

STORIES OF INNOVATION and Resilience



FIRST BOOK CANADA IMPACT REPORT 2020



From our Executive Director

Dear Friends,

It has become a cliché to describe the challenges of 2020, so I will simply say this: The needs have never been greater and the opportunity for real change has never been more hopeful.

First Book and First Book Canada started the year by bringing together policy, non-profit, and executive leaders from our corporate partners for our first-ever Co-Authoring Impact Summit. The January Summit showcased how these partnerships have accelerated educational opportunities for millions of children and engaged leaders in discussions of innovative ways to build momentum.

Just two months later, life was drastically changed by the global pandemic – making our work together even more critical.

The COVID-19 pandemic not only exacerbated the educational crisis for children in poverty, it also caused enormous hardship for hundreds of thousands more families. In addition, the issues of racism and inequality came to the forefront again after the killing of George Floyd and others.

In the pages ahead, you will read how First Book Canada’s integrated models – amplifying the collective voice of more than 13,000

educators in the First Book Canada Network – and cross-sector partnerships enabled powerful, educator-driven responses to these challenges.

You’ll also hear from the real heroes: our nation’s educators. They are on a high-wire act, juggling remote and hybrid learning, delivering books to students’ front doors, and going above and beyond. Educators need our help like never before.

As we look ahead to 2021, it’s clear that the effects of COVID-19 will impact our children and families long after the vaccines are distributed.

First Book Canada’s systemic approach, driven by educators on the frontlines, provides a powerful and proven combination to address educational inequities. By actively engaging educators and community leaders throughout our process, we are piloting, testing, refining, and scaling innovative resources and new collaborations to support educational equity and to further the sector for anyone working in the lives of children in poverty.

We thank each and every one of you for your support.



With gratitude,



Tom Best,
Executive Director, First Book Canada

“Together, we will ensure that the needs of hundreds of thousands of Canadian children growing up in poverty are not an afterthought, but a significant force for educational equity.”



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ABOUT FIRST BOOK CANADA

Our mission is to transform the lives of children in need by improving access to educational opportunities.

By providing new, high-quality books to children who would otherwise have no books of their own. A child's "first book" is not necessarily their first reading experience - it is the first book that they love, that they can call their own, and that sets them on a lifelong path of learning and inspiration.

Using a market-driven model, First Book Canada is creating equal access to quality education, making everything - from brand new, high-quality books and educational resources, to winter coats and backpacks - more affordable.

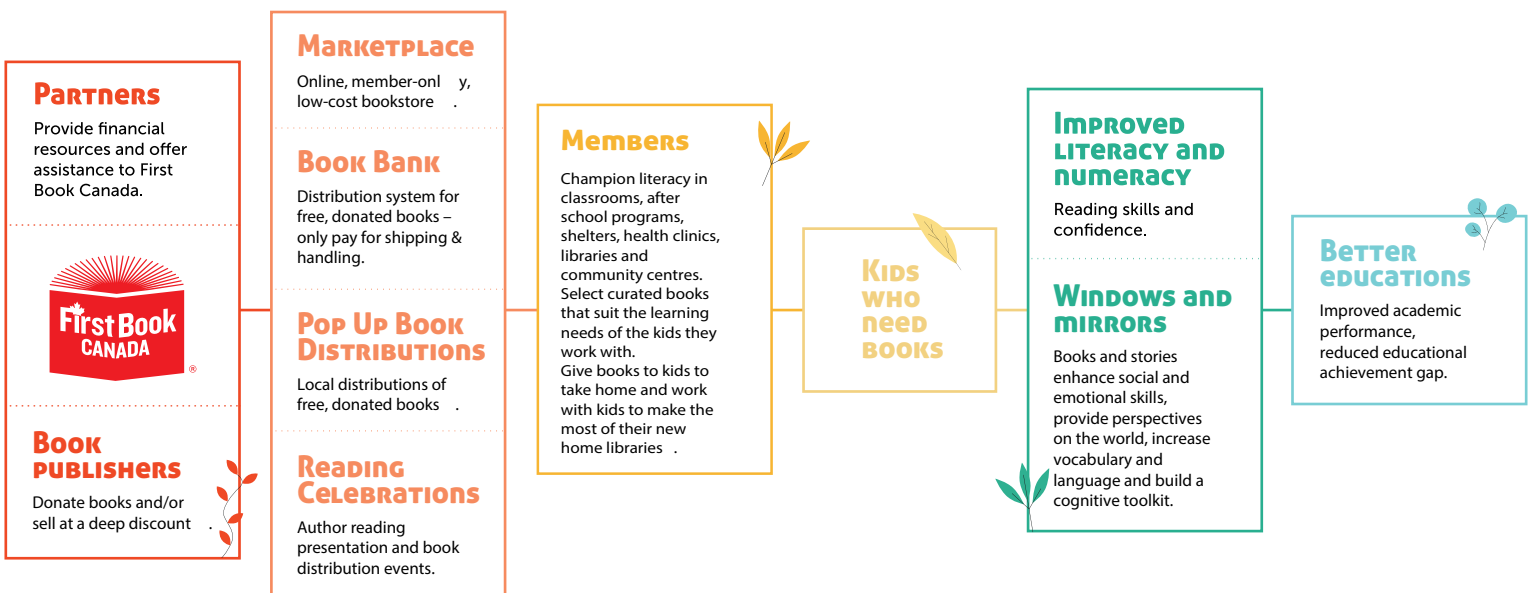


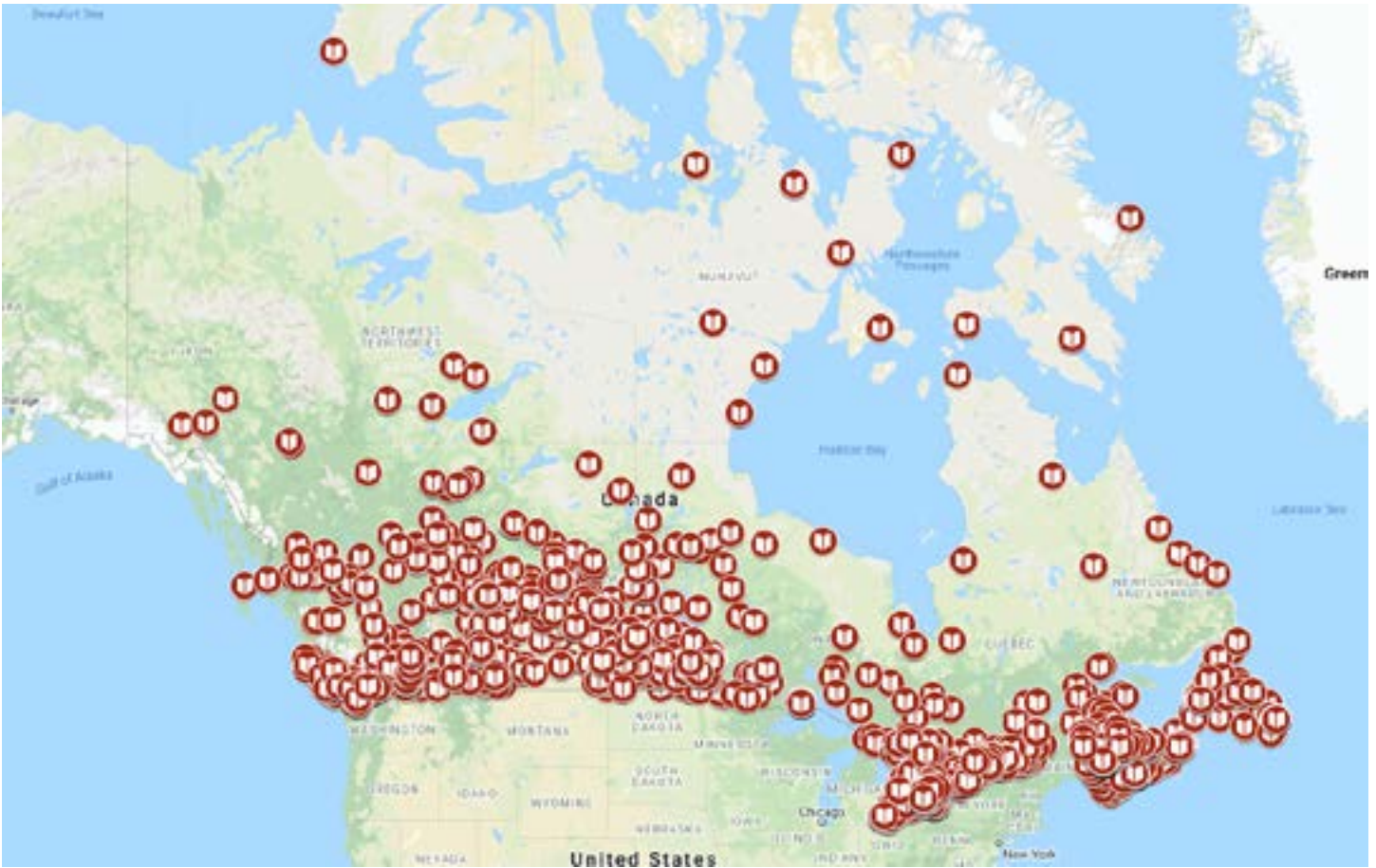
Through our network of over 13,500 members, our work reaches schools, shelters, social service organizations, new-immigrant transition centres and many other programs across Canada that serve kids in need.

Our programming is consistently evaluated in order to measure the difference we make in kids' lives. By showing our impact, we stay accountable to our funding partners, continually learn to do better, and ensure we meet the needs of our essential stakeholders (publishers, members, and partners).

THE THEORY OF CHANGE

How we work with our network of partners, publishers, and members to change kids' lives.





Where our 13,500 members are located across Canada, 2020

2020 at a glance

500,000 children served

13,500+ registered members

1.3 million + books distributed.

370,000 + books and resources distributed through the First Book Canada Marketplace.

\$114,000 in individual donations.

50 pallets of books distributed.

8 Special events.

5 Socially-distant pop-up events.

3 Featured Distributions.

“Thank you for all you do especially the amazing efforts you do to help my students have what so many other students don’t have to worry about.”

-Jennifer N., FBC Member



COVID-19 Response HIGHLIGHTS

COVID-19 caused an education crisis across the nation, and students from low-income communities have been the most affected. When schools closed to slow the spread of the virus, millions of children were essentially locked out of their education without access to remote learning. For those in the poorest families reliant on free or reduced-priced meals, it meant more than just academic backsliding; it meant increased food instability, social-emotional isolation, and increased trauma on top of the toxic stress related to poverty.

“There is a large skills gap that we will need to address. Many of my students do not have one-to-one devices or a quiet place to work. This puts these kids at a disadvantage; many are already in a low income situation and this just widens that have-not gap.”
-FBC Member

3 Main Challenges Educators were Confronting

The mental/ emotional health of kids and families

- 90% were more concerned about kids’ mental/ social-emotional health than they were prior to COVID-19.
- 78% were more concerned about kids experiencing trauma or extreme stress than they were prior to COVID-19.
- 73% were concerned they do not have the resources to support their students’ mental/ social-emotional health.

Access to learning tools and resources

- 83% cited physical books as the item they currently need.
- 71% were concerned about the lack of physical learning resources in their students’ homes.
- 65% were concerned about the lack of physical books in their students’ homes.

An extended “summer slide” or regression in academic proficiency due to a long break from formal education

- 85% were very or extremely concerned about their students’ cognitive/ academic development when thinking about going back to school.
- 83% were concerned with the effects of the prolonged “summer slide” and school closures.

Source: First Book Canada, COVID-19 Impact Survey 2020

COVID-19 Response HIGHLIGHTS

But for every student in need, First Book, its network of educators, and amazing partners have been working day and night to provide resources to support them.

Through the First Book Canada Membership network, we were able to meet members where they are. At schools, food sites, through ‘socially distant pop-ups’, delivering books to students’ front doors and more.

POP-UPS

We hosted five pop-up events in 2020.

With the support of our corporate partners we were able to provide a total of 145,000 books to over 500 member groups in Montreal, Edmonton, Winnipeg, Regina, and Saskatoon.

These events would not have been possible without the help from volunteers and our corporate partners, Scotiabank, TD Bank, BMO, and Bison Transport.

FEATURED DISTRIBUTIONS

One way to get full cartons of books to our members was through Featured Distributions.

We hosted three, one in Vaughan, ON, one in Richmond, BC, and finally the largest one courtesy of Amazon.ca and their Buy one, Give one campaign.

A total of 230,000 books were distributed across these three distributions, with over 140,000 coming from Amazon.ca alone.

“Thank you so much for having the pop-up giveaways. The choices for the past 2 years have been limited because of COVID-19 but even so, my students love getting their very own books. We can change their outlook and make a reader one book at a time.”

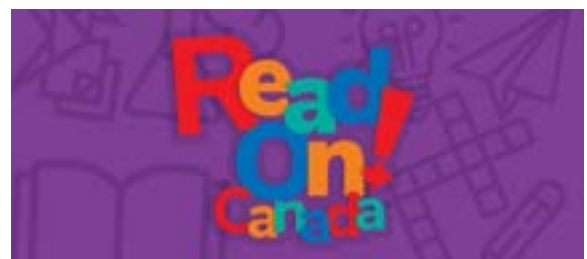
-Karen K., FBC Member

PROGRAM CLOSE-UP

Read On Canada!/Lisons Canada! was created to mitigate the effects of the “summer slide,” a drop in reading ability which can happen over the summer months. Due to COVID-19, these effects have been amplified.

Organized by the Canadian Children’s Literacy Foundation alongside a coalition of literacy organizations, Read On Canada!/Lisons Canada! distributed 140,000 books through Food Banks Canada. The books reached over 150 cities and towns in all 10 provinces.

Alongside the coalition, well-known Canadians, including Chris Hadfield and Margaret Atwood, shared messages encouraging children to ‘read on!’





2020 HIGHLIGHTS and MILESTONES

A Year of Innovation and Collaboration

First Book is proud to work alongside our educators and partners to further educational equity. In addition to the partnerships and initiatives covered on previous pages, here are additional highlights from 2020:

EVENTS

- FBC hosted Family Literacy Day McDonald's Reading Events. Select restaurants in each province held literacy events including live author readings and educational activities. 400 books were sent to Ronald McDonald Houses in each province as part of this event.



- The Raptors 905 Summer Reading Challenge was a highlight of the summer. Over 200 grade five students from across Peel Region and the GTA were given five books and challenged to read one each week, for a total of 905 minutes of reading. They then had the opportunity to meet with the author of each book and community leaders to discuss the book themes.



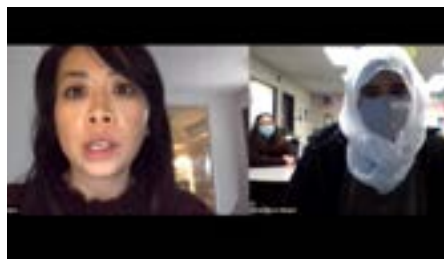
- Partnering with Let's Talk Science, 75,000 STEM titles were distributed through Food Banks Canada as part of The Horizon's Program.



- Working with Mothers Matter Centre on their adopt-a-reader campaign, families were challenged to read together for 15 minutes each day. 1,800 children and their families joined the campaign.



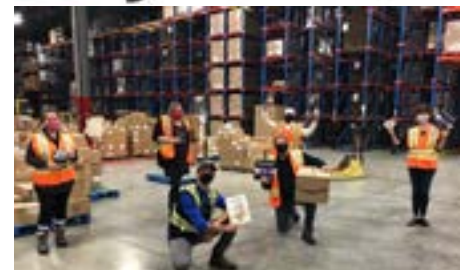
- Through a partnership with the Scotiabank Giller Prize, FBC hosted five virtual events with Souvankham Thammavongsa-winner of the Scotiabank Giller Prize for her collection of short stories "How to Pronounce Knife". She spoke to five classes of grade 12 students in Quebec, Manitoba, Saskatchewan, Alberta and British Columbia about her experiences as an immigrant in Canada.



- As COVID-19 shut down libraries, FBC sent curated book bundles to a Saturday morning literacy club in Scarborough, ON with math and reading workbooks to facilitate at home education.

PARTNERSHIPS

- With Indigo's Love of Reading Foundation, FBC was able to send 30 pallets, with approximately 1,500 books in each, to schools across Canada.
- In 2020, JD Smith has been crucial to FBC's operations, donating warehouse space in Vaughan to hold books and host distributions.





FUNDRAISING

- ◆ In June FBC launched the Representation in Reading Fund, aimed at raising funds to purchase new, diverse, Canadian titles for the FBC Marketplace, because all children should see themselves represented in the books they read.



- ◆ On Canada Day, David Cote, a student from U of T completed an ultramarathon, a 100 km run, to raise funds for First Book Canada.



- ◆ In response to the COVID-19 pandemic, Dr. Bonnie Henry generously donated the publishing advance of her new book to First Book Canada.
- ◆ The second annual Hope, Love, Give Holiday giving push was met with help from RBC Capital Markets and their 'Read for the Future' campaign. With the combined efforts and generosity of donors across Canada, \$75,000 was raised to get books into the hands of kids in 2021.



- ◆ Paper Penny Co. created an original tote bag to celebrate the joy of reading, with all proceeds going to First Book Canada. The design was voted on in a social media contest.



ACCOLADES

- ◆ First Book Canada was named a Top 10 Canadian Impact Charity and a Top 10 Youth Impact Charity by Charity Intelligence Canada.



Partners and Publishers

We couldn't do what we do without these publishers, partners and non-profits.



2020 Board of Directors

Heather Jessiman

President, Newbairn Inc.
Chairperson

Tanis Feasby

Vice President, Brand & Marketing, RBC Wealth Management
Vice Chairperson

Leah Garrad-Cole

Co-Founder and VP of Marketing, Sproos

Claudette McGowan

Global Executive Officer, Cyber Security, TD Bank

Tori Newall

Nancy Mills

Vice President, Client Management & Data Analytics at RBC Capital Markets

Ryan Peterson

Chartered Professional Accountant. RKP

Jane Robinson

CFO, First Book USA

Kyle Zimmer

President & CEO, First Book USA

FIRST BOOK/LE PREMIERE LIVRE
FINANCIAL STATEMENTS
DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Directors
First Book/Le Premiere Livre
MISSISSAUGA
Ontario

Qualified Opinion

We have audited the accompanying financial statements of First Book/Le Premiere Livre which comprise the statement of financial position as at December 31, 2020 and the statements of operations, statement of changes in fund balances and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the entity as at December 31, 2020 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.

Basis for Qualified Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 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.

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 subject 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, deficiency of revenues over expenses, assets and fund balances.

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 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.

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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 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, 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 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 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 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.

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.

Norton McMullen LLP

NORTON McMULLEN LLP

Chartered Professional Accountants, Licensed Public Accountants

MARKHAM, Canada

June 21, 2021

FIRST BOOK/LE PREMIERE LIVRE
STATEMENT OF FINANCIAL POSITION

As at December 31,

2020

2019

ASSETS

Current

Cash	\$ 158,054	\$ 222,491
Restricted cash	86,407	43,519
Accounts receivable (Notes 2 and 4)	56,036	37,213
Prepaid expenses	11,309	10,995
	<u>\$ 311,806</u>	<u>\$ 314,218</u>

Capital Assets (Note 3)

4,676 1,309

\$ 316,482 \$ 315,527

LIABILITIES

Current

Accounts payable and accrued liabilities (Note 4)	\$ 490,285	\$ 315,479
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FUND BALANCES

Unrestricted	\$ (260,210)	\$ (43,471)
Restricted	86,407	43,519

\$ (173,803) \$ 48

\$ 316,482 \$ 315,527

Commitment (Note 6)

Subsequent Event (Note 8)

Approved by the Board:

_____ Director

_____ Director

See accompanying notes

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

For the year ended December 31,

2020

2019

	Unrestricted Fund	Restricted Fund	Total	Total
Revenues	\$ 6,502,746	\$ 42,888	\$ 6,545,634	\$ 5,802,968
Expenses	<u>6,719,485</u>	<u>-</u>	<u>6,719,485</u>	<u>6,111,598</u>
Deficiency of Revenues Over Expenses	\$ (216,739)	\$ 42,888	\$ (173,851)	\$ (308,630)
Inter-Fund Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in Fund Balances	\$ (216,739)	\$ 42,888	\$ (173,851)	\$ (308,630)
FUND BALANCES - Beginning	<u>(43,471)</u>	<u>43,519</u>	<u>48</u>	<u>308,678</u>
FUND BALANCES - Ending	<u>\$ (260,210)</u>	<u>\$ 86,407</u>	<u>\$ (173,803)</u>	<u>\$ 48</u>

See accompanying notes

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

For the year ended December 31,

2020

2019

REVENUES

Books received in-kind	\$ 5,233,238	\$ 4,647,338
Fundraising and donations	678,674	663,159
Program income	370,501	365,460
Program income on account of grants	175,297	127,754
Freight income	36,527	62,577
Other Income	8,509	-
	<u>\$ 6,502,746</u>	<u>\$ 5,866,288</u>

PROGRAM EXPENSES

Books distributed in-kind	\$ 5,233,238	\$ 4,647,338
Cost of books for program distribution (Note 4)	539,463	385,218
Salaries and benefits	424,346	403,829
Shipping costs	142,612	100,633
Other program expenses	82,008	150,594
Travel and lodging	3,214	13,969
	<u>\$ 6,424,881</u>	<u>\$ 5,701,581</u>

ADMINISTRATIVE EXPENSES

Salaries and benefits	\$ 161,592	\$ 217,447
Other administrative expenses	52,105	118,432
Professional fees	38,329	6,650
Occupancy	31,339	24,522
Travel and lodging	9,597	42,032
Amortization	1,642	336
Loss on foreign exchange	-	598
	<u>\$ 294,604</u>	<u>\$ 410,017</u>

TOTAL EXPENSES\$ 6,719,485 \$ 6,111,598**DEFICIENCY OF REVENUES OVER EXPENSES**\$ (216,739) \$ (245,310)

See accompanying notes

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

For the year ended December 31,

2020**2019**

REVENUES

Fundraising and donations

\$ 218,185 \$ 65,798

Grants released from restriction

(175,297) (129,118)

\$ 42,888 \$ (63,320)

EXPENSES- -**DEFICIENCY OF REVENUES OVER EXPENSES**\$ 42,888 \$ (63,320)

See accompanying notes

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FIRST BOOK/LE PREMIERE LIVRE

STATEMENT OF CASH FLOWS

For the year ended December 31,

2020

2019

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

OPERATING ACTIVITIES

Deficiency of revenues over expenses:

Unrestricted funds	\$ (216,739)	\$ (245,310)
Restricted funds	<u>42,888</u>	<u>(63,320)</u>
	\$ (173,851)	\$ (308,630)

Items not affecting cash:

Amortization	<u>1,642</u>	<u>336</u>
	\$ (172,209)	\$ (308,294)

Net change in non-cash working capital balances:

Accounts receivable	(18,823)	1,054
Prepaid expenses	(314)	(224)
Accounts payable and accrued liabilities	<u>174,806</u>	<u>79,743</u>
	\$ (16,540)	\$ (227,721)

INVESTING ACTIVITIES

Purchase of capital assets

	<u>(5,009)</u>	<u>-</u>
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DECREASE IN CASH

	\$ (21,549)	\$ (227,721)
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CASH - Beginning

	<u>266,010</u>	<u>493,731</u>
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CASH - Ending

	<u>\$ 244,461</u>	<u>\$ 266,010</u>
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Cash is allocated as follows:

Unrestricted cash	\$ 158,054	\$ 222,491
Restricted cash	<u>86,407</u>	<u>43,519</u>
	<u>\$ 244,461</u>	<u>\$ 266,010</u>

See accompanying notes

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FIRST BOOK/LE PREMIERE LIVRE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

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

Resources are classified into funds according to the activities or objectives specified as follows:

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

The **Restricted Fund** accounts for grant activities related to the First Book Marketplace.

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. Significant estimates include the estimated useful life of capital assets.

FIRST BOOK/LE PREMIERE LIVRE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

d) Foreign Currency Translation

Accounts in foreign currencies have been translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities are translated at the year-end exchange rate. Revenues and expenses are translated at the average exchange rate during the year.

e) Cash and cash equivalents

Cash and cash equivalents consists of bank deposits.

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 the unrestricted fund.

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 when they are used in the normal course of the Organization's program operations. Fair value is determined on the basis of appraised values or the market value of similar goods.

FIRST BOOK/LE PREMIERE LIVRE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

j) 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 (deficiency) 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 program 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 for the unrestricted fund.

2. ACCOUNTS RECEIVABLE

Included in accounts receivable is HST refundable of \$22,767 (2019 - \$13,977).

3. CAPITAL ASSETS

Capital assets consist of the following:

	2020			2019
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	\$ 6,513	\$ 2,876	\$ 3,637	\$ 10
Furniture and equipment	7,732	6,693	1,039	1,299
	<u>\$ 14,245</u>	<u>\$ 9,569</u>	<u>\$ 4,676</u>	<u>\$ 1,309</u>

FIRST BOOK/LE PREMIERE LIVRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

4. RELATED PARTY TRANSACTIONS AND BALANCES

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

	2020	2019
Cost of books for program distribution	<u>\$ 266,810</u>	<u>\$ 205,135</u>

These transactions were carried out 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 from (to) First Book USA Inc. result from shared expense invoicing, cross inventory purchasing, and volume purchase rebates. The resulting year end balances are non-interest bearing and due on demand as follows:

	2020	2019
Included in accounts payable and accrued liabilities	<u>\$ (456,222)</u>	<u>\$ (284,185)</u>

6. COMMITMENT

The Company's lease agreement for its premises expires November 30, 2027. Future minimum annual rental payments (excluding property taxes, maintenance, and insurance) for each of the next five years and thereafter are as follows:

2021	\$ 48,754
2022	48,967
2023	51,312
2024	51,312
2025	51,312
Thereafter	<u>98,348</u>
	<u>\$ 350,005</u>

FIRST BOOK/LE PREMIERE LIVRE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

7. 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, 2020:

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, 2020. 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.

8. SUBSEQUENT EVENT

The effects of the COVID-19 pandemic crisis are expected to negatively impact Canada's economy. As at the date of the independent auditor's report, it is impracticable for the Organization to quantify the effects that the pandemic will have on future operations.

9. COMPARATIVE FIGURES

Certain of the comparative figures have been restated in order to conform with the presentation adopted in the current year.