# Literacy Association of Nova Scotia

Financial Statements
**March 31, 2019**

# *Independent auditor's report*

To the Members of Literacy Association of Nova Scotia

## *Our qualified opinion*

In our opinion, except for the possible effects of the matter described in the *Basis for qualified opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Literacy Association of Nova Scotia (the Association) as at March 31, 2019 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.

### What we have audited

The Association's financial statements comprise:

- the statement of financial position as at March 31, 2019;
- the statement of receipts, expenditures and changes in net assets for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

## *Basis for qualified opinion*

In common with many not-for-profit organizations, the Association derives receipts from donations and events, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these receipts was limited to the amounts recorded in the records of the Association. Therefore, we were not able to determine whether any adjustments might be necessary to receipts from donations and PGI events, excess of expenditures over receipts and cash flows from operating activities for the year ended March 31, 2019 and current and net assets as at March 31, 2019.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### Independence

We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

## *Other information*

Management is responsible for the other information. The other information obtained prior to the date of this auditor's report comprises the information, other than the financial statements and our auditor's report thereon, included in the annual report.

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 on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## *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 Association'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 Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association'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 Association'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 Association'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 Association 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.

PricewaterhouseCoopers LLP

**Chartered Professional Accountants, Licensed Public Accountants**

Halifax, Nova Scotia
November 28, 2019

# Literacy Association of Nova Scotia

Statement of Financial Position

**As at March 31, 2019**

| | Operating fund $ | Restricted funds $ | 2019 $ | 2018 $ |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current assets** | | | | |
| Cash | 32,601 | 14,138 | 46,739 | 68,969 |
| Accounts receivable (note 3) | 40,917 | - | 40,917 | 7,236 |
| Prepaid expenses | 694 | - | 694 | 575 |
| | 74,212 | 14,138 | 88,350 | 76,780 |
| **Non-current assets** | | | | |
| Property and equipment (note 5) | 5,674 | - | 5,674 | 7,092 |
| Investments | - | 310,107 | 310,107 | 345,239 |
| | 5,674 | 310,107 | 315,781 | 352,331 |
| | 79,886 | 324,245 | 404,131 | 429,111 |
| **Liabilities** | | | | |
| **Current liabilities** | | | | |
| Accounts payable and accrued liabilities | 9,239 | - | 9,239 | 10,127 |
| Deferred revenue (note 6) | 41,055 | 74,245 | 115,300 | 34,147 |
| | 50,294 | 74,245 | 124,539 | 44,274 |
| **Net assets** | | | | |
| Unrestricted | | | | |
| Investment in property and equipment | 5,674 | - | 5,674 | 7,092 |
| Operating | 23,918 | - | 23,918 | 127,745 |
| Internally restricted | | | | |
| Contingency fund | - | 250,000 | 250,000 | 250,000 |
| | 29,592 | 250,000 | 279,592 | 384,837 |
| | 79,886 | 324,245 | 404,131 | 429,111 |

**Commitments** (note 9)

**Approved by the Board of Directors**

___________________________________ Director ___________________________________ Director

The accompanying notes are an integral part of these financial statements.

# Literacy Association of Nova Scotia

Statement of Receipts, Expenditures and Changes in Net Assets

**For the year ended March 31, 2019**

| | Budget (Unaudited) $ | Operating fund $ | Restricted funds $ | 2019 $ | 2018 $ |
|---|---|---|---|---|---|
| **Receipts** | | | | | |
| PGI events | 45,000 | 24,536 | - | 24,536 | 55,979 |
| Special projects (note 7) | 399,805 | - | 282,681 | 282,681 | 393,925 |
| Donations | 43,000 | 12,545 | - | 12,545 | 34,883 |
| Interest | 3,500 | 6,757 | - | 6,757 | 3,594 |
| Memberships | 2,500 | 1,860 | - | 1,860 | 2,175 |
| Administrative fees (note 8) | - | 23,308 | - | 23,308 | 32,626 |
| Other | 11,500 | 42,720 | - | 42,720 | 32,304 |
| | 505,305 | 111,726 | 282,681 | 394,407 | 555,486 |
| **Expenditures** | | | | | |
| Administrative fees | - | - | - | - | 1,966 |
| Amortization | - | 1,418 | - | 1,418 | 1,619 |
| Dues and fees | - | 603 | - | 603 | 289 |
| Grants | - | - | 26,546 | 26,546 | 221,476 |
| Insurance | 1,300 | 1,303 | - | 1,303 | 1,282 |
| Meeting facilities and travel | 59,628 | 13,280 | 32,280 | 45,560 | 27,934 |
| Miscellaneous | 7,000 | 4,057 | 2,847 | 6,904 | 1,196 |
| Office and postage | 9,479 | 3,206 | 6,684 | 9,890 | 4,433 |
| PGI events | 35,000 | 5,441 | - | 5,441 | 21,263 |
| Professional fees | 43,315 | 7,370 | 22,761 | 30,131 | 32,640 |
| Program materials and project expenses | 87,664 | 810 | 53,509 | 54,319 | 16,259 |
| Salaries and benefits | 293,654 | 170,094 | 131,564 | 301,658 | 232,955 |
| Scholarships and bursaries | 6,500 | 7,900 | - | 7,900 | 6,000 |
| Telephone and other equipment rental | 11,643 | 1,489 | 6,490 | 7,979 | 7,241 |
| | 555,183 | 216,971 | 282,681 | 499,652 | 576,553 |
| **Excess of expenditures over receipts for the year** | (49,878) | (105,245) | - | (105,245) | (21,067) |
| **Net assets – Beginning of year** | | 134,837 | 250,000 | 384,837 | 405,904 |
| **Net assets – End of year** | | 29,592 | 250,000 | 279,592 | 384,837 |

The accompanying notes are an integral part of these financial statements.

# Literacy Association of Nova Scotia

Statement of Cash Flows

**For the year ended March 31, 2019**

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| **Cash provided by (used in)** | | |
| **Operating activities** | | |
| Excess of expenditures over receipts for the year | (105,245) | (21,067) |
| Amortization | 1,418 | 1,619 |
| | (103,827) | (19,488) |
| Net change in non-cash working capital items related to operations | | |
| Decrease (increase) in accounts receivable | (33,681) | 13,224 |
| Increase in prepaid expenses | (119) | - |
| Increase (decrease) in accounts payable and accrued liabilities | (888) | 2,899 |
| Increase (decrease) in deferred revenue | 81,153 | (186,593) |
| | (57,362) | (189,918) |
| **Investing activities** | | |
| Proceeds from disposal of investments | 52,000 | - |
| Purchase of investments | (16,868) | (52,336) |
| Purchase of property and equipment | - | (1,786) |
| | 35,132 | (54,122) |
| **Net change in cash for the year** | (22,230) | (244,040) |
| **Cash – Beginning of year** | 68,969 | 313,009 |
| **Cash – End of year** | 46,739 | 68,969 |

The accompanying notes are an integral part of these financial statements.

## 1 Status and nature of activities

The mission of the Literacy Association of Nova Scotia (the "Association") is to strengthen the adult literacy movement in Nova Scotia. The Association is a not-for-profit organization and is a registered charity under the Income Tax Act.

## 2 Summary of significant accounting policies

**Basis of presentation**

These financial statements are prepared in accordance with the Canadian accounting standards for not-for-profit organizations ("ASNPO") as issued by the Canadian Accounting Standards Board.

**Financial instruments**

The Association initially records its financial instruments at fair value. Subsequently, these financial instruments are measured at amortized cost, net of transaction costs, using the effective interest method.

**Fund accounting**

The Association follows the deferred method of accounting for contributions. The operating fund accounts for the Association's administrative activities. The fund reports unrestricted resources. The restricted funds account for the special projects carried out by the Association. These funds report only restricted resources that are to be used for specific literacy initiatives including a contingency fund established by the Board to provide for the sustainability of the organization.

**Revenue recognition**

Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be accurately estimated and collection is reasonably assured.

Investment income is recognized as revenue of the appropriate fund as earned.

**Investments**

Investments consist of high interest savings accounts. Fair market value approximates book value. Interest earned on the investments is recorded as income in the operating fund.

**Property and equipment**

Purchased property and equipment are recorded at cost. Contributed property and equipment are recorded at fair value at the date of contribution. Amortization is provided on a declining balance basis, which for equipment and leasehold improvements is 20% per year. In the year of acquisition, net additions are amortized at one-half the stated annual rate.

## 2 Summary of significant accounting policies (continued)

### Deferred revenue

The Association receives funding from provincial governments related to projects and initiatives which it is responsible for. Amounts received from government sources related to expenditures to be paid in subsequent periods are recorded as deferred revenue.

### Management estimates

The presentation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those reported.

## 3 Accounts receivable

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| **Operating fund** | | |
| HST receivable | 3,541 | 4,682 |
| Other | 37,376 | 2,554 |
| | 40,917 | 7,236 |

## 4 Capital management

The Association defines capital as net assets.

The Association operates under a culture of a balanced budget with the goal of a modest surplus to build capital.

## 5 Property and equipment

| | 2019 | | | 2018 |
|---|---|---|---|---|
| | Cost<br>$ | Accumulated depreciation<br>$ | Net<br>$ | Net<br>$ |
| Leasehold improvements | 15,603 | 14,783 | 820 | 1,025 |
| Equipment | 60,913 | 56,059 | 4,854 | 6,067 |
| | 76,516 | 70,842 | 5,674 | 7,092 |

## 6 Deferred revenue

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| **Restricted fund** | | |
| Province of Nova Scotia Department of LAE | 74,245 | 34,147 |
| **Operating fund** | | |
| Deferred revenue | 41,055 | - |
| | 115,300 | 34,147 |

## 7 Special projects

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| **Revenue** | | |
| Literacy New Brunswick | 100,514 | - |
| Province of Nova Scotia Department of LAE | 182,167 | 393,925 |
| | 282,681 | 393,925 |

## 8 Administrative fees

The Province of Nova Scotia Department of LAE contracts include an allocation for administrative fees.

## 9 Commitments

The Association occupies space provided by the Nova Scotia Community College ("NSCC") in exchange for a $1,500 scholarship to an NSCC student.

The Association entered into a three year operating lease for a photocopier which requires quarterly payments of $287 plus HST and expires November 2020.

## 10 Financial instruments and risk management

The Association's recognized financial instruments consist of cash, accounts receivable, investments and accounts payable and accrued liabilities. The fair value of the financial instruments approximates fair value to their short-term nature.

Senior management of the Association is responsible for setting acceptable levels of risk and reviewing risk management activities as necessary.

### a) Concentration of credit risk

Management believes that the Association has no significant credit risk. No provision for uncollectible accounts has been made as none was considered necessary at year end.

## 10 Financial instruments and risk management (continued)

### b) Interest rate risk

Management believes the Association has no significant interest rate risk as it has no debt outstanding.

### c) Liquidity risk

Management believes the Association has no significant liquidity risk due to the Association having sufficient funds to meet its obligations as they become due.