

**THE LEARNING CENTRE**  
**LITERACY ASSOCIATION**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

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, 2015, 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, 2015, 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 14, 2016

*Yaremchuk & Annicchiarico LLP*  
Chartered Accountants

**THE LEARNING CENTRE LITERACY ASSOCIATION**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2015**

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash .....	\$215,435	\$163,569
Term deposits .....	104,795	103,809
Accounts receivable .....	46,058	31,346
Prepaid expenses .....	<u>1,810</u>	<u>1,380</u>
Total current assets .....	368,098	300,104
EQUIPMENT (Note 3) .....	<u>7,121</u>	<u>8,901</u>
TOTAL .....	<u>\$375,219</u>	<u>\$309,005</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities .....	\$ 9,512	\$ 7,951
Deferred revenue (Note 4) .....	<u>228,032</u>	<u>190,467</u>
Total current liabilities .....	<u>237,544</u>	<u>198,418</u>
NET ASSETS:		
Invested in equipment .....	7,121	8,901
Internally restricted (Note 5) .....	121,147	121,147
Unrestricted .....	<u>9,407</u>	<u>(19,461)</u>
Total net assets .....	<u>137,675</u>	<u>110,587</u>
TOTAL .....	<u>\$375,219</u>	<u>\$309,005</u>

Approved by the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

# THE LEARNING CENTRE LITERACY ASSOCIATION

## STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2015

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	Invested in <u>Equipment</u>	Internally <u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u> <u>2015</u>	<u>2014</u>
Balance at beginning of the year .....	\$ 8,901	\$121,147	\$(19,461)	<b>\$110,587</b>	\$151,673
Excess of revenue (expenses) for the year...	<u>(1,780)</u>	<u>-</u>	<u>28,868</u>	<u><b>27,088</b></u>	<u>(41,086)</u>
Balance at end of the year.....	\$ <u>7,121</u>	\$ <u>121,147</u>	\$ <u>9,407</u>	<b>\$ <u>137,675</u></b>	\$ <u>110,587</u>

# THE LEARNING CENTRE LITERACY ASSOCIATION

## STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
REVENUE:		
Restricted:		
Grants - provincial government.....	\$349,834	\$183,170
Casino .....	<u>34,967</u>	<u>66,220</u>
Total restricted revenue.....	<u>384,801</u>	<u>249,390</u>
Unrestricted:		
Grants.....	17,010	17,000
Donations .....	6,993	4,808
Fundraising.....	6,139	74
Interest .....	1,729	1,865
Sales - books.....	<u>452</u>	<u>227</u>
Total unrestricted revenue.....	<u>32,323</u>	<u>23,974</u>
Total revenue.....	<u>417,124</u>	<u>273,364</u>
EXPENSES:		
General and administrative (Schedule 1) .....	139,552	135,181
Program (Schedule 2) .....	217,408	148,632
Volunteer management and fundraising (Schedule 3) .....	<u>31,296</u>	<u>28,412</u>
Total expenses .....	<u>388,256</u>	<u>312,225</u>
EXCESS OF REVENUE (EXPENSES) FROM OPERATIONS .....	28,868	(38,861)
OTHER EXPENSE - amortization .....	<u>1,780</u>	<u>2,225</u>
EXCESS OF REVENUE (EXPENSES) FOR THE YEAR.....	<u>\$ 27,088</u>	<u>\$ (41,086)</u>

# THE LEARNING CENTRE LITERACY ASSOCIATION

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
OPERATING ACTIVITIES:		
Cash from operations:		
Excess of revenue (expenses) for the year .....	\$ 27,088	\$ (41,086)
Item not involving cash for operations - amortization .....	<u>1,780</u>	<u>2,225</u>
	28,868	(38,861)
Net changes in non-cash working capital balances related to operations:		
Accounts receivable .....	(14,712)	(29,832)
Prepaid expenses .....	(430)	(60)
Accounts payable and accrued liabilities .....	1,561	(750)
Deferred revenue .....	<u>37,565</u>	<u>39,904</u>
Net cash from operating activities .....	52,852	(29,599)
INVESTING ACTIVITY - purchase of equipment .....	<u>-</u>	<u>(7,351)</u>
INCREASE (DECREASE) IN CASH FOR THE YEAR .....	52,852	(36,950)
CASH AT BEGINNING OF THE YEAR .....	<u>267,378</u>	<u>304,328</u>
CASH AT END OF THE YEAR .....	<u>\$320,230</u>	<u>\$267,378</u>
CASH CONSISTS OF:		
Cash .....	\$215,435	\$163,569
Term deposits .....	<u>104,795</u>	<u>103,809</u>
	<u>\$320,230</u>	<u>\$267,378</u>

# THE LEARNING CENTRE LITERACY ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

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### 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 difficulty 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.

**THE LEARNING CENTRE LITERACY ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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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, 2015**

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**3. EQUIPMENT:**

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

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2015</u>	<u>2014</u>
Computer and office equipment....	\$28,870	\$21,942	<b>\$6,928</b>	\$8,660
Furniture and fixtures .....	<u>2,792</u>	<u>2,599</u>	<u>193</u>	<u>241</u>
	<u><b>\$31,662</b></u>	<u><b>\$24,541</b></u>	<u><b>\$7,121</b></u>	<u><b>\$8,901</b></u>

**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:

	<u>2015</u>	<u>2014</u>
Alberta Advanced Education and Technology .....	<b>\$ 89,361</b>	\$ 70,558
Casino .....	<b>62,336</b>	12,342
Edmonton Community Foundation.....	<b>7,149</b>	25,000
Government of Alberta - Community Initiatives Program ..	-	25,000
Government of Alberta - Francophone Program .....	<b>10,583</b>	-
Stollery Charitable Foundation .....	<b>58,603</b>	55,000
University of Alberta .....	<u>-</u>	<u>2,567</u>
	<u><b>\$228,032</b></u>	<u><b>\$190,467</b></u>

**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

**THE LEARNING CENTRE LITERACY ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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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.

**THE LEARNING CENTRE LITERACY ASSOCIATION**  
**SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>2015</u>	<u>2014</u>
Association fees .....	\$ 824	\$ 784
Insurance.....	1,547	1,460
Office .....	2,450	184
Professional development .....	909	554
Professional fees .....	13,678	14,081
Rent.....	70,300	66,220
Repairs and maintenance.....	3,030	1,695
Salaries and benefits .....	45,145	48,416
Telephone .....	<u>1,669</u>	<u>1,787</u>
Total general and administrative expenses .....	<u>\$139,552</u>	<u>\$135,181</u>

## Schedule 2

**THE LEARNING CENTRE LITERACY ASSOCIATION**  
**SCHEDULE OF PROGRAM EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>2015</u>	<u>2014</u>
Book subscriptions and publications .....	\$ 603	\$ 417
Contract services .....	102,144	65,810
Honoraria.....	2,075	75
Office .....	23,154	20,003
Public relations .....	2,290	1,006
Publishing costs.....	435	-
Salaries and benefits .....	85,452	59,942
Travel.....	<u>1,255</u>	<u>1,379</u>
Total program expenses .....	<u>\$217,408</u>	<u>\$148,632</u>

**THE LEARNING CENTRE LITERACY ASSOCIATION**  
**SCHEDULE OF VOLUNTEER MANAGEMENT AND FUNDRAISING EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

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	<u>2015</u>	<u>2014</u>
Salaries and benefits .....	<b>\$30,055</b>	\$27,386
Volunteers .....	<u><b>1,241</b></u>	<u>1,026</u>
Total volunteer management and fundraising expenses	<u><b>\$31,296</b></u>	<u><b>\$28,412</b></u>