

CALGARY READS (AN EARLY LITERACY INITIATIVE) SOCIETY

FINANCIAL STATEMENTS
(Audited)

June 30, 2012

CALGARY READS (AN EARLY LITERACY INITIATIVE) SOCIETY

June 30, 2012

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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, 2012 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, 2012 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 10, 2012



Keryn Sulimma
Chartered Accountant

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

As at June 30, 2012

	2012	2011
ASSETS		
CURRENT		
Cash, unrestricted	\$ 288,543	\$ 200,173
Term Deposits, unrestricted (Note 3)	79,316	149,359
Externally Restricted Assets (Note 4)	212,415	86,498
Accounts Receivable	11,179	6,292
Prepaid Expenses	817	809
	592,270	443,131
Property and Equipment (Note 5)	15,899	13,476
	\$ 608,169	\$ 456,607

LIABILITIES AND NET ASSETS

CURRENT		
Accounts Payable and Accrued Liabilities	\$ 52,644	\$ 16,233
Deferred Cash Contributions (Note 4)	212,415	86,498
	265,059	102,731
Deferred Capital Contributions (Note 6)	9,085	8,081
	274,144	110,812
NET ASSETS		
Unrestricted	327,211	340,400
Invested in Property and Equipment	6,814	5,395
	334,025	345,795
	\$ 608,169	\$ 456,607

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

_____ Director

_____ 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, 2012

	<u>Unrestricted</u>	<u>Invested in Property and Equipment</u>	<u>2012 Totals</u>	<u>2011 Totals</u>
Balance, Beginning of the Year	\$ 337,760	\$ 5,395	\$ 343,155	\$ 342,574
Prior Period Restatement (Note 12)	<u>2,640</u>	<u>-</u>	<u>2,640</u>	<u>-</u>
Balance, As Restated	340,400	5,395	345,795	342,574
Increase / (Decrease)	<u>(13,189)</u>	<u>1,419</u>	<u>(11,770)</u>	<u>3,221</u>
Net Assets, End of the Year	<u>\$ 327,211</u>	<u>\$ 6,814</u>	<u>\$ 334,025</u>	<u>\$ 345,795</u>

See Notes to the Financial Statements

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

For the Year Ended June 30, 2012

	2012	2011
REVENUES		
Amortization of Deferred Capital Contributions	\$ 3,894	\$ 3,463
Book Sale	162,157	129,604
Casino Contributions	17,547	44,360
Donations and Grants (Note 7)	457,511	401,455
Interest	1,310	1,615
	642,419	580,497
 EXPENSES		
Amortization	4,947	4,968
Book Sale	12,385	15,338
Special Event	56,809	-
Community Awareness and Volunteer Recognition	40,833	16,178
Insurance	1,577	1,317
Office and Administration	144,583	171,245
Professional Fees	3,387	3,274
Salaries and Wages	362,047	343,330
Program Costs	27,621	21,626
	654,189	577,276
 EXCESS / (DEFICIT) OF REVENUE	 \$ (11,770)	 \$ 3,221

See Notes to the Financial Statements

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

For the Year Ended June 30, 2012

	2012	2011
CASH GENERATED FROM (USED IN):		
OPERATING ACTIVITIES:		
Excess of Revenue	\$ (11,770)	\$ 3,221
Charges not requiring cash outlay:		
Amortization of Property and Equipment	4,947	4,968
Amortization of Deferred Capital Contributions	(3,894)	(3,463)
Casino contributions	(17,547)	(44,360)
Changes in Non-Cash Working Capital:		
Accounts Receivable	(4,887)	(4,242)
Prepaid Expenses, unrestricted	(8)	-
Accounts Payable	36,411	5,341
	<u>3,252</u>	<u>(38,535)</u>
INVESTING ACTIVITIES:		
Reinvested interest/purchase of Term Deposit	(1,140)	(890)
Redemption of Term Deposit	71,099	77,199
Purchase of Property and Equipment	(7,431)	(13,428)
	<u>62,528</u>	<u>62,881</u>
FINANCING ACTIVITIES:		
Receipt of casino proceeds, net of bank charges	-	66,025
Increase in Deferred Cash Contributions	148,407	-
	<u>148,407</u>	<u>66,025</u>
INCREASE IN CASH	214,187	90,371
Cash, Beginning of the Year	<u>286,771</u>	<u>196,401</u>
CASH, END OF YEAR	\$ <u>500,958</u>	\$ <u>286,771</u>
CONSISTS OF:		
Unrestricted Cash	\$ 288,543	\$ 200,173
Casino Bank	64,009	86,598
Restricted Cash (Note 4)	148,406	-
	<u>\$ 500,958</u>	<u>\$ 286,771</u>

See Notes to the Financial Statements

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

June 30, 2012

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. Due to an internal error the 2011 charity return was not filed and the Society's charitable status was revoked. The necessary steps have since been taken and the Society is currently awaiting reinstatement.

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.

Hundreds 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
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(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:

\$ 79,316 1.00%, maturing September 27, 2012

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.

	2012	2011
Casino bank account	\$ 64,109	\$ 86,598
Less: General funds held in Casino account	(100)	(100)
	64,009	86,498
Community Initiatives Program Grant	37,406	-
Donations received for Kahanoff space	111,000	-
	\$ 212,415	\$ 86,498

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	2012 Net	2011 Net
Computer Hardware	\$ 23,606	9,693	13,913	10,639
Website	8,272	6,286	1,986	2,837
	\$ 31,878	15,979	15,899	13,476

CALGARY READS (AN EARLY LITERACY INITIATIVE) SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
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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>2012</u>	<u>2011</u>
Beginning Balance	\$ 8,081	-
Purchased with Restricted Funds	4,898	11,544
Recognized as Revenue	<u>(3,894)</u>	<u>(3,463)</u>
	<u>\$ 9,085</u>	<u>\$ 8,081</u>

7. DONATIONS AND GRANTS

	<u>2012</u>	<u>2011</u>
Corporate Donations	\$ 173,364	\$ 126,509
Individual Donations	224,024	49,282
Grants	25,382	188,157
Board Donations and Memberships	9,392	2,137
Event Income and Workshops	13,049	2,720
Calgary Board of Education	-	30,000
Campaign Income	10,000	-
Resources Income	1,000	-
School Councils	1,300	2,650
	<u>\$ 457,511</u>	<u>\$ 401,455</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
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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
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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. PRIOR PERIOD RESTATEMENT

The Society has a Paypal account that is available to the public for program and workshop registration. This account had a balance in the prior year from workshop registrations that was not incorporated into the accounting records of the Society. This resulted in an increase to prior period net assets of \$2,460.

13. 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 (2011 - \$Nil)

Amounts paid as remuneration to employees whose principal duties involve fundraising \$Nil (2011 - \$Nil)