

ST. JAMES TOWN FAMILY LITERACY SERVICES

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the members of **St. James Town Family Literacy Services**

Qualified Opinion

We have audited the accompanying financial statements of **St. James Town Family Literacy Services**, which comprise the statement of financial position as at **December 31, 2018** and the statement of operations, statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at **December 31, 2018**, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not for profit organizations, the organization derives certain of its non-grant revenues, the completeness of which are 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 revenues, excess of revenues over expenses, current assets and net assets.

Our audit opinion on the financial statements for the year ended **December 31, 2018** was modified 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 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 audit 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 the 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 Responsibility 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 judgement 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 material a material misstatement resulting from fraud is higher than for on resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



Posner & Ma

CHARTERED PROFESSIONAL ACCOUNTANTS

- 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 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 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 over 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

JUNE 26, 2019
Toronto, Canada

Posner & Ma, LLP
Chartered Accountants

LICENSED PUBLIC ACCOUNTANTS

ST. JAMES TOWN FAMILY LITERACY SERVICES

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

	2018	2017
ASSETS		
CURRENT		
Cash and cash equivalents - (Note 10 and Note 12)	\$ 1,656,701	\$ 1,905,521
Accounts receivable - (Note 11)	77,689	144,623
Prepaid expenses	5,167	4,567
	<u>1,739,557</u>	<u>2,054,712</u>
NON CURRENT		
Long Term Funding Commitment (Note 9)	-	382,080
	<u>\$ 1,739,557</u>	<u>\$ 2,436,792</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 8)	40,131	31,255
Deferred Revenue (Note 3)	296,940	623,976
Syrian Trust Funds (Notes 10, 12)	1,213,979	1,587,193
	<u>1,551,050</u>	<u>2,242,424</u>
NET ASSETS		
Net assets	<u>188,507</u>	<u>194,367</u>
	<u>\$ 1,739,557</u>	<u>\$ 2,436,792</u>

Approved on behalf of the Board

Director

Director

See accompanying notes

ST. JAMES TOWN FAMILY LITERACY SERVICES
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2018

	2018	2017
REVENUES:		
Organizational grants	\$ 498,340	\$ 506,154
Individual donations	39,527	36,379
Interest and miscellaneous income	10,493	9,443
	<u>548,360</u>	<u>551,975</u>
EXPENSES		
Wages and honorarium	378,773	310,735
Program expenses	159,383	210,885
Rent and insurance	16,065	17,205
	<u>554,220</u>	<u>538,826</u>
Excess (deficiency) revenue over expenses	(5,860)	13,149
Net Assets beginning of year	194,367	181,218
Net Assets, end of year	\$ 188,507	\$ 194,367

ST. JAMES TOWN FAMILY LITERACY SERVICES
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018

	2018	2017
Operating activities		
Excess (Deficiency) of revenue over expenses	(5,860)	13,149
Changes in non-cash working capital balances:		
Accounts receivable	66,934	(87,166)
Deferred revenue	(700,250)	(205,030)
Long Term Funding Commitment	382,080	110,489
Prepaid expenses	(600)	1
Accounts payable and accrued liabilities	8,876	16,452
	<u>(242,960)</u>	<u>(165,254)</u>
Net increase in cash and cash equivalents during the year	<u>(248,821)</u>	<u>(152,106)</u>
Cash and cash equivalents at beginning of period	<u>1,905,521</u>	<u>2,057,626</u>
Cash and cash equivalents at end of period	<u>\$ 1,656,701</u>	<u>\$ 1,905,521</u>

ST. JAMES TOWN FAMILY LITERACY SERVICES
SOURCES AND USES OF FUNDS
YEAR ENDED DECEMBER 31, 2018

	2018	2017
Foundation Donations		
Manulife Foundation	60,000	30,400
Other	59,772	21,771
Bell Canada	15,000	-
Woodgreen Community Services	9,600	13,250
RBC Foundation	-	15,000
	144,372	80,421
Federal Funding		
Government of Canada	147,681	241,120
Provincial Funding		
Ministry of Tourism Culture and Sport	130,225	112,285
Municipal Funding		
City of Toronto	43,892	22,700
Investing in Neighbourhoods	32,170	49,627
	76,062	72,327
Donations		
Individuals	22,729	17,224
Program Fees	16,798	19,154
Interest and Miscellaneous Income	10,493	9,443
Total Income	\$ 548,360	\$ 551,975

ST. JAMES TOWN FAMILY LITERACY SERVICES
SOURCES AND USES OF FUNDS
YEAR ENDED DECEMBER 31, 2018

	2018	2017
Expenses		
Wages and Honorarium		
Wages and Salaries	356,473	290,253
Executive Director	20,000	20,000
Volunteer Recognition	2,300	482
	378,773	310,735
Program Expenses		
Program	113,652	102,179
Technology	17,000	10,347
Consultants	9,029	61,841
Office and General	6,466	14,571
Telephone and Internet	6,295	8,223
Accounting and legal	3,164	3,164
Repair and Maintenance	2,776	6,260
Donations	1,000	-
Vehicle	-	4,301
	159,383	210,885
Rent and Insurance		
Rent	11,922	12,915
Insurance	4,143	4,290
	16,065	17,205
Total Expenses	\$ 554,220	\$ 538,826

ST. JAMES TOWN FAMILY LITERACY SERVICES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

DESCRIPTION OF THE ORGANIZATION

St James Town Family Literacy Services encourages neighbours to help neighbours to provide direct services, education, training and research in order to develop the life and social skills of children, families and adults in St James Town. Over the past three years, the organization has also become involved in the facilitation of helping Syrian refugees to come over to live in Canada.

1. SUMMARY OF 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:

Financial Instruments

i) Measurement of financial instruments

The organization initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statements of operations in the period incurred.

Financial assets measured at amortized cost include cash, accounts receivable, grants and GIC's.

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

Financial assets measured at fair value include investments in an Alterna Savings bank account.

Equipment

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations. As an organization with less than \$500,000 of annual revenue the organization has adopted the policy of expensing equipment in the year of acquisition.

Revenue Recognition

The organization follows the deferral method of accounting for contributions. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. 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.

Revenue related to the rendering of programs are recognized when the respective programs are held.

Grant income and expenditures are recorded on the accrual basis of accounting, other income is recorded when received.

Interest income is recognized when earned and deposited to the respective accounts.

ST. JAMES TOWN FAMILY LITERACY SERVICES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates.

Cash and cash equivalents

The agency's policy is to present bank balances and term deposits with a maturity period of twelve months or less under cash and cash equivalents.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Cont'd

Donated Property and Services

During the year, voluntary services were provided. Because these services are not normally purchased by the organization and because of the difficulty of determining their fair value, donated services are not recognized in these statements.

2. GOVERNMENT GRANTS

The organization recorded the following government grants in the year as income:

	2018	2017
Federal Funding	<u>147,681</u>	241,120
Provincial Funding	<u>130,225</u>	112,285
Municipal and City Funding	<u>76,062</u>	72,327
	<u>\$ 353,968</u>	<u>\$ 425,733</u>

ST. JAMES TOWN FAMILY LITERACY SERVICES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

3. DEFERRED REVENUE

Deferred Revenue represents unspent externally restricted donations received or receivable at December 31, 2018 for the following programs:

	2018	2017
Syrian Sanctuary	-	-
Healthy Living	196,940	196,940
Mo Davis - Bequest	100,000	100,000
Public Health Agency of Canada	-	327,036
	\$ 296,940	\$ 623,976

4. RELATED PARTY TRANSACTIONS

The following table summarizes the Organization's related party transactions for the year:

	2018	2017
Remuneration paid to executive director	\$20,000	\$20,000
Donations made by directors to the Organization	-	-

During the year, the organization also made payments of \$25,480 to a consulting company controlled by one of the board members. The payments related to consulting services provided to the organization and took place at the exchange amount. This value corresponds to the value of services provided to the entity.

5. FINANCIAL INSTRUMENTS

Fair value of financial instruments carried at amortized cost

The carrying value of cash, accounts receivable, accounts payable and deferred revenue approximate the fair value due to the immediate or short-term nature of these financial instruments.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The organization's credit risk is due mainly to its accounts receivable from various grants. The organization believes its credit exposure is minimal.

Liquidity Risk

Liquidity risk is the risk of being unable to meet cash requirements or to fund obligations as they become due. The organization does not consider itself to have any liquidity risk currently.

ST. JAMES TOWN FAMILY LITERACY SERVICES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

5. FINANCIAL INSTRUMENTS - Continued

Interest Rate Risk

Interest rate risk arises from the possibility that the changes in interest rates will affect the value of fixed income securities held by the organization. The short-term interest bearing instruments held by the organization have a limited exposure to interest rate risk due to their short-term maturity.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. No currency risk exists as there were no foreign currency transactions during the year.

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. Management believes no other price risk factors exist.

6. GUARANTEES

In the normal course of business, the organization entered into an insurance agreement that meets the definition of a guarantee.

The organization has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suit or actions.

7. CAPITAL MANAGEMENT

The organization defines capital as its unrestricted net assets

The organization's objective of managing the unrestricted net assets is to balance the need for stability of operations as a going concern with a desire to maximize services and benefits provided to members.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017
Trade payables and accrued liabilities	37,240	29,284
Payroll and withholding taxes	2,891	1,971
	\$ 40,131	\$ 31,255

ST. JAMES TOWN FAMILY LITERACY SERVICES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

9. Long Term Funding Commitment

A grant was pledged from the Public Health Agency of Canada. The funds were pledged to support the Healthy Living Program.

10. Syrian Refugee Project

During the year, the organization worked with accredited Sponsorship Agreement Holders (SAC) to provide settlement support for refugees arriving to Canada. The support provided included but was not limited to sourcing housing, clothing furniture, employment. During the immigration process the organization receives money which relates to a specific family for them to come to Canada. Once funds are received, a Term Deposit is established and a corresponding liability for the exact same amount is established. Any interest received on the term deposit is also recorded as a corresponding liability. Upon arrival the term deposit is cashed and the liability extinguished.

11. Cash and Cash Equivalents

	2018	2017
Petty Cash	-	-
Term Deposit - General Purpose	317,249	317,081
Term Deposit - Restricted	948,049	1,321,494
Savings Account	107,684	55,141
Chequing Account	43,187	211,805
Syrian Refugee Trust Account	240,532	-
	\$ 1,656,701	\$ 1,905,521

The organization is holding term several term deposits in trust for families immigrating from Syria. These term deposits are not for general use and their use is restricted for the specific purpose of helping families come to Canada. The value of the restricted term deposits at December 31, 2018 is \$1,213,979.

12. Accounts Receivable

	2018	2017
Public Health Agency of Canada	50,732	104,768
Investing In Neighbourhoods	22,157	27,055
Miscellaneous	4,800	-
Government of Canada	-	10,000
Tom Goldspink	-	2,800
	\$ 77,689	\$ 144,623

ST. JAMES TOWN FAMILY LITERACY SERVICES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

13. Economic Dependence

The organization is economically dependent upon its funders for the continued operations of its programs.

14. Comparative Figures

Certain of the prior years' comparative figures have been reclassified to conform to the current year's financial statement presentation.