THE LEARNING CENTRE LITERACY ASSOCIATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

AND

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

YAREMCHUK & ANNICCHIARICO LLP
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Members of **The Learning Centre Literacy Association:**

We have audited the accompanying financial statements of **The Learning Centre Literacy Association** which consist of the statement of financial position at December 31, 2014, and the statements of changes in net assets, operations, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

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 our qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the Association derives revenue from donations and fundraising, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Association and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue, assets and net assets.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of **The Learning Centre Literacy Association** as at December 31, 2014, 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.

Edmonton, Alberta
April 16, 2015

Yaremchuk & Annicchiarico LLP
Chartered Accountants

THE LEARNING CENTRE LITERACY ASSOCIATION
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2014

ASSETS

	2014	2013
CURRENT ASSETS:		
Cash	**$163,569**	$201,496
Term deposits	**103,809**	102,832
Accounts receivable	**31,346**	1,514
Prepaid expenses	**1,380**	1,320
Total current assets	**300,104**	307,162
EQUIPMENT (Note 3)	**8,901**	3,775
TOTAL	**$309,005**	$310,937

LIABILITIES AND NET ASSETS

	2014	2013
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	**$ 7,951**	$ 6,201
Deferred revenue (Note 4)	**190,467**	153,063
Total current liabilities	**198,418**	159,264
NET ASSETS:		
Invested in equipment	**8,901**	3,775
Internally restricted (Note 5)	**121,147**	121,147
Unrestricted	**(19,461)**	26,751
Total net assets	**110,587**	151,673
TOTAL	**$309,005**	$310,937

Approved by the Board:

_____________________________ Director

_____________________________ Director

THE LEARNING CENTRE LITERACY ASSOCIATION
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Invested in Equipment	Internally Restricted	Unrestricted	Total 2014	Total 2013
Balance at beginning of the year	$ 3,775	$121,147	$ 26,751	**$151,673**	$166,414
Excess of expenses for the year	(2,225)	-	(38,861)	**(41,086)**	(14,741)
Purchase of property and equipment.............	7,351	-	(7,351)	**-**	-
Balance at end of the year..............................	$ 8,901	$121,147	$(19,461)	**$110,587**	$151,673

THE LEARNING CENTRE LITERACY ASSOCIATION

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2014

	2014	2013
REVENUE:		
Restricted:		
Grants - provincial government	**$183,170**	$189,030
Casino	**66,220**	46,365
Total restricted revenue	**249,390**	235,395
Unrestricted:		
Grants	**17,000**	17,500
Donations	**4,808**	3,876
Fundraising	**74**	127
Interest	**1,865**	2,312
Sales - books	**227**	325
Total unrestricted revenue	**23,974**	24,140
Total revenue	**273,364**	259,535
EXPENSES:		
General and administrative (Schedule 1)	**135,181**	98,980
Program (Schedule 2)	**148,632**	146,117
Volunteer management and fundraising (Schedule 3)	**28,412**	28,236
Total expenses	**312,225**	273,333
EXCESS OF EXPENSES FROM OPERATIONS	**(38,861)**	(13,798)
OTHER EXPENSE - amortization	**2,225**	943
EXCESS OF EXPENSES FOR THE YEAR	**$ (41,086)**	$ (14,741)

THE LEARNING CENTRE LITERACY ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

	2014	2013
OPERATING ACTIVITIES:		
Cash from operations:		
Excess of expenses for the year	**$ (41,086)**	$ (14,741)
Item not involving cash for operations - amortization	**2,225**	943
	(38,861)	(13,798)
Net changes in non-cash working capital balances related to operations:		
Accounts receivable	**(29,832)**	664
Prepaid expenses	**(60)**	300
Accounts payable and accrued liabilities	**(750)**	(3,569)
Deferred revenue	**39,904**	35,674
Net cash from operating activities	**(29,599)**	19,271
INVESTING ACTIVITY - purchase of equipment	**(7,351)**	-
(DECREASE) INCREASE IN CASH FOR THE YEAR	**(36,950)**	19,271
CASH AT BEGINNING OF THE YEAR	**304,328**	285,057
CASH AT END OF THE YEAR	**$267,378**	$304,328
CASH CONSISTS OF:		
Cash	**$163,569**	$201,496
Term deposits	**103,809**	102,832
	$267,378	$304,328

1. INCORPORATION AND PURPOSE OF THE ASSOCIATION:

The Association is incorporated under the Societies Act of the Province of Alberta. The Association is a registered charity under the Income Tax Act and is exempt from income taxes.

The purpose of the Association is to engage people in community based learning and literacy development that further enables them to make positive changes for themselves and their communities.

2. ACCOUNTING POLICIES:

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

Donations of services:

The work of the Association is dependent on the voluntary service of many individuals. Since these services are not normally purchased by the Association and because of the difficulty in determining their fair value, donated services are not recognized in these financial statements.

Donations of goods:

The Association receives many donations of goods such as office furniture and supplies from numerous individuals and organizations. Since these items are not normally purchased by the Association and because of the difficultly in determining their fair value, donated goods are not recognized in these financial statements.

Revenue recognition:

Grants and donations are included in revenue in the year in which they are received or become receivable, with the exception that amounts received to fund specific expenditures are included in revenue in the year the funds are expended.

Proceeds from casinos are included in revenue as expenditures are incurred for the objectives specified in the license.

Revenue from all other sources is included in revenue in the year in which it is received or becomes receivable.

Term deposits:

Term deposits are stated at cost plus accrued interest.

2. ACCOUNTING POLICIES (continued):

Equipment:

Equipment is stated at cost. Amortization is provided using the declining balance method at an annual rate of 20%.

Financial instruments:

The Association initially measures its financial assets and liabilities at fair value.

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

The Association's financial instruments measured at amortized cost consists of cash, term deposits, accounts receivable, and accounts payable and accrued liabilities.

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. Any previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount of impairment recognized previously. The amount of the reversal is recognized in net income.

Cash and cash equivalents:

Cash and cash equivalents consist of balances with bank and short-term investments that can be converted readily to cash.

Use of estimates:

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. These estimates are reviewed annually and adjustments are made to income as appropriate in the year they become known.

THE LEARNING CENTRE LITERACY ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

3. EQUIPMENT:

The major categories of equipment and related accumulated amortization are as follows:

	Cost	Accumulated Amortization	Net Book Value 2014	Net Book Value 2013
Computer and office equipment	$28,870	$20,210	**$8,660**	$3,474
Furniture and fixtures	2,792	2,551	**241**	301
	$31,662	$22,761	**$8,901**	$3,775

4. DEFERRED REVENUE:

Deferred revenue represents fundraising proceeds or other amounts received for which the specific expenditures have not been incurred. The amounts will be recognized as revenue when the specific expenditures are incurred.

Details of deferred revenue are as follows:

	2014	2013
Alberta Advanced Education and Technology	**$ 70,558**	$ 71,088
Casino	**12,342**	76,937
Edmonton Community Adult Learning Association	**-**	1,388
Edmonton Community Foundation	**25,000**	-
Government of Alberta - Community Initiatives Program	**25,000**	-
Soroptimist	**-**	3,650
Stollery Charitable Foundation	**55,000**	-
University of Alberta	**2,567**	-
	$190,467	$153,063

5. NET ASSETS - INTERNALLY RESTRICTED:

Net assets - internally restricted represents amounts restricted by the Board of Directors to provide for contingencies such as:

a) salaries and wages relating to long term sick leave, professional development leave and to provide for continued salaries and wages during periods of irregular or insufficient funding

b) unforeseen operating costs due to relocation, major repairs or major capital expenditures

c) to cover basic operating costs necessary to continue the operation of the Association during periods of irregular or insufficient funding

5. NET ASSETS - INTERNALLY RESTRICTED (continued):

   d) other unusual circumstances as determined by the Board of Directors.

   Withdrawals from the fund requires approval of the majority of the Board of Directors.

6. FINANCIAL INSTRUMENTS:

   The Association is exposed to risk on certain financial instruments as follows:

   Market risk:

   Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Association is mainly exposed to interest rate risk.

   Interest rate risk:

   Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in market interest rates. The Association is exposed to interest rate risk on term deposits. The fixed-rate instrument subjects the company to a fair value risk.

Schedule 1

THE LEARNING CENTRE LITERACY ASSOCIATION
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	2014	2013
Association fees	$ 784	$ 758
Insurance	1,460	1,436
Office	184	9,295
Professional development	554	110
Professional fees	14,081	12,924
Rent	66,220	22,572
Repairs and maintenance	1,695	2,477
Salaries and benefits	48,416	47,604
Telephone	1,787	1,804
Total general and administrative expenses	$135,181	$98,980

Schedule 2

THE LEARNING CENTRE LITERACY ASSOCIATION
SCHEDULE OF PROGRAM EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	2014	2013
Book subscriptions and publications	$ 417	$ 576
Contract services	65,810	66,742
Honoraria	75	1,250
Office	20,003	15,656
Public relations	1,006	246
Publishing costs	-	584
Salaries and benefits	59,942	59,489
Travel	1,379	1,574
Total program expenses	$148,632	$146,117

THE LEARNING CENTRE LITERACY ASSOCIATION
SCHEDULE OF VOLUNTEER MANAGEMENT AND FUNDRAISING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	2014	2013
Salaries and benefits	**$27,386**	$27,475
Volunteers	**1,026**	761
Total volunteer management and fundraising expenses	**$28,412**	$28,236