

**COLLINS BLAY & CO.**

**KINGSTON LITERACY & SKILLS**

(formerly Kingston Literacy)

**FINANCIAL STATEMENTS  
WITH AUDITORS' REPORT**

**MARCH 31, 2010**



Chartered Accountants

## AUDITORS' REPORT

To: The Board of Directors  
Kingston Literacy & Skills

We have audited the statement of financial position of Kingston Literacy & Skills (formerly Kingston Literacy) as at March 31, 2010 and the statements of revenue and expenditures, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many not-for-profit organizations, the organization derives revenue from fund raising and donations and resource sales, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to fund raising and donation revenues, resource sales, excess of revenue over expenditures and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of revenue referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of Kingston Literacy & Skills (formerly Kingston Literacy) as at March 31, 2010 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

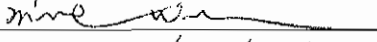
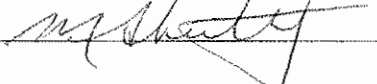
Kingston, Ontario  
June 7, 2010

**Chartered Accountants  
Licensed Public Accountants**

**KINGSTON LITERACY & SKILLS**  
(formerly Kingston Literacy)  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2010**

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Current		
Cash	\$ 312,397	\$ 214,734
Funding and accounts receivable	126,209	228,347
Prepaid expenses	<u>13,417</u>	<u>11,013</u>
	<u>452,023</u>	<u>454,094</u>
Capital assets - Note 2	<u>378,863</u>	<u>391,091</u>
	<u>\$ 830,886</u>	<u>\$ 845,185</u>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	\$ 83,659	\$ 182,094
Deferred revenue - Note 4	<u>185,795</u>	<u>209,504</u>
	<u>269,454</u>	<u>391,598</u>
Deferred contributions related to capital assets - Note 5	<u>378,178</u>	<u>389,429</u>
<b>NET ASSETS</b>		
Investment in capital assets	685	1,662
Contingency reserve - Note 6	<u>182,569</u>	<u>62,496</u>
	<u>183,254</u>	<u>64,158</u>
	<u>\$ 830,886</u>	<u>\$ 845,185</u>

Approved on behalf of the Board

 Director  
 Director

**COLLINS BLAY & CO.****KINGSTON LITERACY & SKILLS**

(formerly Kingston Literacy)

**STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED MARCH 31, 2010**

	2010			
	<u>Investment in Capital Assets</u>	<u>Unrestricted</u>	<u>Contingency Reserve</u>	<u>Total</u>
Balance - beginning of the year	\$ 1,662	\$ -	\$ 62,496	\$ 64,158
Excess (expenditures) revenue for the year	<u>(977)</u>	<u>120,073</u>	<u>-</u>	<u>119,096</u>
	685	120,073	62,496	183,254
Transfer to contingency reserve - Note 6	<u>-</u>	<u>(120,073)</u>	<u>120,073</u>	<u>-</u>
Balance - end of the year	<u>\$ 685</u>	<u>\$ -</u>	<u>\$ 182,569</u>	<u>\$ 183,254</u>

	2009			
	<u>Investment in Capital Assets</u>	<u>Unrestricted</u>	<u>Contingency Reserve</u>	<u>Total</u>
Balance - beginning of the year	\$ 3,532	\$ -	\$ 66,051	\$ 69,583
Excess expenditures for the year	<u>(1,870)</u>	<u>(3,555)</u>	<u>-</u>	<u>(5,425)</u>
	1,662	(3,555)	66,051	64,158
Transfer from contingency reserve - Note 6	<u>-</u>	<u>3,555</u>	<u>(3,555)</u>	<u>-</u>
Balance - end of the year	<u>\$ 1,662</u>	<u>\$ -</u>	<u>\$ 62,496</u>	<u>\$ 64,158</u>

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

**COLLINS BLAY & CO.****KINGSTON LITERACY & SKILLS**

(formerly Kingston Literacy)

**STATEMENT OF REVENUE AND EXPENDITURES  
FOR THE YEAR ENDED MARCH 31, 2010**

	<u>2010</u>	<u>2009</u>
Revenue		
Government grants	\$ 1,457,541	\$ 1,103,848
Foundations	47,871	28,041
United Way	52,727	50,958
Fund raising and donations	154,059	46,196
Professional services and agency fees	48,281	68,279
Interest income	554	1,398
Resource sales	1,904	4,203
Amortization of deferred contributions - Note 5	<u>80,543</u>	<u>71,764</u>
	<u>1,843,480</u>	<u>1,374,687</u>
Expenses		
Amortization of capital assets	81,520	73,634
Childcare and transportation	35,424	23,656
Communication	26,389	29,444
Equipment rentals, repairs and maintenance	9,016	7,563
Facilities	236,780	145,592
Fund raising	7,157	7,050
Insurance	5,053	4,098
Materials and resources	39,958	38,514
Office and general	28,614	32,752
Professional development	9,606	7,733
Professional services	46,535	26,704
Special activities	9,211	4,385
Wages and benefits	<u>1,189,121</u>	<u>978,987</u>
	<u>1,724,384</u>	<u>1,380,112</u>
Excess revenue (expenditures) for the year	<u>\$ 119,096</u>	<u>\$ (5,425)</u>

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

**COLLINS BLAY & CO.****KINGSTON LITERACY & SKILLS**

(formerly Kingston Literacy)

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2010**

	<u>2010</u>	<u>2009</u>
<b>Cash provided by operating activities</b>		
Excess revenue (expenditures) for the year	\$ 119,096	\$ (5,425)
Items not requiring cash		
Amortization of deferred contributions	(80,543)	(71,764)
Amortization of capital assets	<u>81,520</u>	<u>73,634</u>
	120,073	(3,555)
Net changes in non-cash working capital		
Funding and accounts receivable	102,138	(86,739)
Prepaid expenses	(2,404)	(7)
Accounts payable and accrued liabilities	(98,435)	127,186
Deferred revenue	<u>(23,709)</u>	<u>118,914</u>
Cash flows from operating activities	<u>97,663</u>	<u>155,799</u>
<b>Cash flows from investing activities</b>		
Purchase of capital assets	<u>(69,292)</u>	<u>(394,560)</u>
<b>Cash flows from financing activities</b>		
Deferred contributions related to capital assets	<u>69,292</u>	<u>394,560</u>
Net increase in cash for the year	97,663	155,799
Cash at the beginning of the year	<u>214,734</u>	<u>58,935</u>
Cash at the end of the year	<u>\$ 312,397</u>	<u>\$ 214,734</u>

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

**KINGSTON LITERACY & SKILLS**

(formerly Kingston Literacy)

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2010**

Kingston Literacy & Skills is a not-for-profit agency that has served the community since 1976. 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, Kingston Literacy 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. Beginning in 1989, Kingston Literacy expanded the organizational focus to include the literacy needs of families, particularly of those with young children. During the year, the organization changed its name to Kingston Literacy & Skills.

Kingston Literacy & Skills furthers the growth of adult and family literacy in Ontario and works with other organizations and individuals having a similar goal. Kingston Literacy & Skills is a service delivery agency for government supported services including Literacy and Basic Skills (LBS), Language Instruction for Newcomers to Canada (LINC) and Early Years Services through the Early Literacy Specialists. Family Literacy is supported through foundation grants, provincial and federal project grants, the United Way, donations and Kingston Literacy & Skills' own fund raising efforts.

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. Kingston Literacy & Skills' programs and services are offered through community learning centres located in Kingston, Napanee and South Frontenac and through outreach activities in specific neighbourhoods.

Kingston Literacy & Skills is actively engaged in planning holistic services as a member of community groups including Employment Ontario, Literacy Services Planning and Frontenac, Lennox and Addington Children and Youth Services Steering Committee and its sub-committees.

Kingston Literacy & Skills 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. Accounting policies**

**a) Amortization**

Capital assets are recorded at cost and are amortized using the straight-line method as follows:

Furniture and equipment	6 years
Computer hardware	4 years
Computer software	2 years
Leasehold improvements	10 years

**KINGSTON LITERACY & SKILLS**

(formerly Kingston Literacy)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2010**

**1. Accounting policies (continued)**

**b) Donated services**

The work of the organization is dependent on the 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, donated services are not recognized in the financial statements. During the year, 141 volunteers contributed in excess of 6,375 hours.

**c) 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 fund raising is recognized upon conclusion of the event.

**d) 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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures during the reported period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

**2. Capital assets**

	2010			2009
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Furniture and equipment	\$ 213,406	\$ 130,327	\$ 83,079	\$ 79,309
Computer hardware	183,711	141,464	42,247	31,867
Computer software	11,738	9,312	2,426	1,459
Leasehold improvements	<u>313,390</u>	<u>62,279</u>	<u>251,111</u>	<u>278,456</u>
	<u>\$ 722,245</u>	<u>\$ 343,382</u>	<u>\$ 378,863</u>	<u>\$ 391,091</u>

**3. Bank indebtedness**

At March 31, 2010, the organization had a short-term line of credit facility of \$100,000 (2009 - nil) of which nil (2009 - nil) had been drawn down. The line of credit bears interest at prime plus 1.75% and is secured by a general security agreement.



**KINGSTON LITERACY & SKILLS**

(formerly Kingston Literacy)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2010****4. Deferred revenue**

Deferred revenue represents funding or fund raising received in advance of revenue earned, and the unspent portion of specified donations received.

	<u>2010</u>	<u>2009</u>
Citizenship and Immigration Canada	\$ 19,527	\$ 7,583
City of Kingston		
Healthy Community Fund	-	2,500
Crabtree Foundation	20,000	20,000
Davies Foundation	2,000	4,000
Donations	2,000	950
Fund raising	12,150	2,700
Human Resources and Skills Development Canada	109,679	156,120
Ministry of Training, Colleges and Universities		
Literacy and Basic Skills	473	1,691
Trillium Foundation	17,966	13,960
United Way	<u>2,000</u>	<u>-</u>
	<u>\$ 185,795</u>	<u>\$ 209,504</u>

**5. Deferred contributions related to capital assets**

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

	<u>2010</u>	<u>2009</u>
Balance - beginning of the year	\$ 389,429	\$ 66,633
Add: Contributions	69,292	394,560
Less: Amounts amortized to revenue	<u>(80,543)</u>	<u>(71,764)</u>
Balance - end of the year	<u>\$ 378,178</u>	<u>\$ 389,429</u>

**6. Contingency reserve**

The organization's Board of Directors approved the creation of a contingency reserve which is to be funded by a transfer of excess revenue for the year from unrestricted net assets. The reserve is to be spent at the discretion of the Board of Directors.

**KINGSTON LITERACY & SKILLS**

(formerly Kingston Literacy)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2010**

**7. Lease commitments**

The organization is committed to a lease for office space expiring November, 2013. Minimum annual net lease payments are \$88,785. The lease can be terminated with three months' notice only in the event that the organization's government funding ceases.

The organization is committed to a second lease for office space expiring April, 2013. Minimum annual net lease payments are \$26,033. The lease can be terminated any time after April, 2010, with six months' notice.

The organization is committed to a third lease for office space expiring June, 2011. Minimum annual net lease payments are \$11,220. Due to the short-term nature of this lease, there is no early termination clause.

**8. Financial instruments**

**a) Credit risk**

At year end, approximately 62% (2009 - 86%) of the organization's funding and accounts receivable balance is due from Citizenship and Immigration Canada. The organization does not believe there are significant risks associated with collection of these amounts.

Cash and cash equivalents are held in credit-worthy financial institutions.

**b) Fair values**

The fair values of cash, accounts receivable and accounts payable and accrued liabilities are approximately equal to their carrying values due to their short-term maturity dates.

**9. Capital disclosures**

The organization considers its capital to be the amounts included in the balance of net assets. The organization's objective when managing capital is to safeguard the ability to continue as a going concern so that it can continue to provide the appropriate level of benefits and services to the community.

**10. Comparative amounts**

Certain comparative amounts have been reclassified in order to conform with the financial statement presentation adopted in the current year.

**KINGSTON LITERACY & SKILLS****ADULT LITERACY AND ESSENTIAL SKILLS  
REVENUE AND EXPENDITURES  
FOR THE YEAR ENDED MARCH 31, 2010**

	<u>2010</u>	<u>2009</u>
Revenue		
Government grants		
Ministry of Training, Colleges and Universities	\$ 351,497	\$ 257,655
Human Resources and Skills Development Canada	96,345	46,952
City of Kingston	26,758	48,143
Prince Edward County	240	640
Town of Greater Napanee	2,289	-
Foundations		
Trillium Foundation	13,959	26,041
Napanee District Community Foundation	2,200	-
United Way	47,503	47,589
Fund raising and bingo	-	4,005
Professional services and agency fees		
St. Lawrence College	31,068	29,250
Loyalist College	7,000	7,500
Professional services	-	6,626
Agency fees	-	5,076
Resource sales	-	674
	<u>578,859</u>	<u>480,151</u>
Expenditures		
Administration fees	23,230	13,298
Childcare and transportation	4,257	3,634
Communication	9,378	8,265
Equipment rentals, repairs and maintenance	166	2,119
Facilities	45,496	36,764
Materials and resources	4,790	5,720
Office and general	873	1,944
Professional development	3,893	225
Professional services	2,874	11,139
Special activities	934	402
Wages and benefits	476,395	397,989
	<u>572,286</u>	<u>481,499</u>
Excess revenue (expenditures) for the year	<u>\$ 6,573</u>	<u>\$ (1,348)</u>

**KINGSTON LITERACY & SKILLS**

**LANGUAGE INSTRUCTION FOR NEWCOMERS TO CANADA  
REVENUE AND EXPENDITURES  
FOR THE YEAR ENDED MARCH 31, 2010**

	<u>2010</u>	<u>2009</u>
Revenue		
Government grants		
Citizenship and Immigration Canada	\$ 717,651	\$ 519,191
Expenditures		
Administration fees	30,555	18,914
Childcare and transportation	4,932	12,979
Communication	7,452	10,736
Equipment rentals, repairs and maintenance	-	3,771
Facilities	157,138	86,559
Materials and resources	13,659	23,018
Office and general	6,716	5,043
Professional development	1,916	3,074
Professional services	5,389	-
Special activities	3,631	2,194
Wages and benefits	<u>486,263</u>	<u>352,903</u>
	<u>717,651</u>	<u>519,191</u>
Excess revenue for the year	<u>\$ -</u>	<u>\$ -</u>

**KINGSTON LITERACY & SKILLS**

**FAMILY LITERACY  
REVENUE AND EXPENDITURES  
FOR THE YEAR ENDED MARCH 31, 2010**

	<u>2010</u>	<u>2009</u>
Revenue		
Government grants		
Human Resources and Skills Development Canada	\$ 91,912	\$ 53,005
County of South Frontenac	-	6,595
City of Kingston	2,500	15,000
Foundations		
Community Foundation of Greater Kingston	-	2,000
Trillium Foundation	27,212	-
United Way	1,225	3,369
Fund raising and donations		
Donations	2,000	1,501
Fund raising and bingo	19,922	14,876
Estate of Ruth Barton	-	10,306
Professional services and agency fees		
Ontario Early Years	9,451	9,385
Administration fees	-	2,395
Professional services	-	1,850
Resource sales	<u>500</u>	<u>1,000</u>
	<u>154,722</u>	<u>121,282</u>
Expenditures		
Administration fees	6,430	3,862
Childcare and transportation	4,297	2,260
Communication	2,783	3,042
Equipment rentals, repairs and maintenance	348	467
Facilities	4,264	1,040
Materials and resources	16,117	2,088
Office and general	1,864	1,541
Professional development	562	168
Professional services	20,231	10,720
Special activities	1,166	552
Wages and benefits	<u>96,660</u>	<u>93,187</u>
	<u>154,722</u>	<u>118,927</u>
Excess revenue for the year	<u>\$ -</u>	<u>\$ 2,355</u>

**KINGSTON LITERACY & SKILLS**

**EARLY LITERACY SPECIALISTS  
REVENUE AND EXPENDITURES  
FOR THE YEAR ENDED MARCH 31, 2010**

	<u>2010</u>	<u>2009</u>
Revenue		
Government grants		
Ministry of Community and Social Services	\$ 168,349	\$ 156,667
Expenditures		
Administration fees	4,550	4,186
Childcare and transportation	21,318	4,402
Communication	1,603	3,386
Equipment rentals, repairs and maintenance	94	-
Facilities	4,744	3,866
Materials and resources	1,610	5,616
Office and general	10,717	10,780
Professional development	884	2,523
Professional services	11,896	1,724
Special activities	101	605
Wages and benefits	<u>110,832</u>	<u>119,579</u>
	<u>168,349</u>	<u>156,667</u>
Excess revenue for the year	<u>\$ -</u>	<u>\$ -</u>

**KINGSTON LITERACY & SKILLS**

**KINGSTON LITERACY & SKILLS CORE  
REVENUE AND EXPENDITURES  
FOR THE YEAR ENDED MARCH 31, 2010**

	<u>2010</u>	<u>2009</u>
Revenue		
United Way	\$ 4,000	\$ -
Fund raising and donations		
Donations	2,850	-
Estate of Ellen Shepherd	100,000	-
Fund raising and bingo	31,286	15,508
Professional services and agency fees	261	-
Interest income	553	1,398
Resource sales	<u>1,904</u>	<u>2,529</u>
	<u>140,854</u>	<u>19,435</u>
Expenditures		
Communication	798	1,342
Equipment rentals, repairs and maintenance	2,851	-
Fund raising	6,507	6,855
Materials and resources	639	65
Office and general	594	136
Professional services	84	-
Wages and benefits	<u>17,688</u>	<u>8,653</u>
	<u>29,161</u>	<u>17,051</u>
Excess revenue for the year	<u>\$ 111,693</u>	<u>\$ 2,384</u>

## KINGSTON LITERACY &amp; SKILLS

KINGSTON LITERACY & SKILLS ADMINISTRATION  
REVENUE AND EXPENDITURES  
FOR THE YEAR ENDED MARCH 31, 2010

	<u>2010</u>	<u>2009</u>
Revenue		
Administration fees	\$ 160,769	\$ 110,913
Professional services and agency fees	-	8,592
Amortization of deferred contributions	<u>80,543</u>	<u>71,764</u>
	<u>241,312</u>	<u>191,269</u>
Expenditures		
Amortization of capital assets	81,520	73,634
Childcare and transportation	612	381
Communication	4,377	1,694
Equipment rentals, repairs and maintenance	3,968	1,207
Facilities	25,138	19,581
Fund raising	650	195
Insurance	5,053	4,098
Materials and resources	3,267	2,007
Office and general	9,319	11,749
Professional development	2,352	1,743
Professional services	9,061	3,121
Special activities	880	632
Wages and benefits	<u>94,285</u>	<u>80,043</u>
	<u>240,482</u>	<u>200,085</u>
Excess revenue (expenditures) for the year	<u>\$ 830</u>	<u>\$ (8,816)</u>