
**THE CHILDREN'S BOOK BANK AND
LITERACY FOUNDATION**

FINANCIAL STATEMENTS

DECEMBER 31, 2017

INDEPENDENT AUDITOR'S REPORT

To the Members,
The Children's Book Bank and Literacy Foundation

We have audited the accompanying financial statements of The Children's Book Bank and Literacy Foundation, which comprise the statement of financial position as at December 31, 2017, and the statements of operations and changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements 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 organization's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the organization derives revenue from donations and fundraising, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, verification of this revenue 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 donation and fundraising revenue, excess of revenue over expenses for the year, assets and net assets.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of The Children's Book Bank and Literacy Foundation as at December 31, 2017, 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.

Pennylegion Chung LLP

Chartered Professional Accountants
Licensed Public Accountants

May 9, 2018
Toronto, Ontario

THE CHILDREN'S BOOK BANK AND LITERACY FOUNDATION

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2017

	2017	2016
ASSETS		
Current assets		
Cash	\$ 172,336	\$ 142,211
Guaranteed investment certificates (note 2)	100,000	110,000
Amounts receivable	1,538	-
HST recoverable	6,108	4,765
Prepaid expenses	<u>3,781</u>	<u>3,781</u>
	<u>\$ 283,763</u>	<u>\$ 260,757</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 2,843	\$ 3,130
Deferred contributions (note 4)	<u>9,500</u>	<u>59,888</u>
	<u>12,343</u>	<u>63,018</u>
Net assets		
Unrestricted	<u>271,420</u>	<u>197,739</u>
	<u>\$ 283,763</u>	<u>\$ 260,757</u>

Approved on behalf of the Board:

_____, Director

_____, Director

see accompanying notes

THE CHILDREN'S BOOK BANK AND LITERACY FOUNDATION

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
REVENUE		
Contributions		
Foundations	\$ 167,044	\$ 103,591
Individual	132,338	108,436
Corporate	61,223	53,991
Events	32,504	13,097
Interest	<u>1,043</u>	<u>875</u>
	<u>394,152</u>	<u>279,990</u>
EXPENSES		
Personnel	181,974	171,677
Facility	85,683	86,092
Fundraising	17,389	13,012
Programming	13,914	13,870
Office and general	10,848	12,925
Communications	7,909	2,861
Professional fees	<u>2,754</u>	<u>3,333</u>
	<u>320,471</u>	<u>303,770</u>
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	73,681	(23,780)
Net assets, beginning of year	<u>197,739</u>	<u>221,519</u>
NET ASSETS, END OF YEAR	<u>\$ 271,420</u>	<u>\$ 197,739</u>

see accompanying notes

THE CHILDREN'S BOOK BANK AND LITERACY FOUNDATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	\$ 73,681	\$ (23,780)
Net change in non-cash working capital items (see below)	<u>(53,556)</u>	<u>(4,439)</u>
Net cash generated from (used for) operating activities	20,125	(28,219)
INVESTING ACTIVITIES		
Guaranteed investment certificates redeemed	<u>10,000</u>	<u>40,000</u>
NET INCREASE IN CASH FOR THE YEAR	30,125	11,781
Cash, beginning of year	<u>142,211</u>	<u>130,430</u>
CASH, END OF YEAR	<u>\$ 172,336</u>	<u>\$ 142,211</u>

Net change in non-cash working capital items:

Decrease (increase) in current assets-		
Amounts receivable	\$ (1,538)	\$ 1,437
HST recoverable	(1,344)	7,757
Increase (decrease) in current liabilities-		
Accounts payable and accrued liabilities	(286)	479
Deferred contributions	<u>(50,388)</u>	<u>(14,112)</u>
	<u>\$ (53,556)</u>	<u>\$ (4,439)</u>

see accompanying notes

THE CHILDREN'S BOOK BANK AND LITERACY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

The Children's Book Bank and Literacy Foundation (the organization) is incorporated in the Province of Ontario without share capital. The organization is exempt from income tax in Canada as a registered charitable organization under the Income Tax Act (Canada).

The organization collects, recycles and distributes free books to children who need them across Toronto.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Management is responsible for the preparation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations. Outlined below are those policies considered particularly significant:

Revenue recognition

The principal sources of revenue and recognition of these revenues for financial statement purposes are as follows:

Contributions

The organization follows the deferral method of revenue recognition for contributions.

Externally restricted contributions, including grants and restricted donations, related to current expenses are recognized as revenue in the current year. Externally restricted contributions received in the year for expenses to be incurred in the following year are recorded as deferred contributions. Unrestricted contributions, including donations and amounts received from fundraising, are recorded when received.

Contributed materials and services

Contributed materials and services, including books, which are normally purchased by the organization are not recorded in the accounts.

Event revenue

Event revenue is recognized in the period in which the event is held.

Interest income

Interest income is recognized as revenue when earned.

2. FINANCIAL INSTRUMENTS

The organization's financial instruments include cash, guaranteed investment certificates, amounts receivable, accounts payable and accrued liabilities. Amounts receivable, accounts payable and accrued liabilities are initially recorded at fair value and are subsequently recorded net of any provisions for impairment in value. Guaranteed investment certificates are recorded at cost, which approximates fair market value.

3. GUARANTEED INVESTMENT CERTIFICATES

Guaranteed investment certificates are issued by a major Canadian chartered bank, bear interest at a rate of 1.20% and mature in January 2018.

THE CHILDREN'S BOOK BANK AND LITERACY FOUNDATION

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4. DEFERRED CONTRIBUTIONS

Continuity of deferred contributions for the year is as follows:

	2017	2016
Deferred contributions, beginning of year	\$ 59,888	\$ 74,000
Add cash received from contributions	310,217	251,906
Less contribution revenue recognized	<u>(360,605)</u>	<u>(266,018)</u>
Deferred contributions, end of year	<u>\$ 9,500</u>	<u>\$ 59,888</u>

5. LEASE COMMITMENT

The organization leases office space in Toronto, Canada. Minimum annual payments over the term of the lease, which expires in December 2019, are as follows:

2018	\$ 83,500
2019	83,500