

STRONG START CHARITABLE ORGANIZATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

STRONG START CHARITABLE ORGANIZATION

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YEAR ENDED JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of: Strong Start Charitable Organization

Opinion

We have audited the accompanying financial statements of Strong Start Charitable Organization, which comprise the statement of financial position as at June 30, 2019 and the statements of operations and 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.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Strong Start Charitable Organization as at June 30, 2019 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 of 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 Strong Start Charitable Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, 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 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 organization's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

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

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.

A further description of the auditor's responsibilities for the audit of the financial statements is located at RLB LLP's website at: www.rlb.ca/additional-auditor-responsibilities. This description forms part of our auditor's report.

Handwritten signature of RLB LLP in black ink.

Kitchener, Ontario
October 3, 2019

Chartered Professional Accountants
Licensed Public Accountants

STRONG START CHARITABLE ORGANIZATION
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

	2019	2018
ASSETS		
CURRENT		
Cash	\$ 145,441	\$ 110,082
Investments (note 5)	357,575	392,402
Accounts receivable	15,600	15,400
HST receivable	13,876	16,572
Prepaid expenses	<u>37,299</u>	<u>13,161</u>
	569,791	547,617
RESTRICTED INVESTMENTS (note 5)	271,318	121,574
CAPITAL ASSETS (note 4)	<u>245,609</u>	<u>256,121</u>
	<u>\$ 1,086,718</u>	<u>\$ 925,312</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 77,940	\$ 47,431
Government remittances payable	17,734	14,458
Deferred contributions (note 6)	<u>271,318</u>	<u>121,574</u>
	366,992	183,463
DEFERRED CAPITAL CONTRIBUTIONS (note 7)	<u>239,469</u>	<u>253,705</u>
	<u>606,461</u>	<u>437,168</u>
NET ASSETS		
NET ASSETS	<u>480,257</u>	<u>488,144</u>
	<u>\$ 1,086,718</u>	<u>\$ 925,312</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, 2019

	2019	2018
REVENUES		
Contributions (note 8)	\$ 908,740	\$ 955,184
Program fees	76,500	84,600
Interest and other income	17,201	9,112
Amortization of deferred capital contributions (note 7)	<u>16,160</u>	<u>16,044</u>
	<u>1,018,601</u>	<u>1,064,940</u>
EXPENSES		
Get Ready for School Program	338,695	320,975
Letters Sounds & Words Program	317,223	331,884
Salaries, benefits and office administration	315,486	260,172
Professional fees	34,240	32,648
Amortization	16,659	16,300
Baby Connections Program	<u>4,185</u>	<u>3,217</u>
	<u>1,026,488</u>	<u>965,196</u>
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES for the year	(7,887)	99,744
NET ASSETS, beginning of year	<u>488,144</u>	<u>388,400</u>
NET ASSETS, end of year	<u><u>\$ 480,257</u></u>	<u><u>\$ 488,144</u></u>

STRONG START CHARITABLE ORGANIZATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
(Deficiency) excess of revenues over expenses for the year	\$ (7,887)	\$ 99,744
Items not requiring an outlay of cash		
Amortization	<u>16,659</u>	<u>16,300</u>
	8,772	116,044
Changes in non-cash working capital		
Accounts receivable	(200)	(15,400)
HST receivable	2,696	25,335
Prepaid expenses	(24,138)	1,603
Accounts payable and accrued liabilities	30,509	(3,170)
Government remittances payable	3,276	1,848
Deferred contributions	149,744	(41,413)
Deferred capital contributions	<u>(14,236)</u>	<u>56</u>
	<u>156,423</u>	<u>84,903</u>
CASH USED IN INVESTING ACTIVITIES		
Additions to capital assets	(6,147)	(18,732)
Investments	34,827	16,961
Restricted investments	<u>(149,744)</u>	<u>(121,574)</u>
	<u>(121,064)</u>	<u>(123,345)</u>
NET INCREASE (DECREASE) IN CASH	35,359	(38,442)
CASH, BEGINNING OF YEAR	<u>110,082</u>	<u>148,524</u>
CASH, END OF YEAR	<u>\$ 145,441</u>	<u>\$ 110,082</u>

STRONG START CHARITABLE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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. 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. Program fee revenues are recognized in the period they relate to when collection is reasonably assured.

(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. 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.

STRONG START CHARITABLE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

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 the financial instruments.

The extent of the organization's exposure to these risks did not change in 2019 compared to the previous period.

STRONG START CHARITABLE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2019	Net 2018
Computers and devices	\$ 49,773	\$ 34,633	\$ 15,140	\$ 19,827
Office furniture	17,005	11,518	5,487	6,859
Program kits	<u>252,981</u>	<u>27,999</u>	<u>224,982</u>	<u>229,435</u>
	<u>\$ 319,759</u>	<u>\$ 74,150</u>	<u>\$ 245,609</u>	<u>\$ 256,121</u>

There are \$156,631 (2018 - \$160,891) 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 assets schedule.

5. INVESTMENTS

Investments are comprised of the following:

	2019	2018
Term deposit, maturing August 2019, interest at 2.00%	\$ 322,310	\$ 0
Term deposit, maturing September 2019, interest at 2.00%	306,583	0
Term deposits, matured during the year, interest at 1.55%	<u>0</u>	<u>513,976</u>
	628,893	513,976
Less: restricted investments	<u>(271,318)</u>	<u>(121,574)</u>
	<u>\$ 357,575</u>	<u>\$ 392,402</u>

Included in investments is a portion that is internally restricted by the board of directors for use toward expenditures intended by the original donor or grantor. This amount is consistent with deferred contributions at year end of \$271,318 (2018 - \$121,574).

STRONG START CHARITABLE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

6. DEFERRED CONTRIBUTIONS

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

	2019	2018
Balance, beginning of the year	\$ 121,574	\$ 162,987
Plus amounts received in the year	167,945	11,900
Less amounts transferred to deferred capital contributions	(1,924)	(16,100)
Less amounts recognized as revenue in the year	<u>(16,277)</u>	<u>(37,213)</u>
Balance, end of year	<u>\$ 271,318</u>	<u>\$ 121,574</u>

At year end, deferred contributions are comprised of:

Kitchener and Waterloo Community Foundation	\$ 87,299	\$ 13,505
Lyle S. Hallman Foundation	78,869	84,869
The Fyfe Foundation	45,000	0
Sifton Family Foundation	20,000	0
Cowan Foundation Grant	14,300	15,000
TD Charitable Foundation	11,000	0
May Court Club of London	5,000	0
The Port Dover Foundation	3,900	0
Cambridge & North Dumfries Community Foundation	2,000	2,500
City of Guelph	1,500	0
City of Cambridge	1,000	0
Centre Wellington Community Foundation	1,000	0
Elmira Maple Syrup Festival	450	0
Waterloo Region Catholic Community Foundation	0	3,200
Rotary Club of Grand River	<u>0</u>	<u>2,500</u>
	<u>\$ 271,318</u>	<u>\$ 121,574</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, 2019

7. DEFERRED CAPITAL CONTRIBUTIONS

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

	2019	2018
Balance, beginning of the year	\$ 253,705	\$ 253,649
Plus amounts transferred from deferred contributions	1,924	16,100
Less amortization of deferred capital contributions	<u>(16,160)</u>	<u>(16,044)</u>
Balance, end of year	<u>\$ 239,469</u>	<u>\$ 253,705</u>

At year end, deferred capital contributions are comprised of:

Lyle S. Hallman Foundation	\$ 189,590	\$ 195,268
Ontario Trillium Grant	36,073	39,491
Kitchener-Conestoga Rotary Club - Dream Home	7,645	10,776
Kitchener and Waterloo Community Foundation	<u>6,161</u>	<u>8,170</u>
	<u>\$ 239,469</u>	<u>\$ 253,705</u>

8. CONTRIBUTIONS

Major sources of contributions are as follows:

	2019	2018
Foundations	\$ 835,271	\$ 826,044
Individuals	38,990	24,075
Service clubs, school councils, and other groups	17,588	27,233
Corporate	14,822	70,041
Municipal government - community support	<u>2,069</u>	<u>7,791</u>
	<u>\$ 908,740</u>	<u>\$ 955,184</u>

9. VOLUNTEER HOURS

During the year, the organization enlisted the help of 3,081 volunteers (2018 - 2,872) who contributed approximately 49,605 volunteer hours (2018 - 46,440). Of these volunteers, 2,933 (2018 - 2,743) were working directly with children to impact their learning with a gift of 48,422 hours (2018 - 45,619). The organization had a total of 325 locations (2018 - 276) running its programs during the year which helped 5,298 children (2018 - 4,262).

10. CORRESPONDING FIGURES

Certain figures presented for corresponding purposes have been reclassified to conform to the current year's presentation.