

Financial Statements

Kids Kottage Foundation

March 31, 2022

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# Independent Auditor's Report

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To the Members of Kids Kottage Foundation

## Qualified Opinion

We have audited the financial statements of Kids Kottage Foundation (the "Foundation"), which comprise the statement of financial position as at March 31, 2022, 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, 2022, and its results of 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, or cash flows from operations for the year ended March 31, 2022, current assets as at March 31, 2022 and net assets as at April 1 and March 31, 2022. The predecessor auditor's opinion on the financial statements for the period ended March 31, 2021 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the 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 that the audit evidence we have obtained is enough and appropriate to provide a basis for our qualified opinion.

## Emphasis of Matter – Restated Comparative Information

We draw attention to Note 17 in the financial statements, which explains that certain comparative information presented for the year ended March 31, 2021 has been restated. Our opinion is not modified in respect of this matter.

### Other Matter

The financial statements for the year ended March 31, 2021, excluding the adjustments that were applied to restate certain comparative information were audited by another auditor who expressed a qualified opinion on those financial statements on July 14, 2021. As part of our audit of the financial statements for the year ended March 31, 2022, we also audited the adjustment applied to restate certain comparative information presented. In our opinion, such adjustments are appropriate and have been properly applied.

### 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 the 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 the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

### Auditor's 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 auditor's 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 auditing 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 judgment and maintain 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control 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 the 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 cast significant doubt on the 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 auditor's 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 auditor's report. However, future events or conditions may cause the 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, Canada  
June 14, 2022

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script.

Chartered Professional Accountants

# Kids Kottage Foundation

## Statement of Operations

Year Ended March 31	2022	2021 (Restated) (Note 17)
<b>Revenues</b>		
Province of Alberta	\$ 794,800	\$ 794,800
Fundraising and donations	839,808	564,010
Other government grants	29,436	75,354
Unrealized gain on marketable securities	14,728	45,167
Investment income	31,570	41,889
Amortization of deferred capital contributions (Note 10)	21,954	19,692
Income from endowment fund (Note 6)	14,392	13,077
	<u>1,746,688</u>	<u>1,553,989</u>
<b>Program expenses</b>		
Wages and benefits	1,232,763	1,028,804
Program costs	76,411	46,634
Office	58,598	25,889
Amortization	29,724	20,109
Staff training, education and recruitment	20,606	22,060
Telephone	15,482	10,452
Repairs and maintenance	15,135	23,591
Program advertising	12,540	19,509
Insurance	3,695	8,028
Travel	620	211
Volunteer training and expenses	866	72
	<u>1,466,440</u>	<u>1,205,359</u>
Excess of revenues over expenses before administrative expenses	<u>280,248</u>	<u>348,630</u>
<b>Administrative expenses</b>		
Fundraising (Note 11)	235,198	231,644
Salaries and benefits	112,014	99,042
Professional fees	95,972	24,275
Amortization	30,812	6,199
Insurance	14,498	2,731
Office	13,089	38,234
Office equipment rentals	8,851	5,383
Telephone and utilities	2,253	7,005
Bank charges and interest	1,801	10,158
Staff training, education and recruitment	1,187	5,140
Repairs and maintenance	958	5,678
	<u>516,633</u>	<u>435,489</u>
Deficiency of revenues over expenses from operations	<u>(236,385)</u>	<u>(86,859)</u>
<b>Other income</b>		
Canada Emergency Wage Subsidy (Note 12)	401,732	693,246
Canada Emergency Business Account (Note 12)	-	20,000
COVID-19 relief funding	17,613	41,830
	<u>419,345</u>	<u>755,076</u>
Excess of revenues over expenses	<u>\$ 182,960</u>	<u>\$ 668,217</u>

See accompanying notes to the financial statements.

## Kids Kottage Foundation Statement of Changes in Net Assets

Year Ended March 31

	Internally Restricted Fund (Note 15)	Restricted Fund (Restated) (Note 17)	Unrestricted Fund (Restated) (Note 17)	Invested in Tangible Capital Assets	2022	2021 (Restated) (Note 17)
Net assets, beginning of year	\$ 400,000	\$ 77,933	\$ 1,177,788	\$ 29,659	\$ 1,685,380	\$ 955,496
Restatement (Note 17)	-	(77,933)	-	-	(77,933)	(16,266)
Net assets, beginning of year, as restated	400,000	-	1,177,788	29,659	1,607,447	939,230
Excess (deficiency) of revenues over expenses	-	-	221,542	(38,582)	182,960	668,217
Capital contributions received	-	-	15,000	(15,000)	-	-
Purchases of tangible capital assets	-	-	(80,650)	80,650	-	-
Net assets, end of year	\$ 400,000	\$ -	\$ 1,333,680	\$ 56,727	\$ 1,790,407	\$ 1,607,447

See accompanying notes to the financial statements.

# Kids Kottage Foundation

## Statement of Financial Position

March 31

2022

2021

		(Restated) (Note 17)
<b>Assets</b>		
Current		
Cash	\$ 230,396	\$ 109,254
Restricted cash (Note 3)	1,092	77,933
Short-term investments (Note 4)	1,427,156	1,375,272
Accounts receivable (Note 5)	163,306	192,759
Prepaid expenses	18,325	22,095
Endowment fund income receivable (Note 6)	<u>14,392</u>	<u>13,077</u>
	<b>1,854,668</b>	1,790,390
Long-term investments (Note 4)	116,874	125,037
Tangible capital assets (Note 7)	<u>119,022</u>	<u>98,908</u>
	<b>\$ 2,090,563</b>	<b>\$ 2,014,335</b>
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities (Note 8)	\$ 86,976	\$ 73,377
Deferred contributions (Note 9)	<u>110,885</u>	<u>224,262</u>
	<b>197,861</b>	297,639
Canada Emergency Business Account (Note 12)	40,000	40,000
Deferred capital contributions (Note 10)	<u>62,295</u>	<u>69,249</u>
	<b>300,156</b>	406,888
<b>Net Assets</b>		
Invested in tangible capital assets	56,727	29,659
Unrestricted fund	1,333,680	1,177,788
Internally restricted fund (Note 15)	<u>400,000</u>	<u>400,000</u>
	<b>1,790,407</b>	1,607,447
	<b>\$ 2,090,563</b>	<b>\$ 2,014,335</b>

Commitments (Note 13)

On behalf of the Board

\_\_\_\_\_ Director

\_\_\_\_\_ Director



# Kids Kottage Foundation

## Statement of Cash Flows

Year Ended March 31

2022

2021

Increase (decrease) in cash

### Cash provided by (used in) operating activities

Cash receipts from funders	\$ 1,741,284	\$ 1,551,842
Cash receipts from government assistance (Note 12)	287,678	616,802
Cash paid to suppliers and employees	(1,905,168)	(1,647,143)
Interest and dividends received	<u>30,150</u>	<u>32,238</u>
	<u>153,944</u>	<u>553,739</u>

### Cash provided by (used in) investing activities

Purchase of tangible capital assets	(80,650)	(69,237)
Purchase of investments	(28,993)	(1,085,602)
Proceeds on sale of investments	-	262,880
	<u>(109,643)</u>	<u>(891,959)</u>

### Cash provided by financing activity

Proceeds from Canada Emergency Business Account loan (Note 12)	-	40,000
	<u>-</u>	<u>40,000</u>

Increase (decrease) in cash

44,301 (298,220)

Beginning of year

187,187 485,407

End of year

\$ 231,488 \$ 187,187

Cash consists of:

Cash	\$ 230,396	\$ 109,254
Restricted cash	<u>1,092</u>	<u>77,933</u>
	<u>\$ 231,488</u>	<u>\$ 187,187</u>

See accompanying notes to the financial statements.

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# Kids Kottage Foundation

## Notes to the Financial Statements

March 31, 2022

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### 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 (Canada). The Foundation was incorporated under the Societies Act (Alberta) as a not-for-profit organization. The Foundation is a crisis prevention and early intervention service that keeps infants and children safe, and families strong.

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### 2. Summary of significant accounting policies

These financial statements are prepared by management in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") and include the following significant accounting policies:

#### Use of estimates and measurement uncertainty

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 and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenue and expenses for the reported period. Management reviews the carrying amounts of items in the financial statements at each balance sheet date to assess the need for revision or any possibility of impairment. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. Actual results could differ from those estimates.

Significant estimates included in these financial statements are the estimated useful lives of tangible capital assets, and valuation of the allowance for doubtful accounts receivable. Actual results could differ from those estimates.

#### Financial instruments

The Canadian Accounting Standards Board recently issued amendments to Section 3856 *Financial Instruments*, which outline the accounting guidelines related to financial assets and financial liabilities in related party transactions. The Foundation applied the new accounting policy retrospectively, subject to certain transitional provisions. The adoption of the amendments did not have a significant impact on the Foundation's financial statements.

#### *Initial measurement*

The Foundation's financial instruments except for those with non-arm's length parties are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

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# Kids Kottage Foundation

## Notes to the Financial Statements

March 31, 2022

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### 2. Summary of significant accounting policies (cont'd)

#### Financial instruments (cont'd)

##### *Subsequent measurement*

At each reporting date, the Foundation measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial assets) with the exception of investments in equity instruments which are measured at fair value. The Foundation uses the effective interest method to amortize any premiums, discounts, transaction fees and financing fees to the statement of operations. The financial instruments measured at amortized cost are cash, restricted cash, short-term and long-term investments (excluding marketable securities), accounts receivable, endowment fund income receivable, accounts payable and accrued liabilities, and Canada Emergency Business Account. Marketable securities are measured at fair value at each reporting date. The carrying value of the financial instruments approximates their fair value due to the short-term nature, unless otherwise noted.

For financial assets measured at cost or amortized cost, the Foundation regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Foundation determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

##### *Related party financial instruments*

Financial assets and financial liabilities in related party transactions are initially measured at cost, with the exception of certain instruments which are initially measured at fair value. Subsequent measurement is based on how the Association initially measured the instrument. The Foundation does not have any financial assets or financial liabilities in related party transactions measured at fair value.

#### Tangible capital assets

Tangible capital assets are recorded at cost, less accumulated amortization. Amortization is provided annually on the straight-line basis at rates calculated to write-off the assets over their estimated useful lives are as follows:

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

#### Impairment of long-lived assets

The Foundation tests long-lived assets for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of undiscounted cash flow resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

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# Kids Kottage Foundation

## Notes to the Financial Statements

March 31, 2022

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### 2. Summary of significant accounting policies (cont'd)

#### Revenue recognition

The Foundation follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Restricted contributions for the purchase of capital assets that will be amortized are deferred and recognized as revenue on the same basis as the amortization related to the acquired capital assets. 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.

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

#### Cash

Cash consists of bank balances at Canadian financial institutions net of outstanding cheques, and balances in restricted cash accounts.

#### Donated materials and contributed services

Donated materials and services are recorded at fair value when the fair value can be reasonably estimated and when the materials and services are normally purchased by the Foundation. The Foundation is dependent upon the services provided by its volunteers. Volunteers contributed numerous hours in carrying out the activities of the Foundation. Due to the difficulty in determining the fair value, contributed services of volunteers are not recognized in the financial statements.

#### Allocation of expenses

The Foundation operates three general programs – client services, fundraising and administration. The costs of each program includes 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.

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# Kids Kottage Foundation

## Notes to the Financial Statements

March 31, 2022

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### 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.

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### 4. Investments

Investments consist of the following:

	<u>2022</u>	<u>2021</u>
Short-term:		
Marketable securities	\$ 199,717	\$ 159,985
Mutual funds	395,368	326,336
Guaranteed Investment Certificates (GICs)	107,047	458,317
High interest savings and cash in broker accounts	<u>725,024</u>	<u>430,634</u>
	1,427,156	1,375,272
Long-term:		
Bonds	<u>116,874</u>	<u>125,037</u>
Total investments	<u>\$1,544,030</u>	<u>\$1,500,309</u>

GICs mature on June 6, 2022 (2021 - between June 4, 2021 and July 5, 2021) with an interest rate of 2.5% (2021 - rates between 1.51% and 2.96%).

Bonds have maturity dates between June 2, 2022 to December 1, 2031 (2021 – between June 1, 2021 and June 2, 2030) and interest rates between 1.65% and 3.50% (2021 – 1.9% to 4.1%).

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### 5. Accounts receivable

	<u>2022</u>	<u>2021</u>
Funding receivable	\$ -	\$ 1,547
Goods and Services Tax recoverable	8,894	13,635
COVID-19 grants and subsidies	<u>154,412</u>	<u>177,577</u>
	<u>\$ 163,306</u>	<u>\$ 192,759</u>

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### 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.

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# Kids Kottage Foundation

## Notes to the Financial Statements

March 31, 2022

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### 6. Endowment fund (continued)

The Fund is administered by the Edmonton Community Fund 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, 2021 was \$14,392 (2020 - \$13,077). 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, 2021 was \$359,800 (December 31, 2020 - \$ 326,937). However, since the Foundation has no control over the management, investing or disbursing of the endowment fund, it is not included in assets.

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### 7. Tangible capital assets

			<u>2022</u>	<u>2021</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computer equipment	\$ 93,224	\$ 81,696	\$ 11,528	\$ 24,412
Kottage equipment	50,568	37,116	13,452	16,712
Leasehold improvements	200,219	108,243	91,976	54,216
Office equipment	<u>11,029</u>	<u>8,963</u>	<u>2,066</u>	<u>3,568</u>
	<u>\$ 355,040</u>	<u>\$ 236,018</u>	<u>\$ 119,022</u>	<u>\$ 98,908</u>

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### 8. Accounts payable and accrued liabilities

	<u>2022</u>	<u>2021</u>
Trade accounts payable	\$ 40,419	\$ 19,902
Salaries and wages	<u>46,557</u>	<u>53,475</u>
	<u>\$ 86,976</u>	<u>\$ 73,377</u>

Included in accounts payable are government remittances of \$nil (2021 - \$7,299).

# Kids Kottage Foundation

## Notes to the Financial Statements

March 31, 2022

### 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 purposes.

	2021 Total (Restated)	Received	Recognized as revenue	Transfer to capital	2022 Total
Basic Shelf	\$ 19,760	\$ -	\$ -	\$ -	\$ 19,760
Casino fund	77,933		(76,841)	-	1,092
Emergency Counselling Fund	510	-	-	-	510
Inter Pipelines: Community Navigator	62,986	-	(52,100)	-	10,886
Inter Pipelines: Crisis Line	20,000	-	-	-	20,000
Private Donor: Playground	28,073	-	-	-	28,073
William & Florence Lede Foundation: Flooring	15,000	-	-	(15,000)	-
CIP for Accounting Technician	-	60,000	(29,436)	-	30,564
	<u>\$ 224,262</u>	<u>\$ 60,000</u>	<u>\$ (158,377)</u>	<u>\$ (15,000)</u>	<u>\$ 110,885</u>

### 10. Deferred capital contributions

Deferred capital contributions represent externally restricted contributions with which capital assets were purchased. The changes in the deferred capital contributions balance for the period are as follows:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 69,249	\$ 45,325
Add: contributions received related to capital asset purchases	15,000	43,616
Less: amortization of deferred contributions	<u>(21,954)</u>	<u>(19,692)</u>
Balance, end of year	<u>\$ 62,295</u>	<u>\$ 69,249</u>

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# Kids Kottage Foundation

## Notes to the Financial Statements

March 31, 2022

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### 11. Fundraising expenses

	<u>2022</u>	<u>2021</u>
Direct costs of fundraising events	\$ 78,649	\$ 42,169
Fundraising wages and benefits	128,707	139,642
Fundraising administration	<u>27,842</u>	<u>49,833</u>
	<u>\$ 235,198</u>	<u>\$ 231,644</u>

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### 12. Canada Emergency Business Account and government assistance

During the current and prior 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 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 received the loan in the prior year and assessed that it was reasonably assured to repay the non-forgivable portion of the loan prior to December 31, 2022 and as such the \$20,000 forgivable portion was recognized as other income during the prior year.

During 2022, the Foundation has recognized government assistance revenue of \$401,732 (2021 - \$693,246) under the Canada Emergency Wage Subsidy program which has been included in other income in the statement of operations.

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### 13. 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 various operating leases for its equipment expiring between March 31, 2023 and March 31, 2024.

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

2023	\$ 7,489
2024	7,489
	<u>\$ 14,978</u>



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# Kids Kottage Foundation

## Notes to the Financial Statements

March 31, 2022

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### 14. 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 operations are funded by the Province of Alberta, supplemented by community fundraising. The Foundation's ability to continue operating is dependent 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 enough 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, and short-term and long-term investments are held by a variety of Canadian banks and 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.

#### *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 to a cash flow risk.

#### *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 the 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.

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### 15. Internally restricted fund

The Board of Directors has internally restricted certain net assets for the possible future expansion of the Foundation. Use of the funds requires approval by the Board of Directors. The purpose of this fund is to restrict \$400,000 for the possible future expansion of the Foundation.

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# Kids Kottage Foundation

## Notes to the Financial Statements

March 31, 2022

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### 16. Comparative figures

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

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### 17. Prior period adjustment

During the year ended March 31, 2022, the Foundation reviewed the accounting treatment of its restricted cash and related revenue received from casinos and raffles under the authority of Alberta Gaming Liquor and Cannabis Corporation (Note 3). As a result of this review, the Foundation determined that the amounts previously presented as a restricted fund under net assets should have been treated as a deferred contribution in accordance with the Foundation's revenue recognition policy. A prior period adjustment was completed to reclassify these amounts and adjust the revenue previously recognized.

The following was the impact of the prior period adjustments on the March 31, 2021 financial statements:

- Fundraising and donations revenue decreased by \$61,667 from \$625,677 to \$564,010, resulting in a decrease of surplus of revenues over expenses from \$729,884 to \$668,217.
- Deferred contributions increased by \$77,933 from \$146,329 to \$224,262.
- Opening net assets decreased by \$16,266 from \$955,496 to \$939,230.

The above restatements resulted in a net decrease to the opening total net assets for the year ended March 31, 2022 of \$77,933.