Financial Statements of

KINGSTON LITERACY & SKILLS

For the year ended March 31, 2023

KINGSTON LITERACY & SKILLS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Kingston Literacy & Skills

Qualified Opinion

We have audited the financial statements of Kingston Literacy & Skills (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2023
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the "***Basis for Qualified Opinion***" section of our auditor's report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2023, and its results of operations and 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 not-for-profit organizations, the Entity derives revenue from fundraising activities and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Entity.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets reported in the statements of financial position as at March 31, 2023 and March 31, 2022
- the fundraising and donations revenues and excess of revenue over expenses reported in the statements of operations for the years ended March 31, 2023 and March 31, 2022
- the unrestricted net assets, at the beginning and end of the year, reported in the statements of changes in net assets for the years ended March 31, 2023 and March 31, 2022

- the excess of revenue over expenses reported in the statements of cash flows for the years ended March 31, 2023 and March 31, 2022.

Our opinion on the financial statements for the year ended March 31, 2022 was qualified accordingly because of the possible effects of this limitation in scope.

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 auditors' 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.

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.

Auditors' 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 auditors' 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 the 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 the 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 auditors' 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 auditors' 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

June 22, 2023

KINGSTON LITERACY & SKILLS
Statement of Financial Position

March 31, 2023, with comparative information for 2022

	2023	2022
Assets		
Current assets:		
Cash	$ 326,386	$ 429,339
Investments (note 9)	122,000	-
Funding and accounts receivable (note 3)	35,546	35,685
HST recoverable	19,295	30,256
Prepaid expenses	30,303	26,037
	533,530	521,317
Capital assets (note 4)	147,417	192,471
	$ 680,947	$ 713,788
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 45,247	$ 47,542
Government grants repayable	25,522	22,138
Deferred revenue (note 5)	153,994	158,903
Deferred donations (note 6)	14,410	17,182
	239,173	245,765
Deferred contributions related to capital assets (note 7)	147,417	192,471
Future lease obligation (note 11)	30,176	42,247
	416,766	480,483
Net assets:		
Contingency reserve (note 8)	122,436	122,436
Unrestricted	141,745	110,869
	264,181	233,305
Commitments (note 10)		
Economic dependence (note 12)		
	$ 680,947	$ 713,788

See accompanying notes to financial statements.

Approved on behalf of the Board:

KINGSTON LITERACY & SKILLS

Statement of Operations

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Revenue:		
Government grants	$ 1,391,639	$ 1,185,849
Fundraising and donations	75,630	31,069
Amortization of deferred contributions	65,227	64,035
Professional services	15,269	20,931
Interest income	8,389	160
Insurance recovery	3,013	68,890
Other income	1,200	880
Designated donations	50	300
	1,560,417	1,372,114
Expenses:		
Wages and benefits	995,703	833,208
Facilities	270,948	212,322
Amortization of capital assets	65,227	64,035
Professional services	58,860	91,882
Materials and resources	57,075	32,697
Office and general	33,494	22,502
Communication	23,220	19,843
Professional development	9,617	7,865
Insurance	9,367	7,358
Fire replacement costs (note 4)	3,013	68,890
Childcare, transportation and travel	2,629	1,902
Fundraising	388	229
	1,529,541	1,362,733
Excess of revenue over expenses	$ 30,876	$ 9,381

See accompanying notes to financial statements.

KINGSTON LITERACY & SKILLS

Statement of Changes in Net Assets

Year ended March 31, 2023, with comparative information for 2022

	Contingency reserve (note 8)	Unrestricted	Total 2023	Total 2022
Balance, beginning of year	$ 122,436	$ 110,869	$ 233,305	$ 223,924
Excess of revenue over expenses	-	30,876	30,876	9,381
Balance, end of year	$ 122,436	$ 141,745	$ 264,181	$ 233,305

See accompanying notes to financial statements.

KINGSTON LITERACY & SKILLS

Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	$ 30,876	$ 9,381
Items not involving cash:		
Decrease in future lease obligation	(12,071)	(6,035)
Amortization of capital assets	65,227	64,035
Amortization of deferred capital contributions	(65,227)	(64,035)
Changes in non-cash operating working capital:		
Funding and accounts receivable	139	(6,593)
HST recoverable	10,961	(10,337)
Prepaid expenses	(4,266)	(734)
Accounts payable and accrued liabilities	(2,295)	(2,735)
Government grants repayable	3,384	(14,597)
Deferred revenue	(4,909)	98,723
Deferred donations	(2,772)	(19,118)
	19,047	47,955
Financing activities:		
Receipt of deferred capital contributions	20,173	192,709
Investing activities:		
Purchase of investments	(122,000)	-
Redemption of investments	-	74,868
Purchase of capital assets	(20,173)	(192,709)
	(142,173)	(117,841)
Increase (decrease) in cash	(102,953)	122,823
Cash, beginning of year	429,339	306,516
Cash, end of year	$ 326,386	$ 429,339

See accompanying notes to financial statements.

Kingston Literacy & Skills (the "Organization") is a not-for-profit agency that has served the community since 1977. The Organization was established in response to a research study, "Reach Non-Readers" that demonstrated the need for a part-time literacy program. A subcommittee of the Kingston District Council for Continuing and Community Education set up the Adult Reading Program, and the Kingston Literacy Council to support it. The Kingston Public Library, the Frontenac County Board of Education and St. Lawrence College were involved in the development and funding of this new literacy service. In 1984, when the provincial funding for literacy programs changed, the Organization became incorporated as a not-for-profit corporation under the laws of the province of Ontario and is a registered charity under the income Tax Act of Canada and is exempt from income taxes. Beginning in 1989, the Organization expanded the organizational focus to include the literacy needs of families, particularly of those with young children.

The Organization furthers the growth of adult literacy in Ontario and works with other organizations and individuals having a similar goal. The Organization is a service delivery agency for government supported services including Literacy and Basic Skills (LBS) and Language Instruction for Newcomers to Canada (LINC).

All of these services assist individuals to develop the essential skills needed for further education and training, employment, participation in their communities, independence, enhanced family literacy and life-long learning. The Organization's programs and services are offered in both Kingston and Napanee.

The Organization is actively engaged in planning holistic services as a member of community groups including Employment Ontario, Literacy Services Planning, Frontenac, and Coordinated Language Assessments and Referrals collaboration.

The Organization is also involved in the development of learning resources and in research projects to enhance the delivery of literacy services both within its own ranks and beyond.

1. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook – Accounting and include the following significant accounting policies:

(a) Revenue recognition:

The Organization 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 received or receivable if the amount to be received can be estimated and collection is reasonably assured.

Revenue from professional services is recognized when the service is rendered.

Revenue from fundraising is recognized upon conclusion of the event.

Interest income and other income is recognized as revenue when earned.

(b) Capital assets:

Capital assets are recorded at cost, which include all amounts that are directly attributable to acquisition, construction, development or betterment of the assets. The cost less residential value, of the tangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Rate
Computer software	2 years
Computer hardware	4 years
Furniture and equipment	6 years
Leasehold improvements	Over remaining life of term

Amortization is charged from the date of acquisition. Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

The carrying value of an item of capital assets is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount is not recoverable and exceeds its fair value.

1. Significant accounting policies (continued):

(c) Donated services:

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

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has not elected to subsequently carry any such financial instruments at fair value.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(e) Use of estimates:

The preparation of the financial statements 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 year. Actual results could differ from those estimates.

2. Bank indebtedness:

The Organization has credit card facilities with a limit of $20,000 (2022 - $20,000) of which $6,200 (2022 - $2,004) has been drawn at year end, and is included as a component of accounts payable and accrued liabilities on the Statement of Financial Position.

3. Funding and accounts receivable:

		2023		2022
Immigration, Refugees and Citizenship Canada	$	3,135	$	14,235
Corporation of the City of Kingston		6,250		6,250
Other		26,161		15,200
	$	35,546	$	35,685

4. Capital assets:

		Cost		Accumulated amortization		2023 Net book value		2022 Net book value
Computer software	$	12,163	$	12,163	$	-	$	-
Computer hardware		177,812		152,114		25,698		39,268
Furniture and equipment		231,648		141,569		90,079		102,649
Leasehold improvements		409,019		377,379		31,640		50,554
	$	830,642	$	683,225	$	147,417	$	192,471

Cost and accumulated amortization at March 31, 2022 amounted to $810,469 and $617,998, respectively.

Capital assets have been reviewed for full or partial impairment. Management has determined there are none.

4. Capital assets (continued):

In fiscal 2022, insurance proceeds amounting to $350,557 were received, of which $200,437 was spent in fiscal 2022 and $150,120 was deferred for future use. Of this amount, $13,661 (2022 - $131,547) was spent on replacement capital assets, $3,013 (2022 - $45,735) was spent on replacement operational expenses and $Nil (2022 - $23,155) was recognized as revenue to offset lost revenue and other reimbursements. The unspent portion at March 31, 2023 of $133,446 (2022 - $150,120) is recorded as deferred revenue on the Statement of Financial Position (note 5).

5. Deferred revenue:

Deferred revenue represents unearned funding or fundraising amounts received in advance.

		2023		2022
Unspent insurance proceeds (note 4)	$	133,446	$	150,120
Immigration, Refugees and Citizenship Canada - last month's rent		7,583		7,583
Other		12,965		1,200
	$	153,994	$	158,903

6. Deferred donations:

		2023		2022
Dana Piling estate	$	14,410	$	17,182

In fiscal 2019, the Organization received a donation in the amount of $50,000 from the Estate of Dana Piling. These funds are to be used specifically for capital needs or program development for the Care for Newcomer Children (CNC) program. During March 31, 2023, costs amounting to $Nil (2022 - $17,039) have been spent towards capital acquisitions of this program and costs amounting to $2,772 (2022 - $2,079) have been spent towards operational expenses of this program.

7. Deferred contributions related to capital assets:

Deferred contributions related to capital assets represent restricted contributions with which the Organization purchased capital assets. The changes in the deferred contribution balance for the year are as follows:

		2023		2022
Balance, beginning of year	$	192,471	$	63,797
Add contributions received:				
Government contributions		4,648		31,283
Insurance proceeds (note 4)		13,661		131,547
Designated capital donations (Dana Piling) (note 6)		-		17,039
Designated capital donations (others)		1,864		12,840
Less amounts amortized to revenue		(65,227)		(64,035)
Balance, end of year	$	147,417	$	192,471

Investments in capital assets consists of:

		2023		2022
Capital assets	$	147,417	$	192,471
Deferred contributions related to capital assets		(147,417)		(192,471)
	$	-	$	-

8. Contingency reserve:

The contingency reserve is the amount set aside to fund operations for three months of rent and salaries expenses and is to be maintained at $122,436 (2022 - $122,436). The reserve may be funded by transfers for the year from unrestricted net assets at the Board of Director's discretion.

The reserve is internally restricted and is to be spent at the discretion of the Board of Directors.

9. Investments

Investments consists of guaranteed investments certificates yielding interest at 4.25%, maturing on December 1, 2023.

10. Commitments:

The Organization has commitments under various operating leases. The minimum payments under these leases for the next three years are as follows:

2024	$	267,336
2025		225,537
2026		98,710
	$	591,583

11. Future lease obligation:

In fiscal 2016, the Organization entered into a ten year lease agreement, with a rental rate increase at the beginning of year six. Annual rent is determined on a straight-line basis over the lease term and is included in Facilities expense on the Statement of Operations.

12. Economic dependence:

The Organization is economically dependent on the continued financial support of government grant funding through the Ministry of Labour, Training and Skills Development as well as the Immigration, Refugees and Citizenship Canada (IRCC) offices. The Organization derives 89% (2022 - 86%) of its revenues from government grants.

13. Financial risk management

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the Organization's risk exposure and concentrations as at March 31, 2023:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Organization is exposed to credit risk with respect to the funding and accounts receivable. The Organization assesses on a continuous basis, funding and accounts receivable and provides for any amounts that are not considered collectible in the allowance for impairment. The provision for impaired accounts receivable as at March 31, 2022 amounts to $Nil (2022 - $Nil).

(b) Liquidity risk:

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages its liquidity risk by monitoring its operating requirements. The Organization prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

(c) Interest rate risk:

The Organization's bank indebtedness has variable interest rates based on the bank's prime rate. Floating-rate financial instruments subject the Organization to a cash flow risk. As a result, the Organization is exposed to interest rate risk due to fluctuations in the bank's prime rate.

There have been no significant changes to the risk exposures from 2022.