
FIRST BOOK/LE PREMIERE LIVRE
FINANCIAL STATEMENTS
DECEMBER 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Directors
First Book/Le Premiere Livre
MISSISSAUGA
Ontario

Report on the Financial Statements

We have audited the accompanying financial statements of First Book/Le Premiere Livre which comprise the statement of financial position as at December 31, 2015 and the statements of operations, statement of changes in fund balances 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.

Auditors' 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 entity'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 entity'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

As is common with many charitable organizations, First Book/Le Premiere Livre derives part of its revenue from the general public in the form of contributions, which are not susceptible to complete audit verification. Accordingly, our verification of revenue from this source was limited to the amounts recorded in the records of First Book/Le Premiere Livre and we were not able to determine whether any adjustments might be necessary to donations revenue, excess of revenues over expenses, assets and fund balances.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of First Book/Le Premiere Livre as at December 31, 2015 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.



NORTON McMULLEN LLP
Chartered Professional Accountants, Licensed Public Accountants

MARKHAM, Canada
June 9, 2016

FIRST BOOK/LE PREMIERE LIVRE
STATEMENT OF FINANCIAL POSITION

As at December 31,

2015

2014

ASSETS

Current

Cash and cash equivalents	\$ 244,978	\$ 211,073
Restricted cash and cash equivalents	146,444	76,220
Accounts receivable	77,701	43,761
Inventories	82,738	104,909
Prepaid expenses	5,900	5,793
	<u>\$ 557,761</u>	<u>\$ 441,756</u>

Capital Assets (Note 2)

	<u>3,072</u>	<u>4,054</u>
	<u>\$ 560,833</u>	<u>\$ 445,810</u>

LIABILITIES

Current

Accounts payable and accrued liabilities (Note 3)	<u>\$ 71,174</u>	<u>\$ 108,398</u>
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FUND BALANCES

Unrestricted	\$ 343,215	\$ 261,192
Restricted	146,444	76,220
	<u>\$ 489,659</u>	<u>\$ 337,412</u>
	<u>\$ 560,833</u>	<u>\$ 445,810</u>

Commitment (Note 5)

Approved by the Board:

_____ Director

_____ Director

See accompanying notes

FIRST BOOK/LE PREMIERE LIVRE
STATEMENT OF CHANGES IN FUND BALANCES

For the year ended December 31,

2015

2014

	Unrestricted Fund	Restricted Fund	Total	Total
Revenues	\$ 10,604,129	\$ 70,224	\$ 10,674,353	\$ 7,154,730
Expenses	<u>10,522,106</u>	<u>-</u>	<u>10,522,106</u>	<u>7,070,117</u>
Excess of Revenues Over Expenses	\$ 82,023	\$ 70,224	\$ 152,247	\$ 84,613
Inter-Fund Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in Fund Balances	\$ 82,023	\$ 70,224	\$ 152,247	\$ 84,613
FUND BALANCES - Beginning	<u>261,192</u>	<u>76,220</u>	<u>337,412</u>	<u>252,799</u>
FUND BALANCES - Ending	<u>\$ 343,215</u>	<u>\$ 146,444</u>	<u>\$ 489,659</u>	<u>\$ 337,412</u>

See accompanying notes

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FIRST BOOK/LE PREMIERE LIVRE**STATEMENT OF OPERATIONS - UNRESTRICTED FUNDS**

For the year ended December 31,

2015

2014

REVENUES

Books received in-kind	\$ 9,555,444	\$ 6,345,133
Fundraising and donations	597,562	434,193
Program income	176,815	136,465
Program income on account of grants	174,216	144,740
Freight Income	100,092	82,639
	<u>\$ 10,604,129</u>	<u>\$ 7,143,170</u>

PROGRAM EXPENSES

Books distributed in-kind	\$ 9,555,444	\$ 6,345,133
Cost of books for program distribution	324,480	198,331
Salaries and benefits	215,035	185,960
Shipping costs	122,784	66,747
Other program expenses	66,144	65,190
Travel and lodging	40,292	40,692
	<u>\$ 10,324,179</u>	<u>\$ 6,902,053</u>

ADMINISTRATIVE EXPENSES

Salaries and benefits	\$ 132,832	\$ 117,943
Other administrative expenses	29,760	10,965
Professional fees	17,810	22,121
Occupancy	9,651	9,435
Travel and lodging	4,663	5,851
Loss on foreign exchange	1,128	259
Bad debt	1,101	-
Amortization	982	1,490
	<u>\$ 197,927</u>	<u>\$ 168,064</u>

TOTAL EXPENSES\$ 10,522,106 \$ 7,070,117**EXCESS OF REVENUES OVER EXPENSES**\$ 82,023 \$ 73,053

FIRST BOOK/LE PREMIERE LIVRE**STATEMENT OF OPERATIONS - RESTRICTED FUNDS**

For the year ended December 31,

2015**2014**

REVENUES

Fundraising and donations

\$ **253,873** \$ 182,676

Grants released from restriction

(183,649) (171,116)\$ **70,224** \$ 11,560**EXPENSES**- -**EXCESS OF REVENUES OVER EXPENSES**\$ **70,224** \$ 11,560

FIRST BOOK/LE PREMIERE LIVRE

STATEMENT OF CASH FLOWS

For the year ended December 31,

2015

2014

CASH AND CASH EQUIVALENTS WERE PROVIDED BY (USED IN):

OPERATING ACTIVITIES

Excess of revenues over expenses:

Unrestricted funds	\$ 82,023	\$ 73,053
Restricted funds	<u>70,224</u>	<u>11,560</u>
	\$ 152,247	\$ 84,613

Items not affecting cash:

Amortization	<u>982</u>	<u>1,490</u>
	\$ 153,229	\$ 86,103

Net change in non-cash working capital balances:

Accounts receivable	(33,940)	(2,033)
Inventories	22,171	(18,575)
Prepaid expenses	(107)	-
Accounts payable and accrued liabilities	<u>(37,224)</u>	<u>15,358</u>
	\$ 104,129	\$ 80,853

NET INCREASE IN CASH AND CASH EQUIVALENTS

\$ 104,129 \$ 80,853

CASH AND CASH EQUIVALENTS - Beginning

287,293 206,440

CASH AND CASH EQUIVALENTS - Ending

\$ 391,422 \$ 287,293

Cash and cash equivalents consists of:

Cash and cash equivalents	\$ 244,978	\$ 211,073
Restricted cash and cash equivalents	<u>146,444</u>	<u>76,220</u>
	<u>\$ 391,422</u>	<u>\$ 287,293</u>

FIRST BOOK/LE PREMIERE LIVRE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

NATURE OF OPERATIONS

First Book/Le Premiere Livre (the "Organization") provides new books and education materials to Canadian children from low-income families. The Organization works through existing community programs and literacy efforts to provide a steady stream of new, free or low cost books to elevate educational programming and improve access to reading materials. Through work with Canadian publishing partners, an ever expanding network of volunteers and book recipient groups, the Organization provides unprecedented access to new books for programs serving children in need.

The Organization was incorporated without share capital under Part II of the Canada Corporations Act by Letters Patent dated April 23, 2003 and on December 31, 2013 received its Certificate of Continuance under the Canada Not-for-profit Corporations Act. The Organization is a registered charitable organization and is therefore exempt from Income tax.

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) Fund Accounting

The **Unrestricted Fund** accounts for the Organization's program, fundraising and administrative activities. This fund reports unrestricted resources in excess of the operating requirements.

The **Restricted Fund** accounts for the Organization's program activities where the grantor or donor has specified restrictions as to the use of the funds and donated items.

b) Revenue Recognition

The Organization follows the restricted fund method whereby externally restricted contributions are recognized in the fund corresponding to the purpose for which they were contributed. Restricted contributions for which there is no fund are recorded in accordance with the deferral method. Unrestricted contributions are recognized as revenues in the Unrestricted Fund when received. Program income, program income on account of grants, and freight income are recognized as revenue when orders are accepted and collection is reasonably assured.

c) Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions based on currently available information. Such estimates and assumptions affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from the estimates used.

FIRST BOOK/LE PREMIERE LIVRE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

d) Cash and cash equivalents

Cash and cash equivalents consists of bank deposits.

e) Inventories

Inventories consist of books and educational publications for program distribution. Inventories purchased are measured at the lower of cost and net realizable value, with cost being determined using the first-in, first-out method.

f) Capital Assets

Capital Assets are recorded at cost. Amortization is being provided over the estimated useful life of the assets using the following annual rates and methods:

	<u>Rate</u>	<u>Method</u>
Computer equipment	55%	declining balance
Furniture and equipment	20%	declining balance

g) Impairment of Capital Assets

When a capital asset no longer has any long-term service potential to the Organization, the excess of the net carrying amount over any residual value is recognized as an expense in unrestricted funds.

h) Contributed Services

Volunteer services contributed to the Organization in carrying out its operating activities are not recognized in these financial statements due to the difficulty in determining their fair value.

i) Contributed Goods

Books contributed in-kind are recognized when the fair value of the contributed goods can be reasonably estimated and are used in the normal course of the Organization's program operations. Fair value is determined on the basis of market or appraised values or the market value of similar goods.

FIRST BOOK/LE PREMIERE LIVRE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

j) Financial Instruments

Measurement of Financial Instruments

The Organization initially measures all of its financial assets and liabilities at fair value and subsequently measures all of its financial assets and liabilities at amortized cost.

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

The Organization has no financial assets measured at fair value and has not elected to carry any financial asset or liability at fair value.

Impairment

Financial assets measured at amortized cost are tested for impairment 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 indicators of impairment in the current year.

k) Allocation of Common Expenses

The Organization incurs expenses to support restricted and unrestricted programs as well as to maintain general and administrative functions. The preparation of financial statements requires management to make estimates and assumptions based on currently available information in order to allocate shared expenses between these activities. Such estimates and assumptions affect gross program and administrative expenses reported on the Statement of Operations.

2. CAPITAL ASSETS

Capital assets consist of the following:

	2015			2014
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	\$ 1,503	\$ 1,281	\$ 222	\$ 491
Furniture and equipment	<u>7,732</u>	<u>4,882</u>	<u>2,850</u>	<u>3,563</u>
	<u>\$ 9,235</u>	<u>\$ 6,163</u>	<u>\$ 3,072</u>	<u>\$ 4,054</u>

FIRST BOOK/LE PREMIERE LIVRE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are government remittances owing of \$Nil (2014 - \$2,292).

4. RELATED PARTY TRANSACTIONS AND BALANCES

The Organization engaged with First Book USA Inc., an affiliated company, in the following transactions:

	2015	2014
Cost of books for program distribution	<u>\$ 167,344</u>	<u>\$ 125,985</u>

These transactions were in the normal course of operations and have been measured at the exchange amount, which is the amount of consideration agreed upon by the related parties.

Amounts owing to (from) First Book USA Inc. are non-interest bearing and due on demand as follows:

	2015	2014
Included in accounts receivable	\$ (1,295)	\$ -
Included in accounts payable and accrued liabilities	<u>26,571</u>	<u>83,021</u>
	<u>\$ 25,276</u>	<u>\$ 83,021</u>

5. COMMITMENT

The Organization has entered into a lease agreement for office space for basic rent ending August 2016. The basic rent payments, through to expiry of the lease, are as follows:

2016	<u>\$ 12,392</u>
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FIRST BOOK/LE PREMIERE LIVRE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

6. 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 December 31, 2015:

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 is exposed to this risk mainly with respect to its accounts receivable. There is no concentration of credit risk as at December 31, 2015. 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. The Organization manages this risk by managing its working capital and by generating sufficient cash flows from operations. 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: interest rate risk, price risk, and currency risk. Management is of the opinion that its market risk is not significant and there has been no change in the assessment of market risk from the prior year.