LITERACY ASSOCIATION OF NOVA SCOTIA

FINANCIAL STATEMENTS

MARCH 31, 2021

LITERACY ASSOCIATION OF NOVA SCOTIA
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INDEPENDENT AUDITORS' REPORT

To the Members of:
Literacy Association Of Nova Scotia

Qualified Opinion

We have audited the financial statements of **Literacy Association of Nova Scotia** ("the Association"), which comprise the statement of financial position as at March 31, 2021 and the statements of operations and changes in fund balances and 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 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 the Association as at March 31, 2021, and 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 non-profit organizations, the Association derives revenue from various sources including donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues 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 revenues, excess (deficiency) of revenues over expenses, assets and fund balances for the years ending March 31, 2021 and March 31, 2020.

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 report. We are independent of the Association 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 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 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.

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 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 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 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.

Baker Tilly Nova Scotia Inc

Dartmouth, Nova Scotia
June 17, 2021

Chartered Professional Accountants

LITERACY ASSOCIATION OF NOVA SCOTIA
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2021

	Operating Fund $	Restricted Fund $	**2021 $**	2020 $ As restated (Note 2)
REVENUES				
Special projects (Note 10)	-	340,723	**340,723**	419,243
PGI events	-	-	**-**	95,181
RCF contract	32,000	-	**32,000**	29,300
Donations	15,484	-	**15,484**	37,873
Admin fees	12,057	-	**12,057**	33,182
Other	6,346	-	**6,346**	9,085
Memberships	2,025	-	**2,025**	2,355
Interest	1,850	-	**1,850**	5,782
	69,762	340,723	**410,485**	632,001
OPERATING EXPENSES				
Administration fees	1,561	13,209	**14,770**	36,737
Amortization	917	-	**917**	1,140
Dues and fees	184	-	**184**	362
Fundraising	-	-	**-**	25,895
Honoraria	-	25,540	**25,540**	50,899
Insurance	1,339	-	**1,339**	1,304
Meeting facilities and travel	-	3,846	**3,846**	41,686
Miscellaneous	1,847	-	**1,847**	1,755
Office	18	6,358	**6,376**	7,736
Professional fees	10,350	11,500	**21,850**	17,492
Program materials	-	84,113	**84,113**	86,117
Salaries and wages	121,752	185,669	**307,421**	304,932
Scholarships	4,500	-	**4,500**	10,435
Telephone and communications	96	10,488	**10,584**	8,689
	142,564	340,723	**483,287**	595,179
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(72,802)	-	**(72,802)**	36,822
FUND BALANCES - beginning of year				
As previously stated	66,414	250,000	**316,414**	279,592
Restatement	(11,208)	-	**(11,208)**	(11,208)
As restated	55,206	250,000	**305,206**	268,384
FUND BALANCES - end of year	(17,596)	250,000	**232,404**	305,206

LITERACY ASSOCIATION OF NOVA SCOTIA
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2021

	Operating Fund	Restricted Fund	**2021**	2020
	$	$	**$**	$
				As restated (Note 2)
ASSETS				
CURRENT				
Cash	-	162,342	**162,342**	9,314
Investments	-	1,015,502	**1,015,502**	318,716
Accounts receivable (Note 4)	9,056	-	**9,056**	83,673
Prepaids	1,311	-	**1,311**	614
	10,367	1,177,844	**1,188,211**	412,317
LONG-TERM INVESTMENT (Note 5)	-	85,000	**85,000**	-
DUE FROM OPERATING FUND (Note 6)	-	15,145	**15,145**	-
CAPITAL ASSETS (Note 7)	3,616	-	**3,616**	4,533
	13,983	1,277,989	**1,291,972**	416,850
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities (Note 8)	16,434	6,406	**22,840**	48,073
Deferred income (Note 9)	-	1,021,583	**1,021,583**	63,571
Due to Restricted Fund (Note 6)	15,145	-	**15,145**	-
	31,579	1,027,989	**1,059,568**	111,644
FUND BALANCES				
UNRESTRICTED				
Investment in capital assets	3,616	-	**3,616**	4,533
Operating	(21,212)	-	**(21,212)**	50,673
INTERNALLY RESTRICTED	-	250,000	**250,000**	250,000
	(17,596)	250,000	**232,404**	305,206
	13,983	1,277,989	**1,291,972**	416,850

SUBSEQUENT EVENT (Note 11) and COMMITMENTS (Note 12)

Approved by the Board Juanita Bruneau ______________________ **Director**

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LITERACY ASSOCIATION OF NOVA SCOTIA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2021

	Operating Fund $	Restricted Fund $	**2021 $**	2020 $ As restated (Note 2)
CASH PROVIDED BY (USED FOR):				
OPERATING				
Excess (deficiency) of revenues over expenses	(72,802)	-	**(72,802)**	36,822
Item not affecting cash				
Amortization	917	-	**917**	1,140
	(71,885)	-	**(71,885)**	37,962
Changes in non-cash working capital items				
Accounts receivable	74,617	-	**74,617**	(42,756)
Prepaids	(697)	-	**(697)**	80
Due from Operating Fund	-	(15,145)	**(15,145)**	-
Accounts payable and accrued liabilities	(16,671)	(8,562)	**(25,233)**	34,967
Deferred revenue	(9,823)	967,835	**958,012**	(61,552)
Due to Restricted Fund	15,145	-	**15,145**	-
	(9,314)	944,128	**934,814**	(31,299)
INVESTING				
Acquisition of investments	-	(1,011,786)	**(1,011,786)**	(97,609)
Proceeds on disposal of investments	-	230,000	**230,000**	89,000
	-	(781,786)	**(781,786)**	(8,609)
CHANGE IN CASH	(9,314)	162,342	**153,028**	(39,908)
CASH - beginning of year	9,314	-	**9,314**	49,222
CASH - end of year	-	162,342	**162,342**	9,314

1. OPERATIONS

Literacy Association of Nova Scotia ("the Association") is a non-profit organization and a registered charity under the Income Tax Act. The mission of the Association is to strengthen the adult literacy movement in Nova Scotia.

2. RESTATEMENT

During the year, the following errors were identified in relation to the opening balances for the year ended March 31, 2020:

- An additional amount received for an LAE special project was incorrectly recorded as revenue and not deferred in accordance with revenue recognition policy. As a result, deferred revenue was understated and retained earnings was overstated by $9,823;
- There were balances remaining in accounts payable related to previous year adjustments that were not properly recorded and as a result, opening retained earnings was overstated and accounts payable was understated by $3,868; and
- Credit Union shares held were not recognized as an asset when purchased and as a result, retained earnings and cash were understated by $2,483.

The errors were corrected retroactively through the restatement of the March 31, 2020 statements of financial position, operations and changes in fund balances and cash flows for the year then ended.

The correction resulted in an adjustment to the following financial statement items:

		2020		
		As previously reported $	Adjustment $	As restated $
Statement of operations and changes in fund balances				
(i)	Fund balances - beginning of year	279,592	(11,208)	268,384
(ii)	Fund balances - end of year	316,414	(11,208)	305,206

2. RESTATEMENT (Continued)

		2020		
		As previously reported $	Adjustment $	As restated $
Statement of financial position				
(iii)	Cash	6,831	2,483	9,314
(iv)	Accounts payable and accrued liabilities	44,205	3,868	48,073
(iv)	Deferred income	53,748	9,823	63,571
(iv)	Unrestricted - Operating Fund balance	61,881	(11,208)	50,673
(iv)	Total funds balance	316,414	(11,208)	305,206
Statement of cash flows				
(vii)	Cash - beginning of year	46,739	2,483	49,222
(viii)	Cash - end of year	6,831	2,483	9,314

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Fund accounting

Operating Fund

The operating fund accounts for the Association's administrative activities. This fund includes the assets, liabilities, revenues, and expenses other than those related to the restricted fund.

Restricted Fund

The restricted fund accounts for special projects carried out by the Association. This fund reports 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash

Cash consists of cash on hand and bank balances held with a financial institution.

Revenue recognition

The Association follows the deferral method of accounting for contributions.

Restricted contributions for expenses of future years are deferred and recognized as revenue in the same year or years as the related expenses.

Unrestricted contributions are recognized as revenue 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.

All other revenues are recognized when the risks and rewards of ownership are transferred to the Association and when collection is reasonably assured.

Capital Assets

Capital assets are recorded at cost. Amortization is provided for using the following rate and method over their estimated useful lives as follows:

Leasehold improvements	20%	Diminishing balance
Furniture and equipment	20%	Diminishing balance

Investments

Investment holdings consist of high interest savings accounts and are valued at fair market value. Interest earned on investments is recorded as income in the operating fund.

Income taxes

The Association is a registered charity under section 149.1(1) of the Income Tax Act, and, as such, is exempt from income taxes. Accordingly, no provision has been made in the accounts for income taxes.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

The Association initially measures its financial assets and financial liabilities at fair value.

The Association subsequently measures its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of any write down is recognized in the excess (deficiency) of revenues over expenses. 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 that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of a reversal is recognized in the excess (deficiency) of revenues over expenses.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Estimates are used when accounting for items and matters such as useful lives of capital assets and certain accrued liabilities. Actual results could differ from those estimates.

4. ACCOUNTS RECEIVABLE

	2021	2020
	$	$
Accounts receivable	**8,039**	74,956
HST recoverable	**1,017**	8,717
	9,056	83,673

5. LONG-TERM INVESTMENT

The long-term investment is a term deposit with Credit Union Atlantic bearing interest at 1.05% per annum, maturing in August 2022.

6. DUE (TO) FROM FUNDS

The amounts due (to) from funds are unsecured, non-interest bearing and have no set terms of repayment.

7. CAPITAL ASSETS

	Cost $	Amortization $	**Net 2021 $**	Net 2020 $
Leasehold improvements	60,913	57,822	**3,091**	3,877
Furniture and equipment	15,603	15,078	**525**	656
	76,516	72,900	**3,616**	4,533

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2021 $	2020 $
Accounts payable	**6,823**	32,442
Government remittances	**7,421**	8,101
Accrued liabilities	**8,596**	7,530
	22,840	48,073

9. DEFERRED REVENUE

Deferred revenue consists of contributions received for the following programs:

	2021 **$**	2020 $
Nova Scotia Department of Labour and Advanced Education - Adult Education Special Project	**-**	63,173
Nova Scotia Department of Labour and Advanced Education - Essential Skills for Nova Scotia Fisheries	**449,584**	-
Nova Scotia Department of Labour and Advanced Education - Empowerment for Employment	**449,666**	-
Nova Scotia Department of Labour and Advanced Education - Adult Education Special Project	**98,578**	-
Rural Communities Foundation of Nova Scotia - Empowerment to Employment	**23,755**	-
Other	**-**	398
	1,021,583	63,571

Changes in deferred revenue are as follows:

	2021 **$**	2020 $
Balance - beginning of year	**63,571**	125,123
Amount recognized as revenue	**(286,926)**	(344,250)
Amounts received related to future periods	**1,244,938**	282,698
	1,021,583	63,571

10. SPECIAL PROJECTS

	2021 **$**	2020 $
Nova Scotia Department of Labour and Advanced Education	**235,680**	303,195
Literacy New Brunswick	**53,797**	116,048
RCF	**51,246**	-
	340,723	419,243

11. SIGNIFICANT EVENT

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. During the 11 days that followed, the federal and provincial government issued many orders and restrictions on businesses and travel, leading up to the Province of Nova Scotia declaring a State of Emergency on March 22, 2020. This contagious disease outbreak, which has continued to spread, has adversely affected workforces, customers, economies, and financial markets globally, potentially leading to an economic downturn.

While the impact of COVID-19 is expected to be temporary, many organizations were forced to close and lay off workers. The Association deferred the 2021 Nova Scotia Peter Gzowski Invitational Dinner and Auction for Literacy to November 2021, which resulted in no PGI event fundraising revenues or expenses in the year.

The Association continues to operate and the full impact of this event on the Association's cash flows is not known at this time.

12. COMMITMENTS

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

13. FINANCIAL INSTRUMENTS

The Association is exposed to various risks through its financial instruments. The following analysis provides a measure of the Association’s risk exposure and concentrations at March 31, 2021.

It is management’s opinion that the Association is not exposed to significant market, currency or interest rate or other price risks from its financial instruments. The risks arising on financial instruments are limited to the following:

13. FINANCIAL INSTRUMENTS (Continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments that potentially subject the Association to concentrations of credit risk consist of cash, accounts receivable and investments. The Association deposits its cash and holds investments in a reputable financial institution and therefore believes the risk of loss to be remote. The Association is exposed to credit risk from contributions receivable. The Association believes this credit risk is minimized as the Association has a strong history of collection. A provision for impairment of accounts receivable is established when there is objective evidence that the Association will not be able to collect all amounts pledged.

Liquidity risk

Liquidity risk is the risk that the Association 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 Association generates sufficient cash flow from operating activities to fund operations and fulfil obligations as they become due.

14. COMPARATIVE FIGURES

Certain figures presented for comparative purposes have been reclassified to conform with the financial statement presentation adopted for the current year.