274 (2021 - \$65,795) are reported after allocation of \$57,819 (2021 - \$54,290) 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:

	2022 \$	2021 \$
Ready, Set, Learn!	19,273	6,542
Essential Employability Skills	19,273	6,542
Imagination Library	19,273	41,206
Administration	82,274	65,795
	<hr/> 140,093	<hr/> 120,085

7 Internal restrictions

In March 2018, the Board of Directors resolved to start a reserve fund with the goal to have \$300,000 in its reserve which would be enough funding to keep the Alliance's doors open for a year without core funding. The Alliance may not use these internally restricted amounts for any other purpose without the approval of the Board of Directors. During the year, the Board approved the transfer of \$30,000 out of the unrestricted fund as well as the interest earned on the restricted cash of \$1,150 to this internally restricted fund.

8 Economic dependence

P.E.I. Literacy Alliance Inc. receives the majority of its funding from the government. Because the Alliance's main source of income is derived from government funding, its ability to continue viable operations is dependent upon maintaining these funding sources.

P.E.I. Literacy Alliance Inc.

Schedule of Project Revenue and Expenses

For the year ended March 31, 2022

Schedule 1

	Ready, Set Learn! \$	Essential Employability Skills \$	Imagination Library \$	2022 Total \$
Revenue	188,873	215,238	157,063	561,174
Expenses				
Wages and levies (note 6)	200,457	95,690	19,273	315,420
Materials and supplies	4,940	3,059	131,568	139,567
Office and miscellaneous	3,657	8,567	81	12,305
Software	2,733	-	-	2,733
Travel	8,266	2,123	-	10,389
Equipment rental/purchase	1,310	4,835	-	6,145
Professional fees	-	43,014	93	43,107
Training allowance	-	53,179	-	53,179
Meals	-	1,575	-	1,575
Rent	1,282	1,491	-	2,773
Child care subsidy	-	5,626	-	5,626
	222,645	219,159	151,015	592,819
	(33,772)	(3,921)	6,048	(31,645)

P.E.I. Literacy Alliance Inc.

Schedule of Project Revenue and Expenses

For the year ended March 31, 2022

Schedule 1

	Ready, Set Learn! \$	Essential Employability Skills \$	Family Literacy \$	Imagination Library \$	2021 Total \$
Revenue	142,204	93,501	6,956	122,484	365,145
Expenses					
Wages and levies (note 6)	137,705	66,565	-	41,206	245,476
Materials and supplies	8,107	2,157	2,202	57,457	69,923
Office and miscellaneous	7,627	3,751	819	134	12,331
Software	7,010	-	-	-	7,010
Travel	4,025	1,150	107	-	5,282
Equipment rental/purchase	3,005	70	1,249	-	4,324
Professional fees	-	16,621	-	2,215	18,836
Training allowance	-	10,211	-	-	10,211
Meals	-	547	-	-	547
Rent	-	403	-	-	403
Telephone	-	-	672	217	889
Gifts/honoraria	-	-	-	200	200
	167,479	101,475	5,049	101,429	375,432
	(25,275)	(7,974)	1,907	21,055	(10,287)

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