

KIDS KOTTAGE FOUNDATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2021



KIDS KOTTAGE FOUNDATION

FOR THE YEAR ENDED MARCH 31, 2021

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INDEPENDENT AUDITORS' REPORT

To the Directors of
KIDS KOTTAGE FOUNDATION

To the directors of **Kids Kottage Foundation**

Qualified Opinion

We have audited the accompanying financial statements of **Kids Kottage Foundation**, which comprise the statement of financial position as at March 31, 2021, and the statements of changes in net assets, operations, and cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of **Kids Kottage Foundation** as at March 31, 2021, 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.

Basis for Qualified Opinion

In common with many charitable organizations, **Kids Kottage Foundation** derives revenue from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of **Kids Kottage Foundation**. Therefore, we were not able to determine whether any adjustments might be necessary to recorded donations or fundraising, excess of revenue over expenses, cash flows from operations for the years ended March 31, 2021 and 2020, current assets as at March 31, 2021 and 2020, and net assets as at April 1 and March 31 for both the 2021 and 2020 years. Our audit opinion on the financial statements for the year ended March 31, 2021 was modified accordingly because of the possible effects of this scope limitation.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor Responsibilities for the Audit of the Financial Statement* section of our report. We are independent of **Kids Kottage Foundation** in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of Management and those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing **Kids Kottage Foundation's** ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate **Kids Kottage Foundation** or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing **Kids Kottage Foundation's** financial reporting process.

INDEPENDENT AUDITORS' REPORT (continued)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted audit standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain a professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **Kids Kottage Foundation's** internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cause significant doubt on **Kids Kottage Foundation's** ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause **Kids Kottage Foundation** to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Edmonton, Alberta
July 14, 2021

SYS Group LP

CHARTERED PROFESSIONAL ACCOUNTANTS



KIDS KOTTAGE FOUNDATION

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2021

	2021	2020
ASSETS		
CURRENT		
Cash	\$ 109,254	\$ 469,141
Restricted Cash (Note 3)	77,933	16,266
Marketable securities (Note 4)	510,254	266,756
Short-term investments (Note 4)	885,507	151,919
Accounts receivable (Note 5)	192,759	106,972
Prepaid expenses	22,095	17,871
Endowment fund income receivable (Note 6)	13,077	13,023
	1,810,879	1,041,948
LONG-TERM INVESTMENTS (Note 4)	104,548	204,093
TANGIBLE CAPITAL ASSETS (Note 7)	98,908	55,979
	\$ 2,014,335	\$ 1,302,020
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 8)	\$ 73,377	\$ 99,721
Deferred contributions (Note 9)	146,329	201,478
	219,706	301,199
CANADA EMERGENCY BUSINESS ACCOUNT (Note 13)	40,000	-
DEFERRED CAPITAL CONTRIBUTIONS (Note 10)	69,249	45,325
	328,955	346,524
NET ASSETS		
INVESTED IN TANGIBLE CAPITAL ASSETS	29,659	10,654
UNRESTRICTED FUND	1,177,788	928,576
RESTRICTED FUND (Note 3)	77,933	16,266
INTERNALLY RESTRICTED FUND (Note 18)	400,000	-
	1,685,380	955,496
	\$ 2,014,335	\$ 1,302,020

APPROVED ON BEHALF OF THE BOARD:


 _____ Director


 _____ Director



KIDS KOTTAGE FOUNDATION

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED MARCH 31, 2021

	Internally Restricted Fund (Note 18)	Restricted Fund (Note 11)	Unrestricted Fund	Invested in Tangible Capital Assets	2021	2020
BALANCE, beginning of year	\$ -	\$ 16,266	\$ 928,576	\$ 10,654	\$ 955,496	\$ 1,037,916
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	-	60,307	676,193	(6,616)	729,884	(82,420)
INTERFUND TRANSFER	400,000	1,360	(401,360)	-	-	-
INVESTED IN TANGIBLE CAPITAL ASSETS	-	-	(25,621)	25,621	-	-
BALANCE, end of year	\$ 400,000	\$ 77,933	\$ 1,177,788	\$ 29,659	\$ 1,685,380	\$ 955,496

KIDS KOTTAGE FOUNDATION

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2021

	2021	%	2020	%
REVENUE				
Province of Alberta	\$ 794,800	49.2	\$ 794,800	45.7
Fundraising and donations	625,677	38.7	935,578	53.8
Other government grants	75,354	4.7	2,676	0.2
Unrealized gain (loss) on marketable securities	45,167	2.8	(39,387)	(2.3)
Investment income	41,889	2.6	21,873	1.3
Amortization of deferred capital contributions	19,692	1.2	10,631	0.6
Income from endowment fund	13,077	0.8	13,023	0.7
	1,615,656	100.0	1,739,194	100.0
PROGRAM EXPENSES				
Wages and benefits	1,028,804	63.7	1,095,360	63.0
Program costs	46,634	2.9	47,239	2.7
Office	25,889	1.6	16,693	1.0
Repairs and maintenance	23,591	1.5	17,034	1.0
Staff training, education, and recruitment	22,060	1.4	19,920	1.1
Amortization	20,109	1.2	9,843	0.6
Program advertising	19,509	1.2	17,578	1.0
Telephone	10,452	0.6	10,816	0.6
Insurance	8,028	0.5	9,075	0.5
Travel	211	-	2,696	0.2
Volunteer training and expenses	72	-	2,003	0.1
	1,205,359	74.6	1,248,257	71.8
EXCESS OF REVENUE BEFORE ADMINISTRATIVE EXPENSES	410,297	25.4	490,937	28.2
ADMINISTRATIVE EXPENSES				
Fundraising (Note 12)	231,644	14.3	429,611	24.7
Salaries and benefits	99,042	6.1	102,003	5.9
Office	38,234	2.4	21,742	1.3
Professional fees	24,275	1.5	13,225	0.8
Bank charges and interest	10,158	0.6	4,510	0.3
Telephone and utilities	7,005	0.4	5,378	0.3
Amortization	6,199	0.4	4,469	0.3
Repairs and maintenance	5,678	0.4	3,334	0.2
Office equipment rentals	5,383	0.3	7,437	0.4
Staff training, education and recruitment	5,140	0.3	9,569	0.6
Insurance	2,731	0.2	3,025	0.2
Accreditation	-	-	8,000	0.5
	435,489	26.9	612,303	35.5
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FROM OPERATIONS	(25,192)	(1.5)	(121,366)	(7.3)
OTHER INCOME				
Canada Emergency Wage Subsidy (Note 13)	693,246	42.9	38,946	2.2
Canada Emergency Business Account (Note 13)	20,000	1.2	-	-
COVID-19 relief funding	41,830	2.6	-	-
	755,076	46.7	38,946	2.2
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FOR THE YEAR	\$ 729,884	45.2	\$ (82,420)	(5.1)



KIDS KOTTAGE FOUNDATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2021

	2021	2020
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Cash receipts from funders	\$ 1,551,842	\$ 1,845,967
Cash receipts from government assistance (Note 13)	616,802	-
Cash paid to suppliers and employees	(1,647,143)	(1,907,846)
Interest and dividends received	32,238	15,887
	553,739	(45,992)
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Purchase of tangible capital assets	(69,237)	(47,108)
Purchase of investments	(1,085,602)	(328,839)
Proceeds on sale of investments	262,880	573,165
	(891,959)	197,218
CASH PROVIDED BY FINANCING ACTIVITY		
Proceeds from Canada Emergency Business Account loan (Note 13)	40,000	-
	(298,220)	151,226
INCREASE (DECREASE) IN CASH DURING THE YEAR		
	(298,220)	151,226
CASH, beginning of year	485,407	334,181
CASH, end of year	\$ 187,187	\$ 485,407
REPRESENTED BY		
Cash	\$ 109,254	\$ 469,141
Restricted cash	77,933	16,266
	\$ 187,187	\$ 485,407



KIDS KOTTAGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

1. NATURE OF OPERATIONS

The Kids Kottage Foundation ("the Foundation") is a registered charitable organization and, as such, is exempt from taxation under paragraph 149(1)(f) of the Income Tax Act (Canada). The Foundation was incorporated under the Societies Act (Alberta) as a not-for-profit organization. The Foundation is an organization working to promote the health and well-being of children and their families in Edmonton and surrounding area.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following accounting policies:

(a) Use of Estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known. Estimated life of capital assets and collectibility of accounts receivable are the most significant items that involve the use of estimates.

(b) Financial Instruments

Unless otherwise disclosed, the Foundation measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. 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 net income.

Transaction costs

The Foundation recognizes its transaction costs, if any, in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.



KIDS KOTTAGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Tangible Capital Assets

Tangible capital assets are stated at cost. Amortization is provided annually on the straight line basis at rates calculated to write-off the assets over their estimated useful lives. A pro-rated portion of normal rates are applied in the year of acquisition. These rates and methods are as follows:

Computer equipment	50%
Kottage equipment	20%
Leasehold improvements	20%
Office equipment	20%

When conditions indicate a tangible capital asset is impaired, the carrying value of the tangible capital asset is written down to the asset's fair value or replacement cost. The write-down of the tangible capital asset is recorded as an expense in the statement of operations and shall not be reversed.

(d) Investments

The Foundation's investments are initially recognized at fair value, adjusted for transaction costs and finance fees, and subsequently measured at amortized cost unless management irrevocably elects to subsequently measure the investment at fair value in which each transaction costs and finance fees are an expense of the period and the changes in fair value are recognized in income in the period. The Foundation uses the effective interest method in the determination of amortized cost. Management has irrevocably elected to measure its investments in money market funds, bonds, mutual funds, and equity investments at fair value.

(e) Revenue Recognition

The Foundation follows the deferral method of accounting for contributions.

Unrestricted donations are recognized as revenue in the Unrestricted Fund when received or receivable if the amount to be received can be estimated and collection is reasonably assured.

Contributions subject to external restrictions from funders are recognized as revenue in the Restricted Fund in the year in which the related expenses are recognized.

The forgivable portion of the government assistance from the Canada Emergency Business Account (CEBA) has been recognized as revenue in the year as repayment of the remaining principal is considered likely prior to the deadline for forgiveness of the remaining portion.

(f) Cash and Cash Equivalents

Cash and cash equivalents consists of bank balances at Canadian financial institutions, investment brokerage accounts, and this includes balances in restricted cash accounts.



KIDS KOTTAGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Contributed Materials and Services

The Foundation benefits greatly from the donated goods and services of its many dedicated volunteers. The value of volunteer services is not recognized in the financial statements due to the difficulty in determining fair value.

Where the fair market value of contributed goods can be reliably determined, those contributions are recognized in the year received.

(h) Fund Accounting

The Foundation uses the fund method of accounting whereby transactions are grouped, for accounting and reporting purposes, into funds in accordance with specified activities or objectives. These funds are described as follows:

The Unrestricted Fund accounts for the revenues and expenses associated with the operation of the Foundation and related administrative and fundraising activities of the Foundation;

The Restricted Fund accounts for contributions received with externally or internally imposed conditions for use in projects or public engagement activities; and

The Invested in Capital Assets Fund accounts for revenues and expenses related to the Foundation's capital assets.

(i) Deferred Capital Contributions

Capital contributions received are recognized as revenue of the Invested in Capital Assets Fund over the amortization period of the related assets.

(j) Allocation of Expenses

The Foundation operates three general programs - client services, fundraising and administration. The costs of each program include all costs directly related to that program, including wages and benefits, training, occupancy costs, and supplies. The Foundation also incurs general expenses that are shared amongst the three general programs.

The Foundation allocates these general expenses by identifying the appropriate basis for allocating each expense, which is applied consistently each year. Expenses that are not allocated include corporate governance and general management. Other general expenses are allocated as follows:

- (i) Administrative and support staff wages and benefits are allocated proportionately based on the standard hours each position is expected to devote to each of the three general programs.
- (ii) Other support costs including advertising, telephone and office expenses are charged directly to programs wherever possible. Costs that cannot be specifically identified between programs are allocated evenly amongst the programs they relate to.



KIDS KOTTAGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

3. RESTRICTED CASH

The Foundation receives proceeds from casinos and raffles under the authority of Alberta Gaming, Liquor and Cannabis. These funds are kept in separate bank accounts and can only be expended for approved purposes.

4. INVESTMENTS

Marketable securities are comprised of equity investments in publicly-traded companies and mutual funds.

Short-term investments consist of Guaranteed Investment Certificates (GICs) maturing between June 4, 2021 and July 5, 2021 with interest rates between 0.95% and 2.48% and high-interest savings accounts.

Long-term investments consist of a GIC with a maturity date of June 6, 2022 with an interest rate of 2.50%.

5. ACCOUNTS RECEIVABLE

	2021	2020
Funding receivable	\$ 1,547	\$ 59,584
Goods and Services Tax recoverable	13,635	5,766
COVID-19 grants and subsidies receivable	177,577	41,622
	<u>\$ 192,759</u>	<u>\$ 106,972</u>

6. ENDOWMENT FUND

The Foundation has entered into an agreement with the Edmonton Community Foundation and the family of the late Lilly Schmidt to create a permanent endowment fund, known as the "Kids Kottage Fund", to support the building of strong families and ensure the safe-keeping and well-being of all children during times of family crisis. The Kids Kottage Fund was established with a \$300,000 contribution from the Estate of Lilly Schmidt and can accept donations from the general public. The Fund is administered by the Edmonton Community Foundation and, under the terms of the agreement, 4% of the value of the fund at December 31 each year is available for disbursement. The Foundation is entitled to receive the entire disbursement as long as it remains a registered charity that continues to carry out the aims of the fund. The disbursement for the year ended December 31, 2020 was \$13,077 (2019 - \$13,023). This payment is recognized as revenue as soon as the amount can be determined and collection is reasonably assured.

The value of the fund at December 31, 2020 was \$326,937 (2019 - \$325,580). However, since the Foundation has no control over the management, investing or disbursing of the endowment fund, it is not included in net assets.



KIDS KOTTAGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

7. TANGIBLE CAPITAL ASSETS

	2021		2020	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	\$ 81,052	\$ 56,640	\$ 24,412	\$ 983
Kottage equipment	47,815	31,103	16,712	13,330
Leasehold improvements	134,494	80,278	54,216	36,220
Office equipment	11,028	7,460	3,568	5,446
	\$ 274,389	\$ 175,481	\$ 98,908	\$ 55,979

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2021	2020
Trade accounts payable	\$ 19,902	\$ 26,546
Salaries and wages	53,475	73,175
	\$ 73,377	\$ 99,721

Included in accounts payable are government remittances of \$7,299 (2020 - \$1,333).



KIDS KOTTAGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

9. DEFERRED CONTRIBUTIONS

Deferred contributions include amounts that are externally restricted for specific programs or purposes which have not yet been expended for the specified purpose.

				2021	2020
	Opening	Received	Recognized as Revenue	Total	Total
Basic Shelf	\$ 21,791	\$ -	\$ (2,031)	\$ 19,760	\$ 21,791
Emergency Counselling Fund	510	-	-	510	510
Inter Pipelines: Community Navigator	119,593	-	(56,607)	62,986	119,593
Inter Pipelines: Crisis Line	-	20,000	-	20,000	-
Casino Funds	59,584	-	(59,584)	-	59,584
Private Donor: Playground	-	60,000	(31,927)	28,073	-
William & Florence Lede Foundation: Flooring	-	15,000	-	15,000	-
Totals	\$ 201,478	\$ 95,000	\$ (150,149)	\$ 146,329	\$ 201,478



KIDS KOTTAGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

10. DEFERRED CAPITAL CONTRIBUTIONS

	2021		2020	
	Capital Contributions	Accumulated Amortization	Deferred Capital Contributions	Deferred Capital Contributions
Computer equipment and software	\$ 4,689	\$ 1,270	\$ 3,419	\$ -
Kottage equipment	18,998	9,778	9,220	5,361
Leasehold improvements	74,225	20,652	53,573	35,427
Office equipment	8,118	5,081	3,037	4,537
	<u>\$ 106,030</u>	<u>\$ 36,781</u>	<u>\$ 69,249</u>	<u>\$ 45,325</u>

11. RESTRICTED CASINO FUND

	2021		2020	
Revenue	\$ 59,584	\$ 6,000		
Bank interest	723	121		
	<u>\$ 60,307</u>	<u>\$ 6,121</u>		

12. FUNDRAISING EXPENSES

	2021		2020	
Direct costs of fundraising events	\$ 42,169	\$ 207,717		
Fundraising wages and benefits	139,642	188,881		
Fundraising administration	49,833	33,013		
	<u>\$ 231,644</u>	<u>\$ 429,611</u>		



KIDS KOTTAGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

13. CANADA EMERGENCY BUSINESS ACCOUNT AND GOVERNMENT ASSISTANCE

During the year the Foundation has taken advantage of two Federal COVID-19 assistance programs: the Canada Emergency Wage Subsidy (CEWS) and the Canada Emergency Business Account (CEBA).

The Foundation received loan proceeds of \$60,000 under the CEBA loan program offered by the Government of Canada as a relief measure for organizations impacted by the COVID-19 global pandemic.

This loan is interest free and repayment of the balance prior to December 31, 2022 will result in forgiveness of a portion of the principal. At March 31, 2021, the Foundation has indicated it intends to repay the \$40,000 non-forgivable principal balance prior to December 31, 2022. Since it is reasonably assured that the Foundation will realize the forgiven amount, the forgivable balance of \$20,000 has been included in income.

The CEBA is a loan offered through financial institutions where a portion of the advanced loan proceeds will be forgiven if the remainder of the loan proceeds are repaid by December 31, 2022. The loan is non-interest bearing until January 1, 2023. The Foundation is reasonably assured to repay the non-forgivable portion of the loan prior to December 31, 2022 and as such the \$20,000 forgivable portion has been recognized as other income during the year.

The CEWS provided qualifying employers with a subsidy of up to 75% of employee salaries to a maximum of \$847 per week from March 15, 2020 to the end of the Foundation's fiscal year. During the year the Foundation received \$693,246 (2020 - \$38,946). These amounts have been included in other income.

14. COMMITMENTS

The Foundation has an operating lease for its premises at \$1 per year, with an additional \$1 per year for parking. This lease expired on April 30, 2018 but has been verbally extended under the same terms by the Government of Alberta.

The Foundation has also entered into various operating leases for its equipment expiring between March 31, 2022 and March 31, 2024.

The minimum annual lease payments for the next three years are as follows:

2022	\$	7,489
2023		7,489
2024		7,489
	\$	<u>22,467</u>



KIDS KOTTAGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

15. IMPACT OF COVID-19

In March 2020, there was a global outbreak of the COVID-19 virus, which has had a significant impact on businesses and not-for-profit organizations through the restrictions put in place by the Canadian, Provincial and Municipal governments regarding travel, operations and isolation/quarantine orders. Governments have responded with monetary and other fiscal stimulus to stabilize local economies. Uncertainty surrounding the pandemic and the effectiveness of government interventions continue to exist. It is not currently possible to estimate the continued duration and ultimate impact of this situation on the financial position and results of operations for the Foundation.

16. FINANCIAL INSTRUMENTS

The Foundation's financial assets and liabilities are exposed to certain risks. Unless otherwise noted, the Foundation's risk exposure has not changed significantly from the prior year.

Liquidity risk

Liquidity risk is the risk that the Foundation will not be able to meet its obligations on a timely basis or at a reasonable cost.

The Foundation's cash requirements are met by government funding and community fundraising. Unexpended funds are invested until they are required.

The Foundation's operations are funded by the Province of Alberta, supplemented by community fundraising. The Foundation's ability to continue operating is dependant upon maintaining both sources of funding. Should provincial funding be significantly reduced, the Foundation would need to find an alternative source of stable funding. Similarly, a significant reduction in the proceeds from community fundraising would force the Foundation to seek government or other institutional funding. The Foundation has sufficient reserves to enable it to continue operating temporarily while searching for alternative funding sources.

Credit risk

Credit risk refers to the risk that a counterparty may default on its contractual obligation, resulting in a financial loss.

Operating cash is held at a major Canadian chartered bank, GICs are held by a variety of Canadian banks and trust companies. Cash held for investment purposes is deposited with the Foundation's registered securities broker and the investment savings accounts are held by Canadian trust companies. The Foundation is exposed to risk to the extent that these deposits exceed the amounts guaranteed by the Canada Deposit Insurance Corporation and the Canadian Investor Protection Fund.

The Foundation's policy is not to record accounts receivable unless collection is reasonably assured.

Interest risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fixed-rate instruments subject the Foundation to a fair value risk, floating-rate instruments subject the Foundation to a cash flow risk.



KIDS KOTTAGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

16 FINANCIAL INSTRUMENTS (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of three types of risk: currency risk, interest rate risk and other price risk. The Foundation is mainly exposed to currency risk, interest rate risk, and the risk of market fluctuations with respect to market traded securities and bonds.

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

18. INTERNALLY RESTRICTED FUND

During the year the Foundation established this fund with a commitment to restrict \$400,000 for the possible future expansion of the Foundation. There was an initial commitment to complete a feasibility study that would look into possible locations and partnerships that would expand the capacity of the Foundation.

19. BASIC SHELF

The Foundation operates the Basic Shelf to educate parents on how to cook and shop for food on a limited budget. Funding is provided by donors who have specifically directed their donations to this program.

	2021	2020
Donations received	\$ -	\$ 10,550
Allocation from deferred contributions	2,031	11,611
Program costs	(2,031)	(22,161)
	<u>\$ -</u>	<u>\$ -</u>

During the year, donations were diverted to operations in response to the COVID-19 pandemic. The basic shelf program is expected to continue throughout the upcoming fiscal year.

