STRONG START CHARITABLE ORGANIZATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

STRONG START CHARITABLE ORGANIZATION

INDEX TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

Chartered Professional Accountants

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, 2021 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, 2021 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.

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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.

RLB LLP

Kitchener, Ontario
October 5, 2021

Chartered Professional Accountants
Licensed Public Accountants

STRONG START CHARITABLE ORGANIZATION

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2021

	2021	2020
A S S E T S		
CURRENT		
Cash	$ 319,925	$ 24,405
Investments (note 6)	917,027	664,666
Federal wage subsidy receivable	31,078	62,893
Accounts receivable	0	200
HST receivable	72,399	46,104
Prepaid expenses	64,330	379,998
	1,404,759	1,178,266
RESTRICTED INVESTMENTS (note 6)	221,002	167,196
CAPITAL ASSETS (note 4)	888,432	239,910
	$ 2,514,193	$ 1,585,372
L I A B I L I T I E S		
CURRENT		
Accounts payable and accrued liabilities	$ 46,981	$ 194,376
Government remittances payable	27,699	13,965
Deferred contributions (note 7)	221,002	167,196
Current portion of loan payable (note 5)	40,000	0
	335,682	375,537
LOANS PAYABLE (note 5)	380,000	30,000
DEFERRED CAPITAL CONTRIBUTIONS (note 8)	209,234	224,056
	924,916	629,593
N E T A S S E T S		
NET ASSETS	1,589,277	955,779
	$ 2,514,193	$ 1,585,372

APPROVED ON BEHALF OF THE BOARD:

_______________________ Director

_______________________ Director

See notes to the financial statements

STRONG START CHARITABLE ORGANIZATION

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2021

	2021	2020 (note 12)
REVENUES		
Contributions (note 3)	$ 1,345,718	$ 1,207,389
Federal wage subsidy	292,774	107,994
Landlord contribution	245,170	0
Interest and other income (note 5)	16,832	29,563
Amortization of deferred capital contributions (note 8)	14,822	15,413
Program fees	2,000	85,800
	1,917,316	1,446,159
EXPENSES		
Salaries, benefits and office administration	377,224	301,547
Program deployment centre	309,066	30,793
Get Ready for School Program	233,329	261,183
Letters Sounds & Words Program	233,091	314,712
Amortization of capital assets	57,507	18,091
Professional fees	36,902	33,285
Baby Connections Program	36,699	11,026
	1,283,818	970,637
EXCESS OF REVENUES OVER EXPENSES for the year	633,498	475,522
NET ASSETS, beginning of year	955,779	480,257
NET ASSETS, end of year	$ 1,589,277	$ 955,779

See notes to the financial statements

STRONG START CHARITABLE ORGANIZATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2021

	2021	2020
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Excess of revenues over expenses for the year	$ 633,498	$ 475,522
Items not requiring an outlay of cash		
Amortization of capital assets	57,507	18,091
	691,005	493,613
Changes in non-cash working capital		
Accounts receivable	200	15,400
HST receivable	(26,295)	(32,228)
Prepaid expenses	315,668	(342,699)
Accounts payable and accrued liabilities	(147,395)	116,436
Government remittances payable	13,734	(3,769)
Deferred contributions	53,806	(104,122)
Deferred capital contributions	(14,822)	(15,413)
Federal wage subsidy receivable	31,815	(62,893)
	917,716	64,325
CASH PROVIDED BY FINANCING ACTIVITIES		
Loans payable	390,000	30,000
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Additions to capital assets	(706,029)	(12,392)
Investments	(252,361)	(307,091)
Restricted investments	(53,806)	104,122
	(1,012,196)	(215,361)
NET INCREASE (DECREASE) IN CASH	295,520	(121,036)
CASH, BEGINNING OF YEAR	24,405	145,441
CASH, END OF YEAR	$ 319,925	$ 24,405

See notes to the financial statements

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
Leaseholds	- 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.

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:

	2021	2020
Foundations	$ 1,159,694	$ 1,057,963
Corporate	132,500	109,092
Individuals	36,092	21,425
Service clubs, school councils, and other groups	12,895	14,320
Municipal government - community support	4,537	4,589
	$ 1,345,718	$ 1,207,389

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2021	Net 2020
Computers and devices	$ 73,354	$ 49,051	$ 24,303	$ 21,132
Office furniture	141,025	25,895	115,130	4,390
Program kits	252,981	50,145	202,836	214,388
Leaseholds	570,820	24,657	546,163	0
	$ 1,038,180	$ 149,748	$ 888,432	$ 239,910

There is $137,461 (2020 - $137,461) in program kits that are not amortized and are in readiness for planned program expansion.

5. LOANS PAYABLE

	2021	2020
Canada Emergency Business Account (CEBA) loan payable	$ 40,000	$ 30,000
Promissory note payable, interest at 4% per annum, repayable in quarterly installments of $10,000 plus interest, unsecured, due January 4, 2026.	380,000	0
	420,000	30,000
Less current portion:		
Cash repayments required within 12 months	40,000	0
	$ 380,000	$ 30,000

The CEBA loan payable is the repayable portion Canada Emergency Business Account loan balance of $40,000 which is interest free, guaranteed by the government of Canada, and due December 31, 2022. During the current year, the organization received a $20,000 expansion loan and $10,000 (2020 - $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 loan with a 5% interest rate. The loan will be repaid in monthly interest only instalments, with the first payment due January 31, 2023. The principal balance would be due by December 31, 2025.

Future minimum payments on loans payable are as follows:

2022	$ 40,000
2023	80,000
2024	40,000
2025	40,000
2026	220,000
	$ 420,000

6. INVESTMENTS

Investments are comprised of the following:

	2021	2020
Term deposit, maturing August 23, 2021, interest at 0.48%	$ 538,212	$ 0
Term deposit, maturing August 10, 2021, interest at 0.48%	350,479	0
Term deposit, maturing July 31, 2021, interest at 0.48%	249,338	0
Term deposits, matured during the year, interest at 0.60% and 0.70%	0	831,862
	1,138,029	831,862
Less: restricted investments	(221,002)	(167,196)
	$ 917,027	$ 664,666

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 $221,002 (2020 - $167,196).

7. DEFERRED CONTRIBUTIONS

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

	2021	2020
Balance, beginning of the year	$ 167,196	$ 271,318
Plus amounts received in the year	76,156	22,350
Less amounts recognized as revenue in the year	(22,350)	(126,472)
Balance, end of year	$ 221,002	$ 167,196

At year end, deferred contributions are comprised of:

	2021	2020
Lyle S. Hallman Foundation	$ 78,566	$ 78,566
Kitchener and Waterloo Community Foundation	76,501	63,951
Corporate Donors	17,000	15,000
Gore Mutual Foundation	6,000	0
The Corporation of Norfolk County	5,505	0
Brant Community Foundation	5,500	0
Guelph Community Foundation	5,401	0
Cambridge & North Dumfries Community Foundation	5,000	2,650
United Way	5,000	0
Cowan Foundation Grant	4,529	4,529
SM Blair	4,000	0
Samuel W. Steman Foundation	3,000	0
Excellence in Literacy Foundation	2,000	0
Caledonia Community Foundation	1,000	0
The Port Dover Foundation	1,000	0
Elmira Maple Syrup Festival	500	0
OECTA	500	0
Rotary Club of Grand River	0	2,500
	$ 221,002	$ 167,196

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

8. DEFERRED CAPITAL CONTRIBUTIONS

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

	2021	2020
Balance, beginning of the year	$ 224,056	$ 239,469
Less amortization of deferred capital contributions	(14,822)	(15,413)
Balance, end of year	$ 209,234	$ 224,056

At year end, deferred capital contributions are comprised of:

	2021	2020
Lyle S. Hallman Foundation	$ 173,102	$ 181,499
Ontario Trillium Grant	29,604	32,781
Kitchener and Waterloo Community Foundation	3,869	4,343
Kitchener-Conestoga Rotary Club - Dream Home	2,659	5,433
	$ 209,234	$ 224,056

9. 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 2021 compared to the previous period.

10. COMMITMENTS

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

2022	$ 166,813
2023	172,025
2024	180,158
2025	180,158
2026	199,549
	$ 898,703

11. VOLUNTEER HOURS

During the year, the organization enlisted the help of 121 volunteers (2020 - 2,763) who contributed approximately 3,270 volunteer hours (2020 - 35,030). Of these volunteers, 43 (2020 - 2,108) were working directly with children to impact their learning with a gift of 851 hours (2020 - 29,307). Due to physical distancing restrictions, and school and community closures, the organization implemented all of its programs online and delivered the Letters, Sounds and Words program in 14 locations (2020 - 349) during the year which helped 567 children (2020 - 4,938). Strong Start's volunteers were willing and able to provide the programs, but were significantly impacted in the year due to factors outside of the organization's control.

12. CORRESPONDING FIGURES

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

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

During the year, 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 an alternative way to deliver 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 collection for assets, and purchasing of supplies as well as its future ability to deliver all programming may be impacted by the evolving circumstances of the virus.