

READ SASKATOON INC.
Financial Statements
Year Ended March 31, 2021

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of READ Saskatoon Inc. have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

The integrity and reliability of READ Saskatoon Inc.'s reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee. The Audit Committee is appointed by the Board and meets periodically with management and the members' auditors to review significant accounting, reporting and internal control matters. Following its review of the financial statements and discussions with the auditors, the Audit Committee reports to the Board of Directors prior to its approval of the financial statements. The Audit Committee also considers, for review by the Board and approval by the members, the engagement or re-appointment of the external auditors.

The financial statements have been audited on behalf of the members by Virtus Group Chartered Professional Accountants & Business Advisors LLP, in accordance with Canadian generally accepted auditing standards.



Sheryl Harrow Yurach



Aaron Gaudet

Saskatoon, SK
May 26, 2021



INDEPENDENT AUDITOR'S REPORT

To the Members of READ Saskatoon Inc.

Qualified Opinion

We have audited the financial statements of READ Saskatoon Inc. (the Organization), which comprise the statement of financial position as at March 31, 2021, and the statements of revenues and expenditures, changes in net assets, cash flows and related schedules 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 Organization as at March 31, 2021, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASFNPO).

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization derives revenue from fundraising activities 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 Organization. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess (deficiency) of revenues over expenditures, and cash flows from operations for the year ended March 31, 2021, current assets and net assets as at March 31, 2021. The predecessor auditor's opinion on the financial statements for the year ended March 31, 2020 was modified accordingly because of the possible effects of this limitation of scope.

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 are independent of the Organization in accordance with 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 audit opinion.

Other Matter

The financial statements for the year ended March 31, 2020 were audited by another firm of Chartered Professional Accountants who expressed a qualified opinion on those financial statements on May 29, 2020 for the reasons described in the *Basis for Qualified Opinion* section.

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 ASFNPO, 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Independent Auditor's Report to the Members of READ Saskatoon Inc. *(continued)*

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

Saskatoon, Saskatchewan
May 26, 2021

Virtus Group LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

READ SASKATOON INC.


Statement of Financial Position

March 31, 2021


	2021	2020
ASSETS		
Current		
Cash (Note 3)	\$ 580,691	\$ 464,755
Investments (Note 4)	189,967	159,261
Accounts receivable (Note 5)	3,467	6,937
Goods and services tax recoverable	5,482	4,315
Prepaid expenses	1,491	1,253
	781,098	636,521
Capital assets (Note 6)	116,632	127,740
	\$ 897,730	\$ 764,261
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	\$ 53,149	\$ 30,811
Deferred revenues (Note 7)	421,222	293,142
	474,371	323,953
Deferred capital contributions (Note 8)	57,750	63,250
	532,121	387,203
Net assets		
Unrestricted fund	96,927	102,768
Invested in capital assets	58,882	64,490
Restricted fund (Note 9)	209,800	209,800
	365,609	377,058
	\$ 897,730	\$ 764,261

Lease commitments (Note 10)

On behalf of the Board



Director



Director

See notes to financial statements

READ SASKATOON INC.

Statement of Revenues and Expenditures

Year Ended March 31, 2021

	2021	2020
Revenues		
Grant Revenue (Schedule 1)	\$ 777,935	\$ 725,924
Donations	145,229	113,454
PGI Golf Tournament for Literacy (Schedule 2)	54,242	80,363
Other (Note 13)	52,759	2,028
Rental	19,726	26,073
Internal management fees (Note 11)	6,332	14,000
Amortization of deferred capital contributions (Note 8)	5,500	5,500
Contract services	1,699	9,176
Facilities	225	110
Office sales	30	1,010
Lit Up! (Schedule 2)	-	30,361
	1,063,677	1,007,999
Expenditures		
Salaries and wages	620,543	588,920
Program materials	146,139	72,938
Sub-contracts	116,103	54,076
Rental	74,110	72,303
Office	38,036	22,832
Facilities, utilities and maintenance	34,216	53,232
Advertising and promotion	16,927	20,037
Professional fees	15,073	14,189
Amortization	11,108	11,108
PGI Golf Tournament for Literacy (Schedule 2)	8,035	17,813
Administration (Note 11)	6,332	14,000
Donation	5,000	5,000
Professional development	4,892	7,245
Insurance	4,733	6,194
Licenses and memberships	2,889	4,364
Nutrition	2,471	9,250
Travel	1,344	9,253
Interest and bank charges (Note 3)	915	1,097
Honorariums	-	250
Equipment rentals	-	6,783
Lit Up! (Schedule 2)	-	5,219
	1,108,866	996,103
Excess (deficiency) of revenues over expenditures from operations	(45,189)	11,896
Other revenues		
Investment	33,740	946
Excess (deficiency) of revenues over expenditures for the year	\$ (11,449)	\$ 12,842

See notes to financial statements

READ SASKATOON INC.

Statement of Changes in Net Assets

Year Ended March 31, 2021

	Unrestricted fund	Invested in capital assets	Restricted fund (Note 9)	2021	2020
Net assets - beginning of year	\$ 102,768	\$ 64,490	\$ 209,800	\$ 377,058	\$ 364,216
Excess (deficiency) of revenues over expenditures for the year	(5,841)	(5,608)	-	(11,449)	12,842
Net assets - end of year	\$ 96,927	\$ 58,882	\$ 209,800	\$ 365,609	\$ 377,058

See notes to financial statements

READ SASKATOON INC.

Statement of Cash Flows

Year Ended March 31, 2021

	2021	2020
Operating activities		
Excess (deficiency) of revenues over expenditures for the year	\$ (11,449)	\$ 12,842
Items not affecting cash:		
Amortization of capital assets	11,108	11,108
Amortization of deferred capital contributions	(5,500)	(5,500)
	(5,841)	18,450
Changes in non-cash working capital:		
Accounts receivable	3,470	29,133
Goods and services tax recoverable	(1,167)	(995)
Prepaid expenses	(238)	1,539
Accounts payable and accrued liabilities	22,338	(379)
Deferred revenues	128,080	(44,580)
	152,483	(15,282)
Cash flow from operating activities	146,642	3,168
Investing activity		
Net decrease (increase) in value of investments	(30,706)	32,334
Increase in cash flow	115,936	35,502
Cash - beginning of year	464,755	429,253
Cash - end of year (Note 3)	\$ 580,691	\$ 464,755

READ SASKATOON INC.

Notes to Financial Statements

Year Ended March 31, 2021

1. Purpose of the Organization

READ Saskatoon Inc. (the "Organization") is a not-for-profit organization incorporated under the Non-profit Corporations Act of Saskatchewan. As a registered charity, the Organization is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

The Organization is a community-based volunteer organization that offers free literacy services to adults and families.

2. Summary of significant accounting policies

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Measurement uncertainty

The preparation of financial statements in conformity with Canadian ASNFPO requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the period. Significant items subject to such estimates and assumptions include amortization of capital assets, accrued liabilities and deferred capital contributions. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Cash

Cash is defined as cash on hand, net of outstanding deposits and cheques issued and outstanding at the reporting date.

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Leasehold improvements	15 years	straight-line method over the length of the lease plus one renewal term
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Only half the amortization is recognized in the year of acquisition and the year of disposal. Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

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READ SASKATOON INC.

Notes to Financial Statements

Year Ended March 31, 2021

2. Summary of significant accounting policies (*continued*)

Revenue recognition

The Organization follows the deferral method of accounting for contributions.

Restricted contributions for expenses of future periods (including grant revenues, Lit Up! sponsorships and PGI Golf Tournament sponsorships) are recognized as revenue in the year in which the related expenditures are incurred.

Restricted contributions for the purchase of capital assets that will be amortized are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired capital assets.

Unrestricted contributions (such as donations and fundraising activities) are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contract services and rental revenues are service related revenues. These revenues are recognized systematically over the term of approved agreements and when reasonable assurance exists regarding the measurement and collectibility of the agreed upon consideration.

Office sales are recognized when products are delivered to customers, there is clear evidence that an arrangement exists, amounts are fixed or can be determined, and the ability to collect is reasonably assured.

Investment income is recognized as revenue when reasonable assurance exists regarding measurement and collectibility.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in excess (deficiency) of revenues over expenditures. Transaction costs on such financial instruments are expensed as incurred. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on such financial instruments are deducted from the original cost of the investment, which are amortized using the straight-line method.

Financial instruments recorded at amortized cost include: cash, accounts receivable, and accounts payable and accrued liabilities. The fair value of cash, accounts receivable, and accounts payable and accrued liabilities approximate their carrying value due to the immediate or short-term period to maturity.

Financial instruments recorded at fair value include investments.

Contributed services

Volunteers contribute a significant amount of their time each year. Due to the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

READ SASKATOON INC.

Notes to Financial Statements

Year Ended March 31, 2021

3. Cash

	2021	2020
Cash on hand	\$ 578,895	\$ 450,445
Cash in investment account	28,990	28,837
Outstanding deposits	6,434	3,810
Cheques issued and outstanding	(33,628)	(18,337)
	<u>\$ 580,691</u>	<u>\$ 464,755</u>

During the year, the Organization incurred interest and bank charges of \$915 (2020 - \$1,097).

4. Investments

	2021	2020
Saskatoon Community Foundation	\$ 117,006	\$ 99,468
Quadrus Investment Services Ltd.	72,961	59,793
	<u>\$ 189,967</u>	<u>\$ 159,261</u>

The Quadrus Investment Services Ltd. investment consists of mutual funds recorded at fair market value. The Saskatoon Community Foundation investment consists of investments in a managed fund recorded at fair market value.

5. Accounts receivable

Impairment of accounts receivable is not recorded in the financial statements since the entity has a history of collecting all of its receivables. During the year, the Organization incurred bad debts of \$2,500 (2020 - \$Nil).

6. Capital assets

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Leasehold improvements	\$ 166,617	\$ 49,985	\$ 116,632	\$ 127,740

In the year ended March 31, 2021 the Organization has assessed for full and partial impairment on property, plant and equipment and determined that there are none.

READ SASKATOON INC.

Notes to Financial Statements

Year Ended March 31, 2021

7. Deferred revenues

The following is a summary of the Organization's deferred revenue:

	March 31, 2020	Contributions received (repaid)	Recognized as revenues	March 31, 2021
Adult literacy	\$ 25,750	\$ 147,153	\$ (138,403)	\$ 34,500
Family literacy	45,294	122,772	(102,504)	65,562
Financial literacy	134,062	325,917	(269,783)	190,196
Spark	22,417	87,235	(62,638)	47,014
Volunteer Tutor	10,000	25,000	(23,333)	11,667
Matched savings	3,260	5,000	-	8,260
Family literacy training	10,000	5,000	(15,000)	-
CIF - Spark	-	20,000	(8,333)	11,667
Training contracts	-	15,000	(1,111)	13,889
Operational	18,667	140,441	(147,941)	11,167
Rental income	2,192	-	(2,192)	-
PGI golf tournament	14,500	24,467	(18,167)	20,800
LIT UP!	4,500	(2,000)	-	2,500
Donations	2,500	4,000	(2,500)	4,000
	\$ 293,142	\$ 919,985	\$ (791,905)	\$ 421,222

8. Deferred capital contributions

Deferred capital contributions represents the unamortized amount of grants received for the purchase or development of capital assets. Deferred capital contributions are amortized on the same basis as the related capital assets.

	2021	2020
Balance, beginning of the year	\$ 63,250	\$ 68,750
Amortization of deferred capital contributions	(5,500)	(5,500)
Balance, end of the year	\$ 57,750	\$ 63,250

9. Restrictions on net assets

In 2000, the Organization's Board of Directors internally restricted a Long Live READ Fund, the purpose of which is to ensure the long-term viability of the Organization. This internally restricted amount is not available for other purposes without approval of the Board of Directors.

10. Lease commitments

The Organization is committed to future lease obligations under a lease agreement for office space in Saskatoon, Saskatchewan. For the lease period from July 1, 2016 to June 30, 2026, for the first two years yielding a monthly rent payment of \$3,473 plus occupancy costs. For the years three through six yielding a monthly rent payment of \$4,105 plus occupancy costs. For the years seven through ten yielding a monthly rent payment of \$4,421 plus occupancy costs.

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READ SASKATOON INC.

Notes to Financial Statements

Year Ended March 31, 2021

10. Lease commitments (*continued*)

Future minimum lease payments for the entity as at March 31, 2021 are as follows:

2022	\$	52,104
2023		53,052
2024		53,052
2025		53,052
2026		13,263
		<hr/>
	\$	224,523

11. Internal management and facilities fees

The Organization charges internal management fees and internal facilities fees to the various programs carried out during the year.

12. Financial Instruments

The Organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Organization's risk exposure and concentration as of March 31, 2021.

Credit risk

Credit risk arises from the potential that grantors, donors, sponsors or other sources will fail to perform their obligations. The Organization is exposed to credit risk from the aforementioned parties. The Organization transacts with a significant number of parties which minimizes concentration of credit risk. The Organization regularly reviews the collectibility of all existing receivables.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly in respect of its receipt of funds from its funders and other related sources, accounts payable and accrued liabilities. The Organization manages this risk through monitoring project budgets and future cash flow forecasts.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The Organization is mainly exposed to other price risk.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Organization is exposed to other price risk through its investments.

READ SASKATOON INC.

Notes to Financial Statements

Year Ended March 31, 2021

13. COVID-19

On March 11, 2020, COVID-19 was declared a pandemic by the World Health Organization. This has resulted in significant economic uncertainty throughout the fiscal year and financial markets have experienced significant volatility in response to the developing COVID-19 pandemic. The interest-bearing accounts, cash accounts and investment portfolio of the Organization have been subject to these market fluctuations and the impact is reflected in the financial statements for the year ended March 31, 2021. The Organization is following health advisories and mandatory requirements from local, provincial and national health and government organizations. The ongoing financial impact on the Organization is unknown, but may be significant.

The Organization received \$46,500 in grants during the year from various sources for COVID-19 Activity Kits that were distributed to families during the pandemic.

14. Comparative figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year. The reclassifications do not impact net assets.

READ SASKATOON INC.

Grant Revenue

(Schedule 1)

Year Ended March 31, 2021

	2021	2020
Operational funding		
Operational grants	\$ 147,941	\$ 91,129
Program funding		
Financial literacy funding	269,783	203,088
Family literacy funding	102,504	183,134
Adult literacy funding	138,403	79,000
Spark	62,638	49,961
nehiyawak language funding	-	48,072
Community Initiatives Fund - One, Two, Buckle My Shoe	-	25,000
Community Initiatives Fund - Volunteer Tutor	23,333	24,900
Matched savings	-	11,640
Community Initiatives Fund - Family literacy training	15,000	10,000
SCF - Reconciliation Project	10,000	-
CIF - Spark	8,333	-
Program funding total	629,994	634,795
	\$ 777,935	\$ 725,924

Supplemental Revenues and Expenditures

(Schedule 2)

Year Ended March 31, 2021

	2021	2020
Lit Up!		
Revenues	\$ -	\$ 30,361
Expenditures	-	(5,219)
	\$ -	\$ 25,142
PGI Golf Tournament for Literacy		
Revenues	\$ 54,242	\$ 80,363
Expenditures	(8,035)	(17,813)
	\$ 46,207	\$ 62,550

