

KINGSTON LITERACY & SKILLS

**FINANCIAL STATEMENTS
WITH AUDITOR'S REPORT**

MARCH 31, 2014



INDEPENDENT AUDITOR'S REPORT

To: The Board of Directors
Kingston Literacy & Skills

We have audited the accompanying financial statements of Kingston Literacy & Skills which comprise the statement of financial position as at March 31, 2014 and the statements of revenue and expenditures, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the organization's preparation and fair presentation of the financial statements 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 organization's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

In common with many not-for-profit organizations, the organization derives revenue from fund-raising, donations and resource sales, 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 organization and we were not able to determine whether any adjustments might be necessary to these revenues, the excess of revenue over expenditures and fund balances for the years ended March 31, 2014 and March 31, 2013. Our audit opinion on the financial statements for the year ended March 31, 2013 was modified accordingly because of these possible effects.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Kingston Literacy & Skills as at March 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Kingston, Ontario
June 5, 2014

Collins Blay LLP


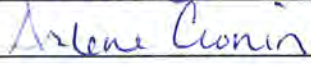
**Chartered Accountants
Licensed Public Accountants**



KINGSTON LITERACY & SKILLS
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2014

| | <u>2014</u> | <u>2013</u> |
|---|-------------------|-------------------|
| ASSETS | | |
| Current | | |
| Cash | \$ 151,783 | \$ 248,650 |
| Investments - Note 2 | 123,273 | - |
| Funding and accounts receivable | 30,269 | 84,032 |
| HST recoverable | 23,352 | 23,901 |
| Prepaid expenses | <u>10,191</u> | <u>11,271</u> |
| | <u>338,868</u> | <u>367,854</u> |
| Capital assets - Note 3 | <u>148,660</u> | <u>197,783</u> |
| | <u>\$ 487,528</u> | <u>\$ 565,637</u> |
| LIABILITIES | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 44,532 | \$ 74,267 |
| Deferred revenue - Note 5 | <u>21,331</u> | <u>38,036</u> |
| | <u>65,863</u> | <u>112,303</u> |
| Deferred contributions related to capital assets - Note 6 | <u>148,080</u> | <u>195,727</u> |
| | <u>213,943</u> | <u>308,030</u> |
| NET ASSETS | | |
| Investment in capital assets | 580 | 2,056 |
| Contingency reserve - Note 7 | 182,569 | 182,569 |
| Unrestricted | <u>90,436</u> | <u>72,982</u> |
| | <u>273,585</u> | <u>257,607</u> |
| | <u>\$ 487,528</u> | <u>\$ 565,637</u> |

Approved on behalf of the Board


 _____ Director

 _____ Director



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

KINGSTON LITERACY & SKILLS
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2014

| | 2014 | | | |
|---|------------------------------------|------------------------|--------------|------------|
| | Investment in Capital Assets | Contingency Reserve | Unrestricted | Total |
| Balance - beginning of the year | \$ 2,056 | \$ 182,569 | \$ 72,982 | \$ 257,607 |
| Excess (expenditures) revenue for the year | (1,476) | - | 17,454 | 15,978 |
| Balance - end of the year | \$ 580 | \$ 182,569 | \$ 90,436 | \$ 273,585 |

| | 2013 | | | |
|---|------------------------------------|------------------------|--------------|------------|
| | Investment in Capital Assets | Contingency Reserve | Unrestricted | Total |
| Balance - beginning of the year | \$ 3,531 | \$ 182,569 | \$ 26,479 | \$ 212,579 |
| Excess (expenditures) revenue for the year | (1,475) | - | 46,503 | 45,028 |
| Balance - end of the year | \$ 2,056 | \$ 182,569 | \$ 72,982 | \$ 257,607 |

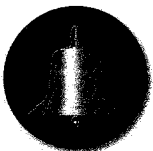
The accompanying notes are an integral part of these financial statements.



KINGSTON LITERACY & SKILLS
STATEMENT OF REVENUE AND EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2014

| | <u>2014</u> | <u>2013</u> |
|---|------------------|------------------|
| Revenue | | |
| Government grants | \$ 1,045,599 | \$ 1,076,429 |
| Foundations | 11,797 | 25,645 |
| United Way | 40,935 | 39,945 |
| Fund-raising, donations and awards | 42,827 | 111,292 |
| Professional services | 2,333 | 33,149 |
| Interest income | 887 | 439 |
| Resource sales | 1,815 | 1,120 |
| Amortization of deferred contributions - Note 6 | <u>55,148</u> | <u>67,163</u> |
| | <u>1,201,341</u> | <u>1,355,182</u> |
| Expenditures | | |
| Amortization | 56,624 | 68,639 |
| Childcare, transportation and travel | 10,973 | 11,258 |
| Communication | 8,470 | 9,683 |
| Equipment rentals, repairs and maintenance | 887 | 769 |
| Facilities | 202,697 | 231,468 |
| Fund-raising | 6,079 | 19,604 |
| Insurance | 6,368 | 6,352 |
| Materials and resources | 18,026 | 19,514 |
| Office and general | 12,429 | 13,422 |
| Professional development | 276 | 166 |
| Professional services | 33,860 | 24,327 |
| Wages and benefits | <u>828,674</u> | <u>904,952</u> |
| | <u>1,185,363</u> | <u>1,310,154</u> |
| Excess revenue for the year | <u>\$ 15,978</u> | <u>\$ 45,028</u> |

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



KINGSTON LITERACY & SKILLS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2014

| | <u>2014</u> | <u>2013</u> |
|--|-------------------|-------------------|
| Cash flows from operating activities | | |
| Excess revenue for the year | \$ 15,978 | \$ 45,028 |
| Item not requiring cash: | | |
| Amortization of deferred contributions | (55,148) | (67,163) |
| Amortization of capital assets | 56,624 | 68,639 |
| Accrued investment income | <u>(571)</u> | <u>-</u> |
| | <u>16,883</u> | <u>46,504</u> |
| Net changes in non-cash working capital | | |
| Funding and accounts receivable | 53,761 | 15,398 |
| HST recoverable | 549 | 6,750 |
| Prepaid expenses | 1,080 | 164 |
| Accounts payable and accrued liabilities | (29,735) | 44,826 |
| Deferred revenue | <u>(16,705)</u> | <u>(19,113)</u> |
| | <u>8,950</u> | <u>48,025</u> |
| Cash flows from operating activities | <u>25,833</u> | <u>94,529</u> |
| Cash flows from investing activities | | |
| Purchase of capital assets | (7,501) | (2,134) |
| Purchase of investments | <u>(122,700)</u> | <u>-</u> |
| Cash flows from investing activities | <u>(130,201)</u> | <u>(2,134)</u> |
| Cash flows from financing activities | | |
| Deferred contributions related to capital assets | <u>7,501</u> | <u>2,134</u> |
| Net (decrease) increase in cash for the year | (96,867) | 94,529 |
| Cash at the beginning of the year | <u>248,650</u> | <u>154,121</u> |
| Cash at the end of the year | <u>\$ 151,783</u> | <u>\$ 248,650</u> |

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



KINGSTON LITERACY & SKILLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

Kingston Literacy & Skills 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, 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.

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), the United Way and Early Years Services through the Early Literacy Specialists. Family Literacy is supported through foundation grants, provincial and federal project grants, 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 and Napanee 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. Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations 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 fund-raising is recognized upon conclusion of the event.

Revenue from interest is recognized when earned.



KINGSTON LITERACY & SKILLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

1. Significant accounting policies (continued)

b) Financial instruments

The organization initially measures its financial assets and liabilities at fair value. The organization subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, investments and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

c) Amortization

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

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

d) 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 value, the value of these donated services is not recognized in the financial statements.

e) Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations 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. Significant estimates include the amortization periods of capital assets and deferred capital contributions.



KINGSTON LITERACY & SKILLS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

2. Investments

Investments consist of cashable guaranteed investment certificates yielding between 1.25% and 1.80% annually, maturing between April, 2015 and October, 2016.

3. Capital assets

| | 2014 | | | 2013 |
|-------------------------|------------|-----------------------------|------------|------------|
| | Cost | Accumulated Amortization | Net | |
| Computer software | \$ 8,754 | \$ 8,401 | \$ 353 | \$ - |
| Computer hardware | 120,713 | 114,754 | 5,959 | 7,727 |
| Furniture and equipment | 134,034 | 127,026 | 7,008 | 21,780 |
| Leasehold improvements | 329,364 | 194,024 | 135,340 | 168,276 |
| | \$ 592,865 | \$ 444,205 | \$ 148,660 | \$ 197,783 |

4. Bank indebtedness

At March 31, 2014, the organization had an available short-term line of credit facility of \$100,000 (2013 - \$100,000) of which nil (2013 - nil) had been drawn down. The line of credit bears interest at prime plus 1.75% and is secured by a general security agreement.

5. Deferred revenue

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

| | 2014 | 2013 |
|---|-----------|-----------|
| Barry Roantree Memoriam | \$ 3,000 | \$ - |
| Citizenship and Immigration Canada | 10,607 | 16,391 |
| Community Foundation for Kingston & Area | - | 3,645 |
| Community Investment Fund | 198 | - |
| Community Response to Neighbourhood Concerns | 948 | 1,500 |
| Crabtree Foundation | 3,430 | 6,481 |
| Fund-raising | - | 5,625 |
| Ministry of Training, Colleges and Universities | | |
| Essential Skills Assessment and Training | - | 2,394 |
| Rotary Club | - | 2,000 |
| Spelling Bee | 3,148 | - |
| | \$ 21,331 | \$ 38,036 |



KINGSTON LITERACY & SKILLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

6. 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:

| | 2014 | 2013 |
|------------------------------------|------------|------------|
| Balance - beginning of the year | \$ 195,727 | \$ 260,756 |
| Add: Contributions received | | |
| MCYS | 3,637 | - |
| MCTU | 3,864 | - |
| CIC | - | 2,134 |
| Less: Amounts amortized to revenue | (55,148) | (67,163) |
| Balance - end of the year | \$ 148,080 | \$ 195,727 |

7. Contingency reserve

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

8. Commitments

The organization is committed to a lease for office space expiring September, 2015. Minimum annual net lease payments are \$130,000. The lease can be terminated with three months' notice only in the event that the organization's government funding ceases.

Included in accounts payable and accrued liabilities are facility expenses related to prior year rent reconciliations. During the year, one amount was settled, and the organization is in the process of working towards a possible settlement of the remaining amount.

9. Financial risks

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, 2014.

a) Credit risk

The organization is exposed to credit risk resulting from the possibility that parties may default on their financial obligations, or if there is a concentration of transactions carried out with the same party such that the organization could incur a financial loss.

At year end, approximately 8% (2013 - 71%) and 70% (2013 - 24%) of the organization's funding and accounts receivable balance is due from Citizenship and Immigration Canada and the City of Kingston, respectively. The organization does not believe there are significant risks associated with collection of these amounts as signed funding agreements are in place.



KINGSTON LITERACY & SKILLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

9. Financial risks (continued)

b) Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates. The organization is exposed to interest rate risk from the possibility that changes in interest rates will affect the value of the fixed income securities held.

Given the short-term nature of these investments, the organization does not believe this is a significant risk and has put in place policies and procedures to regularly monitor the value and return on investments.

Changes in risk

There have been no changes in the organization's risk exposure from the previous year other than those specific matters noted above.



KINGSTON LITERACY & SKILLS

ADULT LITERACY AND ESSENTIAL SKILLS REVENUE AND EXPENDITURES FOR THE YEAR ENDED MARCH 31, 2014

| | 2014 | 2013 |
|---|------------|-------------|
| Revenue | | |
| Government grants | | |
| Ministry of Training, Colleges and Universities | \$ 321,859 | \$ 345,482 |
| Human Resources and Skills Development Canada | 3,293 | 21,891 |
| City of Kingston | 46,549 | 27,027 |
| PEL&A Social Services | 160 | 240 |
| Foundations | | |
| Community Foundation of Kingston | 3,645 | 131 |
| Crabtree Foundation | - | - |
| Napanee District Community Foundation | - | - |
| United Way | 40,008 | 37,500 |
| Donations | 1,132 | 1,149 |
| Professional services and agency fees | | |
| St. Lawrence College | - | 25,890 |
| LLEO | 250 | 7,000 |
| Agency fees | - | (639) |
| Internal transfers | 8,960 | - |
| Other items | - | 782 |
| | 425,856 | 466,453 |
| Expenditures | | |
| Administration fees | 54,768 | 55,122 |
| Childcare, transportation and travel | 3,660 | 3,682 |
| Communication | 3,919 | 6,188 |
| Equipment rentals, repairs and maintenance | 228 | - |
| Facilities | 65,452 | 71,244 |
| Fund-raising | - | 15 |
| Insurance | 2,500 | 4,000 |
| Materials and resources | 6,578 | 3,356 |
| Office and general | 2,557 | 2,412 |
| Professional development | - | 75 |
| Professional services | 6,957 | 5,453 |
| Wages and benefits | 281,136 | 325,298 |
| | 427,756 | 476,845 |
| Excess expenditures for the year | \$ (1,900) | \$ (10,392) |



KINGSTON LITERACY & SKILLS

LANGUAGE INSTRUCTION FOR NEWCOMERS TO CANADA
REVENUE AND EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2014

| | <u>2014</u> | <u>2013</u> |
|--|-----------------|-------------------|
| Revenue | | |
| Government grants | | |
| Citizenship and Immigration Canada | \$ 524,293 | \$ 548,329 |
| Internal transfers | 3,268 | - |
| Miscellaneous revenue | 40 | - |
| | <u>527,601</u> | <u>548,329</u> |
| Expenditures | | |
| Administration fees | 21,942 | 22,220 |
| Childcare, transportation and travel | 2,640 | 3,137 |
| Communication | 2,312 | 2,810 |
| Equipment rentals, repairs and maintenance | 494 | - |
| Facilities | 129,474 | 144,939 |
| Materials and resources | 4,130 | 5,567 |
| Office and general | 7,128 | 8,634 |
| Professional development | 75 | - |
| Professional services | 6,326 | 4,400 |
| Wages and benefits | 348,541 | 360,841 |
| | <u>523,063</u> | <u>552,548</u> |
| Excess revenue (expenditures) for the year | <u>\$ 4,538</u> | <u>\$ (4,219)</u> |



KINGSTON LITERACY & SKILLS

FAMILY AND EARLY LITERACY
REVENUE AND EXPENDITURES

FOR THE YEAR ENDED MARCH 31, 2014

| | 2014 | 2013 |
|---|-----------------|-------------------|
| Revenue | | |
| Government grants | | |
| Ministry of Children and Youth Services | \$ 148,888 | \$ 134,000 |
| Human Resources and Skills Development Canada | - | (540) |
| Foundations | | |
| Community Foundation of Greater Kingston | - | 2,131 |
| Crabtree Foundation | 3,051 | 23,383 |
| Trillium Foundation | - | - |
| Rotary Club of Cataraqui | 4,000 | - |
| Community Outreach Centre | 1,101 | - |
| Other foundations | - | - |
| United Way | 926 | 2,445 |
| Fund-raising and donations | | |
| Donations | - | 3,150 |
| Fund-raising and bingo | - | - |
| Interest | 271 | 147 |
| Internal transfers | 15,764 | 15,082 |
| Professional services and agency fees | | |
| Professional services | 2,083 | 750 |
| Other items | - | 1,674 |
| | <u>176,085</u> | <u>182,222</u> |
| Expenditures | | |
| Administration fees | 7,309 | 7,232 |
| Childcare, transportation and travel | 4,445 | 4,435 |
| Communication | 1,518 | 1,403 |
| Equipment rentals, repairs and maintenance | - | 117 |
| Facilities | 4,104 | 7,149 |
| Insurance | 167 | 500 |
| Materials and resources | 6,233 | 5,796 |
| Office and general | 1,091 | 501 |
| Professional development | 201 | 111 |
| Professional services | 16,447 | 16,974 |
| Wages and benefits | 134,763 | 139,581 |
| | <u>176,279</u> | <u>183,799</u> |
| Excess expenditures for the year | <u>\$ (194)</u> | <u>\$ (1,577)</u> |



KINGSTON LITERACY & SKILLS

**KINGSTON LITERACY & SKILLS CORE/ADMINISTRATION
REVENUE AND EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2014**

| | <u>2014</u> | <u>2013</u> |
|--|------------------|------------------|
| Revenue | | |
| Government grants | | |
| Ministry of Children and Youth Services | \$ 557 | \$ - |
| Administration fees | 80,751 | 85,499 |
| Amortization of deferred contributions | 55,148 | 67,163 |
| Fund-raising and donations | | |
| Donations and awards | 5,016 | 54,575 |
| Fund-raising and bingo | 36,679 | 52,406 |
| Professional services and agency fees | - | 148 |
| Interest income | 616 | 292 |
| Resource sales | 1,775 | 2,073 |
| Other items | - | (3,410) |
| | <u>180,542</u> | <u>258,746</u> |
| Expenditures | | |
| Administration | 24,724 | 16,006 |
| Amortization of capital assets | 56,624 | 68,639 |
| Childcare, transportation and travel | 228 | 4 |
| Communication | 720 | 3,601 |
| Equipment rentals, repairs and maintenance | 165 | 652 |
| Facilities | 3,666 | 8,136 |
| Fund-raising | 6,079 | 19,589 |
| Insurance | 3,701 | 1,852 |
| Materials and resources | 1,085 | 474 |
| Office and general | 1,653 | 1,865 |
| Professional development | - | (20) |
| Professional services | 4,130 | (2,500) |
| Wages and benefits | 64,234 | 79,232 |
| | <u>167,009</u> | <u>197,530</u> |
| Excess revenue for the year | <u>\$ 13,533</u> | <u>\$ 61,216</u> |

