

**VICTORIA READ SOCIETY**

**FINANCIAL STATEMENTS**  
(Unaudited)

**JUNE 30, 2010**

# VICTORIA READ SOCIETY

JUNE 30, 2010

(Unaudited)

## CONTENTS

	Page
REVIEW ENGAGEMENT REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Operations	3
Statement of Changes in Fund Balances	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 9

Scott D. Taylor, B.A., C.A.\*  
Thomas B. Hawker, B.A., C.A.\*  
Robert D. Thomson, B.Comm., C.A.\*  
Antonio Moniz, C.A.\*

John H. Mace, C.A., Retired\*

\* Incorporated Professional



---

## REVIEW ENGAGEMENT REPORT

---

To the Directors of Victoria READ Society

We have reviewed the statement of financial position of Victoria READ Society as at June 30, 2010 and the statements of operations, changes in fund balances and cash flows for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the Society.

A review does not constitute an audit and consequently we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian generally accepted accounting principles.

The comparative figures, as they appeared prior to the restatement as set out in Note 8, were reviewed by another chartered accountant.

Victoria, British Columbia  
November 25, 2010

CHARTERED ACCOUNTANTS

**VICTORIA READ SOCIETY**  
**STATEMENT OF FINANCIAL POSITION**  
(Unaudited)  
**AS AT JUNE 30, 2010**

	<b>General Funds</b>	<b>Education Access Fund</b>	<b>Total 2010</b>	<b>Total 2009</b>
		(Note 1)		
<b>ASSETS</b>				
<b>Current</b>				
Cash	(\$68)	\$ 115,057	\$ 114,989	\$ 156,766
Term deposit (Note 2)	674,167	-	674,167	674,167
Accounts receivable	154,786	11,527	166,313	82,413
Prepaid expenses	26,452	-	26,452	21,867
Interfund accounts	13,413	(13,413)	-	-
	868,750	113,171	981,921	935,213
Property & equipment (Note 5)	7,957	-	7,957	12,824
	\$ 876,707	\$ 113,171	\$ 989,878	\$ 948,037
 <b>LIABILITIES AND FUND BALANCES</b>				
<b>Current</b>				
Bank loan (Note 2)	\$ 73,000	\$ -	\$ 73,000	\$ -
Accounts payable and accrued liabilities	52,414	-	52,415	44,546
Unearned revenue (Note 1)	111,674	-	111,674	92,125
	237,088	-	237,088	136,671
 <b>FUND BALANCES</b>				
Invested in property & equipment	7,957	-	7,957	12,824
Internally restricted (Note 7)	674,156	-	674,156	674,156
Externally restricted	-	113,171	113,171	103,320
Unrestricted	(42,494)	-	(42,494)	21,066
	639,619	113,171	752,790	811,366
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 876,707</b>	<b>\$ 113,171</b>	<b>\$ 989,878</b>	<b>\$ 948,037</b>

**APPROVED ON BEHALF OF THE BOARD:**

\_\_\_\_\_ Director

\_\_\_\_\_ Director

**VICTORIA READ SOCIETY**  
**STATEMENT OF OPERATIONS**  
(Unaudited)  
**FOR THE YEAR ENDED JUNE 30, 2010**

	General Funds		Education Access Fund (Note 1)	
	2010	2009	2010	2009
<b>REVENUES</b>				
Tuition				
General	\$ 169,807	\$ 166,620	\$ -	\$ -
Education Access Funds	97,468	70,710	-	-
Program revenues				
ESL	2,819	12,239	-	-
Adult literacy	236,510	254,593	-	-
Workplace literacy project	65,366	90,470	-	-
Random Acts	28,914	27,177	-	-
Education Outreach	6	33,468	-	-
Donations	-	7,283	86,881	57,219
Gaming	-	-	31,090	36,439
Assessments	6,615	7,180	-	-
Fundraising events	-	-	5,114	3,500
Interest and miscellaneous	13,185	36,217	-	-
	<u>620,690</u>	<u>705,957</u>	<u>123,085</u>	<u>97,158</u>
<b>EXPENSES</b>				
Salaries and employee benefits	438,452	439,963	7,701	24,829
Tuition support	-	-	93,958	68,610
Fundraising expenses	-	-	8,075	1,247
Assessments	-	-	3,500	2,100
Community relations and marketing	16,606	20,084	-	-
Amortization	6,961	13,060	-	-
Bad debts	-	6,850	-	-
Client support costs	10,125	3,616	-	-
Educational development	4,561	990	-	-
Educational materials	5,898	8,439	-	-
Equipment rental and purchase	10,792	11,682	-	-
Insurance and bonding fees	6,185	6,311	-	-
Interest and bank charges	4,614	3,866	-	-
Office & supplies	14,219	16,134	-	-
Partner Allocation	35,606	23,936	-	-
Professional fees	22,452	6,985	-	-
Random Acts - direct costs	26,544	28,304	-	-
Rent	64,670	74,002	-	-
Repairs and maintenance	7,128	7,471	-	-
Telephone and utilities	11,183	11,695	-	-
Transportation and travel	3,121	2,922	-	-
	<u>689,117</u>	<u>686,310</u>	<u>113,234</u>	<u>96,786</u>
<b>NET EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	<u>(\$68,427)</u>	<u>\$ 19,647</u>	<u>\$ 9,851</u>	<u>\$ 372</u>

**VICTORIA READ SOCIETY**  
**STATEMENT OF CHANGES IN FUND BALANCES**  
(Unaudited)  
**FOR THE YEAR ENDED JUNE 30, 2010**

	General Funds					Externally Restricted Fund			Total	
	Invested in Property & Equipment	Unrestricted	Internally Restricted (Note 7)	Total	Total	Education Access Fund (Note 1)	Total	Total	2010	2009
	2010	2010	2010	2010	2009	2010	2010	2009		
<b>Fund Balances</b>										
<b>beginning of year</b> (Note 8)	\$ 12,824	\$ 21,066	\$ 674,156	\$ 708,046	\$ 688,399	\$ 103,320	\$ 103,320	\$ 102,948 (Note 8)	\$ 811,366	\$ 791,347 (Note 8)
Net excess(deficiency) of revenue over expenditures	-	(68,427)	-	(68,427)	19,647	9,851	9,851	372	(58,576)	20,019
Amortization of property and equipment	(6,961)	6,961	-	-	-	-	-	-	-	-
Purchase of property and equipment	2,094	(2,094)	-	-	-	-	-	-	-	-
Transfer from internally restricted funds (Note 7)	-	-	-	-	-	-	-	-	-	-
<b>Fund Balances</b>										
<b>end of year</b>	\$ 7,957	(\$42,494)	\$ 674,156	\$ 639,619	\$ 708,046	\$ 113,171	\$ 113,171	\$ 103,320	\$ 752,790	\$ 811,366

**VICTORIA READ SOCIETY**  
**STATEMENT OF CASH FLOWS**  
(Unaudited)  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>General Funds</u>	<u>Education Access Fund</u> (Note 1)	<u>Total 2010</u>	<u>Total 2009</u>
<b>Operating Activities</b>				
Cash provided by operations				
Net income (loss)	(\$68,427)	\$ 9,851	(\$58,576)	\$ 20,019
Changes to income not involving cash				
Amortization	6,961	-	6,961	13,060
	<u>(61,466)</u>	<u>9,851</u>	<u>(51,615)</u>	<u>33,079</u>
Net change in non-cash working capital balances *	<u>(49,017)</u>	<u>(12,051)</u>	<u>(61,068)</u>	<u>77,107</u>
	<u>(110,483)</u>	<u>(2,200)</u>	<u>(112,683)</u>	<u>110,186</u>
<b>Financing Activities</b>				
Increase in bank loan	73,000	-	73,000	-
	<u>73,000</u>	<u>-</u>	<u>73,000</u>	<u>-</u>
<b>Investing Activities</b>				
Additions to equipment	(2,094)	-	(2,094)	(16,701)
	<u>(2,094)</u>	<u>-</u>	<u>(2,094)</u>	<u>(16,701)</u>
<b>Increase (decrease) in cash</b>	(39,577)	(2,200)	(41,777)	93,485
<b>Cash, beginning of year</b>	35,262	121,504	156,766	63,281
<b>Cash, end of year</b>	<u>(\$4,315)</u>	<u>\$ 119,304</u>	<u>\$ 114,989</u>	<u>\$ 156,766</u>

\* consisting of changes in accounts receivable, prepaid expenses, bank loan, accounts payable and accrued liabilities, and unearned revenue.

**VICTORIA READ SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
(Unaudited)  
**JUNE 30, 2010**

**GENERAL**

The Victoria READ Society (the Society) is incorporated under the Societies Act of British Columbia and is a registered charity as defined under the Income Tax Act of Canada. The primary purpose of the Society is to help students of all ages in the Greater Victoria area to learn basic academic skills and to provide tuition support to assist in this process to school age children based on need.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Measurement uncertainty**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 expenses during the period. Such estimates include providing for amortization of capital assets. Actual results could differ from these estimates.

**(b) Fund Accounting**

The Society follows the restricted fund method of accounting for contributions.

The General Fund accounts for the Society's program delivery and administrative activities. This fund reports unrestricted resources and restricted operating grants.

The Education Access Fund reports only restricted resources that are to be used to provide tuition support for the educational program of the Society for qualified children and youth who would otherwise not be able to access this program.

**(c) Revenue Recognition**

Program funding and restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. Program funding received in the current year for services to be performed in the future are carried on the balance sheet as unearned revenue.

Contributions restricted for use in the provision of tuition support to students are recognized as revenue of the Education Access Fund.

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

Investment income earned on funds deposited with the Vancouver Foundation and the Victoria Foundation are recognized as revenue in the Education Access Fund when received. Investment income on General Fund resources will be recognized as unrestricted revenue in that fund when earned.

**(d) Donated goods and services**

Donated goods and services, other than volunteer efforts, are recorded in the financial statements at fair value when fair value of these goods and services can be reasonably ascertained.

**VICTORIA READ SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
(Unaudited)  
**JUNE 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(e) Property & Equipment**

Capital assets are recorded at cost. Amortization is provided annually at rates calculated to write-off the assets over their estimated useful lives as follows:

Computer hardware	3 years straight line
Computer software	2 years straight line
Office equipment and furniture	5 years straight line
Leasehold improvements	3 years straight line

**2. BANK LOAN**

A revolving line of credit with the Royal Bank of Canada, to a maximum balance of \$100,000, is available to the Society. Interest calculated on drawings from this line of credit are charged at Royal Bank Prime + 1%. The line of credit is secured by a Cash Security Agreement over the term deposit in the amount of \$674,166. Under this agreement, the funds in this term deposit cannot be withdrawn or further encumbered without prior consent of the bank.

**3. FINANCIAL INSTRUMENTS**

The Society's financial instruments consist of cash, term deposit, accounts receivable, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Society is not exposed to significant interest currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

**4. FUNDS ON DEPOSIT**

The Society has deposited funds with the Victoria Foundation and the Vancouver Foundation. The Society is entitled to the income from the deposits while in operation, but cannot withdraw the principal sum and as a result the deposited funds are excluded from the balance sheet. The funds are invested according to the investment policies established by each Foundation. Should the Society cease operations, the funds will be allocated to other charitable organizations by the Foundations.

The Society deposited \$100,000 with the Vancouver Foundation and \$35,000 with the Victoria Foundation. During the year the Society received distributions of income of \$5,173 (2009 - \$3,604) from the Vancouver Foundation and \$744 (2009 - \$1,467) from the Victoria Foundation.

**5. PROPERTY & EQUIPMENT**

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net 2010</u>	<u>Net 2009</u>
Computer hardware	30,651	29,174	1,477	689
Computer software	7,123	7,123	-	467
Office Equipment and furniture	38,965	36,973	1,992	2,691
Leasehold improvements	13,465	8,977	4,488	8,977
	<u>90,204</u>	<u>82,247</u>	<u>7,957</u>	<u>12,824</u>

**VICTORIA READ SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
(Unaudited)  
**JUNE 30, 2010**

**6. LEASE OBLIGATIONS**

**Equipment:**

The Society has leased photocopier, telephone systems, signage and postage equipment under leases expiring in 2011 and 2013.

These leases are being treated as operating leases. The Society has agreed to pay the following minimum lease payments:

2011	\$ 9,863
2012	9,672
2013	<u>4,417</u>
Aggregate	<u>\$ 23,952</u>

**Premises:**

a) Quadra Street Location

The Society has entered into a lease agreement to lease premises located at 2631 Quadra Street. The lease commences November 1, 2008 and expires December 31, 2011 with an option to renew for two additional terms of five years each. In addition to monthly rentals, the Society is responsible for its share of the common operating costs of the building. Annual base rent for the remainder of the first term are as follows:

November 1, 2009 - October 31, 2010	\$ 35,945
November 1, 2010 - October 31, 2011	\$ 39,423
November 1, 2011 - December 31, 2011	\$ 6,750

b) Sidney Location

The Society leases its Sidney location under a lease agreement which expires October 31, 2013. Basic monthly rental for this location is \$287 plus applicable taxes to October 31, 2013. In addition to monthly rentals, the Society is responsible for its share of the common operating costs of the building.

Total minimum lease payments for the Quadra Street and Sidney Premises described above, excluding the annual operating costs, are approximately as follows:

2011	\$ 41,704
2012	23,152
2013	<u>1,147</u>
Aggregate	<u>\$ 66,002</u>

c) Colwood Location

The Society rents property for its Colwood location under a month to month commercial tenancy rental agreement. Monthly rental for this location is \$300 plus applicable taxes.

**VICTORIA READ SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
(Unaudited)  
**JUNE 30, 2010**

**7. INTERNALLY RESTRICTED FUNDS**

The balance in the internally restricted funds is as follows:

	2010	2009
Internally restricted funds – property purchase	\$ 674,156	\$ 682,985
Transfer of funds to offset costs of move	-	(8,829)
Balance of internally restricted funds – property purchase	\$ 674,156	\$ 674,156

Subsequent to the year end, the Board of Directors passed a special resolution redirecting the internal restriction of \$300,000 of the above funds toward the expansion and development of the Society’s children and youth, education access and volunteer programs over the next three years.

**8. RESTATEMENT**

The opening balances at July 1, 2008 of Funds on deposit and the Endowment Fund fund balance have been reduced by \$135,000 to correct the accounting for funds permanently invested with the Vancouver Foundation and the Victoria Foundation (Note 4).