

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

Financial Statements

March 31, 2016



## 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 statements of financial position as at March 31, 2016 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, 2016, 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 20, 2016  
Calgary, Alberta

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

As at March 31,

**2016**

**2015**

**Assets**

**Current assets**

Cash	\$ 932,709	\$ 743,871
Marketable investments (note 6)	764,183	854,700
Accounts receivable	32,011	15,072
Prepaid expenses	62,519	53,152
Deposit (note 11)	25,000	-
	<u>1,816,422</u>	<u>1,666,795</u>

**Restricted marketable investments (note 4, 6)** 1,456,367 1,599,360

**Deferred expansion costs (note 8)** 123,513 -

**Property (note 9)** 1,565,518 1,537,324  
\$ 4,961,820 \$ 4,803,479

**Liabilities**

**Current liabilities**

Accounts payable \$ 300,787 \$ 258,817

**Deferred contributions (note 4)** 456,367 599,360

**Deferred capital contributions (note 5)** 116,083 -  
873,237 858,177

**Commitments (note 11)**

**Net Assets**

Unrestricted	1,515,635	1,407,978
Internally restricted	1,000,000	1,000,000
Invested in capital assets	1,572,948	1,537,324
	<u>4,088,583</u>	<u>3,945,302</u>
	<u>\$ 4,961,820</u>	<u>\$ 4,803,479</u>

Approved by the Board



Director



Director

See accompanying notes to the financial statements

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

For the years ended March 31,

**2016**

**2015**

**Revenue**

*Grants*

Government of Alberta Human Services:		
Calgary Region Child and Family Services	\$ 2,706,935	\$ 2,810,059
The Brenda Strafford Foundation Ltd.	897,546	897,546
Calgary Homeless Foundation	830,938	790,394
The City of Calgary - Family and Community Support Services	118,649	113,648
United Way of Calgary and Area	61,224	61,670
Other grants	57,959	307,618
	<u>4,673,251</u>	<u>4,980,935</u>

*Donations*

Donations and other contributions	1,308,809	1,010,226
Casino	72,707	69,785
	<u>1,381,516</u>	<u>1,080,011</u>

Total operating revenue before revenue for flood	<u>6,054,767</u>	<u>6,060,946</u>
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*Flood*

Donations and other contributions	-	45,226
Insurance proceeds	-	84,803
	<u>-</u>	<u>130,029</u>

Total revenue	<u>6,054,767</u>	<u>6,190,975</u>
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**Expenses**

*Program delivery costs*

Salaries and benefits - program staffing	4,203,125	4,174,325
Direct program costs	725,357	792,146
Salaries and benefits - administration	317,872	377,742
Facility supplies and maintenance	32,642	34,548
Rent, utilities and insurance	56,854	89,980
Administration expenses	31,693	32,685
	<u>5,367,543</u>	<u>5,501,426</u>

*Administration*

Salaries and benefits - administration	133,681	165,529
Administration expenses	116,124	170,349
Facility expenses	33,872	29,866
	<u>283,677</u>	<u>365,744</u>

*Fund development (note 8)*

Salaries and benefits - fund development	113,075	67,964
Direct fundraising costs	143,128	14,468
	<u>256,203</u>	<u>82,432</u>

*Flood*

Maintenance and repairs	-	45,558
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Total expenses	<u>5,907,423</u>	<u>5,995,160</u>
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<b>Excess of revenue over expenses before investment income</b>	147,344	195,815
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Investment (loss) income	(32,257)	151,956
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<b>Excess of revenue over expenses</b>	<u>\$ 115,087</u>	<u>\$ 347,771</u>
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See accompanying notes to the financial statements

## The Children's Cottage Society of Calgary,

### An Alberta Society

#### Statements of Changes in Net Assets

For the year ended March 31,

**2016**

**2015**

	Invested in capital assets	Internally restricted	Unrestricted	Total	Total
<b>Balance, beginning of year</b>	\$ 1,537,324	\$ 1,000,000	\$ 1,407,978	\$ 3,945,302	\$ 3,591,156
Excess of					
revenues over expenses	-	-	115,087	115,087	347,771
Investment in land	28,194	-	-	28,194	-
Investment in capital assets	123,513	-	(123,513)	-	-
Capital contributions utilized	(116,083)	-	116,083	-	6,375
<b>Balance, end of year</b>	<b>\$ 1,572,948</b>	<b>\$ 1,000,000</b>	<b>\$ 1,515,635</b>	<b>\$ 4,088,583</b>	<b>\$ 3,945,302</b>

See accompanying notes to the financial statements

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

For the year ended March 31,

**2016**

**2015**

**Operating activities**

Excess of revenue over expenses	\$ 115,087	\$ 347,771
Items not affecting cash:		
Amortization of deferred capital contributions	-	(12,525)
Reinvested dividend income	(74,962)	(44,918)
Unrealized losses (gains) on investments	108,472	(105,869)
	<u>148,597</u>	<u>184,459</u>
Changes in non-cash working capital items:		
Accounts receivable	(16,939)	218,053
Prepaid expenses	(9,367)	1,170
Deposit	(25,000)	-
Accounts payable	41,970	(190,031)
Deferred contributions	(142,993)	57,937
	<u>(3,732)</u>	<u>271,588</u>

**Investing activities**

Purchase of land	(28,194)	(6,375)
Deferred expansion expenses	(123,513)	12,525
Purchase of marketable investments	-	(1,141,521)
Proceeds from sale of marketable investments	200,000	782,270
Deferred capital contributions	116,083	-
Capital contributions for land	28,194	6,375
	<u>192,570</u>	<u>(346,726)</u>

**Increase (decrease) in cash**

188,838 (75,138)

Cash, beginning of year

743,871 819,009

**Cash, end of year**

\$ 932,709 \$ 743,871

*See accompanying notes to the financial statements*

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

Notes to Financial Statements

March 31, 2016

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## 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, and the Emergency Placement and Outreach Program.

In October 2014, one of the Crisis Nursery facilities was closed. This facility cared for infants and was in operation to support the needs of Calgary Child and Family Services in support of babies and young children who were not able to access foster care support. Due to many changes to how parents are supported, this facility is no longer needed by Child and Family Services.

### 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.

### Community Respite Programs

The Community Respite Programs provide in-home infant support and childcare respite 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 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, 2016

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## 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.

## Brenda's House

The Brenda's House Family Shelter is 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' goals. The program operates in a facility owned by The Brenda Strafford Foundation Ltd. Families are provided with the resources to meet their goals for health, well-being and development in order to leave the shelter and maintain their housing stability.

## Rapid Rehousing, Home Links and Emergency Placement and Outreach Program

The Rapid Rehousing, Home Links and Emergency Placement and Outreach 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. Re-housed 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 Emergency Placement and Outreach Program assists families to access temporary hotel stays when shelter space or other housing options are not possible.

## **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 ("ASNFPPO").

## **3. Significant accounting policies**

### a) Measurement uncertainty

The preparation of financial statements in conformity with ASNFPPO 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.



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

Notes to Financial Statements

March 31, 2016

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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 Nurseries, Community Respite Programs, Healthy Families Program, Brenda's House Family Shelter, Rapid Rehousing Program, Home Links Program, and Emergency Placement and Outreach 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.

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 statements of operations.

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

Notes to Financial Statements

March 31, 2016

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d) Property

Property is recorded at cost. The Society provides for amortization using the estimated useful life as follows:

Assets	Method	Rate
Building	straight-line	10 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.

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.

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

Notes to Financial Statements

March 31, 2016

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**4. Restricted assets and deferred contributions**

Deferred contributions

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

	<b>2016</b>	<b>2015</b>
Beginning balance	\$ 599,360	\$ 541,423
Contributions recognized as revenue in the year	(341,019)	(427,752)
Contributions spent for the purchase of capital assets (see note 5)	(144,277)	(6,375)
Contributions repaid in the year	-	(4,387)
Contributions received in the year	342,303	496,451
Ending balance	<u>\$ 456,367</u>	<u>\$ 599,360</u>

Included in deferred contributions is \$348,717 (2015 - \$498,012) of deferred contributions designated to be used for capital expansion purposes.

Restricted assets

	<b>2016</b>	<b>2015</b>
Marketable investments allocated to meet external restrictions (see note 7)	\$ 456,367	\$ 599,360
Internally restricted by the Board (see note 7)	1,000,000	1,000,000
	<u>\$ 1,456,367</u>	<u>\$ 1,599,360</u>

**5. 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:

	<b>2016</b>	<b>2015</b>
Beginning balance	\$ -	\$ 12,525
Capital assets purchased with contributions (see note 4)	144,277	6,375
Capital assets transferred to net assets	(28,194)	(6,375)
Amortization	-	(12,525)
Ending balance	<u>\$ 116,083</u>	<u>\$ -</u>

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

Notes to Financial Statements

March 31, 2016

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## 6. Marketable investments

The Society has an investment portfolio, managed in accordance with the Society's investment policy, with a fair market value of \$2,220,550 at March 31, 2016 (2015 - \$2,454,060). 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. During the year, there was \$200,000 (2015 - \$Nil) withdrawn from the investment portfolio for capital expenditures.

The Society is exposed to market risk, as 38% of the investment portfolio is invested in equities which are held in an actively traded market.

	<u>2016</u>	<u>2015</u>
Marketable investments – allocated to meet external restrictions (see note 4)	\$ 456,367	\$ 599,360
Marketable investments – internally restricted by the Board (see note 4)	1,000,000	1,000,000
Marketable investments	764,183	854,700
	<u>\$ 2,220,550</u>	<u>\$ 2,454,060</u>

## 7. Endowment funds held by The Calgary Foundation

The Calgary Foundation has received cumulative contributions, planned gifts and grants of \$29,767 (2015 - \$31,335) designated by the donors to be retained permanently by the Calgary Foundation for the benefit of the Society. 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 \$1,253 (2015 – \$1,165) of revenues from this fund

## 8. Deferred expansion costs

Deferred expansion costs include architecture and project management costs for the building of a new facility. They do not include fundraising costs for the new facility which are expensed annually as follows:

	<u>2016</u>	<u>2015</u>
Fund development		
Salaries and benefits – fund development	\$ 33,800	\$ -
Direct fundraising costs	126,773	-
	<u>\$ 160,573</u>	<u>\$ -</u>

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

Notes to Financial Statements

March 31, 2016

**9. Property**

	<b>2016</b>		
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 1,565,518	\$ -	\$ 1,565,518
Building	78,677	78,677	-
	<b>\$ 1,739,513</b>	<b>\$ 78,677</b>	<b>\$ 1,689,030</b>

  

	<b>2015</b>		
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 1,537,324	\$ -	\$ 1,537,324
Building	78,677	78,677	-
	<b>\$ 1,616,001</b>	<b>\$ 78,677</b>	<b>\$ 1,537,324</b>

**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 Calgary Homeless Foundation and distributing 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 (2015 - \$897,546). Of this amount, \$897,546 (2015 - \$897,546) was recognized as revenue and \$Nil (2015 - \$Nil) as deferred revenue.

*Donations*

Donations from the Board of Directors and management totaled \$62,641 (2015 - \$62,169) in the year.

*Communication expenses*

Included in Administration – Administration Expenses is \$Nil (2015 - \$11,111) paid to Scout Communications Inc. for communication services (annual report, brochures, design and media). Scout Communications Inc. is controlled by a former director of the Society.

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

Notes to Financial Statements

March 31, 2016

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## 11. Commitments

In February 2016, the Society signed an agreement to purchase property for \$600,000. To date \$25,000 has been paid and the remainder, together with closing costs, will be paid on closing which is expected to be in August 2016.

The Society is committed to future construction costs of \$610,125 (2015 - \$Nil) relating to a new facility.

The Society has entered into leases for office premises, which expire November 30, 2017. 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:

2017	\$	90,039
2018		74,999
2019		4,895
2020		227
	\$	<u>170,160</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:

	<b>2016</b>	<b>2015</b>
Measured at amortized cost	\$ 964,720	\$ 758,944
Measured at fair value	2,220,550	2,454,060
	<u>\$ 3,185,270</u>	<u>\$ 3,213,004</u>