



Independent Auditors' Report

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

We have audited the accompanying financial statements of Children's Cottage Society of Calgary, an Alberta Society, which comprise the statement of financial position as at March 31, 2011 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 generally accepted accounting principles, 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 audits 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

In common with many not for profit organizations, 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, deficiency of revenues over expenses and net assets.

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 Children's Cottage Society of Calgary, an Alberta Society as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Kenway Mack Slusarchuk Stewart LLP

September 8, 2011

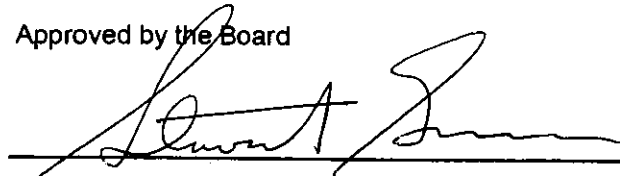
Calgary, Alberta

Chartered Accountants

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

As at March 31,	2011	2010
Assets		
Current assets		
Cash	453,150	281,722
Marketable investments (note 6)	245,306	264,965
Accounts receivable	26,650	56,087
Prepaid expenses	25,301	18,118
	<u>750,407</u>	<u>620,892</u>
Restricted marketable investments (note 4, 6)	1,557,828	1,402,494
Property and equipment (note 8)	37,381	55,879
	<u>\$ 2,345,616</u>	<u>\$ 2,079,265</u>
Liabilities		
Current liabilities		
Accounts payable	303,700	219,576
Deferred contributions (note 4)	557,828	402,494
Deferred capital contributions (note 5)	27,663	41,757
	<u>889,191</u>	<u>663,827</u>
Net Assets		
Unrestricted	446,707	401,316
Invested in capital assets	9,718	14,122
Internally restricted	1,000,000	1,000,000
	<u>1,456,425</u>	<u>1,415,438</u>
	<u>\$ 2,345,616</u>	<u>\$ 2,079,265</u>

Approved by the Board



Director



Director

See accompanying notes to the financial statements

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

For the year ended March 31,	2011	2010
Revenue		
Grants (note 10)	2,992,749	2,658,668
Donations	791,243	748,322
	<u>3,783,992</u>	<u>3,406,990</u>
Expenses		
<i>Program delivery costs</i>		
Salaries and benefits - program staffing	2,875,427	2,595,746
Direct program costs	399,851	374,036
Salaries and benefits - administration	181,524	179,935
Facility supplies and maintenance	40,777	25,906
Rent, utilities and insurance	62,920	39,166
Administration expenses	34,969	29,239
	<u>3,595,468</u>	<u>3,244,028</u>
<i>Administration</i>		
Salaries and benefits - administration	96,897	110,451
Administration expenses	80,731	54,261
Facility expenses	13,063	11,007
	<u>190,691</u>	<u>175,719</u>
<i>Fund development</i>		
Salaries and benefits - fund development	73,038	54,837
Direct fundraising costs	28,498	33,911
	<u>101,536</u>	<u>88,748</u>
Total expenses	<u>3,887,695</u>	<u>3,508,495</u>
Investment income	144,690	255,473
Excess of revenue over expenses	<u>\$ 40,987</u>	<u>\$ 153,968</u>

See accompanying notes to the financial statements

**Children's Cottage Society of Calgary,
An Alberta Society**
Statement of Changes in Net Assets

For the year ended March 31,

2011

2010

	Invested in capital assets	Internally restricted	Unrestricted	Total	Total
Balance, beginning of year	\$ 14,122	\$ 1,000,000	\$ 401,316	\$ 1,415,438	\$ 1,261,470
Excess of revenues over expenses	-	-	40,987	40,987	153,968
Investment in capital assets	(2,522)	-	2,522	-	-
Amortization of capital assets	(1,882)	-	1,882	-	-
Balance, end of year	\$ 9,718	\$ 1,000,000	\$ 446,707	\$ 1,456,425	\$ 1,415,438

See accompanying notes to the financial statements

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

For the year ended March 31,	2011	2010
Operating activities		
Excess (deficiency) of revenue over expenses	\$ 40,987	\$ 153,968
Items not affecting cash:		
Amortization of property and equipment	9,806	33,892
Amortization of deferred capital contributions	(7,925)	(26,645)
Deferred capital contributions transfer (note 5)	(13,112)	
Property and equipment transfer (note 5)	18,189	-
Gain on sale of investments	(14,106)	(23,572)
Reinvested dividend income	(57,739)	(55,606)
Unrealized (gains) losses on investments	(71,547)	(176,280)
	<u>(95,447)</u>	<u>(94,243)</u>
Changes in non-cash working capital items:		
Accounts receivable	29,437	48,032
Prepaid expenses	(7,183)	6,597
Accounts payable	84,124	25,027
Deferred contributions	155,335	(88,031)
	<u>166,266</u>	<u>(102,618)</u>
Investing activities		
Purchase of equipment	(9,497)	(41,426)
Purchase of marketable investments	(250,000)	(100,044)
Deferred capital contributions	6,943	39,371
Proceeds from sale of marketable investments	257,716	191,473
	<u>5,162</u>	<u>89,374</u>
Increase (decrease) in cash	171,428	(13,244)
Cash, beginning of year	281,722	294,966
Cash, end of year	<u>\$ 453,150</u>	<u>\$ 281,722</u>

See accompanying notes to the financial statements

Children's Cottage Society of Calgary, An Alberta Society

Notes to Financial Statements

March 31, 2011

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 operates the following programs:

Crisis Nursery

The Crisis Nursery operates a 12 bed shelter for children to accommodate parents who are experiencing a crisis and have no other means of child care support.

In November 2010, a new satellite Crisis Nursery was opened in the southeast Calgary community of New Brighton. The New Brighton facility offers four spaces for children newborn to age two and has the potential for an additional two spaces. The lease on this facility continues through to October 2011 with an opportunity to extend the lease to November 2012.

Brenda's House

Brenda's House was established by the Brenda Strafford Foundation in February 2009 as a home for up to 14 families while they receive support in finding their own home. The program operates in a facility that is owned by the Brenda Strafford Foundation. At Brenda's House, the Society and community agency partners work together to provide families with the resources to secure permanent housing as quickly as possible, while also meeting their other goals for health, well-being and development.

Community Respite

The Community Respite program offers childcare relief to parents in crisis who require childcare and have no other means of support.

Child Care Respite Program

The Child Care Respite program coordinates quality child care placements for vulnerable families experiencing homelessness and other complex situations which may have a negative effect on a child's development.

Healthy Families

The Healthy Families program offers in-home education and support to parents with infants who are assessed as needing assistance to ensure safe children in healthy families.

Children's Cottage Society of Calgary, An Alberta Society

Notes to Financial Statements

March 31, 2011

2. Significant accounting policies

a) Use of estimates

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, liabilities, 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, Brenda's House, Community Respite, Child Care Respite, and Healthy Families programs 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) Financial instruments

The Society's financial assets and financial liabilities are classified and measured as follows:

- Cash, restricted cash, marketable investments and restricted marketable investments are classified as held for trading and are measured at fair value. Gains and losses related to periodic measurement are recorded in the statement of operations.
- Accounts receivable are classified as loans and receivables and are initially measured at fair value and subsequently at amortized cost using the effective interest rate method.
- Accounts payable are classified as other liabilities and are initially measured at fair value and subsequently at amortized cost using the effective interest rate method.

The Society has elected to follow recommendations of CICA handbook section 3861 Financial Instruments – Disclosure and Presentation.

Children's Cottage Society of Calgary, An Alberta Society

Notes to Financial Statements

March 31, 2011

2. Significant accounting policies, continued

d) Property and equipment

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

Assets	Method	Rate
Computer equipment and software	straight-line	3 years
Building	straight-line	10 years
Furniture and office equipment	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.

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.

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.

Children's Cottage Society of Calgary, An Alberta Society

Notes to Financial Statements

March 31, 2011

3. Capital management

The Society's objective in managing capital is to ensure that the necessary funding is in place for the Society to undertake its mission of preventing harm and neglect to children, and strengthening families through a network of crises, respite and support services. The Society manages capital through annual budgeting techniques and by continuously monitoring the need for funding of various expenditures. The Society's capital is maintained through revenue generating activities and through funding received from its supporters.

In addition to monitoring expenses and revenues to identify funding requirements, the Society has established funds to cover excesses of expenditures over revenues on an annual basis subject to a restriction that such funds will not be drawn below \$1,000,000 on a market value basis.

The Society's capital is defined as:

	<u>2011</u>	<u>2010</u>
Net assets	\$ 1,456,425	\$ 1,415,438
Deferred contributions	557,828	402,494
Deferred capital contributions	27,663	41,757
Total capital	<u>\$ 2,041,916</u>	<u>\$ 1,859,689</u>

Casino and lottery funding is used to fund operating expenditures approved by the Alberta Gaming and Liquor Commission. The Society has met all restrictions imposed by its supporters in the year. All funding received which has not been spent on eligible expenses has been deferred.

4. Restricted assets and deferred contributions

Deferred contributions

Deferred contributions represent unspent donations, grants and fundraising received by the Society designated by the donor for a specific purpose.

	<u>2011</u>	<u>2010</u>
Beginning balance	\$ 402,494	\$ 490,526
Contributions recognized as revenue in the year	(77,881)	(155,731)
Contributions spent for the purchase of capital assets (see note 5)	(6,943)	(39,371)
Contributions received related to future years	240,158	107,070
Ending balance	<u>\$ 557,828</u>	<u>\$ 402,494</u>

Included in deferred contributions is \$310,083 (2010 – \$339,294) of deferred contributions designated by donors to be used for capital purposes.

**Children's Cottage Society of Calgary,
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Notes to Financial Statements

March 31, 2011

4. Restricted assets and deferred contributions, continued

Restricted assets

	2011	2010
Marketable investments allocated to meet external restrictions	\$ 557,828	402,494
Internally restricted by Board (see note 6)	1,000,000	1,000,000
	<u>\$ 1,557,828</u>	<u>\$ 1,402,494</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:

	2011	2010
Beginning balance	\$ 41,757	\$ 29,031
Capital assets purchased with contributions (see note 4)	6,943	39,371
Capital assets transfer	(13,112)	-
Amortization	(7,925)	(26,645)
Ending balance	<u>\$ 27,663</u>	<u>\$ 41,757</u>

During the year, the Society transferred \$18,189 of property and equipment related to Brenda's House from its books to the Brenda Strafford Foundation. The assets had been purchased with deferred contributions in previous years, of which \$13,112 remained as a deferred capital contribution at March 31, 2011. The transfer of assets resulted in non-cash adjustments of \$18,189 to expenses and \$13,112 to deferred capital contributions in the year.

6. Marketable investments

The Society has an investment portfolio, managed in accordance with the Society's investment policy, with a fair market value of \$1,803,134 at March 31, 2011 (2010 - \$1,667,459). The Board may, from time to time, approve a transfer of these funds for general use but will maintain a minimum market value balance of \$1,000,000. During the year, there was \$nil (2010 - \$84,000) withdrawn from the investment portfolio for operations.

The Society is exposed to market risk, as 45% of the investment portfolio is invested in equities which are held in an actively traded market.

**Children's Cottage Society of Calgary,
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Notes to Financial Statements

March 31, 2011

7. Endowment funds held by The Calgary Foundation

The Calgary Foundation has received cumulative contributions, planned gifts and grants of \$26,105 (2010 – \$25,241) 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 5% of the market value of the fund, calculated monthly. The Society received in the year \$1,262 (2010 – \$1,056) of revenues from this fund.

8. Property and equipment

	2011		2010	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment and software	\$ 192,711	\$ 187,973	\$ 205,823	\$ 191,107
Building	48,186	33,925	48,186	32,142
Furniture and office equipment	75,050	56,667	70,629	45,510
	\$ 315,946	\$ 278,565	\$ 324,638	\$ 268,759
Net Book Value	\$ 37,381		\$ 55,879	

9. Related party transactions

New Brighton

The Society entered into a one-year lease agreement for the New Brighton satellite Crisis Nursery facility with one of the Society's directors. That director holds the house in trust for a limited partnership in which he and another director of the Society each have a 6.67% ownership interest. The total contract value is \$42,000 and amounts are payable on a monthly basis. This lease is on the same terms and conditions as other agreements entered into by the limited partnership. The amount of rent expense recognized in the current year under this lease agreement was \$17,500 (2010 – \$nil).

Brenda's House

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

Under an agreement with the Brenda Strafford Foundation (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 and agency partners. These funds support the operating expenses of Brenda's House. The amount of the grant received for the current

Children's Cottage Society of Calgary, An Alberta Society

Notes to Financial Statements

March 31, 2011

9. Related party transactions, continued

year was \$1,038,930 (2010 - \$1,088,189). Of this amount, \$1,038,930 (2010 - \$1,024,989) was recognized as revenue and \$nil (2010 - \$63,200) as deferred revenue.

Other

Donations from the Board of Directors and management totaled \$61,710 (2010 - \$58,921) in the year.

10. Operating grants

The operating grants provided by The Government of Alberta Region 3 - Calgary and Area Child and Family Services Authority, The City of Calgary Family and Community Support Services, The United Way of Calgary and Area, and The Brenda Strafford Foundation are required to be spent on approved expenses established by the respective agreements.

11. Commitments

The Society has entered into leases for office premises, which expire November 30, 2012, and Crisis Nursery facilities, which expire October 31, 2011. Rental payments, including estimated operating costs to the expiry of the leases, are as follows:

	<u>2011</u>	<u>2010</u>
2011	\$ -	\$ 38,078
2012	76,432	39,276
2013	40,463	26,184
	<u>\$ 116,895</u>	<u>\$ 103,538</u>

12. Life insurance

The Society is the beneficiary of a life insurance policy. Proceeds from the life insurance policy will be recorded as revenue in the year received. The total policy outstanding as at March 31, 2011 is \$30,000 (2010 - \$30,000).

13. Financial Instruments

The carrying amounts of cash, accounts receivable, and accounts payable approximate their fair values due to the short-term maturity of these instruments.

Marketable investments are recorded at fair value, which is determined directly by reference to published price quotations presented on the broker investment statements.

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

Notes to Financial Statements

March 31, 2011

14. Future accounting changes

Decisions of the Canadian Institute of Chartered Accountants ("CICA") Accounting Standards Board require the Society to choose between reporting under Canadian accounting standards for Not-for-Profit Organizations ("NFPO") or under International Financial Reporting Standards beginning January 1, 2012. The Society plans to adopt the Canadian accounting standards for NFPO. The new set of standards will incorporate the current CICA handbook sections which are specific to NFPO in conjunction with Canadian accounting standards for private enterprises. The Society is currently reviewing the new set of standards and will assess the impact on its financial statements.

15. Comparative figures

The financial statements for the prior year have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.