

**The Children's Cottage Society of Calgary,
An Alberta Society**

Financial Statements

March 31, 2018



Independent Auditors' Report

To: The Members of **The Children's Cottage Society of Calgary, an Alberta Society**

We have audited the accompanying financial statements of The Children's Cottage Society of Calgary, an Alberta Society, which comprise the statement of financial position as at March 31, 2018 and the statements of operations, changes in net assets 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 auditors consider 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 controls. 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 not-for-profit organizations, The Children's Cottage Society of Calgary, an Alberta Society derives revenue from fundraising, special events and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Society and we were not able to determine whether any adjustments might be necessary to assets, revenues, excess of revenues over expenses and fund balances.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion, the financial statements present fairly, in all material respects, the financial position of The Children's Cottage Society of Calgary, an Alberta Society as at March 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Kenway Mack Slusarchuk Stewart LLP

Chartered Professional Accountants,
Chartered Accountants

June 18, 2018
Calgary, Alberta

The Children's Cottage Society of Calgary,
An Alberta Society
Statement of Financial Position

As at March 31,

2018

2017

Assets

Current assets

Cash	\$ 1,091,492	\$ 1,100,502
Marketable investments (note 4)	397,387	252,333
Accounts receivable	88,622	29,443
Prepaid expenses	101,448	59,411
	<u>1,678,949</u>	<u>1,441,689</u>

Restricted marketable investments (note 4)

1,379,643 1,416,913

Deferred expansion costs (note 5)

219,920 218,967

Capital assets (note 6)

2,277,464 2,198,967

\$ 5,555,976 \$ 5,276,536

Liabilities

Current liabilities

Accounts payable and accrued liabilities \$ 394,969 \$ 350,799

Deferred contributions (note 7)

379,643 416,913

Deferred capital contributions (note 8)

212,490 211,537

987,102 979,249

Commitments (note 11)

Net Assets

Unrestricted 1,283,980 1,090,890

Internally restricted (note 4) 1,000,000 1,000,000

Invested in capital assets 2,284,894 2,206,397

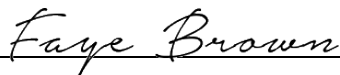
4,568,874 4,297,287

\$ 5,555,976 \$ 5,276,536

Approved by the Board



Director



Director

See accompanying notes to the financial statements

The Children's Cottage Society of Calgary,
An Alberta Society
Statement of Operations

For the year ended March 31,

2018

2017

Revenue

Grants

Alberta Government	\$ 2,783,842	\$ 2,746,935
Calgary Homeless Foundation	1,065,315	926,036
The Brenda Strafford Foundation Ltd.	897,546	897,546
The City of Calgary - Family and Community Support Services	131,055	136,611
United Way of Calgary and Area	61,224	61,224
Other grants	5,999	-
	<u>4,944,981</u>	<u>4,768,352</u>

Donations

Donations and other contributions	1,562,777	1,344,998
Casino	71,490	-
	<u>1,634,267</u>	<u>1,344,998</u>

Total revenue

6,579,248 6,113,350

Expenses

Program delivery costs

Salaries and benefits - program staffing	4,365,484	4,284,505
Direct program costs	920,001	772,957
Salaries and benefits - administration	409,120	320,335
Facility expenses	90,271	98,862
Administration expenses	31,052	31,767
	<u>5,815,928</u>	<u>5,508,426</u>

Administration

Administration expenses	187,459	132,019
Salaries and benefits - administration	171,711	168,028
Facility expenses	45,099	33,779
	<u>404,269</u>	<u>333,826</u>

Fund development

Salaries and benefits - fund development	187,639	180,951
Direct fundraising costs	86,440	25,281
	<u>274,079</u>	<u>206,232</u>

Total expenses

6,494,276 6,048,484

Excess of revenue over expenses before investment income

84,972 64,866

Investment income

106,212 122,472

Excess of revenue over expenses

\$ 191,184 \$ 187,338

See accompanying notes to the financial statements

The Children's Cottage Society of Calgary,

An Alberta Society

Statement of Changes in Net Assets

For the year ended March 31,

2018

2017

	Invested in capital assets	Internally restricted	Unrestricted	Total	Total
Balance, beginning of year	\$ 2,206,397	\$ 1,000,000	\$ 1,090,890	\$ 4,297,287	\$ 4,088,583
Excess (deficiency) of revenues over expenses	(1,906)	-	193,090	191,184	187,338
Capital contributions for land	80,403	-	-	80,403	21,366
Investment in capital assets	-	-	-	-	-
Investment in deferred development	953	-	(953)	-	-
Capital contributions utilized	(953)	-	953	-	-
Balance, end of year	\$ 2,284,894	\$ 1,000,000	\$ 1,283,980	\$ 4,568,874	\$ 4,297,287

See accompanying notes to the financial statements

The Children's Cottage Society of Calgary,

An Alberta Society

Statement of Cash Flows

For the year ended March 31,

	2018	2017
Operating activities		
Excess of revenue over expenses	\$ 191,184	\$ 187,338
Items not affecting cash:		
Reinvested dividend income	(37,249)	(30,587)
Unrealized gains on investments	(70,535)	(93,055)
Amortization	1,906	954
	<u>85,306</u>	<u>64,650</u>
Changes in non-cash working capital items:		
Accounts receivable	(59,179)	2,568
Prepaid expenses	(42,037)	3,108
Deposit	-	25,000
Accounts payable and accrued liabilities	44,170	50,012
Deferred contributions	(37,270)	(39,454)
	<u>(9,010)</u>	<u>105,884</u>
Investing activities		
Purchase of land	(80,403)	(628,050)
Purchase of capital assets	-	(6,353)
Deferred expansion costs	(953)	(95,454)
Net proceeds from sale of marketable investments	-	674,946
	<u>(81,356)</u>	<u>(54,911)</u>
Financing activities		
Deferred capital contributions	953	95,454
Capital contributions for land	80,403	21,366
	<u>81,356</u>	<u>116,820</u>
Increase (decrease) in cash	(9,010)	167,793
Cash, beginning of year	1,100,502	932,709
Cash, end of year	<u>\$ 1,091,492</u>	<u>\$ 1,100,502</u>

See accompanying notes to the financial statements

The Children's Cottage Society of Calgary, An Alberta Society

Notes to Financial Statements

March 31, 2018

1. Nature of operations

The Children's Cottage Society of Calgary, an Alberta Society (the "Society") was incorporated on October 11, 1989 under the Societies Act of the Province of Alberta as a charitable organization. As a registered charitable organization, the Society is exempt from corporate income taxes provided certain disbursement requirements are maintained.

The Society aims to prevent harm and neglect to all children and to build strong families through support services, respite programs and crisis nurseries in and around Calgary. The programs offered by the Society are the Crisis Nursery, Community Respite Programs, the Healthy Families Programs, the Brenda's House Family Shelter, the Rapid Rehousing Program, the Home Links Program, the HomeBridge Program and the Adaptive Case Management Program.

Crisis Nursery

Isolated families who require support in caring for their children during times of stress may come to the Society's Crisis Nursery for help. The Crisis Nursery provides 24 hour / 365 day emergency care for newborns to children eight years of age for stays of up to 72 hours. Children are provided shelter, food, toys and clothing in a safe and welcoming environment, while parents receive non-judgmental support, and referral to other community resources.

The Crisis Nursery also provides temporary care for infants and toddlers who have been apprehended by Children's Intervention Services from unsafe home situations. Placement at the Crisis Nursery occurs when foster homes or other alternatives are not available. The length of stay is flexible and based on when suitable, permanent arrangements can be made.

The Crisis Nursery offers a family coaching service to those who access this program. Family coaches work with families on a voluntary basis from the time of admission to when goals are achieved in order to help strengthen parenting and life skills.

Community Respite Programs

The Community Respite Programs provide in-home infant support and childcare respite. The In Home Infant Respite Program provides support services to parents of newborn to six-month-old infants who have no other means of assistance. The Society also coordinates with child care centers throughout the city to provide free or subsidized short-term child care when parents are in need of daytime relief.

The Children's Cottage Society of Calgary, An Alberta Society

Notes to Financial Statements

March 31, 2018

Healthy Families

The Healthy Families Program offers in-home education and support to parents with children up to three years of age who are assessed as needing assistance to ensure safe children in healthy families. The primary focus is on parent child interaction and developmental milestones. This program is a support to the Alberta Infant Response Team.

Brenda's House

Brenda's House is a shelter for families with children who are currently experiencing homelessness. Fourteen rooms are available to support homeless families along with a daily childcare program to support families to achieve their goals. The program operates in a facility owned by The Brenda Strafford Foundation Ltd. Families are provided with resources to meet their goals for health, well-being, housing, and development in order to leave the shelter into independent housing.

Rapid Rehousing, Home Links, HomeBridge and Adaptive Case Management Programs

The Rapid Rehousing, Home Links, HomeBridge and Adaptive Case Management Programs provide homeless families support to find and maintain housing. Families receive assistance in finding and securing affordable market housing, and in obtaining furnishings and assistance to set up their housing. Families are supported to address issues that have contributed to their chronic homelessness and may put them at risk of returning to homelessness. The Rapid Rehousing Program works with families requiring support for up to six months. The Home Links Program works with families requiring intensive support over one to two years. The HomeBridge Program assists families to access temporary hotel stays when shelter space or other housing options are not possible. In addition, HomeBridge is a prevention program that provides education to agencies and individuals in an effort to sustain housing for those at risk of becoming homeless. The Adaptive Case Management Program is a fee for service housing first program that provides families who are homeless and have not entered shelters with case management and housing support.

2. Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, specifically Canadian accounting standards for not-for-profit organizations ("ASNFPO").

The Children's Cottage Society of Calgary, An Alberta Society

Notes to Financial Statements

March 31, 2018

3. Significant accounting policies

a) Measurement uncertainty

The preparation of financial statements in conformity with ASNFPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

b) Allocation of expenses

The Society incurs a number of general support expenses that are common to the administration of the organization and each of its programs. Expenditures are recorded on an accrual basis and are charged to the Crisis Nursery, Community Respite Programs, Healthy Families Programs, Brenda's House Family Shelter, Rapid Rehousing Program, Home Links Program, HomeBridge Program and Adaptive Case Management Program according to the activity that they benefit.

The Society allocates its general support expenses by identifying the appropriate basis of allocation for each component expense and applying that basis consistently each year. General support expenses include administrative salaries, information technology, insurance and office supplies which have been allocated proportionately based on the number of full time staff in each program. This basis of allocation is reviewed periodically and may be revised according to circumstances prevailing from time to time.

c) Measurement of financial instruments

The Society initially measures its financial assets and liabilities at fair value.

The Society subsequently measures all its financial assets and financial liabilities at amortized cost, except for marketable investments and restricted marketable investments, which are measured at fair value. Changes in fair value are recognized in the statements of operations.

Financial assets measured at amortized cost include cash and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

The Children's Cottage Society of Calgary, An Alberta Society

Notes to Financial Statements

March 31, 2018

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the statements of operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

d) Capital assets

Capital assets are recorded at cost. The Society provides for amortization using the estimated useful life as follows:

Assets	Method	Rate
Building	straight-line	10 years
Furniture and fixtures	straight-line	3 years

One-half of a full year's amortization is recorded in the year of acquisition. No amortization is recorded in the year of disposal.

The Society records a write-down when the property no longer has any long-term service potential to the Society and its net carrying amount exceeds its residual value. The excess net carrying amount over residual value is recognized as an expense in the statement of operations. Previous write-downs are not reversed.

e) Revenue recognition

The Society follows the deferral method of accounting for contributions.

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.

Restricted contributions are initially deferred and recognized as revenue in the year in which the related expenses are incurred.

Restricted contributions received for capital assets are initially deferred and recognized as revenue over the useful life of the asset. Restricted contributions received for assets that will not be amortized are recognized directly to net assets.

The Children's Cottage Society of Calgary, An Alberta Society

Notes to Financial Statements

March 31, 2018

Externally restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted and internally restricted investment income is recognized in the month it accrues.

Endowment contributions are recognized as direct increases in net assets.

f) Contributed materials and services

The Society records the value of donated materials and services when the fair value can be reasonably estimated and when the material and services are used in the normal course of the Society's operations and would otherwise have been purchased.

4. Marketable investments

The Society has an investment portfolio, managed in accordance with the Society's investment policy, with a fair market value of \$1,777,030 at March 31, 2018 (2017 - \$1,669,246).

	<u>2018</u>	<u>2017</u>
Marketable investments – allocated to meet external restrictions	\$ 379,643	\$ 416,913
Marketable investments – internally restricted by the Board	1,000,000	1,000,000
	<u>1,379,643</u>	<u>1,416,913</u>
Marketable investments - unrestricted	397,387	252,333
	<u>\$ 1,777,030</u>	<u>\$ 1,669,246</u>

50% of the investment portfolio is invested in equities which are held in an actively traded market.

The Board may, from time to time, approve a transfer of these funds for operating and capital expenditures but will maintain a minimum market value balance of \$1,000,000.

5. Deferred expansion costs

Deferred expansion costs include architecture and project management costs for the building of a new facility. During the year \$953 (2017 - \$95,454) of expansion costs were capitalized.

**The Children's Cottage Society of Calgary,
An Alberta Society**

Notes to Financial Statements

March 31, 2018

6. Capital assets

	2018		
	Cost	Accumulated amortization	Net book value
Land held for expansion	\$ 2,273,971	\$ -	\$ 2,273,971
Building	78,677	78,677	-
Furniture and fixtures	6,353	2,860	3,493
	\$ 2,359,001	\$ 81,537	\$ 2,277,464

	2017		
	Cost	Accumulated amortization	Net book value
Land held for expansion	\$ 2,193,568	\$ -	\$ 2,193,568
Building	78,677	78,677	-
Furniture and fixtures	6,353	954	5,399
	\$ 2,278,598	\$ 79,631	\$ 2,198,967

7. Deferred contributions

Deferred contributions represent unspent donations, grants and fundraising that have been designated by the donor for a specific purpose.

	2018	2017
Beginning balance	\$ 416,913	\$ 456,367
Contributions recognized as revenue in the year	(238,979)	(255,283)
Contributions for expenditures on capital assets and land (see note 8)	(81,356)	(116,820)
Contributions received in the year	283,065	332,649
Ending balance	\$ 379,643	\$ 416,913

Included in deferred contributions is \$154,232 (2017 - \$297,744) of deferred contributions designated to be used for capital expansion purposes.

The Children's Cottage Society of Calgary, An Alberta Society

Notes to Financial Statements

March 31, 2018

8. Deferred capital contributions

Deferred capital contributions represent contributed capital assets and restricted contributions that have been designated by donors for the purchase of capital assets.

The changes in the deferred capital contributions balance for the year are as follows:

	2018	2017
Beginning balance	\$ 211,537	\$ 116,083
Capital assets purchased with contributions	81,356	116,820
Capital assets transferred to net assets	(80,403)	(21,366)
Ending balance	<u>\$ 212,490</u>	<u>\$ 211,537</u>

9. Endowment funds held by The Calgary Foundation

The Calgary Foundation holds endowment funds of \$32,819 (2017 - \$32,121). The Society receives income from the Calgary Foundation annually, set at 4% of the market value of the fund, calculated monthly. The Society received in the year \$1,285 (2017 - \$1,191) of revenues from this fund.

10. Related party transactions

Brenda's House

The Society exercises significant influence over the Brenda's House program by virtue of its involvement in decision-making regarding this program's financial and operating matters.

Under an agreement with The Brenda Strafford Foundation Ltd. (the "Foundation"), the Society is responsible for the operation of Brenda's House. The Foundation acts as a charitable agent receiving the funds from the Alberta Government Community and Social Services Ministry, Housing and Homelessness Branch and distributes these funds to the Society. These funds support the operating expenses of Brenda's House. The amount of the grant received for the current year is \$897,546 (2017 - \$897,546). Of this amount, \$897,546 (2017 - \$897,546) was recognized as revenue.

Donations

Donations from the Board of Directors and management totaled \$81,010 (2017 - \$87,219) in the year of which \$30,000 (2017 - \$20,000) have been recorded in deferred contributions.

The Children's Cottage Society of Calgary, An Alberta Society

Notes to Financial Statements

March 31, 2018

11. Commitments

The Society has entered into a lease for office premises, which expires November 30, 2022. Future minimum annual commitments, including an estimate of the proportionate share of operating expenses for the office premises and for equipment under operating leases, are as follows:

2019	\$	121,262
2020	\$	109,665
2021	\$	105,517
2022	\$	107,932
2023	\$	71,955
	\$	<u>516,331</u>

12. Financial Instruments

The Society's use of financial instruments and its exposure to risks associated with such instruments arises out of its normal course of operations and investing activities. Operations are located in Calgary. The Society is not exposed to significant credit risk.

Market Risk

The Company is exposed to the risk that the fair value of its investments in securities will fluctuate because of public market price changes.

Financial assets

The carrying amounts of financial assets recognized in the financial statements consist of those:

	2018		2017	
Measured at amortized cost	\$	1,180,114	\$	1,129,945
Measured at fair value		1,777,030		1,669,246
	\$	<u>2,957,144</u>	\$	<u>2,799,191</u>