

Financial Statements

Kids Kottage Foundation

March 31, 2024

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# Independent Auditor's Report

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To the Members of  
Kids Kottage Foundation

## Opinion

We have audited the financial statements of Kids Kottage Foundation ("the Foundation"), which comprise the statement of financial position as at March 31, 2024, and the statements of operations, 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, 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 the Foundation as at March 31, 2024, 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, the 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 the Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to recorded donations or fundraising, excess (deficiency) of revenue over expenses, or cash flows provided by (used in) operations for the years ended March 31, 2024 and 2023, current assets as at March 31, 2024 and 2023, and net assets as at April 1, 2022 and 2023 and March 31, 2023 and 2024. Our audit opinion on the financials statements for the year ended March 31, 2023 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 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 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 11, 2024

The logo for Grant Thornton LLP, featuring the company name in a stylized, handwritten-style script.

Chartered Professional Accountants

# Kids Kottage Foundation

## Statement of Financial Position

March 31

2024

2023

### Assets

#### Current

Cash	\$ 515,188	\$ 278,830
Restricted cash (Note 3)	81,118	2,733
Short-term investments (Note 4)	1,191,586	1,006,936
Accounts receivable (Note 5)	56,419	58,850
Prepaid expenses	14,436	17,044
Endowment fund receivable (Note 6)	13,500	13,265
	<u>1,872,247</u>	<u>1,377,658</u>

Long-term investments (Note 4)	218,937	315,632
Tangible capital assets (Note 7)	88,730	118,394
	<u>\$ 2,179,914</u>	<u>\$ 1,811,684</u>

### Liabilities

#### Current

Accounts payable and accrued liabilities (Note 8)	\$ 117,204	\$ 134,440
Deferred contributions (Note 9)	206,098	80,322
Canada Emergency Business Account (Note 12)	-	40,000
	<u>323,302</u>	<u>254,762</u>

Deferred capital contributions (Note 10)	62,976	41,560
	<u>386,278</u>	<u>296,322</u>

### Net Assets

Invested in tangible capital assets	25,753	76,834
Unrestricted fund	1,367,883	1,038,528
Internally restricted fund (Note 15)	400,000	400,000
	<u>1,793,636</u>	<u>1,515,362</u>
	<u>\$ 2,179,914</u>	<u>\$ 1,811,684</u>

Commitments (Note 13)

On behalf of the Board

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

# Kids Kottage Foundation

## Statement of Operations

Year ended March 31

2024

2023

### Revenues

Province of Alberta	\$ 1,268,007	\$ 1,161,193
Fundraising and donations	1,054,240	683,702
City of Edmonton	300,000	300,000
Other government grants	85,648	47,063
Unrealized gain (loss) on marketable securities	75,951	(18,492)
Interest and investment income	23,545	5,302
Amortization of deferred capital contributions (Note 10)	18,584	20,735
Income from endowment fund (Note 6)	13,500	13,265
	<u>2,839,475</u>	<u>2,212,768</u>

### Program expenses

Wages and benefits	1,708,389	1,472,513
Program costs	108,958	104,852
Rent expense (Note 13)	65,485	62,820
Office	64,075	27,347
Amortization	22,572	23,198
Telephone	17,046	16,537
Repairs and maintenance	12,705	14,563
Insurance	3,725	3,702
Staff training, education and recruitment	2,787	2,939
Program advertising	2,350	18,104
Travel	1,781	1,494
Volunteer training and expenses	-	1,003
	<u>2,009,873</u>	<u>1,749,072</u>

Excess of revenues over expenses before administrative expenses

833,327 463,696

### Administrative expenses

Fundraising (Note 11)	261,811	306,118
Salaries and benefits	192,068	201,350
Professional fees	27,037	28,881
Amortization	23,923	29,802
Office	17,731	18,078
Insurance	14,902	9,209
Office equipment rentals	6,306	10,029
Repairs and maintenance	4,557	950
Telephone and utilities	1,837	2,303
Staff training, education and recruitment	979	412
Bank charges and interest	177	244
	<u>551,328</u>	<u>607,376</u>

Excess (deficiency) of revenues over expenses from operations

278,274 (143,680)

Canada Emergency Wage Subsidy (Note 12)

- (131,365)

Excess (deficiency) of revenues over expenses

\$ 278,274 \$ (275,045)

## Kids Kottage Foundation

### Statement of Changes in Net Assets

Year ended March 31

	Internally Restricted Fund	Unrestricted Fund	Invested in Tangible Capital Assets	Total 2024	Total 2023
Balance, beginning of year	\$ 400,000	\$ 1,038,528	\$ 76,834	<b>1,515,362</b>	1,790,407
Excess (deficiency) of revenues over expenses	-	306,186	(27,912)	<b>278,274</b>	(275,045)
Receipt of capital contributions	-	40,000	(40,000)	-	-
Purchase of tangible capital assets	-	(16,831)	16,831	-	-
Balance, end of year	<b>\$ 400,000</b>	<b>\$ 1,367,883</b>	<b>\$ 25,753</b>	<b>1,793,636</b>	1,515,362

# Kids Kottage Foundation

## Statement of Cash Flows

Year ended March 31

2024

2023

Increase (decrease) in cash

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

Cash receipts from funders	\$ 2,849,367	\$ 2,145,927
Cash paid to suppliers and employees	(2,529,334)	(2,251,751)
Interest and investment income	23,545	5,302
	<u>343,578</u>	<u>(100,522)</u>

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

Purchase of tangible capital assets	(16,831)	(52,373)
(Purchase) disposal of investments, net	(12,004)	202,970
(Increase) in restricted cash	(78,385)	(1,641)
	<u>(107,220)</u>	<u>148,956</u>

### Cash provided by (used in) financing activities

Repayment of Canada Emergency Business Account	(40,000)	-
Deferred capital contributions received	40,000	-
	<u>-</u>	<u>-</u>

Increase in cash 236,358 48,434

Cash

Beginning of year	<u>278,830</u>	<u>230,396</u>
End of year	<u>\$ 515,188</u>	<u>\$ 278,830</u>

See accompanying notes to the financial statements.



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# Kids Kottage Foundation

## Notes to the Financial Statements

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March 31, 2024

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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 Act (Canada). The Foundation was incorporated under the Societies Act (Alberta) as a not-for-profit organization. The Foundation provides crisis prevention and early intervention services that keep infants and children safe and families strong.

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### 2. Summary of significant accounting policies

#### Basis of presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

#### 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 reporting 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.

#### 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.

#### 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, 2024

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### 2. Summary of significant accounting policies (continued)

#### Financial instruments (continued)

##### *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 and any provision for impairment. The cost for contributed tangible capital assets is considered to be fair value at the date of the contribution. The cost of tangible capital assets comprised of significant separable component parts is allocated to the component parts when practicable and when estimates can be made of the estimated useful lives of the separate components.

Tangible capital assets are amortized over their estimates useful lives on a straight-line basis at the following rates:

Computer equipment	2 years
Kottage equipment	5 years
Leasehold improvements	5 years
Office equipment	5 years

#### 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 flows 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, 2024

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### 2. Summary of significant accounting policies (continued)

#### Cash

Cash consists of bank balances at Canadian financial institutions net of outstanding cheques.

#### 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.

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### 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.

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# Kids Kottage Foundation

## Notes to the Financial Statements

March 31, 2024

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### 4. Investments

Investments consist of the following:

	<u>2024</u>	<u>2023</u>
Short-term:		
Marketable securities	\$ 226,513	\$ 201,087
Mutual funds	399,870	371,615
High interest savings and cash in broker accounts	<u>565,203</u>	<u>434,234</u>
	1,191,586	1,006,936
Long-term:		
Bonds	<u>218,937</u>	<u>315,632</u>
Total investments	<u>\$ 1,410,523</u>	<u>\$ 1,322,568</u>

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### 5. Accounts receivable

	<u>2024</u>	<u>2023</u>
Funding receivable	\$ 30,274	\$ 40,905
Goods and Services Tax recoverable	<u>26,145</u>	<u>17,945</u>
	<u>\$ 56,419</u>	<u>\$ 58,850</u>

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### 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.

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, 2023 was \$13,500 (2022 - \$13,265). 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, 2023 was \$337,041 (2022 - \$331,625). 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.

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# Kids Kottage Foundation

## Notes to the Financial Statements

March 31, 2024

### 7. Tangible capital assets

			<b>2024</b>	<b>2023</b>
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	<b>Net Book Value</b>
Leasehold improvements	\$ 239,732	\$ 176,204	\$ <b>63,528</b>	\$ 99,356
Kottage equipment	63,221	48,472	<b>14,749</b>	12,826
Computer equipment	110,261	99,808	<b>10,453</b>	5,648
Office equipment	11,028	11,028	-	564
	<b>\$ 424,242</b>	<b>\$ 335,512</b>	<b>\$ 88,730</b>	<b>\$ 118,394</b>

### 8. Accounts payable and accrued liabilities

	<b>2024</b>	<b>2023</b>
Salaries and wages	\$ <b>75,507</b>	\$ 56,142
Trade accounts payable	<b>41,697</b>	78,298
	<b>\$ 117,204</b>	<b>\$ 134,440</b>

### 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.

	<b>Balance, beginning of year</b>	<b>Amounts received</b>	<b>Amounts expended</b>	<b>Balance, end of year</b>
Casino fund	\$ 1,092	\$ 80,026	-\$	<b>81,118</b>
Government of Alberta - Digital infrastructure grant	-	44,067	-	<b>44,067</b>
Private Donor: Playground	28,073	-	-	<b>28,073</b>
Inter Pipelines: Crisis Line	20,000	-	-	<b>20,000</b>
Basic Shelf	19,760	-	-	<b>19,760</b>
Inter Pipelines: Community Navigator	10,887	-	-	<b>10,887</b>
Stollery grant for data analyst	-	61,800	60,117	<b>1,683</b>
Emergency Counselling Fund	510	-	-	<b>510</b>
Government of Alberta - Children and Family Services (Note 13)	-	62,820	62,820	-
	<b>\$ 80,322</b>	<b>\$ 215,150</b>	<b>\$ 91,527</b>	<b>\$ 206,098</b>

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# Kids Kottage Foundation

## Notes to the Financial Statements

March 31, 2024

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### 10. Deferred capital contributions

	<u>2024</u>	<u>2023</u>
Balance, beginning of year	\$ 41,560	\$ 62,295
Add: contributions received	40,000	(20,735)
Less: amortization of deferred capital contributions	<u>(18,584)</u>	<u>(20,735)</u>
Balance, end of year	<u>\$ 62,976</u>	<u>\$ 41,560</u>

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### 11. Fundraising expenses

	<u>2024</u>	<u>2023</u>
Fundraising wages and benefits	\$ 121,526	\$ 177,640
Direct costs of fundraising events	91,254	61,510
Fundraising administration	<u>49,031</u>	<u>66,968</u>
	<u>\$ 261,811</u>	<u>\$ 306,118</u>

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

In the fiscal year of 2022, the Foundation took advantage of the Federal COVID-19 assistance programs: the Canada Emergency Wage Subsidy (CEWS) and the Canada Emergency Business Account (CEBA).

In the prior year, it was determined that there was 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 statement of operations for the year ended March 31, 2023. No CEWS has been recognized in the current year.

The CEBA loan 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 January 18, 2024 and, as such, the \$20,000 forgivable portion was recognized as other income in the year ended March 31, 2021. The full amount of the loan was repaid in fiscal 2024.

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# Kids Kottage Foundation

## Notes to the Financial Statements

March 31, 2024

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### 13. Commitments

The Foundation has entered a lease agreement with Government of Alberta, represented by the Minister of Infrastructure, with a total annual lease payment of \$65,485. The agreement commenced on April 1, 2022 and has a lease term of 5 years. It is agreed between the Foundation and the Government of Alberta, represented by the Minister of Children and Family Services, that \$62,820 will be reimbursed annually for the period from April 1, 2024 to March 31, 2026.

Additionally, the Foundation has entered into various operating leases for its equipment, each with various expiring dates.

Minimum annual lease payments over the next 5 years are as follows:

2025	\$	75,302
2026		75,302
2027		73,982
2028		1,897
2029		1,265

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### 14. Financial instruments

The Foundation's 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 adequate 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.

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# Kids Kottage Foundation

## Notes to the Financial Statements

March 31, 2024

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### **14. Financial instruments (continued)**

#### *Interest risk*

Interest 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 and 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 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.

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