UNITED FOR LITERACY / LITTÉRATIE ENSEMBLE

FINANCIAL STATEMENTS

MARCH 31, 2025

INDEX

INDEPENDENT AUDITOR'S REPORT

To the Members and Board of Directors
United for Literacy/Littératie Ensemble
TORONTO
Ontario

Opinion
We have audited the accompanying financial statements of United for Literacy/Littératie Ensemble which comprise the statement of financial position as at March 31, 2025 and the statement of changes in net assets, statement of operations, 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, the accompanying financial statements present fairly, in all material respects, the financial position of the entity as at March 31, 2025 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 Opinion
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 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 opinion.

Other Matter
The financial statements of United for Literacy/Littératie Ensemble for the year ended March 31, 2024 were audited by another auditor who expressed a qualified opinion on those statements on June 27, 2024.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

PAUL A. SIMPSON, CPA
PAUL W. McMULLEN, CPA
MARK D. POTTER, CPA
MICHAEL J. McNEILL, CPA
PETER A. SIMPSON, CPA
MARC F. CERNELE, CPA
ANTHONY G. DILIBERTO, CPA
JENNIFER A. STALEY, CPA

NORTON McMULLEN LLP
ONE VALLEYWOOD DRIVE SUITE 200 MARKHAM ONTARIO L3R 5L9 T 905-479-7001 F 905-479-0045

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 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.

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.

Norton McMullen LLP

NORTON McMULLEN LLP
Chartered Professional Accountants, Licensed Public Accountants

MARKHAM, Canada
June 25, 2025

UNITED FOR LITERACY/LITTÉRATIE ENSEMBLE

STATEMENT OF FINANCIAL POSITION

As at March 31,	2025	2024
ASSETS		
Current		
Cash	$ 4,811,788	$ 6,864,858
Accounts receivable	649,680	957,613
Inventory	120,672	131,711
Prepaid expenses	156,972	227,112
Due from United for Literacy Foundation/ Fondation Littératie Ensemble (Note 2)	229,817	224,741
	$ 5,968,929	$ 8,406,035
Capital Assets (Note 3)	597,366	719,416
	$ 6,566,295	$ 9,125,451
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 532,505	$ 1,026,699
Deferred contributions (Note 5)	5,087,766	7,089,773
Current portion of obligations under capital leases (Note 6)	10,590	19,958
	$ 5,630,861	$ 8,136,430
Obligations Under Capital Leases (Note 6)	-	10,433
Deferred Capital Contributions (Note 7)	151,150	194,304
	$ 5,782,011	$ 8,341,167
NET ASSETS		
Invested in capital assets (Note 8)	$ 435,626	$ 494,721
Internally restricted (Note 9)	155,355	155,355
Unrestricted	193,303	134,208
	$ 784,284	$ 784,284
	$ 6,566,295	$ 9,125,451

Commitments (Note 10)

Approved by the Board:

Director — John Wiltshire, Board Chair

Director — Sartaj Sarkaria, Board Vice Chair

See accompanying notes

STATEMENT OF CHANGES IN NET ASSETS

For the year ended March 31, **2025** 2024

	Invested in capital assets (Note 8)	Internally Restricted (Note 9)	Unrestricted	Total 2025	Total 2024
BALANCE - Beginning	$ 494,721	$ 155,355	$ 134,208	$ 784,284	$ 784,284
Excess (deficiency) of revenues over expenses	(122,277)	-	122,277	-	-
Net change in invested in capital assets	63,182	-	(63,182)	-	-
BALANCE - Ending	$ 435,626	$ 155,355	$ 193,303	$ 784,284	$ 784,284

See accompanying notes

UNITED FOR LITERACY/LITTÉRATIE ENSEMBLE

STATEMENT OF OPERATIONS

For the year ended March 31,	2025	2024
REVENUES		
Government grants and contracts		
Provincial and territorial	$ **2,928,448**	$ 3,785,332
Indigenous	**1,519,670**	1,534,999
Federal	**1,436,096**	2,259,931
Municipal	**45,045**	50,024
Fundraising	**5,094,390**	4,393,011
United for Literacy Foundation/Fondation Littératie Ensemble (Note 2)	**1,276,202**	1,089,422
Bookstore, fee for service and other	**188,996**	256,275
Interest income	**105,904**	176,072
Amortization of deferred capital contributions (Note 7)	**43,154**	43,154
	$ **12,637,905**	$ 13,588,220
EXPENSES		
Salaries and benefits	$ **9,229,951**	$ 9,968,747
Program materials and other costs	**733,435**	846,985
Equipment and information technology	**572,773**	579,375
Travel	**514,151**	507,223
Professional fees and insurance	**486,968**	525,085
Building occupancy	**290,499**	319,791
Human resources and staff/volunteer development	**228,243**	170,814
Amortization	**165,431**	165,630
Publishing and promotion	**132,971**	214,287
Fundraising	**131,414**	127,997
Cost of sales	**53,856**	81,178
Office costs	**53,410**	75,751
Bad debt	**41,665**	-
Interest on capital lease	**3,138**	5,357
	$ **12,637,905**	$ 13,588,220
EXCESS OF REVENUES OVER EXPENSES	$ **-**	$ -
NET ASSETS - Beginning	**784,284**	784,284
NET ASSETS - Ending	$ **784,284**	$ 784,284

See accompanying notes

UNITED FOR LITERACY/LITTÉRATIE ENSEMBLE

STATEMENT OF CASH FLOWS

For the year ended March 31,	2025	2024
CASH AND CASH EQUIVALENTS WERE PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Excess of revenues over expenses	**$ -**	$ -
Items not affecting cash:		
Amortization of capital assets	**165,431**	165,630
Amortization of deferred capital contributions	**(43,154)**	(43,154)
	$ 122,277	$ 122,476
Net change in non-cash working capital balances:		
Accounts receivable	**307,933**	(339,656)
Inventory	**11,039**	12,475
Prepaid expenses	**70,140**	(71,039)
Due from United for Literacy Foundation/Fondation Littératie Ensemble	**(5,076)**	5,033
Accounts payable and accrued liabilities	**(494,194)**	102,917
Deferred contributions	**(2,002,007)**	(988,820)
	$ (1,989,888)	$ (1,156,614)
INVESTING ACTIVITIES		
Purchase of capital assets	**(43,381)**	(265,915)
FINANCING ACTIVITIES		
Repayment of obligations under capital leases	**(19,801)**	(17,928)
DECREASE IN CASH	**$ (2,053,070)**	$ (1,440,457)
CASH - Beginning	**6,864,858**	8,305,315
CASH - Ending	**$ 4,811,788**	$ 6,864,858

See accompanying notes

NATURE OF OPERATIONS

United for Literacy/Fondation Littératie Ensemble ("UFL" or the "Organization") is a registered charity under the Canadian Income Tax Act and, as such, is exempt from income tax. United for Literacy teaches people to read and write and to nurture 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.

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

a) Use of Estimates

Management reviews the carrying amounts of items in the financial statements at each balance sheet date to assess the need for revision or any possibility of impairment. Some items in the preparation of these financial statements require management's best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action.

These estimates are reviewed periodically and adjustments are made to the excess of revenues over expenses as appropriate in the year they become known.

Items subject to significant management estimate include the useful life of capital assets and accruals.

b) Cash and Cash Equivalents

Cash and cash equivalents consists solely of cash held in the Organization's bank accounts.

c) Capital Assets

Capital assets are stated at cost less accumulated amortization and impairment. They are amortized on a straight-line basis over their estimated useful lives at the following rates:

Buildings	40 years
Building and leasehold improvements	15 years
Computer equipment	3 years
Equipment	10 years
Equipment under capital leases	Life of Capital leases

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

1. **SIGNIFICANT ACCOUNTING POLICIES** - Continued

c) **Capital Assets** - Continued

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 UFL'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.

d) **Impairment of Capital Assets**

When a tangible capital asset no longer contributes to an organization's ability to provide goods and services, or the value of future economic benefits or service potential associated with the tangible capital asset is less than its carrying amount, the net carrying amount of the tangible capital asset is written down to the asset's fair value or replacement cost.

e) **Deferred Capital Contributions**

Deferred capital contributions represent restricted contributions relating to the purchase of capital assets and are recognized in revenue on the same basis as the amortization of the corresponding capital asset.

f) **Revenue Recognition**

The Organization follows the deferral method of accounting for contributions. Under this method, 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 related to future periods or specific purposes are deferred and recognized as revenue in the year in which the related expenses are incurred.

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

g) **Contributed Goods and Services**

Volunteers contribute significant hours per year to assist the Organization in carrying out its activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements. 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.

1. **SIGNIFICANT ACCOUNTING POLICIES** - Continued

h) **Inventory**

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

i) **Financial Instruments**

Measurement of Financial Instruments
The Organization initially measures its financial assets and liabilities originating or exchanged in arm's length transactions at fair value. The Organization subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets subsequently measured at amortized cost include cash and cash equivalents, accounts receivable and amounts due from United for Literacy Foundation. Financial liabilities subsequently measured at amortized cost include accounts payable and accrued liabilities, and obligations under capital leases.

Impairment
Financial assets measured at cost or amortized cost are tested for impairment at the end of the fiscal year, or when events or circumstances indicate possible impairment. Write-downs, if any, are recognized in the excess of revenues over expenses and may be subsequently reversed to the extent that the net effect after the reversal is the same as if there had been no write-down. There are no impairment indicators in the current year.

2. **RELATED PARTY TRANSACTIONS**

UFL and the United for Literacy Foundation/Fondation Littératie Ensemble ("the Foundation") are related parties by virtue of the Foundation's responsibility of exclusively supporting UFL's programming with its endowments and donations received. UFL and the Foundation also have some common board members. During the year, the Organization recorded revenue of $1,276,202 (2024 - $1,089,422) from the Foundation. Revenue consisted of a base grant of $1,240,000 (2024 - $1,015,833) and supplementary grant of $36,202 (2024 - $73,589).

The amount due from the Foundation of $229,817 (2024 - $224,741) consists mainly of accumulated funds from prior years when the Foundation was fundraising on the Organization's behalf. This balance remains unpaid as the Organization has not needed the cash and prefers to allow the funds earn interest in the investment portfolio.

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.

3. CAPITAL ASSETS

Capital assets consist of the following:

	2025			2024
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Building improvements	**$ 580,683**	**$ 184,987**	**$ 395,696**	$ 434,408
Leasehold improvements	**159,840**	**73,336**	**86,504**	90,500
Computer equipment	**1,094,790**	**991,186**	**103,604**	165,598
Equipment	**34,121**	**31,710**	**2,411**	3,100
Equipment under capital leases	**153,412**	**144,261**	**9,151**	25,810
	$ 2,022,846	**$ 1,425,480**	**$ 597,366**	$ 719,416

Effective April 1, 2023, the Organization adopted AcG-20, Customer's accounting for cloud computing arrangements. Under this guideline, UFL 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 $Nil (2024 - $185,784) of costs related to a cloud computing arrangement.

4. CREDIT FACILITIES

The Organization maintains a secured operating line of credit for a total amount of $700,000. Interest is charged at the bank's prime rate of lending plus 1.0% and is repayable on demand. As of March 31, 2025, the Organization had $Nil (2024 - $Nil) drawn on the line of credit.

5. DEFERRED CONTRIBUTIONS

Deferred contributions related to expenses of future years or specific purposes represent unspent externally restricted contributions. Changes in the deferred contributions balance are as follows:

	2025	2024
Balance - Beginning	**$ 7,089,773**	$ 8,078,593
Add: Received during the year	**8,578,456**	7,435,237
Less: Recognized as revenue during the year	**(10,365,880)**	(7,980,683)
Less: Amount repaid or repayable	**(214,583)**	(443,374)
Balance - Ending	**$ 5,087,766**	$ 7,089,773

6. OBLIGATIONS UNDER CAPITAL LEASES

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

		2025		2024
Total principal balance owing	$	10,590	$	30,391
Less: Current portion		10,590		19,958
	$	-	$	10,433

Future minimum annual lease payment requirements for the next year is as follows, payable in quarterly instalments of $5,475:

2026	$	10,590

7. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of government funding or donations received for the purchase of capital assets. The change in the deferred capital contributions balance is as follows:

		2025		2024
Balance - Beginning	$	194,304	$	237,458
Add: Restricted capital asset contributions received		-		-
Less: Amortization of deferred capital contributions		(43,154)		(43,154)
Balance - Ending	$	151,150	$	194,304

8. INVESTED IN CAPITAL ASSETS

	2025	2024
Funds invested in capital assets consists of the following:		
Capital assets (Note 3)	$ 597,366	$ 719,416
Amounts financed by capital leases (Note 6)	(10,590)	(30,391)
Amounts financed by deferred contributions - capital (Note 7)	(151,150)	(194,304)
	$ 435,626	$ 494,721
Net change in investment in capital assets consists of the following:		
Additions to capital assets	$ 43,381	$ 265,915
Repayment of obligation under capital leases	19,801	17,929
	$ 63,182	$ 283,844

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 Jacks Avenue. In the current year, $Nil (2024 - $184,182) of costs were incurred for this purpose and were used to fund the capital asset additions.

10. COMMITMENTS

The Organization is committed to various operating leases for premises. Future minimum annual payments are as follows:

2026	$ 29,750

11. CONTRACT WITH THE MINISTRY OF CHILDREN, COMMUNITY AND SOCIAL SERVICES

The Organization 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, 2025 for the services funded by the contract:

Service Name	MCCSS Funding	Net Expenses	Surplus
Community Participation Services and Supports (D704)	$ 88,055	$ 88,055	$ -

12. **FINANCIAL INSTRUMENTS**

Risks and Concentrations

The Organization is exposed to various risks through its financial instruments. The following analysis provides a summary of the Organization's exposure to and concentrations of risk at March 31, 2025:

a) **Credit Risk**

Credit risk is the risk that one party to a financial instrument will cause financial loss for the other party by failing to discharge an obligation. The Organization's main credit risks relate to its accounts receivable and amount due from the Foundation. The Organization provides credit to its clients in the normal course of operations and the Organization manages its credit risk by performing credit checks and imposing credit limits. There were no concentrations of credit risk as at March 31, 2025 and there has been no change in the assessment of credit risk from the prior year.

b) **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 with respect to its accounts payable and accrued liabilities and obligations under capital leases. The Organization manages this risk by preparing and monitoring detailed forecasts of cash flows from operations. The Organization has a credit facility in place should it be required to meet temporary fluctuations in cash requirements. There has been no change in the assessment of liquidity risk from the prior year.

c) **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 price risk. The Organization is exposed to interest rate risk as follows:

i) **Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As described in Notes 4 and 6, the Organization is exposed to interest rate risk with respect to its credit facility and obligations under capital leases. The exposure to this risk fluctuates as the debt and related interest rates change from year to year.