

Calgary Reads (An Early Literacy Initiative) Society
Financial Statements
June 30, 2017

Management's Responsibility

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

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors ("the Board") is composed entirely of Directors who are neither management nor employees of the Society. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Society's external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

September 20, 2017



Steacy Collyer,
Executive Director

Independent Auditors' Report

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

We have audited the accompanying financial statements of Calgary Reads (An Early Literacy Initiative) Society, which comprise the statement of financial position as at June 30, 2017 and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' judgment, 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the Calgary Reads (An Early Literacy Initiative) Society derives revenue from certain fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification was limited to the amounts recorded in the records of the Calgary Reads (An Early Literacy Initiative) Society and we were not able to determine whether any adjustments might be necessary to revenue and excess of revenues over expenses reported in the statement of operations and current assets and unrestricted net assets reported in the statement of financial position.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Calgary Reads (An Early Literacy Initiative) Society as at June 30, 2017 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matter

The financial statements of Calgary Reads (An Early Literacy Initiative) Society as at June 30, 2016 and for the year then ended were audited by another firm of Chartered Professional Accountants who issued a qualified opinion as to the completeness of fundraising revenue in their double dated report of September 21, 2016 and November 18, 2016.

Calgary, Alberta

September 20, 2017

MNP LLP

Chartered Professional Accountants

Calgary Reads (An Early Literacy Initiative) Society

Statement of Financial Position

As at June 30, 2017

	2017	2016
Assets		
Current		
Cash and cash equivalents, unrestricted	625,747	599,257
Externally restricted assets (Note 3)	297,644	379,104
Short-term investments	50,231	20,000
Accounts receivable	74,326	6,705
Goods and Services Tax receivable, unrestricted	5,737	18,892
Prepaid expenses and deposits	670	-
	1,054,355	1,023,958
Capital assets (Note 4)	143,982	151,713
	1,198,337	1,175,671
Liabilities		
Current		
Accounts payable and accruals	24,119	29,768
Employee benefits payable	6,129	6,899
Deferred revenue	185,500	175,000
Deferred cash contributions (Note 3)	295,684	379,104
	511,432	590,771
Deferred contributions related to capital assets (Note 5)	141,399	136,607
	652,831	727,378
Commitments (Note 11)		
Net Assets		
Unrestricted	542,923	433,187
Invested in capital assets	2,583	15,106
	545,506	448,293
	1,198,337	1,175,671

Approved on behalf of the Board of Directors


Director


Director

Calgary Reads (An Early Literacy Initiative) Society
Statement of Operations
For the year ended June 30, 2017

	2017	2016
Revenue		
Individuals	95,618	73,891
Corporations	147,686	297,293
Government	70,247	47,075
Earned revenue and fundraising (Note 7)	525,125	523,621
Foundations and charities	410,849	222,833
Rental recoveries	9,000	28,200
	1,258,525	1,192,913
Expenses		
Staffing (Schedule 1)	343,891	326,891
Core program costs (Schedule 2)	721,411	614,632
Operating costs (Schedule 3)	96,967	120,222
	1,162,269	1,061,745
Excess of revenue over expenses from operations	96,256	131,168
Other items		
Amortization of capital assets	(34,751)	(27,955)
Amortization of deferred contributions related to capital assets	35,708	24,320
Excess of revenue over expenses	97,213	127,533

The accompanying notes are an integral part of these financial statements

Calgary Reads (An Early Literacy Initiative) Society Statement of Changes in Net Assets

For the year ended June 30, 2017

	<i>Unrestricted</i>	<i>Invested in Capital Assets</i>	2017	2016
			<i>Actual</i>	<i>Actual</i>
Net assets, beginning of year	433,187	15,106	448,293	320,760
Excess of revenue over expenses	96,256	957	97,213	127,533
Purchase of capital assets	(27,020)	27,020	-	-
Receipt of deferred contributions related to capital assets	40,500	(40,500)	-	-
Net assets, end of year	542,923	2,583	545,506	448,293

The accompanying notes are an integral part of these financial statements

Calgary Reads (An Early Literacy Initiative) Society

Statement of Cash Flows

For the year ended June 30, 2017

	2017	2016
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	97,213	127,533
Amortization of deferred contributions related to capital assets	(35,708)	(24,320)
Amortization of capital assets	34,751	27,955
Changes in working capital accounts		
Accounts receivable	(71,731)	(69,862)
Goods and Services Tax receivable, unrestricted	13,155	(1,952)
Prepaid expenses and deposits	(670)	1,645
Accounts payable and accruals	(5,649)	6,443
Employee benefits payable	(770)	(2,218)
Deferred revenue	10,500	166,335
	41,091	231,559
Financing		
Net increase (decrease) in deferred cash contributions	(15,453)	278,664
Increase in deferred contributions related to capital assets	40,500	-
	25,047	278,664
Investing		
(Purchase) redemption of short-term investment	(30,231)	20,080
Purchase of vehicle with restricted funds	(26,251)	-
Purchase of computer hardware	(769)	-
	(57,251)	20,080
Increase in cash resources	8,887	530,303
Cash resources, beginning of year	910,394	380,091
Cash resources, end of year	919,281	910,394
Cash resources are composed of:		
Unrestricted	625,747	599,257
Restricted (Note 3)	293,534	311,137
	919,281	910,394

The accompanying notes are an integral part of these financial statements

Calgary Reads (An Early Literacy Initiative) Society

Notes to the Financial Statements

For the year ended June 30, 2017

1. Incorporation and nature of the organization

Calgary Reads (An Early Literacy Initiative) Society (the "Society") is a registered charity that provides early literacy programs to a thriving community where all children can learn to read with confidence and joy.

The Society creates positive changes in literacy outcomes for children by mobilizing education, community and business to care and act with ingenuity. The Society is exempt from income tax under section 149 of the Income Tax Act.

The results of the financial statements do not include the revenue and expenses of collaborative initiatives to which Calgary Reads acts as a fiscal agent, but the transactions of these initiatives are disclosed on Schedule 4 for information purposes only.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada using the following significant accounting policies:

Revenue recognition

The Society 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 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.

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Short-term investments

Short-term investments with prices quoted in an active market are measured at fair value while those that are not quoted in an active market are measured at cost less impairment. They consist of guaranteed investment certificates that mature between August 2017 and June 2018 and bear interest at rates ranging from 0.50% to 0.505%.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided using the declining balance method and the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

	Method	Rate
Automotive	declining balance	30 %
Computer equipment	declining balance	30 %
Website	declining balance	30 %
Furniture and fixtures	straight-line	10 years
Leasehold improvements	straight-line	10 years

Contributed materials

Contributions of materials are recognized both as contributions and expenses in the statement of operations when a fair value can be reasonably estimated and when the materials 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

For the year ended June 30, 2017

2. Significant accounting policies *(Continued from previous page)*

Financial instruments

The Society recognizes its financial instruments when the Society becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with Section 3840 *Related Party Transactions*.

At initial recognition, the Society may irrevocably elect to subsequently measure any financial instrument at fair value. The Society has not made such an election during the year.

All of the Society's financial assets and liabilities are recorded at cost or amortized cost.

Financial asset impairment

The Society assesses impairment of all of its financial assets measured at cost or amortized cost. The Society groups assets for impairment testing when there are numerous assets affected by the same factors. When there is an indication of impairment, the Society determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Society reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year excess of revenues over expenses.

The Society reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the excess of excess in the year the reversal occurs.

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

3. Externally restricted assets

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

	2017	2016
Casino bank account	16,403	311
F2000D bank account	186,581	142,555
Nourish bank account	90,550	167,609
Casino funds held in general bank account	-	662
	293,534	311,137
Casino proceeds receivable	-	67,613
Credit cards receivable	-	93
GST receivable, restricted	1,228	261
GST receivable, collaborative initiatives	2,882	-
	297,644	379,104

Calgary Reads (An Early Literacy Initiative) Society

Notes to the Financial Statements

For the year ended June 30, 2017

4. Capital assets

		<i>2017</i>	<i>2016</i>
	<i>Cost</i>	<i>Accumulated amortization</i>	<i>Net book value</i>
		<i>Net book value</i>	<i>Net book value</i>
Automotive	28,252	8,896	19,356
Computer equipment	34,077	28,578	5,499
Website	13,397	12,202	1,195
Furniture and fixtures	44,457	22,228	22,229
Leasehold improvements	191,407	95,704	95,703
	311,590	167,608	143,982
			151,713

5. Deferred contributions related to capital assets

Deferred contributions related to capital assets consist of the unamortized amount of contributions received for the purchase of capital assets. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized. Changes in deferred contributions related to capital assets are as follows:

	<i>2017</i>	<i>2016</i>
Balance, beginning of year	136,607	160,927
Received during the year	40,500	-
Less: Amounts recognized as revenue during the year	(35,708)	(24,320)
	141,399	136,607

6. Fiscal agent fees

The Society currently acts as a fiscal agent for three separate collaborative initiatives funded by Alberta Education and private foundations. The role of the Society in each of these initiatives is to act as a fiscal sponsor for the stewardship of funds, while providing guidance and leadership on the strategy and development of each initiative. The Society earns a fiscal agent fee for the services provided to each of these initiatives.

7. Earned revenue and fundraising

	<i>2017</i>	<i>2016</i>
Events	307,190	317,138
Fiscal agent fees	37,600	53,401
School memberships	101,000	85,000
Workshops, resources and other	79,335	68,082
	525,125	523,621

8. Financial instruments

The Society, as part of its operations, carries a number of financial instruments. It is management's opinion that the Society is not exposed to significant interest rate, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Calgary Reads (An Early Literacy Initiative) Society

Notes to the Financial Statements

For the year ended June 30, 2017

9. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.

10. Fundraising expenses

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

Direct costs incurred for the purpose of soliciting contributions: \$Nil (2016 - \$Nil)

Amount paid as remuneration to employees whose principal duties involve fundraising: \$Nil (2016 - \$Nil)

11. Lease commitment with related party

During the year, the Society entered into a lease for property from one of the Society's management. The lease began effective February 1, 2017 and will continue until March 31, 2018, unless terminated earlier in accordance with the lease agreement. The Society will pay \$3,000 on the first day of each month of the term as rent, as per the agreement.

Calgary Reads (An Early Literacy Initiative) Society
Schedule 1 - Staffing

For the year ended June 30, 2017

	2017	2016
Benefits and allowances	44,153	40,150
Contracts	47,229	60,416
Salaries	252,509	226,325
	343,891	326,891

Calgary Reads (An Early Literacy Initiative) Society
Schedule 2 - Core Program Costs
For the year ended June 30, 2017

	2017	2016
Communication	140,805	118,993
Event costs	70,253	34,256
Leadership development	8,898	10,567
Materials	113,239	82,664
Memberships	2,855	5,232
Program delivery	306,284	248,730
Research and development	34,125	66,110
Travel	33,004	29,335
Technology	11,948	18,745
	721,411	614,632

Calgary Reads (An Early Literacy Initiative) Society
Schedule 3 - Operational Costs

For the year ended June 30, 2017

	2017	2016
Insurance	1,618	1,514
Office and administration	23,549	24,387
Operating costs	29,618	38,447
Rent	42,182	55,873
	96,967	120,221

Calgary Reads (An Early Literacy Initiative) Society

Schedule 4 - Collaborative Initiatives

For the year ended June 30, 2017

	<i>Nourish</i>	<i>Coalitions</i>	<i>F2000D Network</i>	2017	<i>2016</i>
Revenue	6,000	92,457	214,000	312,457	557,909
Expense					
Nourish					
Contract labour	38,805	-	-	38,805	-
Fiscal agent fees	5,600	-	-	5,600	16,651
Books and resources	16,023	-	-	16,023	-
Program materials and delivery	22,681	-	-	22,681	15,954
Leadership contribution	-	-	-	-	23,750
Coalitions					
Coordinator	-	39,768	-	39,768	39,730
Administrative support	-	10,152	-	10,152	-
Communication	-	-	-	-	33,495
Community events	-	2,197	-	2,197	15,285
Fiscal agent fees	-	9,000	-	9,000	6,750
Network	-	-	-	-	8,000
Meetings and administrative	-	535	-	535	2,862
Workshops	-	544	-	544	2,454
Advertising and promotion	-	10,279	-	10,279	-
Travel expenses	-	980	-	980	-
Training	-	330	-	330	-
Technology	-	555	-	555	-
Asset mapping	-	-	-	-	2,407
Book purchases	-	-	-	-	42,497
Refund of unused funds	-	-	-	-	12,590
Network					
Weaver and secretariat	-	-	24,026	24,026	102,114
Consultants	-	-	53,035	53,035	-
Engagement support and administrative	-	-	38,200	38,200	39,853
Fiscal agent fees	-	-	18,500	18,500	30,000
Evaluation process	-	-	25,676	25,676	31,037
Communication	-	-	10,350	10,350	23,649
Program materials	-	-	241	241	3,467
Website admin	-	-	3,707	3,707	-
Pre 2 Three	-	-	6,556	6,556	-
Other expenses	-	-	6,248	6,248	-
Post Natal and Literacy	-	-	10,639	10,639	11,192
Network Mapping Project	-	-	-	-	11,060
Food and hosting services	-	-	620	620	5,151
Developmental evaluation	-	-	-	-	2,952
Management strategy	-	-	-	-	5,000
Analysis and leveraging	-	-	-	-	28,987
System development and training	-	-	244	244	9,842
	83,109	74,339	198,041	355,489	526,728
Excess (deficiency) of revenue	(77,109)	18,118	15,959	(43,032)	31,181
Beginning balance	167,609	39,898	102,751	310,258	278,670
GST receivable	(756)	(99)	(2,026)	(2,882)	(8,795)
Collaborative costs to be reimbursed	806	1,828	1,015	12,787	9,202
Ending balance	90,550	59,744	126,837	277,131	310,258