

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

Financial Statements

March 31, 2017



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, 2017 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, 2017, 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

June 15, 2017
Calgary, Alberta

Chartered Professional Accountants,
Chartered Accountants

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

As at March 31,

2017

2016

Assets

Current assets

Cash	\$ 1,100,502	\$ 932,709
Marketable investments (note 4)	252,333	764,183
Accounts receivable	29,443	32,011
Prepaid expenses	59,411	62,519
Deposit (note 11)	-	25,000
	<u>1,441,689</u>	<u>1,816,422</u>

Restricted marketable investments (note 4)

1,416,913 1,456,367

Deferred expansion costs (note 5)

218,967 123,513

Capital assets (note 6)

2,198,967 1,565,518
\$ 5,276,536 \$ 4,961,820

Liabilities

Current liabilities

Accounts payable and accrued liabilities \$ 350,799 \$ 300,787

Deferred contributions (note 7)

416,913 456,367

Deferred capital contributions (note 8)

211,537 116,083
979,249 873,237

Commitments (note 11)

Net Assets

Unrestricted	1,090,890	1,515,635
Internally restricted	1,000,000	1,000,000
Invested in capital assets	2,206,397	1,572,948
	<u>4,297,287</u>	<u>4,088,583</u>
	<u>\$ 5,276,536</u>	<u>\$ 4,961,820</u>

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,

2017

2016

Revenue

Grants

Government of Alberta Human Services:

Calgary Region Child and Family Services

\$ 2,746,935 \$ 2,706,935

Calgary Homeless Foundation

926,036 830,938

The Brenda Strafford Foundation Ltd.

897,546 897,546

The City of Calgary - Family and Community Support Services

136,611 118,649

United Way of Calgary and Area

61,224 61,224

Other grants

- 57,959

4,768,352 4,673,251

Donations

Donations and other contributions

1,344,998 1,308,809

Casino

- 72,707

1,344,998 1,381,516

Total revenue

6,113,350 6,054,767

Expenses

Program delivery costs

Salaries and benefits - program staffing

4,284,505 4,203,125

Direct program costs

772,957 725,357

Salaries and benefits - administration

320,335 317,872

Rent, utilities and insurance

58,156 56,854

Facility supplies and maintenance

40,706 32,642

Administration expenses

31,767 31,693

5,508,426 5,367,543

Administration

Salaries and benefits - administration

168,028 133,681

Administration expenses

132,019 116,124

Facility expenses

33,779 33,872

333,826 283,677

Fund development (note 8)

Salaries and benefits - fund development

180,951 113,075

Direct fundraising costs

25,281 143,128

206,232 256,203

Total expenses

6,048,484 5,907,423

Excess of revenue over expenses before investment income

64,866 147,344

Investment income (loss)

122,472 (32,257)

Excess of revenue over expenses

\$ 187,338 \$ 115,087

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,

2017

2016

	Invested in capital assets	Internally restricted	Unrestricted	Total	Total
Balance, beginning of year	\$ 1,572,948	\$ 1,000,000	\$ 1,515,635	\$ 4,088,583	\$ 3,945,302
Excess of					
revenues over expenses	(954)	-	188,292	187,338	115,087
Capital contributions for land	21,366	-	-	21,366	28,194
Investment in capital assets	613,037	-	(613,037)	-	-
Investment in deferred development	95,454	-	(95,454)	-	-
Capital contributions utilized	(95,454)	-	95,454	-	-
Balance, end of year	\$ 2,206,397	\$ 1,000,000	\$ 1,090,890	\$ 4,297,287	\$ 4,088,583

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,

2017

2016

Operating activities

Excess of revenue over expenses \$ 187,338 \$ 115,087

Items not affecting cash:

Reinvested dividend income (30,587) (74,962)

Unrealized (gains) losses on investments (93,055) 108,472

Amortization 954 -

64,650 148,597

Changes in non-cash working capital items:

Accounts receivable 2,568 (16,939)

Prepaid expenses 3,108 (9,367)

Deposit 25,000 (25,000)

Accounts payable and accrued liabilities 50,012 41,970

Deferred contributions (39,454) (142,993)

105,884 (3,732)

Investing activities

Purchase of capital assets and land (634,403) (28,194)

Deferred expansion costs (note 5) (95,454) (123,513)

Net proceeds from sale of marketable investments 674,946 200,000

(54,911) 48,293

Financing activities

Deferred capital contributions 95,454 116,083

Capital contributions for land 21,366 28,194

116,820 144,277

Increase in cash

167,793 188,838

Cash, beginning of year

932,709 743,871

Cash, end of year

\$ 1,100,502 \$ 932,709

See accompanying notes to the financial statements

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

Notes to Financial Statements

March 31, 2017

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 HomeBridge 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 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, 2017

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

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 into independent housing.

Rapid Rehousing, Home Links and HomeBridge Programs

The Rapid Rehousing, Home Links and HomeBridge 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 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.

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 ("ASNFP").

3. Significant accounting policies

a) Measurement uncertainty

The preparation of financial statements in conformity with ASNFP 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, 2017

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 HomeBridge 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.

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.

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

Notes to Financial Statements

March 31, 2017

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.

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, 2017

4. Marketable investments

The Society has an investment portfolio, managed in accordance with the Society's investment policy, with a fair market value of \$1,669,246 at March 31, 2017 (2016 - \$2,220,550).

	<u>2017</u>	<u>2016</u>
Marketable investments – allocated to meet external restrictions	\$ 416,913	\$ 456,367
Marketable investments – internally restricted by the Board	1,000,000	1,000,000
	<u>1,416,913</u>	<u>1,456,367</u>
Marketable investments - unrestricted	252,333	764,183
	<u>\$ 1,669,246</u>	<u>\$ 2,220,550</u>

57% 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 \$95,454 (2016 - \$123,513) of expansions costs were capitalized.

6. Capital assets

	<u>2017</u>		
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 2,193,568	\$ -	\$ 2,193,568
Building	78,677	78,677	-
Furniture and fixtures	6,353	954	5,399
	<u>\$ 2,278,598</u>	<u>\$ 79,631</u>	<u>\$ 2,198,967</u>

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

March 31, 2017

6. Capital assets (continued)

	2016		
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 1,565,518	\$ -	\$ 1,565,518
Building	78,677	78,677	-
	<u>\$ 1,644,195</u>	<u>\$ 78,677</u>	<u>\$ 1,565,518</u>

7. Deferred contributions

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

	2017	2016
Beginning balance	\$ 456,367	\$ 599,360
Contributions recognized as revenue in the year	(255,283)	(341,019)
Contributions spent for the purchase of capital assets (see note 8)	(116,820)	(144,277)
Contributions received in the year	332,649	342,303
Ending balance	<u>\$ 416,913</u>	<u>\$ 456,367</u>

Included in deferred contributions is \$297,744 (2016 - \$348,717) of deferred contributions designated to be used for capital expansion purposes.

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:

	2017	2016
Beginning balance	\$ 116,083	\$ -
Capital assets purchased with contributions	116,820	144,277
Capital assets transferred to net assets	(21,366)	(28,194)
Ending balance	<u>\$ 211,537</u>	<u>\$ 116,083</u>

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

Notes to Financial Statements

March 31, 2017

9. Endowment funds held by The Calgary Foundation

The Calgary Foundation has received cumulative contributions, planned gifts and grants of \$32,121 (2016 - \$29,767) 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 \$1,191 (2016 - \$1,253) 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 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 (2016 - \$897,546). Of this amount, \$897,546 (2016 - \$897,546) was recognized as revenue.

Donations

Donations from the Board of Directors and management totaled \$87,219 (2016 - \$62,641) in the year of which \$20,000 (2016 - \$Nil) have been recorded in deferred contributions.

11. Commitments

The Society is committed to future capital costs of \$55,629 (2016 - \$610,125) 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:

2018	\$	75,952
2019		4,895
2020		227
	\$	<u>81,074</u>

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

Notes to Financial Statements

March 31, 2017

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:

	2017	2016
Measured at amortized cost	\$ 1,129,945	\$ 964,720
Measured at fair value	1,669,246	2,220,550
	<u>\$ 2,799,191</u>	<u>\$ 3,185,270</u>