

**CALGARY READS (AN EARLY LITERACY INITIATIVE) SOCIETY**

**FINANCIAL STATEMENTS**  
(Audited)

**June 30, 2011**

# CALGARY READS (AN EARLY LITERACY INITIATIVE) SOCIETY

June 30, 2011

## Contents

	<u>Page</u>
<b>Independent Auditor's Report</b>	1 - 2
<b>Financial Statements</b>	
Statement of Financial Position	3
Statement of Changes in Net Assets	4
Statement of Operations	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 11

# Nancy Murdoch Chartered Accountant

301 - 1609 14th Street SW Calgary, AB T3C 1E4

Phone: 403-244-4111 ext. 206 Fax: 403-244-4129

nancy.murdoch@calgarycommunities.com

## Independent Auditor's Report

To the Members of the  
Calgary Reads (An Early Literacy Initiative) Society

I have audited the financial statements of the Calgary Reads (An Early Literacy Initiative) Society as at June 30, 2011 which include the Statement of Financial Position and the Statements of Operations, Changes in Net Assets, Cash Flows, and a summary of significant accounting policies and other explanatory notes for the year then ended.

### **Management's Responsibility**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 judgement, 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

**Basis for Qualified Opinion**

In common with many not for profit organizations, the Calgary Reads (An Early Literacy Initiative) Society derives revenue from certain fund raising activities, the completeness of which is not subject to satisfactory audit verification. Accordingly, my verification of these revenues was limited to the amounts recorded in the records of the Calgary Reads (An Early Literacy Initiative) Society and I was not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, assets and net assets.

**Qualified Opinion**

In my opinion, except for the effects of adjustments, if any, which I might have determined to be necessary had I been able to satisfy myself of the completeness of fundraising activities, these financial statements present fairly, in all material respects, the financial position of the Calgary Reads (An Early Literacy Initiative) Society as at June 30, 2011 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Calgary, Alberta  
September 26, 2011

Nancy Murdoch  
Chartered Accountant



**CALGARY READS (AN EARLY LITERACY INITIATIVE) SOCIETY**  
**STATEMENT OF FINANCIAL POSITION**  
(Audited)

As at June 30, 2011

	2011	2010
<b>ASSETS</b>		
<b>Current</b>		
Cash, unrestricted	\$ 197,533	\$ 119,930
Term Deposits, unrestricted (Note 3)	149,359	225,662
Externally Restricted Assets (Note 4)	86,498	76,371
Accounts Receivable	6,292	2,050
Prepaid Expenses	809	809
	440,491	424,822
<b>Property and Equipment (Note 5)</b>	<b>13,476</b>	<b>5,016</b>
	<b>\$ 453,967</b>	<b>\$ 429,838</b>

**LIABILITIES AND NET ASSETS**

<b>Current</b>		
Accounts Payable and Accrued Liabilities	\$ 16,233	\$ 10,892
Deferred Cash Contributions (Note 4)	86,498	76,371
	102,731	87,263
<b>Deferred Capital Contributions (Note 6)</b>	<b>8,081</b>	<b>-</b>
	<b>110,812</b>	<b>87,263</b>
<b>Net Assets</b>		
Unrestricted	337,760	337,559
Invested in Property and Equipment	5,395	5,016
	<b>343,155</b>	<b>342,575</b>
	<b>\$ 453,967</b>	<b>\$ 429,838</b>

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

Angus Gabe Director  
A. Swain Director

See Notes to the Financial Statements

**CALGARY READS (AN EARLY LITERACY INITIATIVE) SOCIETY**  
**STATEMENT OF CHANGES IN NET ASSETS**  
(Audited)

For the Year Ended June 30, 2011

	<u>Unrestricted</u>	<u>Invested in Property and Equipment</u>	<u>2011 Totals</u>	<u>2010 Totals</u>
Net Assets, Beginning of the Year	\$ 337,559	\$ 5,016	\$ 342,575	\$ 327,489
Increase / (Decrease)	<u>201</u>	<u>379</u>	<u>580</u>	<u>15,086</u>
Net Assets, End of the Year	<u>\$ 337,760</u>	<u>\$ 5,395</u>	<u>\$ 343,155</u>	<u>\$ 342,575</u>

See Notes to the Financial Statements

**CALGARY READS (AN EARLY LITERACY INITIATIVE) SOCIETY**  
**STATEMENT OF OPERATIONS**  
(Audited)

For the Year Ended June 30, 2011

	<u>2011</u>	<u>2010</u>
<b>Revenues</b>		
Amortization of Deferred Capital Contributions	\$ 3,463	\$ -
Book Sale	129,604	125,193
Casino Contributions	44,360	45
Donations and Grants (Note 7)	398,735	287,997
Interest	1,615	2,372
	<u>577,777</u>	<u>415,607</u>
 <b>Expenses</b>		
Amortization	4,968	2,150
Book Sale	15,338	12,857
Community Awareness and Volunteer Recognition	16,178	6,186
Insurance	1,317	1,057
Office and Administration	171,166	93,776
Professional Fees	3,274	2,023
Program Costs including Wages and Benefits	364,956	282,472
	<u>577,197</u>	<u>400,521</u>
 <b>Excess of Revenue</b>	 <u>\$ 580</u>	 <u>\$ 15,086</u>

See Notes to the Financial Statements



**CALGARY READS (AN EARLY LITERACY INITIATIVE) SOCIETY**  
**STATEMENT OF CASH FLOWS**  
(Audited)

For the Year Ended June 30, 2011

	2011	2010
<b>Cash Generated From (Used In):</b>		
<b>Operating Activities:</b>		
Excess of Revenue	\$ 580	\$ 15,086
Charges not requiring cash outlay:		
Amortization of Property and Equipment	4,968	2,150
Amortization of Deferred Capital Contributions	(3,463)	-
Casino contributions	(44,360)	-
Changes in Non-Cash Working Capital:		
Accounts Receivable	(4,242)	150
Prepaid Expenses, unrestricted	-	(260)
Accounts Payable	5,341	(5,730)
	(41,176)	11,396
<b>Investing Activities:</b>		
Reinvested interest/purchase of Term Deposit	(890)	(2,577)
Redemption of Term Deposit	77,199	-
Purchase of Property and Equipment	(13,428)	-
	62,881	(2,577)
<b>Financing Activities:</b>		
Receipt of casino proceeds, net of bank charges	66,025	-
Decrease in Deferred Cash Contributions	-	(45)
	66,025	(45)
<b>Increase in Cash</b>	<b>87,730</b>	<b>8,774</b>
Cash, Beginning of the Year	196,401	187,627
<b>Cash, End of the Year</b>	<b>\$ 284,131</b>	<b>\$ 196,401</b>
 <b>Consists of:</b>		
Unrestricted Cash	\$ 197,533	\$ 119,930
Casino Bank	86,598	76,471
	<b>\$ 284,131</b>	<b>\$ 196,401</b>

See Notes to the Financial Statements



# CALGARY READS (AN EARLY LITERACY INITIATIVE) SOCIETY

## NOTES TO THE FINANCIAL STATEMENTS

(Audited)

June 30, 2011

### 1. NATURE OF OPERATION

Calgary Reads (An Early Literacy Initiative) Society (the Society) is a registered charity that provides an early literacy program designed to help children who experience difficulty learning to read. The program matches caring volunteers and business leaders in a common goal to boost literacy in the community. The Society is exempt from income tax under section 149 of the Income Tax Act.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance to Canadian generally accepted accounting principles, of which the most significant policies are:

#### (a) Property and Equipment

From the year 2008 forward, assets of a capital nature have been recorded at cost and amortized over their estimated useful lives using the declining balance method at the following rates:

Computer Hardware	30%
Website	30%

#### (b) Revenue Recognition

The Society follows the deferral method of accounting for externally restricted 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 received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

Externally restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

#### (c) Contributed Goods and Services

Contributed services and donated items are recognized in the financial statements when the fair value can reasonably be estimated, when the services are used in the normal course of the Society's operations and would otherwise have been purchased.

A number of volunteers have made significant contributions of their time to the Society. The value of this contributed time is not reflected in these financial statements.

**CALGARY READS (AN EARLY LITERACY INITIATIVE) SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
(Audited)

**June 30, 2011**

**(d) Financial Instruments**

The Society applies Sections 3855 "Financial Instruments - Recognition and Measurement" and 3861 "Financial Instruments - Disclosure and Presentation" of the Canadian Institute of Chartered Accountants (CICA) Handbook. As permitted by CICA, the Society has elected not to adopt the new standards 3862 and 3863, and continues to apply Section 3861 on disclosure and presentation of the financial statements.

**3. TERM DEPOSITS**

The Society holds term deposits with the Royal Bank of Canada as follows:

\$	<b>71,099</b>	0.85%, maturing March 29, 2012
	<u>78,260</u>	1.35%, maturing September 27, 2011
\$	<u><b>149,359</b></u>	

**4. EXTERNALLY RESTRICTED ASSETS**

Net revenue generated from casino is restricted for usage by provincial regulatory authorities (Alberta Gaming and Liquor Commission). Funds generated from casino proceeds are recorded as a liability until spent on authorized expenditures.

	2011	2010
Casino bank account	\$ <b>86,598</b>	\$ 76,471
Less: General funds held in Casino account	<u>(100)</u>	<u>(100)</u>
	<u><b>\$ 86,498</b></u>	<u>\$ 76,371</u>

**5. PROPERTY AND EQUIPMENT**

	Cost	Accumulated Amortization	2011 Net	2010 Net
Computer Hardware	\$ 16,236	5,597	<b>10,639</b>	963
Website	8,272	5,435	<b>2,837</b>	4,053
	<u>\$ 24,508</u>	<u>11,032</u>	<u><b>13,476</b></u>	<u>5,016</u>

**CALGARY READS (AN EARLY LITERACY INITIATIVE) SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
(Audited)

June 30, 2011

**6. DEFERRED CAPITAL CONTRIBUTIONS**

Externally restricted revenue that has been used to fund purchases of a capital nature is deferred and recognized as revenue as the related asset is amortized.

	<u>2011</u>	<u>2010</u>
Purchased with Restricted Funds	\$ 11,544	\$ -
Recognized as Revenue	<u>(3,463)</u>	<u>-</u>
	<u>\$ 8,081</u>	<u>\$ -</u>

**7. DONATIONS AND GRANTS**

	<u>2011</u>	<u>2010</u>
Corporate Donations	\$ 126,509	\$ 159,270
Individual Donations	49,282	23,516
Grants	188,157	43,992
Board Donations and Memberships	2,137	1,007
Event Income and Workshops	-	29,912
Calgary Board of Education	30,000	30,000
School Councils	2,650	300
	<u>\$ 398,735</u>	<u>\$ 287,997</u>

**8. MANAGEMENT OF CAPITAL**

The Society defines its capital as the amounts included in its net assets and deferred cash contributions which include both restricted and unrestricted amounts. Restricted amounts include contributions whose use has been specified by an outside party. Management believes it is in compliance with the restrictions on these funds.

The Society's objective when managing its capital is to safeguard its ability to continue as a going concern so that it can continue to provide the appropriate level of service.

**CALGARY READS (AN EARLY LITERACY INITIATIVE) SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
(Audited)

June 30, 2011

**9. RECENT ACCOUNTING PRONOUNCEMENT**

**Financial Statement Presentation by Not-for-Profit Organizations**

In December 2010 the Accounting Standards Board issued Part III of the CICA Handbook - Accounting - Accounting Standards for Not-for-Profit Organizations. First time adoption of this Part of the Handbook is mandatory for annual financial statements relating to fiscal years beginning on or after January 1, 2012.

The adoption of the Part should not have a material impact on the Society's financial statements.

**10. FINANCIAL INSTRUMENTS**

Under the standards for recognizing and measuring financial instruments, all financial assets are classified into one of the following four categories: held for trading, held to maturity, loans and receivables or available for sale. All financial liabilities are classified into one of the following two categories: held for trading or other financial liabilities.

The Society's financial assets and financial liabilities are classified and measured as follows:

**Held for trading**

Cash and term deposits are designated as held for trading at fair value with any subsequent changes in fair value as a charge to the statement of operations.

**Loans and receivables**

Accounts receivable are recorded at amortized cost less any impairment losses recognized and approximate their fair values due to the relatively short periods to maturity.

**Other financial liabilities**

Accounts payable and accrued liabilities are recorded at amortized cost and approximate their fair values due to the relatively short periods to maturity.

Other amounts noted on the Statement of Financial Position are not financial instruments.

The Society has not entered into any derivative transactions. In addition, the Society's contractual arrangements do not have any embedded features.



**CALGARY READS (AN EARLY LITERACY INITIATIVE) SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
(Audited)

**June 30, 2011**

**11. MEASUREMENT UNCERTAINTY**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements could be significant.

**12. FUNDRAISING EXPENSES**

As required under section 7(2) of the Charitable Fundraising Regulation of Alberta, the following amounts are disclosed:

Direct costs incurred for the purpose of soliciting contributions \$Nil (2010 - \$Nil)

Amounts paid as remuneration to employees whose principal duties involve fundraising \$Nil (2010 - \$Nil)