

# Financial Statements

Kids Kottage Foundation

March 31, 2023

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# Independent Auditor's Report

To the Members of Kids Kottage Foundation

## Qualified Opinion

We have audited the financial statements of Kids Kottage Foundation (the "Foundation"), which comprise the statement of financial position as at March 31, 2023, and the statements of changes in net assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Kids Kottage Foundation as at March 31, 2023, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

## Basis for Qualified Opinion

In common with many charitable organizations, Kids Kottage Foundation derives revenue from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Kids Kottage Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to recorded donations or fundraising, (deficiency) excess of revenue over expenses, or cash flows (used in) provided by operations for the years ended March 31, 2023 and 2022, current assets as at March 31, 2023 and 2022, and net assets as at April 1 and March 31, 2023 and 2022. Our audit opinion on the financial statements for the year ended March 31, 2022 was modified accordingly because of the possible effects of this limitation in scope.

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 Foundation 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 qualified opinion.



### Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation'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 the 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 Foundation'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 Foundation'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 Foundation 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.

Edmonton, Canada

June 26, 2023

*Grant Thornton LLP*

Chartered Professional Accountants

## Kids Kottage Foundation Statement of Financial Position

March 31	2023	2022
<b>Assets</b>		
Current		
Cash	\$ 278,830	\$ 230,396
Restricted cash (Note 3)	2,733	1,092
Short-term investments (Note 4)	1,006,936	1,427,156
Accounts receivable (Note 5)	58,850	163,306
Prepaid expenses	17,044	18,325
Endowment fund income receivable (Note 6)	<u>13,265</u>	<u>14,392</u>
	<b>1,377,658</b>	<b>1,854,667</b>
Long-term investments (Note 4)	<b>315,632</b>	<b>116,874</b>
Tangible capital assets (Note 7)	<u>118,394</u>	<u>119,022</u>
	<b>\$ 1,811,684</b>	<b>\$ 2,090,563</b>
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities (Note 8)	\$ 134,440	\$ 86,976
Deferred contributions (Note 9)	80,322	110,885
Canada Emergency Business Account (Note 12)	<u>40,000</u>	<u>-</u>
	<b>254,762</b>	<b>197,861</b>
Canada Emergency Business Account (Note 12)	-	40,000
Deferred capital contributions (Note 10)	<u>41,560</u>	<u>62,295</u>
	<b>296,322</b>	<b>300,156</b>
<b>Net Assets</b>		
Invested in tangible capital assets	76,834	56,727
Unrestricted fund	1,038,528	1,333,680
Internally restricted fund (Note 15)	<u>400,000</u>	<u>400,000</u>
	<b>1,515,362</b>	<b>1,790,407</b>
	<b>\$ 1,811,684</b>	<b>\$ 2,090,563</b>
<b>Commitments (Note 13)</b>		

On behalf of the Board

 Director

DocuSigned by:



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Director

## Kids Kottage Foundation Statement of Operations

Year Ended March 31	2023	2022
Revenues		
Province of Alberta	\$ 1,161,193	\$ 794,800
Fundraising and donations	683,702	839,808
City of Edmonton	300,000	-
Other government grants	47,063	29,436
Amortization of deferred capital contributions (Note 10)	20,735	21,954
Income from endowment fund (Note 6)	13,265	14,392
Investment income	5,302	31,570
Unrealized (loss) gain on marketable securities	(18,492)	14,728
	<u>2,212,768</u>	<u>1,746,688</u>
Program expenses		
Wages and benefits	1,472,513	1,232,763
Program costs	104,852	76,411
Rent expense	62,820	-
Office	27,347	58,598
Amortization	23,198	29,724
Program advertising	18,104	12,540
Telephone	16,537	15,482
Repairs and maintenance	14,563	15,135
Insurance	3,702	3,695
Staff training, education and recruitment	2,939	20,606
Travel	1,494	620
Volunteer training and expenses	1,003	866
	<u>1,749,072</u>	<u>1,466,440</u>
Excess of revenues over expenses before administrative expenses	<u>463,696</u>	<u>280,248</u>
Administrative expenses		
Fundraising (Note 11)	306,118	235,198
Salaries and benefits	201,350	112,014
Amortization	29,802	30,812
Professional fees	28,881	95,972
Office	18,078	13,089
Office equipment rentals	10,029	8,851
Insurance	9,209	14,498
Telephone and utilities	2,303	2,253
Repairs and maintenance	950	958
Staff training, education and recruitment	412	1,187
Bank charges and interest	244	1,801
	<u>607,376</u>	<u>516,633</u>
Deficiency of revenues over expenses from operations	<u>(143,680)</u>	<u>(236,385)</u>
Other income		
Canada Emergency Wage Subsidy (Note 12)	(131,365)	401,732
COVID-19 relief funding	-	17,613
	<u>(131,365)</u>	<u>419,345</u>
(Deficiency) excess of revenues over expenses	<u>\$ (275,045)</u>	<u>\$ 182,960</u>

See accompanying notes to the financial statements.

## Kids Kottage Foundation Statement of Changes in Net Assets

Year Ended March 31

	Internally Restricted Fund	Unrestricted Fund	Invested in Tangible Capital Assets	2023	2022
Net assets, beginning of year	\$ 400,000	\$ 1,333,680	\$ 56,727	\$ 1,790,407	\$ 1,607,447
(Deficiency) excess of revenues over expenses	-	(242,779)	(32,266)	(275,045)	182,960
Purchases of tangible capital assets	-	(52,373)	52,373	-	-
Net assets, end of year	\$ 400,000	\$ 1,038,528	\$ 76,834	\$ 1,515,362	\$ 1,790,407

See accompanying notes to the financial statements.



## Kids Kottage Foundation Statement of Cash Flows

Year Ended March 31

2023

2022

Increase (decrease) in cash

**Cash provided by (used in) operating activities**

Cash receipts from funders	\$ 2,145,927	\$ 1,741,284
Cash receipts from government assistance	-	287,678
Cash paid to suppliers and employees	(2,251,751)	(1,905,168)
Interest and dividends received	5,302	30,150
	<u>(100,522)</u>	<u>153,944</u>

**Cash provided by (used in) investing activities**

Purchase of tangible capital assets	(52,373)	(80,650)
Disposal (purchase) of investments, net	202,970	(28,993)
	<u>150,597</u>	<u>(109,643)</u>

Increase in cash

50,075

44,301

Beginning of year

231,488187,187

End of year

\$ 281,563\$ 231,488

Cash consists of:

Cash	\$ 278,830	\$ 230,396
Restricted cash	2,733	1,092
	<u>\$ 281,563</u>	<u>\$ 231,488</u>

See accompanying notes to the financial statements.

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# Kids Kottage Foundation

## Notes to the Financial Statements

March 31, 2023

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### 1. Nature of operations

The Kids Kottage Foundation (the "Foundation") is a registered charitable organization and, as such, is exempt from taxation under paragraph 149(1)(f) of the Income Tax (Canada). The Foundation was incorporated under the Societies Act (Alberta) as a not-for-profit organization. The Foundation is a crisis prevention and early intervention service that keeps infants and children safe, and families strong.

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### 2. Summary of significant accounting policies

These financial statements are prepared by management in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") and include the following significant accounting policies:

#### Use of estimates and measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenue and expenses for the reported period. Management reviews the carrying amounts of items in the financial statements at each balance sheet date to assess the need for revision or any possibility of impairment. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. Actual results could differ from those estimates.

Significant estimates included in these financial statements are the estimated useful lives of tangible capital assets, and valuation of the allowance for doubtful accounts receivable. Actual results could differ from those estimates.

#### Financial instruments

##### *Initial measurement*

The Foundation's financial instruments except for those with non-arm's length parties are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

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## Kids Kottage Foundation

### Notes to the Financial Statements

March 31, 2023

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#### 2. Summary of significant accounting policies (cont'd)

##### Financial instruments (cont'd)

###### *Subsequent measurement*

At each reporting date, the Foundation measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial assets) with the exception of investments in equity instruments which are measured at fair value. The Foundation uses the effective interest method to amortize any premiums, discounts, transaction fees and financing fees to the statement of operations. The financial instruments measured at amortized cost are cash, restricted cash, short-term and long-term investments (excluding marketable securities), accounts receivable, endowment fund income receivable, accounts payable and accrued liabilities, and Canada Emergency Business Account. Marketable securities are measured at fair value at each reporting date. The carrying value of the financial instruments approximates their fair value due to the short-term nature, unless otherwise noted.

For financial assets measured at cost or amortized cost, the Foundation regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Foundation determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

###### *Related party financial instruments*

Financial assets and financial liabilities in related party transactions are initially measured at cost, with the exception of certain instruments which are initially measured at fair value. Subsequent measurement is based on how the Foundation initially measured the instrument. The Foundation does not have any financial assets or financial liabilities in related party transactions measured at fair value.

##### Tangible capital assets

Tangible capital assets are recorded at cost, less accumulated amortization. Amortization is provided annually on the straight-line basis at rates calculated to write-off the assets over their estimated useful lives are as follows:

Computer equipment	50%
Kottage equipment	20%
Leasehold improvements	20%
Office equipment	20%

##### Impairment of long-lived assets

The Foundation tests long-lived assets for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of undiscounted cash flow resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

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# **Kids Kottage Foundation**

## **Notes to the Financial Statements**

March 31, 2023

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### **2. Summary of significant accounting policies (cont'd)**

#### **Revenue recognition**

The Foundation follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Restricted contributions for the purchase of capital assets that will be amortized are deferred and recognized as revenue on the same basis as the amortization related to the acquired capital assets. 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.

The forgivable portion of the government assistance from the Canada Emergency Business Account ("CEBA") has been recognized as revenue in the year ended March 31, 2021 as repayment of the remaining principal is considered likely prior to the deadline of December 31, 2023 for forgiveness of the remaining portion.

#### **Cash**

Cash consists of bank balances at Canadian financial institutions net of outstanding cheques, and balances in restricted cash accounts.

#### **Donated materials and contributed services**

Donated materials and services are recorded at fair value when the fair value can be reasonably estimated and when the materials and services are normally purchased by the Foundation. The Foundation is dependent upon the services provided by its volunteers. Volunteers contributed numerous hours in carrying out the activities of the Foundation. Due to the difficulty in determining the fair value, contributed services of volunteers are not recognized in the financial statements.

#### **Allocation of expenses**

The Foundation operates three general programs – client services, fundraising and administration. The costs of each program includes all costs directly related to that program, including wages and benefits, training, occupancy costs, and supplies. The Foundation also incurs general expenses that are shared amongst the three general programs.

The Foundation allocates these general expenses by identifying the appropriate basis for allocating each expense, which is applied consistently each year. Expenses that are not allocated include corporate governance and general management. Other general expenses are allocated as follows:

- i. Administrative and support staff wages and benefits are allocated proportionately based on the standard hours each position is expected to devote to each of the three general programs.
- ii. Other support costs including advertising, telephone and office expenses are charged directly to programs wherever possible. Costs that cannot be specifically identified between programs are allocated evenly amongst the programs they relate to.

## Kids Kottage Foundation Notes to the Financial Statements

March 31, 2023

### 3. Restricted cash

The Foundation receives proceeds from casinos and raffles under the authority of Alberta Gaming, Liquor and Cannabis. These funds are kept in separate bank accounts and can only be expended for approved purposes.

### 4. Investments

Investments consist of the following:

	<u>2023</u>	<u>2022</u>
Short-term:		
Marketable securities	\$ 201,087	\$ 199,717
Mutual funds	371,615	395,368
Guaranteed Investment Certificates (GICs)	-	107,047
High interest savings and cash in broker accounts	<u>434,234</u>	<u>725,024</u>
	<b>1,006,936</b>	<b>1,427,156</b>
Long-term:		
Bonds	<u>315,632</u>	<u>116,874</u>
Total investments	<u><b>\$1,322,568</b></u>	<u><b>\$1,544,030</b></u>

GICs matured on June 6, 2022 with an interest rate of 2.5% (2022 – 2.5%).

Bonds have maturity dates between June 2, 2024 to December 1, 2031 (2022 – between June 2, 2022 to December 1, 2031) and interest rates between 2.40% and 3.50% (2022 – 1.65% and 3.50%)

### 5. Accounts receivable

	<u>2023</u>	<u>2022</u>
Funding receivable	\$ 40,905	\$ -
Goods and Services Tax recoverable	17,945	8,894
COVID-19 grants and subsidies	<u>-</u>	<u>154,412</u>
	<u><b>\$ 58,850</b></u>	<u><b>\$ 163,306</b></u>

### 6. Endowment fund

The Foundation has entered into an agreement with the Edmonton Community Foundation and the family of the late Lilly Schmidt to create a permanent endowment fund, known as the "Kids Kottage Fund", to support the building of strong families and ensure the safe-keeping and well-being of all children during times of family crisis. The Kids Kottage Fund was established with a \$300,000 contribution from the Estate of Lilly Schmidt and can accept donations from the general public.

## Kids Kottage Foundation

### Notes to the Financial Statements

March 31, 2023

#### 6. Endowment fund (continued)

The Fund is administered by the Edmonton Community Fund and, under the terms of the agreement, 4% of the value of the fund at December 31 each year is available for disbursement. The Foundation is entitled to receive the entire disbursement as long as it remains a registered charity that continues to carry out the aims of the fund. The disbursement for the year ended December 31, 2022 was \$13,265 (2021 - \$14,392). This payment is recognized as revenue once the amount can be determined, and collection is reasonably assured.

The value of the fund at December 31, 2022 was \$331,625 (December 31, 2021 - \$359,800). However, since the Foundation has no control over the management, investing or disbursing of the endowment fund, it is not included in the Foundation's assets.

#### 7. Tangible capital assets

			<u>2023</u>	<u>2022</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computer equipment	\$ 101,200	\$ (95,552)	\$ 5,648	\$ 11,528
Kottage equipment	55,452	(42,626)	12,826	13,452
Leasehold improvements	239,732	(140,376)	99,356	91,976
Office equipment	<u>11,028</u>	<u>(10,464)</u>	<u>564</u>	<u>2,066</u>
	<u>\$ 407,412</u>	<u>\$ (289,018)</u>	<u>\$ 118,394</u>	<u>\$ 119,022</u>

#### 8. Accounts payable and accrued liabilities

	<u>2023</u>	<u>2022</u>
Trade accounts payable	\$ 78,298	\$ 40,419
Salaries and wages	<u>56,142</u>	<u>46,557</u>
	<u>\$ 134,440</u>	<u>\$ 86,976</u>

## Kids Kottage Foundation Notes to the Financial Statements

March 31, 2023

### 9. Deferred contributions

Deferred contributions include amounts that are externally restricted for specific programs or purposes which have not yet been expended for the specified purposes.

	2022 Total	Received	Recognized as revenue	2023 Total
Basic Shelf	\$ 19,760	\$ -	\$ -	\$ 19,760
Casino fund	1,092	-	-	1,092
Emergency Counselling Fund	510	-	-	510
Inter Pipelines: Community Navigator	10,887	-	-	10,887
Inter Pipelines: Crisis Line	20,000	-	-	20,000
Private Donor: Playground	28,073	-	-	28,073
CIP for Accounting Technician	30,563	-	30,563	-
	<u>\$ 110,885</u>	<u>\$ -</u>	<u>\$ 30,563</u>	<u>\$ 80,322</u>

### 10. Deferred capital contributions

Deferred capital contributions represent externally restricted contributions with which capital assets were purchased. The changes in the deferred capital contributions balance for the year are as follows:

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 62,295	\$ 69,249
Add: contributions received related to capital asset purchases	-	15,000
Less: amortization of deferred contributions	<u>(20,735)</u>	<u>(21,954)</u>
Balance, end of year	<u>\$ 41,560</u>	<u>\$ 62,295</u>

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## Kids Kottage Foundation

### Notes to the Financial Statements

March 31, 2023

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#### 11. Fundraising expenses

	2023	2022
Direct costs of fundraising events	\$ 61,510	\$ 78,649
Fundraising wages and benefits	177,640	128,707
Fundraising administration	66,968	27,842
	\$ 306,118	\$ 235,198

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#### 12. Canada Emergency Business Account and government assistance

During the current and prior years, the Foundation has taken advantage of the Federal COVID-19 assistance programs: The Canada Emergency Wage Subsidy (CEWS) and the Canada Emergency Business Account (CEBA).

In the current year, it was determined there is uncertainty regarding the recoverability of the CEWS government assistance revenue recognized in the year ended March 31, 2022. As a result, \$131,365 was adjusted through the current year statement of operations.

The CEBA is a loan offered through financial institutions where a portion of the advanced loan proceeds will be forgiven if the remainder of the loan proceeds are repaid by December 31, 2023. The loan is non-interest bearing until January 1, 2024. The Foundation received the loan in the year ended March 31, 2021 and assessed that it was reasonably assured to repay the non-forgivable portion of the loan prior to December 31, 2023 and as such the \$20,000 forgivable portion was recognized as other income in the year ended March 31, 2021.

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#### 13. Commitments

The Foundation has entered various operating leases for its equipment expiring on March 31, 2024.

The minimum annual lease payments for the next two years are as follows:

2024	\$ <u>7,489</u>
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## Kids Kottage Foundation

### Notes to the Financial Statements

March 31, 2022

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#### 14. Financial instruments

The Foundation's financial assets and liabilities are exposed to certain risks. Unless otherwise noted, the Foundation's risk exposure has not changed significantly from the prior year.

##### *Liquidity risk*

Liquidity risk is the risk that the Foundation will not be able to meet its obligations on a timely basis or at a reasonable cost.

The Foundation's operations are primarily funded by the Province of Alberta and the City of Edmonton, supplemented by community fundraising. The Foundation's ability to continue operating is dependent upon maintaining these sources of funding. Should funding be significantly reduced, the Foundation would need to find an alternative source of stable funding. Similarly, a significant reduction in the proceeds from community fundraising would force the Foundation to seek government or other institutional funding. The Foundation has enough reserves to enable it to continue operating temporarily while searching for alternative funding sources.

##### *Credit risk*

Credit risk refers to the risk that a counterparty may default on its contractual obligation, resulting in a financial loss.

Operating cash is held at a major Canadian chartered bank, and short-term and long-term investments are held by a variety of Canadian banks and trust companies. The Foundation is exposed to risk to the extent that these deposits exceed the amounts guaranteed by the Canada Deposit Insurance Corporation and the Canadian Investor Protection Fund.

##### *Interest risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fixed-rate instruments subject the Foundation to a fair value risk, floating-rate instruments subject to a cash flow risk.

##### *Market risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of three types of risk: currency risk, interest rate risk and the other price risk. The Foundation is mainly exposed to currency risk, interest rate risk, and the risk of market fluctuations with respect to market traded securities and bonds.

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#### 15. Internally restricted fund

The Board of Directors has internally restricted certain net assets for the possible future expansion of the Foundation. Use of the funds requires approval by the Board of Directors. The purpose of this fund is to restrict \$400,000 for the possible future expansion of the Foundation.