Financial Statements of

LIMESTONE LEARNING FOUNDATION

And Independent Auditors' Report thereon

Year ended December 31, 2019

LIMESTONE LEARNING FOUNDATION

Financial Statements

Year ended December 31, 2019

INDEPENDENT AUDITORS' REPORT

To the Members of the Limestone Learning Foundation

Qualified Opinion

We have audited the financial statements of Limestone Learning Foundation (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- that statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies (hereinafter referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the ***"Basis for Qualified Opinion"*** section of our auditors' report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Entity derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Entity.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets reported in the statements of financial position as at December 31, 2019 and December 31, 2018
- the donations revenue and excess (deficiency) of revenue over expenses reported in the statements of operations for the years ended December 31, 2019 and December 31, 2018
- the net assets, at the beginning and end of the year, reported in the statements of changes in net assets for the years ended December 31, 2019 and December 31, 2018
- the excess (deficiency) of revenue over expenses reported in the statements of cash flows for the years ended December 31, 2019 and December 31, 2018

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' 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 qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

Auditors' 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 auditors' report that includes our qualified 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 the 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 qualified 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 auditors' 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 auditors' 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.
- 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.

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada
March 10, 2020

LIMESTONE LEARNING FOUNDATION

Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Cash	$ 467,477	$ 384,093
Investments (note 2)	1,839,266	1,721,081
Accounts receivable (note 3)	10,225	36,265
Prepaid expenses	5,530	5,622
	$ 2,322,498	$ 2,147,061
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	$ 45,039	$ 36,890
Deferred contributions	13,265	14,025
	58,304	50,915
Net assets:		
Endowments (note 4)	1,979,128	1,975,713
Unrestricted	285,066	120,433
	2,264,194	2,096,146
	$ 2,322,498	$ 2,147,061

See accompanying notes to financial statements.

On behalf of the Board:

LIMESTONE LEARNING FOUNDATION

Statement of Operations

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Donations:		
Special events (note 6)	$ 71,276	$ 148,297
Direct mail	6,320	6,386
Churchill Grant	20,460	22,003
Other	68,527	27,025
	166,583	203,711
Investment income (note 5)	201,974	12,107
	368,557	215,818
Expenses:		
Direct program expenses:		
Special events (note 6)	14,193	29,258
Administrative expenses:		
Salary and benefits	108,127	108,450
Professional fees	6,792	6,285
Office	20,534	21,880
	135,453	136,615
Total expenses	149,646	165,873
Excess of revenue over expenses before grant disbursements	218,911	49,945
Grant disbursements:		
Literacy and numeracy, innovative practices, technology and arts	29,695	35,150
Churchill Grant	20,460	22,003
Other grants (refunds)	4,123	(2,873)
	54,278	54,280
Excess (deficiency) of revenue over expenses	$ 164,633	$ (4,335)

See accompanying notes to financial statements.

LIMESTONE LEARNING FOUNDATION
Statement of Changes in Net Assets

Year ended December 31, 2019, with comparative information for 2018

	Endowment	Unrestricted	Total 2019	Total 2018
Net assets, beginning of year	$ 1,975,713	$ 120,433	$ 2,096,146	$ 2,066,707
Excess (deficiency) of revenue over expenses	–	164,633	164,633	(4,335)
Externally endowed contributions (note 4)	3,415	–	3,415	33,774
Net assets, end of year	$ 1,979,128	$ 285,066	$ 2,264,194	$ 2,096,146

See accompanying notes to financial statements.

LIMESTONE LEARNING FOUNDATION

Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	$ 164,633	$ (4,335)
Item not involving cash:		
Change in fair value	(155,369)	22,400
Change in non-cash operating working capital:		
Accounts receivable	26,040	(22,330)
Prepaid expenses	92	(31)
Accounts payable and accrued liabilities	8,149	4,436
	43,545	140
Financing activities:		
Deferred contributions	(760)	(2,503)
Investing activities:		
Net sale of investments	37,184	31,007
Endowment contributions reported as direct increase in net assets	3,415	33,774
	40,599	64,781
Increase in cash	83,384	62,418
Cash, beginning of year	384,093	321,675
Cash, end of year	$ 467,477	$ 384,093

See accompanying notes to financial statements.

The Limestone Learning Foundation ("Foundation") was incorporated under the applicable provisions of the Corporations Act (Ontario) on November 4, 1999 and received tax exempt status as a registered charity effective January 1, 2000. The Foundation's purpose is to receive and maintain funds and to apply these funds to promote the advancement of education within the geographic regions of the County of Frontenac and County of Lennox & Addington, in the Province of Ontario, by providing programs in literacy and numeracy, technology and innovative practices to maximize the learning potential and skill development of students.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook – Accounting.

(a) Revenue recognition:

The Foundation follows the deferral method of accounting for contributions, which includes donations.

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

Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the year in which the related expenses are recognized.

Pledges are recorded as revenue on a cash basis and accordingly not set up as assets in the financial statements.

Endowment contributions are recognized as direct increases in net assets in the year in which they are received.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

1. Significant accounting policies (continued):

(c) Financial instruments (continued):

Financial instruments, including investments, are recorded at fair value on initial recognition. Investments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(d) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

2. Investments:

	2019	2018
Mutual funds	$ 214,721	$ 83,108
Fixed income	800,307	808,270
US equities	171,830	343,039
Canadian equities	652,408	486,664
	$ 1,839,266	$ 1,721,081

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3. Accounts receivable:

No allowance for impairment of accounts receivable has been recorded at December 31, 2019 (2018 - $Nil).

4. Endowments:

Contributions restricted for endowments consist of restricted donations received by the Foundation and donations internally restricted by the board of directors, in the exercise of its discretion.

	Externally endowed	Internally endowed	2019 Total endowment	2018 Total endowment
Endowments, beginning of year	$ 1,682,969	$ 292,744	$ 1,975,713	$ 1,941,939
Contributions	3,415	–	3,415	33,774
Endowments, end of year	$ 1,686,384	$ 292,744	$ 1,979,128	$ 1,975,713

5. Investment income:

	2019	2018
Dividends	$ 25,257	$ 18,655
Interest income	21,348	15,852
Change in fair value	155,369	(22,400)
	$ 201,974	$ 12,107

6. Special events:

During the year, the following special events were held to raise funds for general operations. Gross revenue and expenses related to these events are as follows:

	Gala Event (2016)		Golf Tournament		Canadian Crystal Ball		Crystal Concert Series		Other		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenue	$ –	$ –	$ 70,751	$ 72,971	$ –	$ 2,725	$ 250	$ 71,627	$ 275	$ 974	$ 71,276	$ 148,297
Expenses	–	–	13,462	13,403	–	3,329	731	12,136	–	390	14,193	29,258
Excess (deficiency) revenue over expenses	$ –	$ –	$ 57,289	$ 59,568	$ –	$ (604)	$ (481)	$ 59,491	$ 275	$ 584	$ 57,083	$ 119,039

7. Financial risks:

The Foundation manages its investment portfolio to earn investment income and invests according to a Board policy. The Foundation is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purposes.

The Foundation believes that it is not exposed to significant interest-rate, market, credit or cash flow risk arising from its financial instruments.

Additionally, the Foundation believes it is not exposed to significant liquidity risk as all investments are held in instruments that are highly liquid and can be disposed of to settle commitments. The fixed income securities yield interest between 2.0% and 3.6% and have maturities ranging from March 2021 to June 2025.

Investments that trade in foreign markets are exposed to currency risk as the price in local terms on the foreign stock exchange is converted to Canadian dollars to determine fair value. The Foundation's overall currency positions are monitored regularly by the portfolio manager.

There has been no change to the risk exposures from 2018.

8. Changes in accounting policies:

In March 2018, the Accounting Standards Board issued "Basis for Conclusions- Accounting Standards Improvements for Not-for-Profit Organizations" resulting in the introduction of three new handbook sections in the Accounting Standards for Not-for- Part Ill of the Handbook as follows:

a) Section 4433, Tangible capital assets held by not-for-profit organizations, which directs organizations to apply the accounting guidance of Section 3061, Property Plant and Equipment in Part II of the Handbook. In so doing, the new section requires that organizations annually assess for partial impairment of tangible capital assets, to be recorded where applicable, as a non-reversible impairment expense. In addition, where practical, to componentize capital assets when estimates can be made of the useful lives of the separate components.

   This section is applied on a prospective basis with the exception of the transitional provision to recognize an adjustment to opening net assets for partial impairments of tangible assets that existed as at January 1, 2019.

(b) Section 4434, Intangible assets held by not-for-profit organizations, which directs organizations to annually assess intangible assets, and where applicable to record an impairment expenses should the net carrying value be higher than the asset's fair value or replacement cost.

   This section is applied on a prospective basis with the exception of the transitional provision to recognize an adjustment to opening net assets for partial impairment of intangible assets that existed as at January 1, 2019.

8. Changes in accounting policies (continued):

(c) Section 4441. Collections held by not-for-profit organizations, which defines a collection and directs organizations to record such assets on the statement of financial position at either cost or nominal value. It is anticipated that all collections will be accounted for using the same method, with the exception of organizations that opt to account for collections at cost, whereby the cost for certain collections either held or contributed cannot be determined. Such items are to be accounted for at a nominal value. In addition, collections are written down when there is evidence that the net carrying amount exceeds fair value.

Foundations are permitted to retrospectively capitalize collections at their cost or fair value at the date of acquisition, or fair value or replacement cost as at January 1, 2019, based on the most readily determinable value. In addition, an adjustment to opening net assets is permitted to recognize any partial impairment of the value of collections that existed .as at January 1, 2019.

The amendments are effective for financial statements for fiscal years beginning on or after January 1, 2019.

The implementation of these changes had no impact on the financial statements.