

STRONG START CHARITABLE ORGANIZATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

STRONG START CHARITABLE ORGANIZATION
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YEAR ENDED JUNE 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of: Strong Start Charitable Organization

We have audited the accompanying financial statements of Strong Start Charitable Organization, which comprise the statement of financial position as at June 30, 2016 and the statements of operations and changes in net assets 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.

Auditor's 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 in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Strong Start Charitable Organization as at June 30, 2016 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.

A handwritten signature in black ink that reads 'RLB LLP'.


Kitchener, Ontario
November 22, 2016

Chartered Professional Accountants
Licensed Public Accountants

STRONG START CHARITABLE ORGANIZATION
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2016

	2016	2015
ASSETS		
CURRENT		
Cash	\$ 172,893	\$ 102,006
Investments	300,000	329,198
Accounts receivable	5,026	5,000
HST receivable	29,159	12,580
Prepaid expenses	<u>9,906</u>	<u>7,756</u>
	516,984	456,540
CAPITAL ASSETS (note 4)	<u>268,024</u>	<u>262,460</u>
	<u>\$ 785,008</u>	<u>\$ 719,000</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 48,512	\$ 51,878
Government remittances payable	10,780	9,654
Deferred contributions (note 5)	<u>193,018</u>	<u>228,535</u>
	252,310	290,067
DEFERRED CAPITAL CONTRIBUTIONS (note 6)	<u>268,024</u>	<u>262,460</u>
	520,334	552,527
NET ASSETS		
NET ASSETS	<u>264,674</u>	<u>166,473</u>
	<u>\$ 785,008</u>	<u>\$ 719,000</u>

APPROVED ON BEHALF OF THE BOARD:


 _____ Director


 _____ Director

STRONG START CHARITABLE ORGANIZATION
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
REVENUES		
Contributions (note 7)	\$ 817,315	\$ 743,226
Program fees	54,500	55,600
Amortization of deferred capital contributions (note 6)	14,378	8,301
Interest and other income	4,856	5,271
	<u>891,049</u>	<u>812,398</u>
EXPENSES		
Letters Sounds & Words Program	307,528	278,402
Get Ready for School program	248,287	177,785
Salaries, benefits and office administration	191,915	142,104
Professional fees	28,617	27,592
Amortization	14,378	8,301
Baby Connections Program	2,123	1,278
	<u>792,848</u>	<u>635,462</u>
EXCESS OF REVENUES OVER EXPENSES for the year	98,201	176,936
NET ASSETS (DEFICIENCY), beginning of year	<u>166,473</u>	<u>(10,463)</u>
NET ASSETS, end of year	<u>\$ 264,674</u>	<u>\$ 166,473</u>

STRONG START CHARITABLE ORGANIZATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Excess of revenues over expenses for the year	\$ 98,201	\$ 176,936
Items not requiring an outlay of cash		
Amortization	<u>14,378</u>	<u>8,301</u>
	112,579	185,237
Changes in non-cash working capital		
Accounts receivable	(26)	0
HST receivable	(16,579)	15,384
Prepaid expenses	(2,150)	(7,756)
Accounts payable and accrued liabilities	(3,366)	(18,885)
Government remittances payable	1,126	4,244
Deferred contributions	(35,517)	(8,147)
Deferred capital contributions	<u>5,564</u>	<u>24,418</u>
	<u>61,631</u>	<u>194,495</u>
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Additions to capital assets	(19,942)	(31,843)
Investments	<u>29,198</u>	<u>(329,198)</u>
	<u>9,256</u>	<u>(361,041)</u>
NET INCREASE (DECREASE) IN CASH	70,887	(166,546)
CASH, BEGINNING OF YEAR	<u>102,006</u>	<u>268,552</u>
CASH, END OF YEAR	<u>\$ 172,893</u>	<u>\$ 102,006</u>

STRONG START CHARITABLE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

1. PURPOSE OF THE ORGANIZATION

Strong Start Charitable Organization is a charitable organization whose mission is to provide programs and services through community-wide partnerships to help children learn to read. Using direct delivery for pre-school aged children and trained community volunteers for school-aged children, Strong Start programs ensure children who are either disadvantaged or struggling with early literacy, receive an early intervention, to help ensure reading and learning success.

The organization is registered as a charitable organization under the Income Tax Act (Canada) and, while registered, is exempt from income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not for profit organizations and include the following significant accounting policies:

(a) REVENUE RECOGNITION

The organization follows the deferral method of accounting for contributions. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Program fee revenues are recognized when collection is reasonably assured and in the period they relate to. The amount of the contribution that is not recognized as revenue in the period is deferred to a future period when the related expenses will be incurred.

(b) CONTRIBUTED MATERIALS AND SERVICES

During the year, a number of organizations and individuals donate materials to the organization and a number of volunteers contribute a significant amount of their time. Volunteers contributed approximately 37,272 hours for the year ended June 30, 2016 (2015 - 36,522). Because of the difficulty in determining the fair value, contributed materials and services are not recorded in the financial statements.

(c) CAPITAL ASSETS

Capital assets are recorded at cost and amortized on the basis of their estimated useful life using the following methods and rates:

Computers and devices	- 30 % declining balance basis
Office furniture	- 20 % declining balance basis
Program kits	- 10 years straight line basis

Amortization is recorded at 50% of the above rates in the year of addition. Amortization commences when the capital asset is put into use.

(d) FINANCIAL INSTRUMENTS

Measurement of financial instruments

The organization initially measures its financial assets and liabilities at fair value on a settlement basis when the organization becomes a party to the contractual provisions of the financial instrument. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

STRONG START CHARITABLE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) FINANCIAL INSTRUMENTS (continued)

The organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments which are measured at fair value.

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

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

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. If an impairment has occurred, the carrying amount of financial assets measured at amortized cost is reduced to the greater of the discounted future cash flows expected or the proceeds that could be realized from the sale of the financial asset. The amount of the write-down is recognized in net surplus. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net surplus.

(e) DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions are amortized at the same rate as the capital assets to which they relate.

3. FINANCIAL INSTRUMENTS

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, credit, currency, liquidity, or other price risks arising from their financial instruments.

The extent of the organization's exposure to these risks did not change in 2016 compared to the previous period.

Transacting in financial instruments exposes the organization to certain financial risks and uncertainties. These risks include:

Liquidity risk

Liquidity risk is the risk that the organization will encounter difficulty in meeting obligations associated with financial liabilities. The organization controls liquidity risk by management of working capital and cash flows.

STRONG START CHARITABLE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2016	Net 2015
Computers and devices	\$ 39,717	\$ 13,076	\$ 26,641	\$ 23,729
Office furniture	15,734	6,610	9,124	10,966
Program kits	<u>236,832</u>	<u>4,573</u>	<u>232,259</u>	<u>227,765</u>
	<u>\$ 292,283</u>	<u>\$ 24,259</u>	<u>\$ 268,024</u>	<u>\$ 262,460</u>

There are \$170,320 (2015 - \$166,221) in program kits that are not amortized and are in readiness for planned program expansion. In addition 180 program kits were acquired prior to July 1, 2013 that were expensed in accordance with the accounting principle in use at the time, and are therefore not reflected in the capital asset schedule.

5. DEFERRED CONTRIBUTIONS

Deferred contributions, which consist of the unexpended portion of restricted donation and grant revenues, are as follows:

	2016	2015
Balance, beginning of the year	\$ 228,535	\$ 236,682
Plus amounts received in the year	23,200	63,263
Less deferred capital contributions	(19,942)	(32,719)
Less amounts recognized as revenue in the year	<u>(38,775)</u>	<u>(38,691)</u>
Balance, end of year	<u>\$ 193,018</u>	<u>\$ 228,535</u>

At year end, deferred contributions are comprised of:

Lyle S. Hallman Foundation	\$ 151,817	\$ 181,502
Kitchener-Conestoga Rotary Club - Dream Home	18,765	19,233
Cowan Foundation Grant	15,000	15,000
Kitchener and Waterloo Community Foundation	<u>7,436</u>	<u>12,800</u>
	<u>\$ 193,018</u>	<u>\$ 228,535</u>

The deferred contributions are restricted toward program funding including development and enhancement.

STRONG START CHARITABLE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

6. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions, which reflect the unamortized portion of funded capital assets, are as follows:

	2016	2015
Balance, beginning of the year	\$ 262,460	\$ 238,042
Plus amounts transferred from deferred contributions	19,942	32,719
Less amortization of deferred capital contributions	<u>(14,378)</u>	<u>(8,301)</u>
Balance, end of year	<u>\$ 268,024</u>	<u>\$ 262,460</u>

At year end, deferred capital contributions are comprised of:

Lyle S. Hallman Foundation	\$ 201,433	\$ 186,526
Ontario Trillium Grant	45,919	49,170
Kitchener-Conestoga Rotary Club - Dream Home	11,883	16,976
Kitchener and Waterloo Community Foundation	<u>8,789</u>	<u>9,788</u>
	<u>\$ 268,024</u>	<u>\$ 262,460</u>

7. CONTRIBUTIONS

Major sources of contributions are as follows:

	2016	2015
Foundations	\$ 729,900	\$ 662,021
Corporate donors	37,754	36,742
Service clubs, school councils, and other groups	31,311	14,222
Individuals	15,350	28,241
Municipal government - community support	<u>3,000</u>	<u>2,000</u>
	<u>\$ 817,315</u>	<u>\$ 743,226</u>