

# THE READING CLINIC

## Financial Statements and Independent Auditors' Report

August 31, 2022



Heather Kitson  
President + Director



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## Independent Auditor's Report

To the Board of Directors of  
The Reading Clinic

### Qualified Opinion

We have audited the financial statements of Reading Clinic (the "Clinic"), which comprise the statement of financial position as at August 31, 2022, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively 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 report, the accompanying financial statements present fairly, in all material respects, the financial position of the Clinic as at August 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting standards for not-for-profit organizations in Bermuda and Canada.

### Basis for Qualified Opinion

In common with many not-for-profit organizations, the Clinic derives revenue from donations the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Clinic and we were not able to determine whether any adjustments might be necessary to recorded donations, the excess of revenues over expenses, and cash flows from operations for the years ended August 31, 2022 and 2021, current assets as at August 31, 2022 and 2021, and net assets as at September 1 and August 31 for both the 2022 and 2021 years. Our audit opinion on the financial statements for the year ended August 31, 2021 was modified accordingly because of the possible effects of this scope limitation.

We conducted our audit in accordance with generally accepted auditing standards in Bermuda and Canada. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Clinic in accordance with the ethical requirements that are relevant to our audit of the financial statements in Bermuda, and we have fulfilled our other ethical 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 audit 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 accounting standards for not-for-profit organizations in Bermuda and Canada, 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 Clinic'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 Clinic or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Clinic's financial reporting process.

## Independent Auditor's Report (cont'd)

### Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Bermuda and Canada 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 generally accepted auditing standards in Bermuda and Canada, 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 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 Clinic'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 Clinic's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Clinic 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.

We 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.

*Deloitte Ltd.*

March 1, 2023

**THE READING CLINIC**  
**STATEMENT OF FINANCIAL POSITION**  
as at August 31, 2022  
*(expressed in U.S. dollars)*

	2022	2021
<b>ASSETS</b>		
Current assets		
Cash	\$ 946,228	\$ 983,711
Accounts receivable, net of allowance of \$1,722 (2021: \$3,887)	29,984	48,744
Prepaid expenses	9,610	9,914
Marketable securities (Note 3)	1,121,598	1,281,432
	2,107,420	2,323,801
Building (Note 4)	321,479	339,560
	\$ 2,428,899	\$ 2,663,361
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities (Note 5)	\$ 44,961	\$ 46,429
Deferred revenue (Notes 4 and 6)	289,169	296,354
	334,130	342,783
Deferred contributions (Note 4)	330,687	348,768
	664,817	691,551
<b>NET ASSETS</b>		
Unrestricted	1,764,082	1,971,810
	1,764,082	1,971,810
	\$ 2,428,899	\$ 2,663,361

*See accompanying notes to the financial statements*

Approved by the Board:

  
.....Director

  
.....Director

**THE READING CLINIC**  
**STATEMENT OF OPERATIONS**  
for the year ended August 31, 2022  
*(expressed in U.S. dollars)*

	2022	2021
<b>OPERATING REVENUE</b>		
Deferred donations released to revenue (Note 6)	\$ 385,679	\$ 476,659
Tuition fees, net (Note 8)	221,097	235,446
Donations (Note 7 & 12)	453,413	423,247
Special events income (Note 10)	43,706	12,795
Service fee and office rent	43,335	55,186
Diagnostic fees, net (Note 9)	14,242	16,140
Amortization of deferred contributions (Note 4)	18,081	18,081
	1,179,553	1,237,554
<b>OPERATING EXPENDITURES</b>		
Wages and benefits	638,249	638,977
Tutoring and scholarships	418,438	429,692
Facility costs (Note 11)	169,119	126,812
Special events expense (Note 10)	525	695
Training, workshop, testing material and supplies	10,126	9,019
Depreciation (Note 4)	18,081	18,081
Bad debt (recovery) expense	(625)	5,274
	1,253,913	1,228,550
<b>(DEFICIENCY) EXCESS OF OPERATING REVENUES OVER EXPENDITURES</b>	<b>(74,360)</b>	<b>9,004</b>
<b>OTHER REVENUES AND EXPENDITURES</b>		
Interest and investment income	26,311	30,411
Miscellaneous	155	-
Net realized and unrealized (loss) gains on investments	(159,834)	146,792
	(133,368)	177,203
<b>(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>\$ (207,728)</b>	<b>\$ 186,207</b>

*See accompanying notes to the financial statements*

**THE READING CLINIC**  
**STATEMENT OF CHANGES IN NET ASSETS**  
for the year ended August 31, 2022  
*(expressed in U.S. dollars)*

	2022	2021
Balance, beginning of year	\$ 1,971,810	\$ 1,785,603
(Deficiency) Excess of revenues over expenditures	<u>(207,728)</u>	<u>186,207</u>
Balance, end of year	<u>\$ 1,764,082</u>	<u>\$ 1,971,810</u>

*See accompanying notes to the financial statements*

**THE READING CLINIC**  
**STATEMENT OF CASH FLOWS**  
for the year ended August 31, 2022  
*(expressed in U.S. dollars)*

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
(Deficiency) Excess of revenues over expenditures	\$ (207,728)	\$ 186,207
Adjustments to reconcile (Deficiency) Excess of revenues over expenses to net cash provided by operating activities:		
Depreciation	18,081	18,081
Amortization of deferred contributions	(18,081)	(18,081)
Deferred donations released to revenue	(385,679)	(476,658)
Net realized and unrealized loss/(gains) on investments	159,834	(146,792)
Changes in assets and liabilities:		
Accounts receivable	18,762	1,457
Prepaid expenses	302	(451)
Accounts payable and accrued liabilities	(1,468)	11,294
Deferred revenue	378,494	425,326
	(37,483)	383
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	-	196,011
	-	196,011
Being net cash provided by investing activities		
<b>NET (DECREASE) INCREASE IN CASH</b>	(37,483)	196,394
<b>CASH, BEGINNING OF YEAR</b>	983,711	787,317
<b>CASH, END OF YEAR</b>	\$ 946,228	\$ 983,711

*See accompanying notes to the financial statements*

**THE READING CLINIC**  
**NOTES TO THE FINANCIAL STATEMENTS**

August 31, 2022

*(expressed in U.S. dollars)*

1. PURPOSE OF THE ORGANIZATION

The Reading Clinic (the "Clinic") is a private, not-for-profit registered charity, No.126. Mrs. Elizabeth Kitson, BE, MA, founded the Clinic in 1968. The Clinic operated from Mrs. Kitson's home for 23 years. In 1990, an Act of Parliament incorporated the Reading Clinic and in 1991 the Clinic moved into its current facility. The Clinic promotes literacy and numeracy in Bermuda and provides assessments, tutoring and related interventions for children with dyslexia and learning difficulties. Through family and school consultations, referrals, and advocacy and by professional development, the Clinic fosters the use of research-based practices to empower individuals who learn differently.

2. SUMMARY SIGNIFICANT ACCOUNTING POLICIES

**Basis of presentation**

These financial statements have been prepared in accordance with Accounting Standards for Not-for-Profit Organizations generally accepted in Bermuda and Canada ("Part III") and include the following significant accounting policies:

**Use of estimates**

The preparation of financial statements in accordance with Part III requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the period in which they become known.

**Marketable securities**

Investments in marketable securities are recognized at fair value on the statement of net assets. The fair values of the Company's marketable securities are determined as the closing sales price at August 31, 2022 on a recognized stock exchange. Realized and unrealized gains and losses on unrestricted investments are reported as part of statement of operations. Realized and unrealized gains and losses on endowment investments are presented under net assets restricted for endowment in the statement of changes in net assets. Donated investments are recorded at fair value at date of transfer.

**Revenue recognition**

The Clinic follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increase in net assets.

Tutor fees and diagnostic fees are recognized as revenue when the service has been provided. Service fee and office rent are recognized as revenue over the term of the lease. Unrestricted dividends and interest are recognized as revenue when they are earned.



**THE READING CLINIC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
August 31, 2022  
*(expressed in U.S. dollars)*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Capital assets

Capital assets are recorded at cost. The Clinic has established a policy to capitalize individual assets above \$10,000. Purchase of individual assets below this are expensed. No purchases of capital assets were expensed during year (2021: Nil). The building is amortized using the straight-line method and has an estimated useful life of 48 years.

Contributed goods and services

Contributed goods and services, other than donated audit services, are not recognized in the financial statements because of the difficulty of determining their fair value.

Financial instruments

The Clinic initially measures its financial assets and liabilities at fair value. The Clinic subsequently measures all its financial assets and financial liabilities at amortized cost, except for marketable securities, which are measured at fair value. Financial assets and financial liabilities measured at amortized cost include cash and deposits, accounts receivable, accounts payable and accrued liabilities.

3. MARKETABLE SECURITIES

	No. of shares/ units	2022		No. of shares units	2021	
		Cost \$	Market value \$		Cost \$	Market value \$
<b>Non-Traditional</b>						
SPDR Gold Trust	630	93,467	100,340	630	93,467	106,905
<b>Fixed Income</b>						
Ishares US AGG BND USE	1,550	169,404	149,095	1550	169,404	171,244
IShares USD Short Duration	930	96,137	90,568	930	96,137	96,860
IShares II PLC USD Treasury BD7-10Yr	465	96,716	86,178	465	96,716	99,617
IShares USD Corporate Bond UCITS	380	47,796	39,805	380	47,796	49,237
IShares Global High Yld Corp	370	35,946	29,230	370	35,946	36,771
IShares JP Morgan USD EM BD FD	310	35,802	26,238	310	35,802	34,887
<b>Equity investments</b>						
Ishares MSCI World UCITS ETF	4,130	213,931	231,941	4,130	213,931	276,668
Invesco QQQ Trust Series I	230	53,832	68,832	230	53,832	87,388
Fidelity India Focus Fund	822	32,058	52,271	822	32,058	60,623
Ascendant Group Ltd.	-	-	-	-	-	-
Devonshire Industries Ltd.	3,000	22,785	10,500	3,000	22,785	9,750
Watlington Waterworks Ltd	4,390	15,337	127,530	4,390	15,337	127,310
Bank of N. T. Butterfield & Son Ltd	3,356	86,892	109,070	3,356	86,892	124,172
		<u>1,000,103</u>	<u>1,121,598</u>		<u>1,000,103</u>	<u>1,281,432</u>

**THE READING CLINIC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
August 31, 2022  
*(expressed in U.S. dollars)*

4. BUILDING AND DEFERRED CONTRIBUTIONS

	2022	2021
Cost	\$ 747,618	\$ 747,618
Accumulated depreciation:		
Beginning of year	408,058	389,977
Depreciation	18,081	18,081
End of year	426,139	408,058
Net book value, end of year	\$ 321,479	\$ 339,560

The building, which houses the Reading Clinic, was built in 1991, and was funded primarily through cash and in-kind donations. The original cost of the building was recorded based on the contract to build it, which was supplied by Gringley Construction. The fair value of the building at the time of its construction was considerably greater than the Gringley contract price because the drawings and many other elements were donated "in kind" and not otherwise recorded. As any increase in the cost of the building during construction would have been offset by an increase in deferred contributions and the any increase in depreciation would have been offset by an increase in the amortization of deferred contributions, management believes that failure to record these amounts does not significantly affect the fair presentation of these financial statements.

The building and the addition are being amortized on a straight-line basis at a rate of \$1,000 per month and \$507 per month, respectively. This rate assumes an estimated useful life of 48 years.

Deferred contributions represent externally restricted donations used in the construction of the building. The donation revenue is being amortized to income on the same basis as the building. Changes in the deferred contributions balance are as follows:

	2022	2021
Beginning balance	\$ 348,768	\$ 366,849
Amount recognized as revenue in the year	(18,081)	(18,081)
Ending balance	\$ 330,687	\$ 348,768

5. GOVERNMENT REMITTANCES

The amount included in accounts payable and accrued liabilities in respect of government remittances as at August 31, 2022 is \$ 5,891 (2021: \$4,786).

**THE READING CLINIC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
August 31, 2022  
*(expressed in U.S. dollars)*

6. DEFERRED REVENUE

Changes in the deferred revenue balance are as follows:

	Core Reading \$	ICAN Math \$	I-PLAY \$	In Memory of				Other \$	2022 Total \$	2021 Total \$
				Bruce Woolley \$	Geoffre Burns \$	Ann Dunstan \$	Brock Outerbridge \$			
Opening balance	142,083	25,000	24,502	75,345	17,173	9,272	-	2,979	296,354	347,686
Additions during year less Other reclassification (g) (Note 10)	218,334	65,000	75,000	-	-	-	20,160	-	378,494	425,326
Donations released during the year	(246,250)	(70,000)	(61,250)	(2,500)	(1,500)	(1,200)	-	(2,979)	(385,679)	(476,658)
Closing balance	114,167	20,000	38,252	72,845	15,673	8,072	20,160	-	289,169	296,354

Deferred revenue represents unspent resources restricted for the following programs:

- (a) Core Reading  
The Core Reading Programme is designed for students with specific types of reading disabilities such as dyslexia. The majority of students enrolled in the program are at the primary level of schooling in Bermuda.
- (b) ICAN Math  
This is a programme aimed at helping schools identify and respond to students in Primaries 5 and 6 with math learning disabilities and includes the training of math tutors and provision of tutoring to students identified with difficulties.
- (c) I-Play  
I-PLAY is a Programme aimed at improving the emerging literacy skills of preschool children. Screenings and small group activities are used to promote preschoolers' phonological skills such as rhyming and breaking down the sounds in words. All of the activities are interactive and game-like, using toys and pictures, with no print involved. There are currently seven government preschools enrolled in the I-PLAY Programme.
- (d) Bruce Wooley  
These donations are to be used for a \$2,500 scholarship for one student per year in the core reading program, beginning in 2014.
- (e) In Memory of Geoffrey Burns  
These donations are to be used for a \$1,500 scholarship for one student per year beginning in 2011.

**THE READING CLINIC**  
**NOTES TO THE FINANCIAL STATEMENTS**

August 31, 2022

*(expressed in U.S. dollars)*

6. DEFERRED REVENUE (Cont'd)

(f) In Memory of Ann Dunstan

These donations are to be used towards the scholarship for one student per year beginning in 2009.

(g) In Memory of Brock Outerbridge

These donations are to be used towards the scholarship in the name of Mansfield Brock and Miles Outerbridge for one student per year beginning in 2022.

(h) Other

In 2021, the donations relate to funds donated to refurbish the Clinic's library. In 2022 this was fully released.

7. DONATIONS

Audit fees for the year ended August 31, 2022, are recorded at their fair value of \$19,475 (2021: \$18,550). The actual amount charged for the audit services is \$3,895 (2021: \$3,710) plus an administrative fee of 4%. The difference of \$ 15,580 (2021: \$14,840) has been recorded as a donation.

The following table summarizes the breakdown of donations arranged by type as of August 31, 2022, and 2021:

	2022	2021
Core reading	\$ 30,000	\$ 60,916
ICAN	42,579	37,500
Diagnostic	78,000	37,500
Other	54,762	36,578
Matching	3,500	3,980
Unrestricted	244,572	246,773
	\$ 453,413	\$ 423,247

**THE READING CLINIC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
August 31, 2022  
*(expressed in U.S. dollars)*

8. TUTOR FEES, NET

	2022	2021
Tutor fees	\$ 369,008	\$ 382,753
Bursaries awarded	(147,911)	(147,307)
	<u>\$ 221,097</u>	<u>\$ 235,446</u>

9. DIAGNOSTIC FEES, NET

	2022	2021
Diagnostic fees	\$ 81,731	\$ 57,040
Bursaries awarded	(67,489)	(40,900)
	<u>\$ 14,242</u>	<u>\$ 16,140</u>

10. SPECIAL EVENTS

	2022	2021
Revenues		
Raffle	\$ 8,625	\$ -
Tag day	7,135	12,795
Christmas Drive	27,946	-
	<u>\$ 43,706</u>	<u>\$ 12,795</u>
Expenses		
Other special events	\$ (525)	\$ (695)

11. RELATED PARTY TRANSACTIONS

In 2016, Abacus Ltd. were engaged by The Reading Clinic to provide bookkeeping and accounting services. In 2017, Megan Nesbitt, President of Abacus Ltd. was invited to join the Board of the Clinic as Treasurer. In 2022, Megan stepped down as treasurer and Lauren Greenidge was invited to replace her. The amount paid to Abacus Ltd. for services was \$ 16,166 (2021 - \$16,732) of which \$810 (2021 - \$1,148) was payable at year end.

12. GOVERNMENT GRANTS

The Clinic receives grants from the Government as financial assistance for tutoring and testing. Total funds received in 2022 were \$ 50,000 (2021: \$50,000). Unspent grants included in deferred revenues as at August 31, 2022 was \$ Nil (2021: \$Nil).

**THE READING CLINIC**  
**NOTES TO THE FINANCIAL STATEMENTS**

August 31, 2022

*(expressed in U.S. dollars)*

13. COMMITMENTS AND CONTIGENCIES

The Clinic leases the land on which the building is situated from the Bermuda High School for Girls Association for \$1 per annum. The lease expires in November 2088.

14. FINANCIAL INSTRUMENTS RISK

The Clinic is exposed to various risks through its financial instruments. The following analysis provides a measure of the Clinic's risk exposure as at August 31, 2022. Reference should be made to the statement of financial position and related notes for the quantitative values of the financial statement items referred to herein.

**Liquidity risk**

The Clinic is exposed to liquidity risk mainly with respect to its accounts payable and accrued liabilities, and its ability to provide the activities related to its deferred donations.

**Market risk**

The Clinic is exposed to other price risk with respect to its marketable securities.

**Credit risk**

The Clinic is exposed to credit risk with respect to its accounts receivables.

**COVID-19**

The extent of the impact of the coronavirus ("COVID-19") outbreak on the financial performance of the company will depend on future developments of the virus. At this time the impact of the coronavirus seems to be over.

**Changes in risk**

There have been no significant changes in the Clinic's risk exposures from the 2021 fiscal year.

15. SUBSEQUENT EVENTS

In preparing the financial statements, management evaluated events and transactions occurring after August 31, 2022, through to March 1, 2023 for potential recognition or disclosure in the notes to the financial statements. Management believes there are no further post year-end events that would require adjustment to or disclosure in the financial statements as of and for the year ended August 31, 2022.