

THE LEARNING CENTRE
LITERACY ASSOCIATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

AND

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

INDEPENDENT AUDITOR'S REPORT

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

Qualified Opinion

We have audited the financial statements of **The Learning Centre Literacy Association** (the Entity), which consist of the statement of financial position at December 31, 2018, and statements of changes in net assets, operations and of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, 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 Qualified Opinion

In common with many charitable organizations, the Entity derives revenue from donations, 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 Entity and we were not able to determine whether any adjustment might be necessary to revenue, excess of revenue, assets and fund balances.

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 the Entity 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 qualified opinion.

Information other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the annual report, but does not include the financial statements and our auditor's report thereon.

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 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence about the completeness of revenue derived from donations. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

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 the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 the Entity'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 audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity'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 the Entity 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Edmonton, Alberta
April 18, 2019

Yaremchuk & Annicchiarico LLP
Chartered Professional Accountants

THE LEARNING CENTRE LITERACY ASSOCIATION
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash.....	\$281,250	\$243,624
Term deposits	152,781	106,801
Accounts receivable	37,206	85,437
Prepaid expenses	<u>1,810</u>	<u>1,770</u>
Total current assets.....	473,047	437,632
EQUIPMENT (Note 3)	<u>3,645</u>	<u>4,557</u>
TOTAL	<u>\$476,692</u>	<u>\$442,189</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities.....	\$ 9,480	\$ 8,303
Deferred revenue (Note 4)	<u>227,312</u>	<u>217,866</u>
Total current liabilities	<u>236,792</u>	<u>226,169</u>
NET ASSETS:		
Invested in equipment	3,645	4,557
Internally restricted (Note 5)	159,339	196,147
Unrestricted.....	<u>76,916</u>	<u>15,316</u>
Total net assets.....	<u>239,900</u>	<u>216,020</u>
TOTAL	<u>\$476,692</u>	<u>\$442,189</u>

Approved by the Board:

_____ Director

_____ Director

THE LEARNING CENTRE LITERACY ASSOCIATION

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2018

	Invested in <u>Equipment</u>	Internally <u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u> <u>2018</u>	<u>2017</u>
Balance at beginning of the year	\$4,557	\$196,147	\$15,316	\$216,020	\$207,368
Transfer from reserve.....	-	(36,808)	36,808	-	-
Excess of revenue (expenses) for the year ...	<u>(912)</u>	<u>-</u>	<u>24,792</u>	<u>23,880</u>	<u>8,652</u>
Balance at end of the year	<u>\$3,645</u>	<u>\$159,339</u>	<u>\$76,916</u>	<u>\$239,900</u>	<u>\$216,020</u>

THE LEARNING CENTRE LITERACY ASSOCIATION

STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
REVENUE:		
Restricted:		
Grants - federal government	\$498,717	\$187,611
- provincial government	258,870	250,232
- other	23,588	58,557
Casino	<u>54,748</u>	<u>20,509</u>
Total restricted revenue	<u>835,923</u>	<u>516,909</u>
Unrestricted:		
Grants	16,500	17,000
Donations	2,187	3,147
Interest and other	<u>5,193</u>	<u>1,216</u>
Total unrestricted revenue	<u>23,880</u>	<u>21,363</u>
Total revenue	<u>859,803</u>	<u>538,272</u>
EXPENSES:		
Building employment skills for youth (Schedule 1)	498,717	187,611
General and administrative (Schedule 2)	138,026	117,452
Program (Schedule 3)	165,550	193,352
Volunteer management and fundraising (Schedule 4)	<u>32,718</u>	<u>30,066</u>
Total expenses	<u>835,011</u>	<u>528,481</u>
EXCESS OF REVENUE FROM OPERATIONS	24,792	9,791
OTHER EXPENSE - amortization	<u>912</u>	<u>1,139</u>
EXCESS OF REVENUE FOR THE YEAR	<u>\$ 23,880</u>	<u>\$ 8,652</u>

THE LEARNING CENTRE LITERACY ASSOCIATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
OPERATING ACTIVITIES:		
Cash from operations:		
Excess of revenue for the year	\$ 23,880	\$ 8,652
Item not involving cash for operations - amortization	<u>912</u>	<u>1,139</u>
	24,792	9,791
Net changes in non-cash working capital balances related to operations:		
Accounts receivable	48,231	(46,513)
Prepaid expenses	(40)	(70)
Accounts payable and accrued liabilities.....	1,177	(9,883)
Deferred revenue	<u>9,446</u>	<u>68,770</u>
Net cash from operating activities and increase in cash for the year	83,606	22,095
CASH AT BEGINNING OF THE YEAR.....	<u>350,425</u>	<u>328,330</u>
CASH AT END OF THE YEAR	<u>\$434,031</u>	<u>\$350,425</u>
CASH CONSISTS OF:		
Cash.....	\$281,250	\$243,624
Term deposits	<u>152,781</u>	<u>106,801</u>
	<u>\$434,031</u>	<u>\$350,425</u>

THE LEARNING CENTRE LITERACY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

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, 2018

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, 2018

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>2018</u>	<u>2017</u>
Computer and office equipment....	\$28,870	\$25,323	\$3,547	\$4,434
Furniture and fixtures	<u>2,792</u>	<u>2,694</u>	<u>98</u>	<u>123</u>
	<u>\$31,662</u>	<u>\$28,017</u>	<u>\$3,645</u>	<u>\$4,557</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>2018</u>	<u>2017</u>
Alberta Advanced Education and Technology	\$ 95,734	\$ 72,964
Casino.....	2,194	56,943
Edmonton Arts Council	11,253	-
Government of Alberta.....	61,450	78,547
Realtors Community Foundation	-	2,412
Stollery Charitable Foundation.....	<u>56,681</u>	<u>7,000</u>
	<u>\$227,312</u>	<u>\$217,866</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
- 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.

THE LEARNING CENTRE LITERACY ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

6. LEASE COMMITMENTS:

Commencing January 1, 2019, the entity has committed to the rental of business premises under a lease agreement which expires December 31, 2023. The minimum rent payable is \$1 per annum plus the entity's share of operating costs.

7. 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.

Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Association is exposed to this risk mainly in respect of its accounts payable and accrued liabilities.

THE LEARNING CENTRE LITERACY ASSOCIATION
SCHEDULE OF BUILDING EMPLOYMENT SKILLS FOR YOUTH
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
Bank charges	\$ 1,828	\$ 482
Childcare	33,829	-
Contract services	2,348	820
Insurance	1,941	-
Office	2,683	2,139
Participant costs	245,543	43,460
Professional fees	11,152	7,717
Rent	11,321	6,108
Repairs and maintenance	3,200	3,110
Salaries and benefits	144,318	119,271
Supplies	39,397	3,931
Telephone	<u>1,157</u>	<u>573</u>
Total building employment skills for youth	<u>\$498,717</u>	<u>\$187,611</u>

THE LEARNING CENTRE LITERACY ASSOCIATION
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
Association fees	\$ 566	\$ 1,001
Insurance	-	1,860
Office	2,769	790
Professional development	565	-
Professional fees	-	11,167
Rent	55,905	60,611
Repairs and maintenance	5,097	316
Salaries and benefits	72,670	40,560
Telephone	<u>454</u>	<u>1,147</u>
Total general and administrative expenses	<u>\$138,026</u>	<u>\$117,452</u>

THE LEARNING CENTRE LITERACY ASSOCIATION
SCHEDULE OF PROGRAM EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
Book subscriptions and publications	\$ 376	\$ 43
Child care	1,602	635
Contract services	75,009	80,494
Honoraria	-	490
Office.....	21,764	17,577
Public relations.....	19	1,056
Publishing costs	-	487
Salaries and benefits.....	66,231	92,492
Travel	<u>549</u>	<u>78</u>
Total program expenses	<u>\$165,550</u>	<u>\$193,352</u>

THE LEARNING CENTRE LITERACY ASSOCIATION
SCHEDULE OF VOLUNTEER MANAGEMENT AND FUNDRAISING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
Salaries and benefits.....	\$32,175	\$30,029
Volunteers	<u>543</u>	<u>37</u>
Total volunteer management and fundraising expenses	<u>\$32,718</u>	<u>\$30,066</u>