

FINANCIAL STATEMENTS

**BOOK CLUBS FOR INMATES INC. /
CERCLES DE LECTURE POUR DÉTENUS INC.**

December 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Members of
Book Clubs for Inmates Inc./Cercles de Lecture pour Détenus Inc.:

Qualified Opinion

I have audited the accompanying financial statements of **Book Clubs for Inmates Inc./Cercles de Lecture pour Détenus Inc.**, which comprise the statement of financial position as at December 31, 2020 and the statements of surplus, revenue and expenditures, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of my report, the accompanying financial statements present fairly, in all material respects, the financial position of **Book Clubs for Inmates Inc./Cercles de Lecture pour Détenus Inc.** as at December 31, 2020 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, **Book Clubs for Inmates Inc./Cercles de Lecture pour Détenus Inc.** derives revenue from donations, the completeness of which is not susceptible to my obtaining evidence I considered necessary for the purpose of the audit. Accordingly, the evidence obtained of these revenues was limited to the amounts recorded in the accounts of **Book Clubs for Inmates Inc./Cercles de Lecture pour Détenus Inc.**. Therefore, I was unable to determine whether any adjustments might have been found necessary with respect to revenue, excess of revenue over expenses and cash flows from operations for the years ended December 31, 2020 and 2019, current assets as at December 31, 2020 and 2019, and fund balances as at January 1 and December 31 for both the 2020 and 2019 year-ends. My conclusion on the financial statements as at and for the year ended December 31, 2019 was modified accordingly because of the possible effects of this limitation in scope.

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the not-for-profit in accordance with the ethical requirements that are relevant to my audit of financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

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INDEPENDENT AUDITOR'S REPORT

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 generally accepted 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 not-for-profit'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 not-for-profit or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the not-for-profit's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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, I exercise professional judgement and maintain professional skepticism throughout the audit. I 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 my 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.

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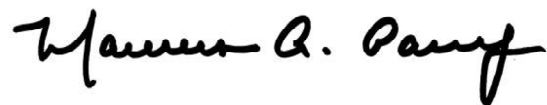
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INDEPENDENT AUDITOR'S REPORT

- 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 not-for-profit'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 not-for-profit's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the not-for-profit 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.

I 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 I identify during my audit.

I reviewed the prior year's financial statements.



Toronto, Ontario
May 14, 2021

CPA, CA, Professional Corporation
Authorized to practice public accounting by
The Chartered Professional Accountants of Ontario

Book Clubs for Inmates Inc. / Cercles de Lecture pour Détenus Inc.

STATEMENT OF FINANCIAL POSITION

Year ended December 31	2020	2019
	\$	\$
ASSETS		
Current		
Cash	165,425	161,355
Investments [note 2]	104,268	103,605
Amounts receivable	3,867	8,276
Prepaid expenses	<u>193</u>	<u>193</u>
	273,753	273,429
Long-term		
Equipment [note 3]	657	1,596
	<u>274,410</u>	<u>275,025</u>
LIABILITIES AND SURPLUS		
Current liabilities		
Accounts payable and accrued liabilities	4,336	23,763
Government remittances payable		1,928
Deferred grant	<u>5,000</u>	<u></u>
	9,336	25,691
Surplus		
Operating Fund, unrestricted	265,074	249,334
	<u>274,410</u>	<u>275,025</u>

see accompanying notes

On behalf of the Board:

Director

Director

Book Clubs for Inmates Inc. / Cercles de Lecture pour Détenus Inc.

STATEMENT OF SURPLUS

Year ended December 31	2020	2019
	\$	\$
Balance , beginning of year	249,334	250,209
Excess (deficiency) of revenue over expenditures for the year	15,740	(875)
Balance , end of year	265,074	249,334

see accompanying notes

Book Clubs for Inmates Inc. / Cercles de Lecture pour Détenus Inc.**STATEMENT OF REVENUE AND EXPENDITURES**

Year ended December 31	2020	2019
	\$	\$
Revenue		
Donations	87,196	162,764
Community Foundations of Canada - Emergency Community Support Fund	85,000	
Public Safety Canada grant	45,186	50,810
Government subsidies	2,800	
Investment income	662	1,646
Rental		1,350
Books		194
	<u>220,844</u>	<u>216,764</u>
Expenses		
Salaries and benefits	96,701	49,495
Books	44,531	59,497
Scholarship expenses	20,447	29,000
Professional fees	16,895	9,279
Communications	6,326	4,201
Administration	6,092	10,739
Outside services	3,555	32,553
Rent	2,506	6,023
Children of Inmates Reading Program expenses	1,554	1,265
Travel	1,441	6,588
Telephone and internet	1,409	1,086
Volunteer appreciation	1,111	2,721
Amortization	939	1,220
Insurance	825	828
Fundraising	472	1,594
Authors' visits	300	1,550
	<u>205,104</u>	<u>217,639</u>
Excess (deficiency) of revenue over expenditures for the year	15,740	(875)

see accompanying notes

Book Clubs for Inmates Inc. / Cercles de Lecture pour Détenus Inc.

STATEMENT OF CASH FLOWS

Year ended December 31	2020	2019
	\$	\$
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenditures for the year	15,740	(875)
Adjustment for amortization, an item which did not require an outlay of cash	<u>939</u>	<u>1,220</u>
	16,679	345
Net change in working capital balances:		
Amounts receivable	4,409	(2,390)
Accounts payable and accrued liabilities	(19,427)	18,354
Government remittances payable	(1,928)	511
Deferred revenue	<u>5,000</u>	<u> </u>
	<u>4,733</u>	<u>16,820</u>
INVESTING ACTIVITIES		
Purchase of equipment		(1,314)
Purchase of investments, net	<u>(663)</u>	<u>(1,645)</u>
	<u>(663)</u>	<u>(2,959)</u>
Change in cash during the year	4,070	13,861
Cash , beginning of year	161,355	147,494
Cash , end of year	<u>165,425</u>	<u>161,355</u>

see accompanying notes

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

PURPOSE OF THE ORGANIZATION

Book Clubs for Inmates Inc./Cercles de Lecture pour Deténus Inc. (the "Organization") is dedicated to establishing book clubs for inmates of federal penitentiaries to enhance the lives of inmates. The book clubs offer intellectual stimulation to inmates in an environment devoid of stimulating choices. The discussions provide the opportunity to discuss the challenges of life, moral choices and relationships - issues found in abundance in good literature. At the same time, the book clubs foster literacy, respectful listening, an interest in literature, and increased self awareness and empathy.

Book Clubs for Inmates Inc./Cercles de Lecture pour Deténus Inc. is a registered charity and as such is not subject to income taxes. Its registration number is 80417 0009. The Organization incorporated on May 2, 2011 and was continued under the Canada Not-for-profit Corporations Act on October 22, 2013.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial instruments

The Organization initially measures its financial assets and liabilities at fair value. Subsequently financial assets and liabilities are measured at amortized cost, except for investments that are quoted in an active market which are measured at fair value. Changes in fair value are recognized in excess of revenue over expenses. Transaction costs that are directly attributable to the acquisition of investments are recognized in net income in the period incurred.

Financial assets measured at amortized cost include cash and amounts receivable.

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

Equipment

Equipment is recorded at cost when purchased or at its fair market value when donated. Amortization is calculated on the straight-line method based on the estimated useful life of three years.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of the 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant. The most significant estimate in the financial statements is the estimated useful life of equipment.

Revenue recognition

The Organization follows the restricted method of accounting for contributions whereby donations are recorded to a restricted fund according to the directions of the donor. Restricted contributions related to general operations are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the restricted fund.

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

Government funding for operating expenses under the Government of Canada's COVID-19 response programs is recorded as government subsidies in the statement of revenue and expenditures.

Investment income (comprising interest, dividends, gains (losses) on sale of securities) is recorded when earned.

Contributed services

Volunteers contribute an undeterminable, but substantial number of hours during the year to assist the Organization in carrying out its mission. Because of the difficulty of determining their fair market value, contributed services are not recognized in the financial statements.

Transfers between funds

The Organization accounts for all transfers between funds as a reduction in the fund balance of the fund making the transfer and as an increase in the fund balance of the recipient fund.

Internally restricted amounts are not available for unrestricted purposes without approval of the Board.

Loans between funds may be made from time to time.

Book Clubs for Inmates Inc. / Cercles de Lecture pour Détenus Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

2. INVESTMENTS

	2020		2019	
	Fair Value	Cost	Fair Value	Cost
	\$	\$	\$	\$
BMO High Interest Savings Account	104,268	104,268	103,599	103,599

Income earned on these funds is being used by the Operating Fund to continue to provide scholarships.

3. EQUIPMENT

	Cost	Accumulated amortization	Net book value	
			2020	2019
	\$	\$	\$	\$
Computer equipment	4,317	(3,660)	657	1,596

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Organization is exposed to various risks through its financial instruments. The Organization's financial instruments consist of cash, investments, amounts receivable and accounts payable and accrued liabilities. The following analysis provides a measure of the Organization's risk exposure:

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 Organization's financial assets that are exposed to credit risk consist primarily of cash, investments and amounts receivable. Cash consists of deposits with a major Canadian bank. Investments consist of guaranteed investments certificates and income funds held in an account with a major Canadian brokerage. The Organization is subject to credit risk through its amounts receivable. Credit risk is limited due to the small number of receivables owed to the Organization.

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Organization is exposed to interest rate.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

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 rate. The Organization is exposed to interest rate risk on its investments due to the uncertain interest rates that will be in effect when its guaranteed investment certificate matures.

5. IMPACT OF COVID-19 PANDEMIC

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The impact of this unprecedented event could have material effect on the Organization's operations in 2021 and beyond. The pandemic has affected global markets and caused disruptions to domestic and international supply chains. Various measures introduced by all levels of government (i.e. travel restrictions, business closures, reduced government services, restrictions on public movement, imposition of quarantines and social distancing) have impacted the Organization's ability to deliver all of its programs and services over the immediate term and it is anticipated that this may continue for a significant period before a full return to normal operations is possible.

As a result of the Government of Canada restricting visitor access to all federal penitentiaries, the Organization temporarily suspended its in-person book clubs on March 15, 2020. The Organization, helped with funding from the Community Foundations of Canada, modified its book club format to send books directly to inmates with questions for reflection. It will continue with this modified format until the pandemic restrictions are lifted. Due to the ongoing restrictions, the Organization decided to temporarily close down in November and laid off the remaining staff pending the reopening of the penitentiaries. In April 2021 the Organization started to re-open, but it is not known when it will be able to reopen for in person services.

The Organization has continued to receive financial support, but there is uncertainty regarding the impact of the pandemic on its revenue over the longer term.

Management believes that it has sufficient resources to continue its mission through this pandemic and intends to utilize its cash and investments as required to cover any operating deficiencies resulting from the pandemic.

An estimate of the full financial effect of the pandemic cannot be made as at the date the financial statements were authorized for issuance on May 14, 2021.