

**STRONG START CHARITABLE ORGANIZATION**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

# **STRONG START CHARITABLE ORGANIZATION**

## **INDEX TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020**

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## INDEPENDENT AUDITOR'S REPORT

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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, 2020 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, 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 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.

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 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 organization'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 organization'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 organization 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.

Kitchener, Ontario  
October 6, 2020

Handwritten signature in black ink that reads "RLB LLP". The letters are stylized and cursive.


Chartered Professional Accountants  
Licensed Public Accountants

**STRONG START CHARITABLE ORGANIZATION**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2020**

|  | <b>2020</b>         | <b>2019</b>         |
|--|---------------------|---------------------|
| <b>ASSETS</b>                                  |                     |                     |
| <b>CURRENT</b>                                 |                     |                     |
| Cash   | \$ 24,405           | \$ 145,441          |
| Investments (note 7)                           | 664,666             | 357,575             |
| Federal wage subsidy receivable                | 62,893              | 0                   |
| Accounts receivable                            | 200                 | 15,600              |
| HST receivable                                 | 46,104              | 13,876              |
| Prepaid expenses (note 5)                      | <u>379,998</u>      | <u>37,299</u>       |
|  | 1,178,266           | 569,791             |
| <b>RESTRICTED INVESTMENTS</b> (note 7)         | 167,196             | 271,318             |
| <b>CAPITAL ASSETS</b> (note 4)                 | <u>239,910</u>      | <u>245,609</u>      |
|  | <u>\$ 1,585,372</u> | <u>\$ 1,086,718</u> |
| <b>LIABILITIES</b>                             |                     |                     |
| <b>CURRENT</b>                                 |                     |                     |
| Accounts payable and accrued liabilities       | \$ 194,376          | \$ 77,940           |
| Government remittances payable                 | 13,965              | 17,734              |
| Deferred contributions (note 8)                | <u>167,196</u>      | <u>271,318</u>      |
|  | 375,537             | 366,992             |
| <b>LOAN PAYABLE</b> (note 6)                   | 30,000              | 0                   |
| <b>DEFERRED CAPITAL CONTRIBUTIONS</b> (note 9) | <u>224,056</u>      | <u>239,469</u>      |
|  | <u>629,593</u>      | <u>606,461</u>      |
| <b>NET ASSETS</b>                              |                     |                     |
| <b>NET ASSETS</b>                              | <u>955,779</u>      | <u>480,257</u>      |
|  | <u>\$ 1,585,372</u> | <u>\$ 1,086,718</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, 2020**

|   | <b>2020</b>       | <b>2019</b>       |
|---|-------------------|-------------------|
| <b>REVENUES</b>   |                   |                   |
| Contributions (note 3)  | \$ 1,207,389      | \$ 908,740        |
| Federal wage subsidy  | 107,994           | 0                 |
| Program fees  | 85,800            | 76,500            |
| Interest and other income (note 6)                                    | 29,563            | 17,201            |
| Amortization of deferred capital contributions (note 9)               | 15,413            | 16,160            |
|   | <u>1,446,159</u>  | <u>1,018,601</u>  |
| <b>EXPENSES</b>   |                   |                   |
| Salaries, benefits and office administration                          | 328,766           | 315,486           |
| Letters Sounds & Words Program  | 316,939           | 317,223           |
| Get Ready for School Program  | 264,757           | 338,695           |
| Professional fees   | 33,285            | 34,240            |
| Amortization of capital assets  | 18,091            | 16,659            |
| Baby Connections Program  | 8,799             | 4,185             |
|   | <u>970,637</u>    | <u>1,026,488</u>  |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES<br/>for the year</b> | 475,522           | (7,887)           |
| <b>NET ASSETS, beginning of year</b>                                  | <u>480,257</u>    | <u>488,144</u>    |
| <b>NET ASSETS, end of year</b>  | <u>\$ 955,779</u> | <u>\$ 480,257</u> |

**STRONG START CHARITABLE ORGANIZATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

|  | <b>2020</b>      | <b>2019</b>       |
|--|------------------|-------------------|
| <b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>     |                  |                   |
| Excess (deficiency) of revenues over expenses for the year | \$ 475,522       | \$ (7,887)        |
| Items not requiring an outlay of cash                      |                  |                   |
| Amortization of capital assets                             | <u>18,091</u>    | <u>16,659</u>     |
|  | 493,613          | 8,772             |
| Changes in non-cash working capital                        |                  |                   |
| Accounts receivable  | 15,400           | (200)             |
| HST receivable   | (32,228)         | 2,696             |
| Prepaid expenses   | (342,699)        | (24,138)          |
| Accounts payable and accrued liabilities                   | 116,436          | 30,509            |
| Government remittances payable                             | (3,769)          | 3,276             |
| Deferred contributions                                     | (104,122)        | 149,744           |
| Deferred capital contributions                             | (15,413)         | (14,236)          |
| Federal wage subsidy receivable                            | <u>(62,893)</u>  | <u>0</u>          |
|  | <u>64,325</u>    | <u>156,423</u>    |
| <b>CASH PROVIDED BY FINANCING ACTIVITIES</b>               |                  |                   |
| Loan payable   | <u>30,000</u>    | <u>0</u>          |
| <b>CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>     |                  |                   |
| Additions to capital assets                                | (12,392)         | (6,147)           |
| Investments  | (307,091)        | 34,827            |
| Restricted investments                                     | <u>104,122</u>   | <u>(149,744)</u>  |
|  | <u>(215,361)</u> | <u>(121,064)</u>  |
| <b>NET (DECREASE) INCREASE IN CASH</b>                     | (121,036)        | 35,359            |
| <b>CASH, BEGINNING OF YEAR</b>                             | <u>145,441</u>   | <u>110,082</u>    |
| <b>CASH, END OF YEAR</b>                                   | <u>\$ 24,405</u> | <u>\$ 145,441</u> |

**STRONG START CHARITABLE ORGANIZATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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**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, 2020**

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**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.

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. CONTRIBUTIONS**

Major sources of contributions are as follows:

|  | <b>2020</b>         | <b>2019</b>       |
|--|---------------------|-------------------|
| Foundations                                      | \$ 1,057,963        | \$ 835,040        |
| Corporate  | 109,092             | 14,822            |
| Individuals                                      | 21,425              | 38,990            |
| Service clubs, school councils, and other groups | 14,320              | 17,819            |
| Municipal government - community support         | <u>4,589</u>        | <u>2,069</u>      |
|  | <u>\$ 1,207,389</u> | <u>\$ 908,740</u> |

**4. CAPITAL ASSETS**

|                       | <b>Cost</b>       | <b>Accumulated<br/>Amortization</b> | <b>Net<br/>2020</b> | <b>Net<br/>2019</b> |
|-----------------------|-------------------|-------------------------------------|---------------------|---------------------|
| Computers and devices | \$ 62,165         | \$ 41,033                           | \$ 21,132           | \$ 15,140           |
| Office furniture      | 17,005            | 12,615                              | 4,390               | 5,487               |
| Program kits          | <u>252,981</u>    | <u>38,593</u>                       | <u>214,388</u>      | <u>224,982</u>      |
|                       | <u>\$ 332,151</u> | <u>\$ 92,241</u>                    | <u>\$ 239,910</u>   | <u>\$ 245,609</u>   |

There is \$137,461 (2019 - \$156,631) in program kits that are not amortized and are in readiness for planned program expansion.

## STRONG START CHARITABLE ORGANIZATION

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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#### 5. PREPAID EXPENSES

Subsequent to year end, the organization moved to a new facility. There are prepaid construction costs and security deposits totaling \$369,702 included in prepaid expenses. A loan has been received after year end for a total of \$400,000 to assist with these constructions costs.

#### 6. LOAN PAYABLE

The loan payable is the repayable portion Canada Emergency Business Account (CEBA) loan balance of \$30,000 which is interest free, guaranteed by the government of Canada, and due December 31, 2021. During the current year, \$10,000 has been recorded in interest and other income as the forgivable portion of the loan as the organization plans to repay the loan by December 31, 2022.

If the loaned funds are not paid back by this date, the loan can be converted into a 3-year instalment loan with a 5% interest rate. The loan will be repaid in monthly instalments, with the first payment due January 31, 2023. The full loan balance and all interest accrued will then be due by December 31, 2025.

#### 7. INVESTMENTS

Investments are comprised of the following:

|  | 2020              | 2019              |
|--|-------------------|-------------------|
| Term deposit, maturing July 16, 2020, interest at 0.60%  | \$ 162,304        | \$ 0              |
| Term deposit, maturing July 29, 2020, interest at 0.70%  | 669,558           | 0                 |
| Term deposit, matured during the year, interest at 2.00% | <u>0</u>          | <u>628,893</u>    |
|  | 831,862           | 628,893           |
| Less: restricted investments                             | <u>(167,196)</u>  | <u>(271,318)</u>  |
|  | <u>\$ 664,666</u> | <u>\$ 357,575</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 \$167,196 (2019 - \$271,318).

#### 8. DEFERRED CONTRIBUTIONS

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

|  | 2020              | 2019              |
|--|-------------------|-------------------|
| Balance, beginning of the year                             | \$ 271,318        | \$ 121,574        |
| Plus amounts received in the year                          | 22,350            | 167,945           |
| Less amounts transferred to deferred capital contributions | 0                 | (1,924)           |
| Less amounts recognized as revenue in the year             | <u>(126,472)</u>  | <u>(16,277)</u>   |
| Balance, end of year                                       | <u>\$ 167,196</u> | <u>\$ 271,318</u> |

**STRONG START CHARITABLE ORGANIZATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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**8. DEFERRED CONTRIBUTIONS (continued)**

At year end, deferred contributions are comprised of:

|   | <b>2020</b>       | <b>2019</b>       |
|---|-------------------|-------------------|
| Lyle S. Hallman Foundation                      | \$ 78,566         | \$ 78,869         |
| Kitchener and Waterloo Community Foundation     | 63,951            | 87,299            |
| Corporate Donors                                | 15,000            | 0                 |
| Cowan Foundation Grant                          | 4,529             | 14,300            |
| Cambridge & North Dumfries Community Foundation | 2,650             | 2,000             |
| Rotary Club of Grand River                      | 2,500             | 0                 |
| The Fyfe Foundation                             | 0                 | 45,000            |
| Sifton Family Foundation                        | 0                 | 20,000            |
| TD Charitable Foundation                        | 0                 | 11,000            |
| May Court Club of London                        | 0                 | 5,000             |
| The Port Dover Foundation                       | 0                 | 3,900             |
| City of Guelph                                  | 0                 | 1,500             |
| City of Cambridge                               | 0                 | 1,000             |
| Centre Wellington Community Foundation          | 0                 | 1,000             |
| Elmira Maple Syrup Festival                     | <u>0</u>          | <u>450</u>        |
|   | <u>\$ 167,196</u> | <u>\$ 271,318</u> |

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

**9. DEFERRED CAPITAL CONTRIBUTIONS**

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

|  | <b>2020</b>       | <b>2019</b>       |
|--|-------------------|-------------------|
| Balance, beginning of the year                       | \$ 239,469        | \$ 253,705        |
| Plus amounts transferred from deferred contributions | 0                 | 1,924             |
| Less amortization of deferred capital contributions  | <u>(15,413)</u>   | <u>(16,160)</u>   |
| Balance, end of year                                 | <u>\$ 224,056</u> | <u>\$ 239,469</u> |

At year end, deferred capital contributions are comprised of:

|  |                   |                   |
|--|-------------------|-------------------|
| Lyle S. Hallman Foundation                   | \$ 181,499        | \$ 189,590        |
| Ontario Trillium Grant                       | 32,781            | 36,073            |
| Kitchener-Conestoga Rotary Club - Dream Home | 5,433             | 7,645             |
| Kitchener and Waterloo Community Foundation  | <u>4,343</u>      | <u>6,161</u>      |
|  | <u>\$ 224,056</u> | <u>\$ 239,469</u> |

## STRONG START CHARITABLE ORGANIZATION

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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#### 10. 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 2020 compared to the previous period.

#### 11. COMMITMENTS

The organization has various operating leases for the premises, furniture and equipment. Future minimum lease payments are as follows:

|      |                   |
|------|-------------------|
| 2021 | \$ 157,830        |
| 2022 | 172,179           |
| 2023 | 173,326           |
| 2024 | 185,962           |
| 2025 | <u>185,963</u>    |
|      | <u>\$ 875,260</u> |

#### 12. VOLUNTEER HOURS

During the year, the organization enlisted the help of 2,763 volunteers (2019 - 3,081) who contributed approximately 35,030 volunteer hours (2019 - 49,605). Of these volunteers, 2,108 (2019 - 2,933) were working directly with children to impact their learning with a gift of 29,307 hours (2019 - 48,422). The organization had a total of 349 locations (2019 - 325) running its programs during the year which helped 4,938 children (2019 - 5,298).

#### 13. MATERIAL UNCERTAINTY RELATED TO THE NOVEL CORONAVIRUS (COVID-19)

Subsequent and prior to year end, the impact of the Novel Coronavirus in Canada and on the global economy increased significantly. This global pandemic has disrupted economic activities and has resulted in the organization implementing a system-wide closure of programming and services. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of the disruption and the related financial impact cannot be reasonably estimated at this time. Further, the timing and amounts realized on the organization's assets as well as its future ability to deliver all programming may be impacted by the evolving circumstances of the virus.