

KIDS KOTTAGE FOUNDATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010

Allen & Associates
CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To the Members of
KIDS KOTTAGE FOUNDATION

We have audited the statement of financial position of **KIDS KOTTAGE FOUNDATION** as at March 31, 2010 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the Foundation derives revenue from donations, pledges, gifts, bequests and other contributions, 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 Foundation and we were not able to determine whether any adjustments might be necessary to donation and Fundraising revenue, excess of revenue over expenses, assets and net assets.

In our opinion, except for the effect of the adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenue referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Kids Kottage Foundation as at March 31, 2010 and the results of its operations, changes in its net assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Allen & Associates

Edmonton, Alberta
May 27, 2010

Chartered Accountants

KIDS KOTTAGE FOUNDATION
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2010

	2010	2009
Revenue		
Fundraising and donations - net (note 8)	\$ 543,028	\$ 329,185
Province of Alberta operating grant	444,700	423,524
Investment income	61,441	71,612
Special programs - net (note 9)	(1,040)	-
	<u>1,048,129</u>	<u>824,321</u>
 Kids Kottage Site expenses		
Wages and benefits	860,454	833,557
Program costs	33,859	33,650
Program advertising	15,736	11,168
Office	8,322	8,520
Insurance	7,692	7,487
Accreditation costs	7,636	-
Telephone	7,366	8,693
Staff training, education and recruitment	7,149	6,313
Repairs and maintenance	4,866	6,747
Travel	3,121	5,275
Volunteer training and expenses	3,025	3,088
	<u>959,226</u>	<u>924,498</u>
 Income (loss) before administration expenses	<u>88,903</u>	<u>(100,177)</u>
 Administration expenses		
Wages and benefits	108,025	95,127
Professional fees	20,000	19,000
Office	12,727	8,984
Equipment rental and repairs	7,252	4,716
Telephone	5,170	6,438
Insurance	4,027	3,921
Janitorial	1,973	1,915
Bank charges	1,840	1,827
Staff training, education and recruitment	1,374	1,949
	<u>162,388</u>	<u>143,877</u>
 Deficiency of revenue over expenses before amortization and disposal of equipment	<u>(73,485)</u>	<u>(244,054)</u>
Amortization of equipment	(10,911)	(15,626)
Loss on disposal of equipment	-	(2,169)
	<u> </u>	<u> </u>
 Deficiency of revenue over expenses	<u>\$ (84,396)</u>	<u>\$ (261,849)</u>

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KIDS KOTTAGE FOUNDATION
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2010

	Kids Kottage Fund	Equipment Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Net assets, beginning of the year	\$ 1,423,893	\$ 31,026	\$ 1,454,919
Excess (deficiency) of revenue over expenses	(73,485)	(10,911)	(84,396)
Change in unrealized gains on investments	(7,656)	-	(7,656)
Prior years' unrealized gains reclassified against realized gains in the Statement of Operations during the year	(1,919)	-	(1,919)
Interfund transfers (note 4)	(3,506)	3,506	-
	<u> </u>	<u> </u>	<u> </u>
Net assets, end of the year	\$ 1,337,327	\$ 23,621	\$ 1,360,948
	<u> </u>	<u> </u>	<u> </u>

KIDS KOTTAGE FOUNDATION
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2009

	Kids Kottage Fund	Equipment Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Net assets, beginning of the year	\$ 1,682,306	\$ 38,673	\$ 1,720,979
Excess (deficiency) of revenue over expenses	(244,054)	(17,795)	(261,849)
Change in unrealized gains on investments	(4,211)	-	(4,211)
Interfund transfers (note 4)	(10,148)	10,148	-
	<u> </u>	<u> </u>	<u> </u>
Net assets, end of the year	\$ 1,423,893	\$ 31,026	\$ 1,454,919
	<u> </u>	<u> </u>	<u> </u>

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KIDS KOTTAGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2010

ASSETS

	<u>Kids Kottage Fund</u>	<u>Equipment Fund</u>	<u>Total</u>
Current Assets			
Cash and cash equivalents (note 5)	\$ 298,872	\$ -	\$ 298,872
Investments (note 5)	347,987	-	347,987
Accounts receivable	15,733	-	15,733
Goods and Services Tax recoverable	4,075	-	4,075
Prepaid expenses	34,182	-	34,182
	<hr/>	<hr/>	<hr/>
Total current assets	700,849	-	700,849
Investments (note 5)	804,045	-	804,045
Equipment (note 4)	-	23,621	23,621
	<hr/>	<hr/>	<hr/>
	\$ 1,504,894	\$ 23,621	\$ 1,528,515
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

LIABILITIES AND NET ASSETS

Current Liabilities			
Accounts payable	\$ 96,790	\$ -	\$ 96,790
Deferred revenue (note 6)	35,000	-	35,000
Deferred contributions (note 7)	35,777	-	35,777
	<hr/>	<hr/>	<hr/>
Total current liabilities	167,567	-	167,567
	<hr/>	<hr/>	<hr/>
Net Assets			
Unrestricted	1,337,327	-	1,337,327
Invested in equipment	-	23,621	23,621
	<hr/>	<hr/>	<hr/>
	1,337,327	23,621	1,360,948
	<hr/>	<hr/>	<hr/>
	\$ 1,504,894	\$ 23,621	\$ 1,528,515
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KIDS KOTTAGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2009

ASSETS

	<u>Kids Kottage Fund</u>	<u>Equipment Fund</u>	<u>Total</u>
Current Assets			
Cash and cash equivalents (note 5)	\$ 173,092	\$ -	\$ 173,092
Investments (note 5)	464,633	-	464,633
Accounts receivable	7,263	-	7,263
Goods and Services Tax recoverable	16,005	-	16,005
Prepaid expenses	12,280	-	12,280
	<hr/>	<hr/>	<hr/>
Total current assets	673,273	-	673,273
Investments (note 5)	885,558	-	885,558
Equipment (note 4)	-	31,026	31,026
	<hr/>	<hr/>	<hr/>
	\$ 1,558,831	\$ 31,026	\$ 1,589,857
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

LIABILITIES AND NET ASSETS

Current Liabilities			
Accounts payable	\$ 93,643	\$ -	\$ 93,643
Deferred contributions (note 7)	41,295	-	41,295
	<hr/>	<hr/>	<hr/>
Total current liabilities	134,938	-	134,938
	<hr/>	<hr/>	<hr/>
Net Assets			
Unrestricted	1,423,893	-	1,423,893
Invested in equipment	-	31,026	31,026
	<hr/>	<hr/>	<hr/>
	1,423,893	31,026	1,454,919
	<hr/>	<hr/>	<hr/>
	\$ 1,558,831	\$ 31,026	\$ 1,589,857
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

KIDS KOTTAGE FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2010

	2010	2009
Cash provided by (used in) operating activities		
Deficiency of revenues over expenditures	\$ (84,396)	\$ (261,849)
Items not affecting cash		
Amortization	10,911	15,626
Gain on sale of investments	(4,103)	-
Loss on disposal of equipment	-	2,169
	(77,588)	(244,054)
Net change in non-cash working capital (note 10)	14,187	106,618
	(63,401)	(137,436)
Investing activities		
Purchase of equipment	(3,506)	(10,148)
Purchase of investments	(212,791)	(301,533)
Proceeds on sale of investments	405,478	362,950
	189,181	51,269
Increase (decrease) in cash	125,780	(86,167)
Cash and cash equivalents, beginning of the year	173,092	259,259
Cash and cash equivalents, end of the year	\$ 298,872	\$ 173,092

KIDS KOTTAGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2010

1. Nature Of The Organization

The Kids Kottage Foundation is a non-profit organization that works to promote the health and well-being of Canadian children and their families.

The Foundation is incorporated under the Alberta Societies Act and is a registered charity under the Income Tax Act. As such, the Foundation is exempt from income taxes.

2. Accounting Policies

Significant accounting policies observed in the preparation of the financial statements are summarized below. These policies are in accordance with Canadian generally accepted accounting principles.

(a) Fund Accounting

Revenue and expenses related to the operation of the Kids Kottage, along with related fundraising and administrative activities, are reported in the Kids Kottage Fund.

The Equipment Fund reports assets, liabilities, revenues and expenses related to the Foundation's equipment.

(b) Revenue Recognition

The Foundation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Investment income is recognized in the year it is earned.

(c) Investments

The Foundation has classified its investments as described in note 11. Non-redeemable GICs are recorded at amortized cost, which includes accrued interest. Corporate and government bonds are recorded at market value. Unrealized gains or losses on investments classified as available-for-sale are reported on the Statement of Changes in Net Assets.

(d) Equipment

Equipment is recorded at cost less accumulated amortization. Capital grants and donations received to assist in the purchase of equipment are applied against the cost of the equipment purchased. Amortization is provided using the following methods and annual rates:

Computer equipment	50% declining balance
Kottage equipment	20% declining balance
Office equipment	20% declining balance
Leasehold improvements	20% straight line

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KIDS KOTTAGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2010

2. **Accounting Policies** - continued

(e) Donated Materials And Services

Donated materials and services are not recorded in the financial statements.

(f) Use Of Accounting Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(g) Statement Of Cash Flows

The statement of cash flows has been prepared using the indirect method.

3. **Line Of Credit**

The Foundation's bank provides overdraft protection on its bank accounts to a maximum of \$65,000, secured by short term investments with a book value of \$78,596. Overdraft interest is charged at the bank prime rate plus 1.0%. At March 31, 2010, no accounts were overdrawn.

4. **Equipment**

	<u>2010</u>			<u>2009</u>
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	\$ 42,264	\$ 34,884	\$ 7,380	\$ 9,629
Kottage equipment	22,213	15,771	6,442	8,053
Office equipment	33,686	23,887	9,799	12,247
Leasehold improvements	45,595	45,595	-	1,097
	<u>\$ 143,758</u>	<u>\$ 120,137</u>	<u>\$ 23,621</u>	<u>\$ 31,026</u>

Equipment purchases were funded as follows:

	<u>2010</u>	<u>2009</u>
Transfer from Kids Kottage Fund	\$ 3,506	\$ 10,148

KIDS KOTTAGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2010

5. Investments

	<u>2010</u>		<u>2009</u>	
	Cost	FMV	Cost	FMV
Cash and cash equivalents				
Cash in bank				
(bank indebtedness)	\$ 82,413	\$ 82,413	\$ (48,373)	\$ (48,373)
Money Market Funds	137,863	137,863	143,559	143,559
Redeemable GIC	78,596	78,596	77,906	77,906
	<u>298,872</u>	<u>298,872</u>	<u>173,092</u>	<u>173,092</u>
Investments maturing within the next 12 months				
Non-redeemable GICs	347,987	347,987	184,425	184,425
Government bonds	-	-	272,552	280,208
	<u>347,987</u>	<u>347,987</u>	<u>456,977</u>	<u>464,633</u>
Investments with remaining terms of greater than 12 months				
Non-redeemable GICs	804,045	804,045	852,718	852,718
Corporate bonds	-	-	30,921	32,840
	<u>804,045</u>	<u>804,045</u>	<u>883,639</u>	<u>885,558</u>
Total investments	<u>\$ 1,450,904</u>	<u>\$ 1,450,904</u>	<u>\$ 1,513,708</u>	<u>\$ 1,523,283</u>

6. Deferred Revenue

Deferred revenue represents fundraising revenue received in advance of the related fundraising event.

7. Deferred Contributions

Deferred contributions are restricted contributions received which have not yet been expended on the programs for which they are intended.

KIDS KOTTAGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2010

8. Fundraising And Donations

	<u>2010</u>	<u>2009</u>
Gross contributions received	\$ 922,465	\$ 697,529
Allocated from (to) deferred revenue	(35,000)	10,000
	<hr/>	<hr/>
Gross fundraising and donation revenue	887,465	707,529
	<hr/>	<hr/>
Fundraising expenses		
Direct cost of fundraising events	192,940	222,309
Fundraising wages and benefits	112,126	101,724
Fundraising administration	39,371	54,311
	<hr/>	<hr/>
	344,437	378,344
	<hr/>	<hr/>
Net contribution to program costs	\$ 543,028	\$ 329,185
	<hr/> <hr/>	<hr/> <hr/>

9. Special Programs

	<u>2010</u>	<u>2009</u>
Gross restricted contributions received	\$ 25,000	\$ 43,450
Allocated from (to) deferred contributions	5,518	(18,318)
	<hr/>	<hr/>
Gross special program revenue	30,518	25,132
Direct program expenses	31,558	25,132
	<hr/>	<hr/>
Net cost of special programs	\$ (1,040)	\$ -
	<hr/> <hr/>	<hr/> <hr/>

KIDS KOTTAGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2010

10. Supplementary Cash Flow Information

Net change in non-cash working capital:

	2010	2009
Decrease (increase) in:		
Accounts receivable	\$ (8,470)	\$ 70,766
Goods and Services Tax recoverable	11,930	(85)
Prepaid expenses	(21,902)	4,529
Increase (decrease) in:		
Accounts payable	3,147	23,090
Deferred revenue	35,000	(509)
Deferred contributions	(5,518)	8,827
	\$ 14,187	\$ 106,618

Cash paid during the year for:

	2010	2009
Overdraft interest	\$ 233	\$ 306

11. Financial Instruments

The Foundation's financial instruments consist of the following:

Held-for-trading	Cash and cash equivalents
Available-for-sale	Corporate and government bonds
Held-to-maturity	Non-redeemable GICs
Loans and receivables	Accounts receivable Goods and Services Tax recoverable
Other liabilities	Accounts payable

Fair Value

Financial instruments classified as held-for-trading and available-for-sale are recorded at fair value. Financial instruments classified as held-to-maturity are recorded at amortized cost, which includes interest accrued to the year end date.

Unless otherwise disclosed, the carrying values for financial instruments classified as held-to-maturity, loans and receivables, and other liabilities approximate their fair values.

KIDS KOTTAGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2010

11. Financial Instruments - continued

Financial Instrument Risks

The Foundation is exposed to the following risks arising from these financial instruments:

(a) Credit Risk

The Foundation's financial instruments that are exposed to credit risk consist primarily of accounts receivable. The Foundation's policy is not to record accounts receivable unless collection is reasonably assured.

(b) Interest Risk

Investments include GICs with fixed interest rates. Investments which mature within the next 12 months bear interest at effective rates between 0.60% and 4.94%. Other investments with maturity dates between August 2011 and August 2013 bear interest at effective rates between 2.05% and 4.97%.

12. Capital Disclosures

The Foundation defines capital that it manages as the aggregate of its net assets. The Foundation's objective in managing its capital is to ensure sufficient liquidity is maintained to meet its operating requirements and undertake specific initiatives to achieve the goals and objectives of the organization, while at the same time taking a conservative approach towards management of financial risk.

The Foundation manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

Capital Structure as at March 31

	2010	2009
Unrestricted net assets	\$ 1,337,327	\$ 1,423,893
Net assets invested in equipment	23,621	31,026
	\$ 1,360,948	\$ 1,454,919

The Foundation currently has no externally imposed capital requirements.

13. Comparative Figures

Certain of the 2009 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.