

Financial Statements of

**KINGSTON LITERACY &
SKILLS**

For the year ended March 31, 2021

KINGSTON LITERACY & SKILLS

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KPMG LLP
863 Princess Street, Suite 400
Kingston ON K7L 5N4
Canada
Tel 613-549-1550
Fax 613-549-6349

INDEPENDENT AUDITORS' 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, 2021
- 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, 2021, 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, 2021 and March 31, 2020
- the fundraising and donations revenues and excess of revenue over expenses reported in the statements of operations for the years ended March 31, 2021 and March 31, 2020
- 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, 2021 and March 31, 2020



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- the excess of revenue over expenses reported in the statements of cash flows for the years ended March 31, 2021 and March 31, 2020.

Our opinion on the financial statements for the year ended March 31, 2020 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 **"Auditors' 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 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.

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.



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- 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

July 22, 2021

KINGSTON LITERACY & SKILLS

Statement of Financial Position

March 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets:		
Cash	\$ 306,516	\$ 174,460
Funding and accounts receivable (note 3)	29,092	148,745
HST recoverable	19,919	17,795
Prepaid expenses	25,303	30,160
	<u>380,830</u>	<u>371,160</u>
Investments (note 2)	74,868	85,544
Capital assets (note 4)	63,797	66,063
	<u>\$ 519,495</u>	<u>\$ 522,767</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 50,277	\$ 55,032
Government grants repayable	36,735	69,324
Deferred revenue (note 6)	60,180	16,899
Deferred donations (note 7)	36,300	65,468
	<u>183,492</u>	<u>206,723</u>
Deferred contributions related to capital assets (note 8)	63,797	66,063
Future lease obligation (note 11)	48,282	48,282
Net assets:		
Contingency reserve (note 9)	122,436	201,699
Unrestricted	101,488	-
	<u>223,924</u>	<u>201,699</u>
Commitments (note 10)		
Economic dependence (note 12)		
	<u>\$ 519,495</u>	<u>\$ 522,767</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:

KINGSTON LITERACY & SKILLS

Statement of Operations

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Revenue:		
Government grants	\$ 1,150,878	\$ 1,384,380
Amortization of deferred contributions (note 8)	46,021	38,263
United Way	30,000	40,000
Bob Johnson Awards (note 7(a))	29,169	4,167
Fund-raising and unrestricted donations	18,042	37,553
Gain on disposal of funded capital asset	13,761	-
Insurance recovery	7,536	-
Interest income	1,459	6,565
Designated donations (note 7(b))	1,410	3,941
Professional services	613	1,944
	<u>1,298,889</u>	<u>1,516,813</u>
Expenses:		
Wages and benefits	813,275	1,005,151
Facilities	199,290	213,154
Professional services	111,938	109,317
Amortization of capital assets	46,021	38,263
Office and general	28,605	32,368
Materials and resources	24,984	47,871
Communication	17,392	27,559
Loss on disposal of capital assets	13,761	-
Professional development	7,721	7,858
Fire replacement costs	7,536	-
Insurance	5,497	5,574
Childcare, transportation and travel	615	13,865
Fundraising	29	6,390
	<u>1,276,664</u>	<u>1,507,370</u>
Excess of revenue over expenses	<u>\$ 22,225</u>	<u>\$ 9,443</u>

See accompanying notes to financial statements.

KINGSTON LITERACY & SKILLS

Statement of Changes in Net Assets

Year ended March 31, 2021, with comparative information for 2020

	Contingency reserve	Unrestricted	Total 2021	Total 2020
Balance, beginning of year	\$ 201,699	\$ -	\$ 201,699	\$ 192,256
Excess of revenue over expenses	-	22,225	22,225	9,443
Interfund transfer	(79,263)	79,263	-	-
Balance, end of year	\$ 122,436	\$ 101,488	\$ 223,924	\$ 201,699

See accompanying notes to financial statements.

KINGSTON LITERACY & SKILLS

Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 22,225	\$ 9,443
Items not involving cash:		
Increase in future lease obligation	-	10,729
Amortization of capital assets	46,021	38,263
Amortization of deferred capital contributions	(46,021)	(38,263)
Accrued investment income	10,676	(257)
Loss on disposal of capital assets	13,761	-
Gain on disposal of funded capital assets	(13,761)	-
Changes in non-cash operating working capital:		
Funding and accounts receivable	119,653	(135,988)
HST recoverable	(2,124)	4,227
Prepaid expenses	4,857	(4,948)
Accounts payable and accrued liabilities	(4,755)	23,482
Government grants repayable	(32,589)	47,108
Deferred revenue	43,281	(4,621)
Deferred donations	(29,168)	(8,108)
	132,056	(58,933)
Financing activities:		
Receipt of deferred capital contributions	57,516	-
Investing activities:		
Purchase of capital assets	(57,516)	-
Increase (decrease) in cash	132,056	(58,933)
Cash, beginning of year	174,460	233,393
Cash, end of year	\$ 306,516	\$ 174,460

See accompanying notes to financial statements.

KINGSTON LITERACY & SKILLS

Notes to Financial Statements

Year ended March 31, 2021

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.

KINGSTON LITERACY & SKILLS

Notes to Financial Statements (continued)

Year ended March 31, 2021

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 expenditures 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 and agency fees is recognized when the service is rendered.

Revenue from resource sales is recognized when the goods are received by the customer.

Revenue from fundraising is recognized upon conclusion of the event.

Revenue from interest is recognized when earned.

Revenue from designated donations are recognized when the related expenses are incurred.

(b) Capital assets:

Capital assets are stated at cost, less accumulated amortization. Amortization is provided using the straight-line method and following annual rates:

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

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.

KINGSTON LITERACY & SKILLS

Notes to Financial Statements (continued)

Year ended March 31, 2021

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. Investments:

Investments consist of cashable guaranteed investment certificates yielding interest annually at rates ranging between 1.00% and 2.25%, maturing May 2021. These investments were not re-invested upon maturity.

The carrying value is considered equal to market value.

KINGSTON LITERACY & SKILLS

Notes to Financial Statements (continued)

Year ended March 31, 2021

3. Funding and accounts receivable:

	2021	2020
City of Kingston	\$ -	\$ 2,083
Immigration, Refugees and Citizenship Canada	8,762	131,646
Other	20,330	15,016
	29,092	148,745
Less allowance for impairment	-	-
	\$ 29,092	\$ 148,745

4. Capital assets:

	2021		2020	
	Cost	Accumulated amortization	Net book value	Net book value
Computer software	\$ 12,163	\$ 12,163	\$ -	\$ -
Computer hardware	142,563	119,307	23,256	23,718
Furniture and equipment	110,242	82,942	27,300	26,762
Leasehold improvements	352,792	339,551	13,241	15,583
	\$ 617,760	\$ 553,963	\$ 63,797	\$ 66,063

Cost and accumulated amortization at March 31, 2020 amounted to \$784,006 and \$717,943, respectively.

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

During the year, a fire in the Kingston location resulted in a loss of assets with a cost base of \$223,761. Of these assets, the net book value was \$13,761. As these assets were fully funded from external contributions, an amount equal to unamortized deferred capital contributions of \$13,761 was also recorded (note 8), thereby resulting in a net \$Nil impact on the Statement of Operations.

KINGSTON LITERACY & SKILLS

Notes to Financial Statements (continued)

Year ended March 31, 2021

5. Bank indebtedness:

At March 31, 2021, the Organization had an available short-term line of credit facility of \$100,000 (2020 - \$100,000) of which \$Nil (2020 - \$Nil) had been drawn. The line of credit bears interest at prime plus 1.75% and is secured by a general security agreement.

The Organization has credit card facilities with a limit of \$10,000 (2020 - \$10,000) of which \$2,004 (2020 - \$7,790) had been drawn at year end, and is included in accounts payable and accrued liabilities on the Statement of Financial Position.

6. Deferred revenue:

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

	2021		2020
Immigration, Refugees and Citizenship Canada - last month's rent	\$ 7,583	\$	7,583
Community Foundation for Kingston & Area	9,316		9,316
Unspent insurance proceeds	43,281		-
	\$ 60,180	\$	16,899

KINGSTON LITERACY & SKILLS

Notes to Financial Statements (continued)

Year ended March 31, 2021

7. Deferred donations:

	2021	2020
Bob Johnson award	\$ -	\$ 29,168
Dana Piling estate	36,300	36,300
	\$ 36,300	\$ 65,468

- (a) The Bob Johnson Award was made possible by the generous donation from Bob Johnson and his family. The funds are to be given as awards to recognize accomplishment, achievement and success for students, at the discretion of the Board of Directors. The amount available each year for awards and related costs was based on the cumulative total of interest earned during the year plus 2% of the principal amount of funds available.

During the year, the donor unrestricted these funds, making them available at the discretion of the Board of Directors. As a result, the remaining balance of \$29,168 has been recorded as a component of revenue on the Statement of Operations.

- (b) 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 program development for the Care for Newcomer Children (CNC) program. As at March 31, 2021, costs amounting to \$Nil (2020 - \$3,941) have been spent and the related revenue recognized on the Statement of Operations.

KINGSTON LITERACY & SKILLS

Notes to Financial Statements (continued)

Year ended March 31, 2021

8. 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:

	2021	2020
Balance, beginning of year	\$ 66,063	\$ 104,326
Add contributions received:		
Immigration, Refugees and Citizenship Canada	25,724	-
Insurance proceeds	31,792	-
Less amounts amortized to revenue	(46,021)	(38,263)
Less gain on disposal of funded capital assets	(13,761)	-
Balance, end of year	\$ 63,797	\$ 66,063

Investments in capital assets consists of:

	2021	2020
Capital assets	\$ 63,797	\$ 66,063
Deferred contributions related to capital assets	(63,797)	(66,063)
	\$ -	\$ -

9. 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 (2020 - \$225,000). The reserve may be funded by transfers for the year from unrestricted net assets at the Board of Director's discretion.

During the year, the Board approved a transfer of \$79,263 from the contingency reserve to unrestricted net assets (2020 - \$9,443 from unrestricted net assets to the contingency reserve).

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

KINGSTON LITERACY & SKILLS

Notes to Financial Statements (continued)

Year ended March 31, 2021

10. Commitments:

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

2022	\$	238,224
2023		197,421
2024		197,421
2025		197,421
2026		98,710
		<hr/>
		\$ 929,197

The Organization occupies additional office space on a month-to-month basis. A formal lease agreement has not been negotiated.

11. Future lease obligation:

In fiscal, 2016 the Organization has 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 Colleges and Universities as well as the Immigration, Refugees and Citizenship Canada (IRCC) offices. The Organization derives 90% (2020 - 91%) of its revenues from government grants.

KINGSTON LITERACY & SKILLS

Notes to Financial Statements (continued)

Year ended March 31, 2021

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, 2021:

(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.

(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. During the year, the Organization had a fire in the Kingston location, which resulted in a significant loss of assets. The Organization is currently evaluating program and service delivery to ensure the insurance proceeds will be maximized and sufficient to replace the required assets.

(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 2020.

KINGSTON LITERACY & SKILLS

Notes to Financial Statements (continued)

Year ended March 31, 2021

14. Impact of COVID-19:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact.

At the time of approval of these financial statements, the Organization has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- Increased costs related to the purchase of materials and supplies
- Closure of administrative and non-essential services within which it operates based on Public Health recommendations
- Mandatory working from home requirements for those able to do so, as well as a shift to online programming
- Continuous re-evaluation of the team' work assignments
- Mandatory on-site student, visitor and staff screening and tracking protocols

The Organization continues to respond to the pandemic and plan for continued operational and financial impacts during the 2022 fiscal year and beyond. Management has assessed the impact of COVID-19 and believes there are no significant financial issues as the Organization has access to sufficient financial resources to sustain operations in the coming year. The outcome and time frame to a recovery from the current pandemic is highly unpredictable, thus it is not practicable to estimate and disclose its financial effect on future operations at this time.