THE READING PARTNERSHIP

FINANCIAL STATEMENTS

MARCH 31, 2022

HILBORN LLP

Independent Auditor's Report

To the Members of The Reading Partnership

Qualified Opinion

We have audited the financial statements of The Reading Partnership (the "Organization"), which comprise the statement of financial position as at March 31, 2022, and the statements of operations, changes in net assets and 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 Organization as at March 31, 2022, 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 similar organizations, the Organization derives revenues from fund-raising events and donations, 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. Therefore, we were not able to determine whether, as at and for the year ended March 31, 2022, any adjustments might be necessary to revenues and excess of revenues over expenses reported in the statements of operations, and assets and net assets reported in the statement of financial position.

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 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 ability of the Organization 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.

Those charged with governance are responsible for overseeing the financial reporting process of the Organization.

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Independent Auditor's Report (continued)

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 internal control of the Organization.
- 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 ability of the Organization 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Hilborn LLP

Toronto, Ontario
September 12, 2022

Chartered Professional Accountants
Licensed Public Accountants

THE READING PARTNERSHIP

Statement of Financial Position

March 31	2022 $
ASSETS	
Current assets	
Cash	96,234
Accounts receivable	17,676
Due from trustee (note 2)	104,987
	218,897
Long-term assets	
Restricted cash (note 1)	100,000
Property and equipment (note 4)	-
Intangible assets (note 5)	5
	100,005
	318,902
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	7,381
Deferred revenue (note 6)	148,199
	155,580
NET ASSETS	
Internally restricted - Operating Reserve Fund	100,000
Unrestricted	63,322
	163,322
	318,902

The accompanying notes are an integral part of these financial statements

Approved on behalf of the Board:

DocuSigned by:
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Kris Daley, Interim Co-Chair and Treasurer ____________ Sept 29/22

DocuSigned by:
Monique Huggins
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Monique Huggins, Secretary____________ Sept 29/22

THE READING PARTNERSHIP

Statement of Operations

Year ended March 31	2022 $
Revenue	
Restricted grants flow-through from trustee (note 2)	
Ministry of Children, Community and Social Services	176,760
Toronto-Dominion Bank	29,051
United Way	74,271
Waltons Trust	133,895
Restricted grants directly between the funders and The Reading Partnership	
Black Business Initiative Society	26,250
City of Toronto	5,000
Pinball Clemons Foundation	12,500
Other	1,437
	459,164
Donation and fundraising flow-through from trustee (note 2)	46,333
Donation and fundraising made directly to The Reading Partnership	62,953
Interest income	4
	568,454
Expenses	
Salaries and benefits	186,115
Program expenses	198,219
Trustee administration fees (note 2)	38,110
Professional fees	19,667
Office and administration	7,358
Depreciation expense	3,354
	452,823
Excess of revenue over expenses for year	115,631

The accompanying notes are an integral part of these financial statements

THE READING PARTNERSHIP

Statement of Changes in Net Assets

Year ended March 31

	Internally restricted - Operating Reserve Fund $	Unrestricted $	Total 2022 $
Balance - at beginning of year	-	47,691	47,691
Excess of revenue over expenses for year	-	115,631	115,631
Interfund transfer (note 1)	100,000	(100,000)	-
Balance - at end of year	$ 100,000	$ 63,322	$ 163,322

The accompanying notes are an integral part of these financial statements

THE READING PARTNERSHIP

Statement of Cash Flows

Year ended March 31	2022 $
Cash flows from operating activities	
Excess of revenue over expenses for year	115,631
Adjustments to determine net cash provided by (used in) operating activities	
Depreciation	3,354
	118,985
Change in non-cash working capital items	
Accounts receivable	(17,676)
Due from trustee	73,240
Accounts payable and accrued liabilities	7,381
Deferred revenue	14,304
	196,234
Cash flows from investing activities	
Change in restricted cash	(100,000)
Net change in cash	96,234
Cash, beginning of year	-
Cash, end of year	96,234

The accompanying notes are an integral part of these financial statements

Nature of operations

The Reading Partnership (the "Organization" or "TRP") is a not-for-profit organization incorporated without share capital under the Canada Not-for-profit Corporations Act. The Organization is dedicated to advance education by providing and designing innovative programs, products and experiences that improve literacy, build knowledge, skills and confidence, and create positive reading, writing, and learning environments adapted for learners of all ages.

The Organization is a registered charity under the Income Tax Act (Canada) and is generally exempt from corporate income taxes. The Organization is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Organization must meet certain requirements within the Act. These requirements have been met at March 31, 2022

1. **Significant accounting policies**

These financial statements have been prepared using Canadian accounting standards for not-for-profit organizations and are in accordance with Canadian generally accepted accounting principles. These financial statements have been prepared within the framework of the significant accounting policies summarized below:

(a) **Basis of presentation**

The Organization's net assets are comprised of unrestricted net assets and internally restricted operating reserve fund.

Unrestricted net assets

Unrestricted net assets account for the day-day operations of the Organization.

Internally restricted operating reserve fund

Operating reserve fund is established to support the long-term financial stability of the Organization and respond to changing economic conditions which may have a material effect on the Organization's financial position. This fund is internally restricted and not available for operating purposes without the approval of the Board of Directors.

During the year, the Board of Directors approved the establishment of the Operating reserve fund and an interfund transfer of $100,000 from the unrestricted operating fund to the operating reserve fund. The operating reserve fund is invested in an interest savings bank account.

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

(b) **Revenue recognition**

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.

The Organization follows the deferral method of accounting for restricted contributions which include grants, donations and fundraising and other contributions.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred and contribution conditions are met. Grants approved but not received at the reporting date are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Interest income is recorded on an accrual basis.

(c) **Financial instruments**

(i) **Measurement of financial assets and liabilities**

The Organization initially measures financial assets and financial liabilities, with the exception of related party transactions, at fair value adjusted by the amount of transaction costs directly attributable to the instrument.

The Organization subsequently measures all financial assets and financial liabilities at amortized cost.

Amortized cost is the amount at which a financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization of any difference between that initial amount and the maturity amount, and minus any reduction for impairment.

Financial assets measured at amortized cost include cash, accounts receivable, due from trustee and restricted cash.

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

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

(c) **Financial instruments (continued)**

(ii) **Impairment**

At the end of each year, the Organization assesses whether there are any indications that a financial asset measured at amortized cost may be impaired. Objective evidence of impairment includes observable data that comes to the attention of the Organization, including but not limited to the following events: significant financial difficulty of the issuer; a breach of contract, such as a default or delinquency in interest or principal payments; and bankruptcy or other financial reorganization proceedings.

When there is an indication of impairment, the Organization determines whether a significant adverse change has occurred during the year in the expected timing or amount of future cash flows from the financial asset.

When the Organization identifies a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it reduces the carrying amount of the financial asset to the greater of the following:

- the present value of the cash flows expected to be generated by holding the financial asset discounted using a current market rate of interest appropriate to the financial asset, and
- Any impairment of the financial asset is recognized in the statement of operations in the year in which the impairment occurs.

(d) **Related party transactions**

A party is considered to be related to the Organization if such party or the Organization has the ability to, directly or indirectly, control or exercise significant influence over the other's financial and operating decisions, or if the Organization and such party are subject to common control or common significant influence. Related parties may be individuals or other entitles.

(e) **Capital assets**

Tangible capital assets

Property and equipment are recorded at cost and depreciated over their estimated useful lives on the straight line basis at the following annual rates:

Computer equipment	50%

Contributed Intangible assets

Contributed intangible assets are measured at a nominal amount because their fair value can not be determined. Contributed intangible assets are not amortized.

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

(f) **Contributed goods and services**

Contributed goods and services are not recorded in the accounts of the Organization, except when fair value of such goods and services can reasonably be established and when the goods and services would otherwise have been purchased by the Organization.

Volunteers contribute significant amounts of time to assist the Organization in carrying out its service delivery activities. Because of the difficulty in determining their fair value, they are not recognized in the financial statements.

(g) **Use of estimates**

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current period. These estimates are based on information available as of the date of issuance of the financial statements. Actual results may differ materially from those estimates, the impact of which would be recorded in future years.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

2. **Trusteeship arrangement**

The Reading Partnership was incorporated on June 23, 2020. Prior to its incorporation, it was operating as a project under the MakeWay Charitable Society ("MakeWay", formerly "Tides Canada"), a national registered charity.

On November 16, 2020, The Reading Partnership ("TRP") entered into a trusteeship agreement with Boys and Girls Club of East Scarborough ("BGCES"), a registered charity incorporated in Ontario. On December 18, 2020, TRP signed an agreement with MakeWay to transfer all assets and liabilities of TRP project held by Makeway to TRP effective December 31, 2020. The net assets transferred from Makeway consisted of intangible assets valued at a nominal amount of $5, tangible assets at a fair value of $6,708 and unspent funds of $36,000. Effective January 1, 2021, TRP began to operate as a not-for-profit organization under the trusteeship of BGCES. BGCES acts as the flow-through funding agency between TRP and its funders and donors and also provides other supporting services to TRP.

During the current year, TRP paid $38,110 of administration fees to BGCES.

As at the date of the reporting, TRP is in the process to gradually transfer the operation out of the trusteeship of BGCES.

As at March 31, 2022, the balance receivable from BGCES is $104,987 representing the net assets value held by BGCES on behalf of TRP, which is non-interest bearing.

3. Financial instrument risk management

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the Organization's risk exposure at the balance sheet date.

The financial instruments of the Organization and the nature of the risks to which those instruments may be subject, are as follows:

	Risks				
			Market risk		
Financial instrument	Credit	Liquidity	Currency	Interest rate	Other price
Cash	X				
Accounts receivable	X				
Due from trustee	X				
Accounts payable and accrued liabilities		X			

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The maximum exposure of the Organization to credit risk is as follows:

	2022
	$
Cash	96,234
Accounts receivable	17,676
Due from trustee	104,987
Restricted cash	100,000
	318,897

The Organization reduces its exposure to the credit risk of cash and restricted cash by maintaining its accounts with a reputable Canadian financial institution. The Organization is not exposed to significant credit risk in respect of accounts receivable as it is comprised of grant receivable from the provincial government. The collection of fund is reasonably assured.

The Organization is not exposed to significant credit risk of due from trustee as the balance is in custody of the trustee in good standing (refer to note 2 for details) and the funds are held in a reputable Canadian financial institution.

Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly in respect of its accounts payable and accrued liabilities. The Organization expects to meet these obligations as they come due using the grant funding it receives from the funders and from cash flows from operations.

3. **Financial instrument risk management (continued)**

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 risk, interest rate risk and other price risk. The Organization is not exposed to market risk.

4. **Property and equipment**

		2022	
	Cost $	Accumulated Amortization $	Net Book Value $
Computer equipment	6,708	6,708	-

Depreciation of $3,354 is included in the Statement of Operations.

5. **Intangible assets**

The Organization acquired intangible assets when The Reading Partnership project was transferred from MakeWay Charitable Society to the Organization and its trustee. The intangible assets consist of website domain name, logos and other branding marks, programmatic resources including intellectual property and content contained on or within the website and social media accounts. Intangible assets were valued at a nominal amount of $5. Refer to note 2 for further details.

6. **Deferred revenue**

Deferred revenue represents funds received for specified expenditures which will be expended in subsequent periods. Revenue is recognized in the period in which the related expenses are incurred. Details of deferred revenue are as follows:

2022	Opening balance $	Received During Year $	Recognized as Revenue $	Closing Balance $
Waltons Trust	133,895	-	133,895	-
Black Business Initiative Society	-	45,000	26,250	18,750
TD	-	52,000	29,051	22,949
Pinball Clemons Foundation	-	50,000	12,500	37,500
Telus	-	20,000	-	20,000
The Chawkers Foundati	-	20,000	-	20,000
Amazon Canada	-	19,000	-	19,000
Traquair Foundation	-	10,000	-	10,000
	133,895	216,000	201,696	148,199

7. **Impact of global pandemic**

The global pandemic of the virus known as COVID-19 has led the Canadian Federal government, as well as provincial and local governments, to impose measures, such as restricting foreign travel, mandating self-isolations and physical distancing and closing non-essential businesses. As a result, certain events and projects have been delayed, postponed or moved to virtual. Because of the high level of uncertainty related to the outcome of this pandemic, it is difficult to estimate the financial effect on the Organization.

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