Financial Statements of

# UNITED FOR LITERACY/ LITTÉRATIE ENSEMBLE

And Independent Auditor's Report thereon

Year ended March 31, 2024

**KPMG LLP**
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# INDEPENDENT AUDITOR'S REPORT

To the Members of United for Literacy/Littératie Ensemble

## *Qualified Opinion*

We have audited the financial statements of United for Literacy/Littératie Ensemble (the Entity), which comprise:

- the statement of financial position as at March 31, 2024
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the ***"Basis for Qualified Opinion"*** section of our auditor's report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2024, and its results of 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 charitable organizations, the Entity 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 Entity.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets reported in the statements of financial position as at March 31, 2024 and 2023
- the fundraising revenues and excess of revenues over expenses reported in the statements of operations for the years ended March 31, 2024 and 2023

- the unrestricted net asset balances, at the beginning and end of the year, reported in the statements of changes in net assets for the years ended March 31, 2024 and 2023
- the excess of revenues over expenses reported in the statements of cash flows for the years ended March 31, 2024 and 2023.

Our opinion on the financial statements for the year ended March 31, 2023 was qualified accordingly because of the possible effects of this limitation in 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 auditor's report.

We are independent of the Entity 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 qualified 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

June 27, 2024

# UNITED FOR LITERACY/LITTÉRATIE ENSEMBLE

Statement of Financial Position

March 31, 2024, with comparative information for 2023

| | | 2024 | | 2023 |
|---|---|---|---|---|
| **Assets** | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | $ | 6,864,858 | $ | 8,305,315 |
| Accounts receivable | | 957,613 | | 617,957 |
| Inventory and prepaid expenses | | 358,823 | | 300,259 |
| Due from United for Literacy Foundation/ Fondation Littératie Ensemble (note 7) | | 224,741 | | 229,774 |
| | | 8,406,035 | | 9,453,305 |
| Capital assets (note 3) | | 719,416 | | 619,131 |
| | $ | 9,125,451 | $ | 10,072,436 |
| **Liabilities and Net Assets** | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued liabilities (note 4) | $ | 1,026,699 | $ | 923,782 |
| Deferred contributions (note 5(a)) | | 7,089,773 | | 8,078,593 |
| Current portion of obligation under capital leases (note 6) | | 19,958 | | 17,928 |
| | | 8,136,430 | | 9,020,303 |
| Deferred contributions - capital (note 5(b)) | | 194,304 | | 237,458 |
| Obligation under capital leases (note 6) | | 10,433 | | 30,391 |
| | | 204,737 | | 267,849 |
| Net assets: | | | | |
| Invested in capital assets (note 8) | | 494,721 | | 333,353 |
| Internally restricted (note 9) | | 155,355 | | 339,537 |
| Unrestricted | | 134,208 | | 111,394 |
| | | 784,284 | | 784,284 |
| Commitments (note 11) | | | | |
| | $ | 9,125,451 | $ | 10,072,436 |

See accompanying notes to financial statements.

On behalf of the Board:

Anne Parker

_______________ Director

_______________ Director

# UNITED FOR LITERACY/LITTÉRATIE ENSEMBLE

Statement of Operations

Year ended March 31, 2024, with comparative information for 2023

| | 2024 | 2023 |
|---|---|---|
| Revenue: | | |
| Government grants and contracts: | | |
| Provincial and territorial | $ 3,785,332 | $ 4,057,630 |
| Federal | 2,259,931 | 1,676,346 |
| Indigenous | 1,534,999 | 1,775,905 |
| Municipal | 50,024 | 46,986 |
| Fundraising | 4,393,011 | 3,080,612 |
| United for Literacy Foundation/Fondation Littératie Ensemble (note 7) | 1,089,422 | 1,288,153 |
| Bookstore, fee for service and other | 256,275 | 342,351 |
| Interest income | 176,072 | 98,833 |
| Amortization of deferred contributions - capital (note 5(b)) | 43,154 | 30,319 |
| | 13,588,220 | 12,397,135 |
| Expenses: | | |
| Salaries and benefits | 9,968,747 | 8,902,037 |
| Program materials and other costs | 846,985 | 916,596 |
| Equipment and information technology | 579,375 | 520,024 |
| Professional fees and insurance | 525,085 | 374,244 |
| Travel | 507,223 | 467,867 |
| Building occupancy | 319,791 | 261,674 |
| Publishing and promotion | 214,287 | 343,303 |
| Human resources and staff/volunteer development | 170,814 | 162,115 |
| Amortization | 165,630 | 143,628 |
| Fundraising | 127,997 | 147,683 |
| Cost of sales | 81,178 | 72,627 |
| Office costs | 75,751 | 77,885 |
| Interest on capital lease | 5,357 | 7,452 |
| | 13,588,220 | 12,397,135 |
| Excess of revenue over expenses | $ – | $ – |

See accompanying notes to financial statements.

# UNITED FOR LITERACY/LITTÉRATIE ENSEMBLE

Statement of Changes in Net Assets

Year ended March 31, 2024, with comparative information for 2023

| | Invested in capital assets (note 8) | Internally restricted (note 9) | Unrestricted | 2024 Total | 2023 Total |
|---|---|---|---|---|---|
| Balance, beginning of year | $ 333,353 | $ 339,537 | $ 111,394 | $ 784,284 | $ 784,284 |
| Excess (deficiency) of revenue over expenses | (122,476) | – | 122,476 | – | – |
| Interfund transfers | 184,182 | (184,182) | – | – | – |
| Net change in invested in capital assets | 99,662 | – | (99,662) | – | – |
| Balance, end of year | $ 494,721 | $ 155,355 | $ 134,208 | $ 784,284 | $ 784,284 |

See accompanying notes to financial statements.

# UNITED FOR LITERACY/LITTÉRATIE ENSEMBLE

Statement of Cash Flows

Year ended March 31, 2024, with comparative information for 2023

| | 2024 | 2023 |
|---|---|---|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Excess of revenue over expenses | $ – | $ – |
| Items not involving cash: | | |
| Amortization of capital assets | 165,630 | 143,628 |
| Amortization of deferred contributions - capital | (43,154) | (30,319) |
| Change in non-cash operating working capital: | | |
| Accounts receivable | (339,656) | (18,221) |
| Inventory and prepaid expenses | (58,564) | (87,144) |
| Accounts payable and accrued liabilities | 102,917 | 284,083 |
| Deferred contributions | (988,820) | 1,372,813 |
| Due from United for Literacy Foundation/ Fondation Littératie Ensemble | 5,033 | (2,550) |
| | (1,156,614) | 1,662,290 |
| Financing activities: | | |
| Deferred contributions received - capital | – | 77,020 |
| Repayment of obligation under capital leases | (17,928) | (15,835) |
| | (17,928) | 61,185 |
| Investing activities: | | |
| Additions to capital assets | (265,915) | (210,339) |
| Increase (decrease) in cash and cash equivalents | (1,440,457) | 1,513,136 |
| Cash and cash equivalents, beginning of year | 8,305,315 | 6,792,179 |
| Cash and cash equivalents, end of year | $ 6,864,858 | $ 8,305,315 |

See accompanying notes to financial statements.

United for Literacy/Littératie Ensemble is a Canada-wide, volunteer-based literacy organization, created as a corporation by Special Act of the Parliament of Canada in 1922. United for Literacy teaches people to read and write and nurtures an environment favourable to lifelong learning. Since 1899, United for Literacy has been reaching out to people wherever they are and responding to their particular learning needs. United for Literacy believes in literacy as a right and works to achieve literacy for all.

United for Literacy is a charitable organization registered under the Income Tax Act (Canada) and, as such, is exempt from income taxes and able to issue donation receipts for income tax purposes.

**1. Significant accounting policies:**

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. Significant accounting policies are as follows:

(a) Revenue recognition:

United for Literacy follows the deferral method of accounting for contributions.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Revenue from fees, contracts and sales of publications are recognized when the services are provided or the goods are sold.

(b) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short-term deposits which are highly liquid with original maturities of less than three months.

**1. Significant accounting policies (continued):**

(c) Inventories:

Inventory relates to bookstore supplies. The bookstore sells items to United for Literacy's students, partners of their programs and teachers outside the organization. Inventories are valued at the lower of cost and net realizable value.

(d) Capital assets:

Capital assets are recorded at cost less accumulated amortization. The fair value of the contributed building is not determinable and has been recorded at a nominal amount.

Assets acquired under capital leases are amortized over the estimated useful lives of the assets or over the lease term, as appropriate.

Contributed capital assets are recorded at fair value at the date of contribution.

Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. Capital assets are written down to fair value or replacement cost to reflect partial impairments when conditions indicate that the assets no longer contribute to United for Literacy's ability to provide goods and services, or that the value of future economic benefits or service potential associated with the capital assets are less than their net carrying amounts.

Amortization of capital assets is provided for on a straight-line basis as follows:

| | |
|---|---|
| Building | 40 years |
| Leasehold improvements | Term of lease |
| Building improvements | 15 years |
| Computer equipment | 3 years |
| Equipment | 10 years |
| Equipment under capital leases | Life of capital lease |

**1. Significant accounting policies (continued):**

(e) Donated goods and services:

United for Literacy benefits from donated goods and services, particularly book donations and volunteer services. Donated goods are recorded at their fair values at the time of contribution, if this amount can be reasonably estimated. If the fair value is not determinable, the donation will not be recognized. Due to the difficulty of determining the fair values of contributed services, these contributions are not recognized in the financial statements.

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. United for Literacy has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, United for Literacy determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount United for Literacy expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

**1. Significant accounting policies (continued):**

(g) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses and changes in net assets for the year. Actual results could differ from those estimates.

**2. Credit facility:**

United for Literacy has access to a line of credit for up to $500,000. The credit facility bears interest at the bank's prime rate plus 1% and is repayable upon demand. At March 31, 2024, United for Literacy had nil (2023 - nil) drawn on the line of credit.

**3. Capital assets:**

| | | | 2024 | 2023 |
|---|---|---|---|---|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Building and leasehold improvements | $ 159,840 | $ 69,340 | $ 90,500 | $ 94,495 |
| Building improvements | 580,683 | 146,275 | 434,408 | 265,294 |
| Computer equipment | 1,051,409 | 885,811 | 165,598 | 212,890 |
| Equipment | 34,121 | 31,021 | 3,100 | 3,789 |
| Equipment under capital leases | 153,412 | 127,602 | 25,810 | 42,663 |
| | $ 1,979,465 | $ 1,260,049 | $ 719,416 | $ 619,131 |

Effective April 1, 2023, United for Literacy adopted AcG-20, Customer's accounting for cloud computing arrangements. Under this guideline, United for Literacy has made a policy choice to apply the simplification approach. During the period, included in professional fees and insurance on the statement of operations is $185,784 of costs related to cloud computing arrangement.

## 4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances of $874 (2023 - $1,265), which include amounts payable for harmonized sales tax.

## 5. Deferred contributions:

(a) Current deferred contributions:

Deferred contributions related to expenses of future years represent unspent externally restricted grants and donations for specific programs. Changes in the deferred contributions balance are as follows:

| | 2024 | 2023 |
|---|---|---|
| Balance, beginning of year | $ 8,078,593 | $ 6,705,780 |
| Amount recognized as revenue | (7,980,683) | (6,073,267) |
| Amount received | 7,435,237 | 7,446,080 |
| Amount repaid | (443,374) | – |
| Balance, end of year | $ 7,089,773 | $ 8,078,593 |

(b) Long-term deferred contributions - capital:

Deferred contributions include the unamortized portions of restricted contributions with which capital assets were originally purchased. Changes in the long-term deferred contributions balance reported are as follows:

| | 2024 | 2023 |
|---|---|---|
| Balance, beginning of year | $ 237,458 | $ 190,757 |
| Contributions received | – | 77,020 |
| Amortization of deferred contributions - capital | (43,154) | (30,319) |
| Balance, end of year | $ 194,304 | $ 237,458 |

## 6. Obligation under capital leases:

Under the terms of capital leases for the rental of equipment, United for Literacy is committed to the following approximate minimum annual lease payments:

| | 2024 | 2023 |
|---|---|---|
| 2024 | $ – | $ 17,928 |
| 2025 | 19,959 | 19,959 |
| 2026 | 10,432 | 10,432 |
| | 30,391 | 48,319 |
| Less current portion | 19,958 | 17,928 |
| | $ 10,433 | $ 30,391 |

## 7. Related party transactions:

United for Literacy and United for Literacy Foundation/Fondation Littératie Ensemble (the "Foundation") are related parties by virtue of the Foundation's responsibility of exclusively supporting United for Literacy's programming with its endowments and donations received. United for Literacy and the Foundation also have some common board members. During the year, United for Literacy recorded revenue of $1,089,422 (2023 - $1,288,153) from the Foundation. Revenue consisted of a base grant of $1,015,833 (2023 - $740,567) and supplementary grant of $73,589 (2023 - $547,586).

These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

## 8. Invested in capital assets:

(a) Invested in capital assets is calculated as follows:

| | 2024 | 2023 |
|---|---|---|
| Capital assets | $ 719,416 | $ 619,131 |
| Amounts financed by capital leases | (30,391) | (48,320) |
| Amounts financed by deferred contributions - capital | (194,304) | (237,458) |
| | $ 494,721 | $ 333,353 |

(b) Net change in net assets invested in capital assets is calculated as follows:

| | 2024 | 2023 |
|---|---|---|
| Deficiency of revenue over expenses: | | |
| Amortization of capital assets | $ (165,630) | $ (143,628) |
| Amortization of deferred contributions - capital | 43,154 | 30,319 |
| | (122,476) | (113,309) |
| Net change in investment in capital assets: | | |
| Additions to capital assets | 265,915 | 210,339 |
| Amounts financed by deferred contributions - capital | – | (77,020) |
| Repayment of obligation under capital leases | 17,929 | 15,835 |
| | 283,844 | 149,154 |
| | $ 161,368 | $ 35,845 |

## 9. Internally restricted net assets:

Internally restricted net assets consist of amounts in a restricted building fund to be used for repairs and improvements at 35 Jackes Avenue of $155,355 (2023 - $339,537). In the current year $184,182 of costs were incurred for this purpose and were used to fund the capital asset additions.

## 10. Contract with the Ministry of Children, Community and Social Services:

United for Literacy has a service contract with the Ontario Ministry of Children, Community and Social Services ("MCCSS"). Any resulting surplus pertaining to the contract would be repayable to MCCSS. Included in Provincial and territorial revenue is MCCSS funding and included in salaries and benefits, programs materials and other costs and equipment is MCCSS net expenses for the Community Participation Services and Supports. The following is a summary of revenues and expenses for the year ended March 31, 2024 for the services funded by the contract:

| Detail code | Service name | MCCSS funding | Net expenses | Surplus |
|---|---|---|---|---|
| D704 | DS Community Participation Services and Supports | $ 85,365 | $ 85,365 | $ – |

## 11. Commitments:

Under the terms of various operating leases for premises, United for Literacy is committed at March 31, 2024 to the following minimum annual lease payments:

| | |
|---|---|
| 2025 | $ 67,716 |
| 2026 | 17,554 |
| | $ 85,270 |

## 12. Financial risks:

United for Literacy believes that it is not exposed to significant liquidity, credit, interest, currency and market price risk arising from its financial instruments.

## 13. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.