

**KIDS KOTTAGE FOUNDATION**  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2017

*Allen & Associates*  
CHARTERED ACCOUNTANTS

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**INDEPENDENT AUDITORS' REPORT**

To the Members of  
**KIDS KOTTAGE FOUNDATION**

We have audited the accompanying financial statements of **Kids Kottage Foundation**, which comprise the statement of financial position as at March 31, 2017, and the statements of operations, changes in fund balances 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.

**Auditor's 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 auditor's 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Basis for Qualified Opinion**

In common with many 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 accounting for 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 expenditures, assets, and surplus.

**Qualified Opinion**

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of **Kids Kottage Foundation** as at March 31, 2017, and its financial performance and its cash flows for the year ended in accordance with Canadian accounting standards for not-for-profit organizations.

*Allen & Associates*

Edmonton, Alberta  
June 13, 2017

Chartered Accountants

**KIDS KOTTAGE FOUNDATION**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED MARCH 31, 2017**

	Kids Kottage Fund	Equipment Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Revenue</b>			
Province of Alberta operating grant	\$ 778,704	\$ -	\$ 778,704
Fundraising and donations - net (note 8)	413,445	-	413,445
Amortization of deferred capital contributions	-	21,563	21,563
Investment income	19,331	-	19,331
Income from endowment fund (note 2)	12,243	-	12,243
	<u>1,223,723</u>	<u>21,563</u>	<u>1,245,286</u>
<b>Kids Kottage site expenses</b>			
Wages and benefits	1,008,667	-	1,008,667
Program costs	68,696	-	68,696
Program advertising	21,491	-	21,491
Staff training, education and recruitment	17,896	-	17,896
Office	16,051	-	16,051
Amortization	-	14,218	14,218
Repairs and maintenance	11,100	-	11,100
Insurance	10,115	-	10,115
Telephone	7,845	-	7,845
Special programs - net (note 9)	5,000	-	5,000
Volunteer training and expenses	3,140	-	3,140
Travel	2,959	-	2,959
	<u>1,172,960</u>	<u>14,218</u>	<u>1,187,178</u>
<b>Income before administration expenses</b>	<u>50,763</u>	<u>7,345</u>	<u>58,108</u>
<b>Administration expenses</b>			
Wages and benefits	94,272	-	94,272
Professional fees	26,200	-	26,200
Equipment rental and repairs	16,329	-	16,329
Amortization	-	12,129	12,129
Office	6,578	-	6,578
Telephone	4,171	-	4,171
Insurance	3,112	-	3,112
Bank charges	2,272	-	2,272
Janitorial	1,887	-	1,887
Staff training, education and recruitment	536	-	536
	<u>155,357</u>	<u>12,129</u>	<u>167,486</u>
<b>Deficiency of revenue over expenses</b>	<u>\$ (104,594)</u>	<u>\$ (4,784)</u>	<u>\$ (109,378)</u>

*Allen & Associates*

**KIDS KOTTAGE FOUNDATION**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED MARCH 31, 2016**

	Kids Kottage Fund	Equipment Fund	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Revenue</b>			
Province of Alberta operating grant	\$ 778,704	\$ -	\$ 778,704
Fundraising and donations - net (note 8)	430,087	-	430,087
Investment income	20,376	-	20,376
Amortization of deferred capital contributions	-	15,364	15,364
Income from endowment fund (note 2)	12,177	-	12,177
	<u>1,241,344</u>	<u>15,364</u>	<u>1,256,708</u>
 <b>Kids Kottage site expenses</b>			
Wages and benefits	1,007,608	-	1,007,608
Program costs	49,847	-	49,847
Program advertising	31,676	-	31,676
Office	16,349	-	16,349
Staff training, education and recruitment	15,438	-	15,438
Amortization	-	14,014	14,014
Repairs and maintenance	12,763	-	12,763
Special programs - net (note 9)	12,660	-	12,660
Insurance	9,904	-	9,904
Telephone	9,188	-	9,188
Volunteer training and expenses	4,104	-	4,104
Travel	3,156	-	3,156
	<u>1,172,693</u>	<u>14,014</u>	<u>1,186,707</u>
 <b>Income before administration expenses</b>	 <u>68,651</u>	 <u>1,350</u>	 <u>70,001</u>
 <b>Administration expenses</b>			
Wages and benefits	111,401	-	111,401
Professional fees	23,475	-	23,475
Equipment rental and repairs	9,932	-	9,932
Office	6,472	-	6,472
Amortization	-	5,403	5,403
Telephone	4,550	-	4,550
Insurance	3,047	-	3,047
Bank charges	1,963	-	1,963
Janitorial	1,800	-	1,800
Staff training, education and recruitment	703	-	703
	<u>163,343</u>	<u>5,403</u>	<u>168,746</u>
 <b>Deficiency of revenue over expenses</b>	 <u>\$ (94,692)</u>	 <u>\$ (4,053)</u>	 <u>\$ (98,745)</u>

**KIDS KOTTAGE FOUNDATION**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED MARCH 31, 2017**

	Kids Kottage Fund	Equipment Fund	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Net assets, beginning of the year</b>	\$ 1,221,590	\$ 8,658	\$ 1,230,248
<b>Deficiency of revenue over expenses</b>	(104,594)	(4,784)	(109,378)
<b>Interfund transfers (note 4)</b>	(4,899)	4,899	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Net assets, end of the year</b>	<u>\$ 1,112,097</u>	<u>\$ 8,773</u>	<u>\$ 1,120,870</u>

**KIDS KOTTAGE FOUNDATION**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED MARCH 31, 2016**

	Kids Kottage Fund	Equipment Fund	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Net assets, beginning of the year</b>	\$ 1,327,005	\$ 1,988	\$ 1,328,993
<b>Deficiency of revenue over expenses</b>	(94,692)	(4,053)	(98,745)
<b>Interfund transfers (note 4)</b>	(10,723)	10,723	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Net assets, end of the year</b>	<u>\$ 1,221,590</u>	<u>\$ 8,658</u>	<u>\$ 1,230,248</u>

**KIDS KOTTAGE FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
**MARCH 31, 2017**

	Kids Kottage Fund	Equipment Fund	Total
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash (note 11)	\$ 176,847	\$ 34,534	\$ 211,381
Short term GICs (note 15)	369,108	-	369,108
Accounts receivable (note 3)	32,577	-	32,577
Endowment fund income receivable (note 2)	12,243	-	12,243
Government remittances recoverable	5,404	-	5,404
Prepaid expenses	19,138	-	19,138
	615,317	34,534	649,851
<b>Long Term GICs</b> (note 15)	643,816	-	643,816
<b>Equipment</b> (note 4)	-	36,773	36,773
	\$ 1,259,133	\$ 71,307	\$ 1,330,440
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 98,438	\$ -	\$ 98,438
Government remittances payable	720	-	720
Deferred revenue (note 6)	650	-	650
Deferred contributions (note 7)	47,228	34,534	81,762
	147,036	34,534	181,570
<b>Deferred Capital Contributions</b> (note 4)	-	28,000	28,000
	147,036	62,534	209,570
<b>Net Assets</b>			
Unrestricted	1,064,756	-	1,064,756
Restricted cash (note 11)	47,341	-	47,341
Invested in equipment	-	8,773	8,773
	1,112,097	8,773	1,120,870
Approved by the Board	\$ 1,259,133	\$ 71,307	\$ 1,330,440

**KIDS KOTTAGE FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
**MARCH 31, 2016**

	Kids Kottage Fund	Equipment Fund	Total
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash (note 11)	\$ 357,903	\$ 1,494	\$ 359,397
Short term GICs	426,142	-	426,142
Accounts receivable (note 3)	35,840	-	35,840
Endowment fund income receivable (note 2)	12,177	-	12,177
Government remittances recoverable	8,985	-	8,985
Prepaid expenses	42,527	-	42,527
	883,574	1,494	885,068
<b>Long Term GICs</b>	572,735	-	572,735
<b>Equipment</b> (note 4)	-	39,007	39,007
	\$ 1,456,309	\$ 40,501	\$ 1,496,810
	\$ 1,456,309	\$ 40,501	\$ 1,496,810
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 144,753	\$ -	\$ 144,753
Deferred revenue (note 6)	24,415	-	24,415
Deferred contributions (note 7)	65,551	1,494	67,045
	234,719	1,494	236,213
<b>Deferred Capital Contributions</b> (note 4)	-	30,349	30,349
	234,719	31,843	266,562
<b>Net Assets</b>			
Unrestricted	1,182,667	-	1,182,667
Restricted cash (note 11)	38,923	-	38,923
Invested in equipment	-	8,658	8,658
	1,221,590	8,658	1,230,248
	\$ 1,456,309	\$ 40,501	\$ 1,496,810

*Allen & Associates*

**KIDS KOTTAGE FOUNDATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2017**

	<b>2017</b>	<b>2016</b>
<b>Cash provided by (used in) operating activities</b>		
Deficiency of revenue over expenditures	\$ (109,378)	\$ (98,745)
Items not affecting cash		
Amortization of equipment	26,347	19,417
Amortization of capital contributions	(21,563)	(15,364)
Investment income	(19,331)	(20,376)
Transfers to (from) deferred contributions	(18,323)	8,533
	(142,248)	(106,535)
Interest received	19,199	29,687
Net change in non-cash working capital (note 12)	(39,193)	5,347
	(162,242)	(71,501)
<b>Financing activities</b>		
Deferred contributions received	52,254	24,180
<b>Investing activities</b>		
Proceeds on maturity of GICs	413,399	443,878
Purchase of GICs	(427,314)	(466,500)
Purchase of equipment	(24,113)	(28,409)
	(38,028)	(51,031)
<b>Increase (decrease) in cash</b>	(148,016)	(98,352)
<b>Cash, beginning of the year</b>	359,397	457,749
<b>Cash, end of the year</b>	\$ 211,381	\$ 359,397
<b>Cash is composed of:</b>		
Cash in bank and broker accounts	\$ 10,072	\$ 117,884
Restricted cash in bank	47,341	38,923
Investment savings accounts	153,968	202,590
	\$ 211,381	\$ 359,397

*Allen & Associates*

**KIDS KOTTAGE FOUNDATION**  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2017

**1. Significant Accounting Policies**

The Kids Kottage Foundation is a not-for-profit organization working to promote the health and well-being of Canadian children and their families.

The Foundation receives an operating grant from the Province of Alberta to cover approximately 80% of the wages and benefits for client care staff. All other costs are funded through extensive community fundraising efforts. The current funding agreement with the Province expires March 31, 2018.

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.

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

(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. Endowment fund income is recognized on an annual basis as described in note 2.

(c) Cash

The Foundation defines cash as funds held in bank and broker accounts and readily convertible investments such as investment savings accounts and money market funds. As described in note 11, the proceeds of casinos and lotteries are maintained in separate accounts and may be used only for approved purposes.

**KIDS KOTTAGE FOUNDATION**  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2017

1. **Significant Accounting Policies** - continued

(d) Equipment

Equipment is recorded at cost and amortized on a straight line basis over its estimated useful life. The estimated useful lives for the major classes of equipment are as follows:

Computer equipment	2 years
Computer database software	5 years
Kottage equipment	5 years
Office equipment	5 years
Leasehold improvements	5 years

(e) Deferred Capital Contributions

Capital contributions received are deferred and amortized into revenue in the equipment fund over the amortization period of the related assets.

(f) Financial Assets And Liabilities

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.

(g) Contributed Materials And Services

The Foundation could not fulfill its mandate without generous donations of supplies by a number of benefactors and, especially, the many hours of work provided by volunteers. In addition, the Province of Alberta provides program and office facilities for a nominal rent. It is not possible to determine the monetary value of all of these contributions. Therefore, they are not recognized in these financial statements.

(h) Use Of Accounting Estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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.

The estimates which are most significant to these financial statements are:

- (i) Collectability of accounts receivable.
- (ii) Useful life of equipment.
- (iii) Valuation of accrued liabilities.

**KIDS KOTTAGE FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2017**

**1. Significant Accounting Policies - continued**

(i) Allocation Of Expenses

The Foundation operates three general programs - client services (site expenses), fundraising and administration. The costs of each program includes all costs directly related to that program, such as wages and benefits, training, premises, and supplies. In addition, the Foundation incurs a number of general support expenses that are common to the administration of the organization and each of its programs.

The Foundation allocates certain of its general support expenses by identifying the appropriate basis of allocating each component expense, and applies that basis consistently each year. Corporate governance and general management expenses are not allocated; other general support expenses are allocated on the following bases:

- (i) Administration and support staff wages and benefits - proportionately based on the standard hours each position is expected to devote to client service, fundraising and general management.
- (ii) Other support costs (advertising, telephone, office) - where possible, costs are charged directly to the program that incurs them. Costs that cannot be specifically allocated are split evenly between the programs to which they relate.

**2. Kids Kottage 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, to be 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 Kids Kottage Foundation is entitled to receive the entire disbursement as long as it remains a registered charity and continues to carry out the aims of the fund. The disbursement for the year ended December 31, 2016 was \$12,243 (2015 - \$12,177). 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, 2016 was \$306,070. However, since the Kids Kottage 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 THE FINANCIAL STATEMENTS**  
**MARCH 31, 2017**

**3. Accounts Receivable**

	<b>2017</b>	<b>2016</b>
Government assistance receivable	\$ 15,203	\$ -
Event sponsorships, tickets and auction proceeds	10,205	3,600
Pledges included in fundraising revenue	6,600	32,240
Expense recoveries	569	-
	\$ 32,577	\$ 35,840

**4. Equipment**

<b>March 31, 2017</b>			
	Cost	Accumulated Amortization	Net Book Value
Computer equipment and software	\$ 65,820	\$ 42,614	\$ 23,206
Kottage equipment	22,814	17,060	5,754
Office equipment	3,520	1,489	2,031
Leasehold improvements	60,394	54,612	5,782
	\$ 152,548	\$ 115,775	\$ 36,773

<b>March 31, 2017</b>			
<u>Deferred Capital Contributions</u>	Capital Contributions	Accumulated Amortization	Deferred Capital Contributions
Computer equipment and software	\$ 28,046	\$ 8,560	\$ 19,486
Kottage equipment	19,903	14,149	5,754
Office equipment	2,484	621	1,863
Leasehold improvements	53,732	52,835	897
	\$ 104,165	\$ 76,165	\$ 28,000

Computer equipment and software includes \$14,350 paid for development of a database to enhance the management of client information and streamline the client intake processes. The database is still under development and, accordingly, no amortization has been taken in the current year. The work is expected to be completed in the 2018 fiscal year and it is estimated that the total cost will be \$45,000. The Foundation has received a grant from the Edmonton Community Foundation to cover the cost of this project. At March 31, 2017, \$30,650 of the grant had not been spent and is included in deferred contributions under the equipment fund.

**KIDS KOTTAGE FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2017**

4. **Equipment** - continued

	<b>March 31, 2016</b>		
	Cost	Accumulated Amortization	Net Book Value
Computer equipment and software	\$ 46,571	\$ 32,522	\$ 14,049
Kottage equipment	17,950	13,588	4,362
Office equipment	3,520	785	2,735
Leasehold improvements	60,394	42,533	17,861
	\$ 128,435	\$ 89,428	\$ 39,007

	<b>March 31, 2016</b>		
Deferred Capital Contributions	Capital Contributions	Accumulated Amortization	Deferred Capital Contributions
Computer equipment and software	\$ 13,696	\$ 1,712	\$ 11,984
Kottage equipment	15,039	10,677	4,362
Office equipment	2,484	124	2,360
Leasehold improvements	53,732	42,089	11,643
	\$ 84,951	\$ 54,602	\$ 30,349

Funding Of Equipment Purchases

	<b>2017</b>	<b>2016</b>
Cost of additions	\$ 24,113	\$ 28,409
Prior year capital contributions applied	(696)	-
Capital contributions received	(52,254)	(19,180)
Excess contributions deferred for future purchases	33,736	1,494
	\$ 4,899	\$ 10,723

**KIDS KOTTAGE FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2017**

**5. Line Of Credit**

The Foundation's bank provides overdraft protection on its bank accounts to a maximum of \$65,000, secured by a general security agreement and a GIC with a carrying value of \$85,453. Overdraft interest is charged at the bank prime rate plus 1.0%. At March 31, 2017, no accounts were overdrawn.

**6. Deferred Revenue**

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

**7. Deferred Contributions**

Deferred contributions are externally restricted contributions to specific programs or for specific purposes which have not yet been expended in accordance with the donors' instructions.

**8. Fundraising And Donations**

	<b>2017</b>	<b>2016</b>
Donations and proceeds of fundraising activities	\$ 870,470	\$ 851,910
Less capital contributions (note 4)	(52,254)	(19,180)
Allocated from (to) deferred revenue	23,765	(6,145)
	<b>841,981</b>	<b>826,585</b>
 <u>Fundraising Expenses</u>		
Direct cost of fundraising events	159,928	139,658
Fundraising wages and benefits	200,120	186,812
Fundraising administration	68,488	70,028
	<b>428,536</b>	<b>396,498</b>
Net contribution to program costs	<b>\$ 413,445</b>	<b>\$ 430,087</b>

**KIDS KOTTAGE FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2017**

**9. Special Programs**

Under a memorandum of understanding, the Foundation has outsourced its FASD Respite Care Program to the Elves Special Needs Society. This program provides respite to parents of children with FASD. Most of the funding for the program is received from the Edmonton and area Fetal Alcohol Network Society and designated community donations.

The Basic Shelf is a program operated by the Foundation to teach parents to cook and shop for food on a limited budget. Funding is provided by donors who have chosen to support this specific program.

	<b>March 31, 2017</b>		
	FASD Respite Care	Basic Shelf	Total
Special Program Revenue			
Grants received	\$ 111,936	\$ -	\$ 111,936
Donations received	-	10,000	10,000
	111,936	10,000	121,936
Special program revenue received during the year	111,936	10,000	121,936
Allocation from deferred contributions	5,000	13,323	18,323
	116,936	23,323	140,259
Special Program Expenditures			
Donation to Elves Special Needs Society	121,936	-	121,936
Program operating costs	-	23,323	23,323
	121,936	23,323	145,259
Total special program expenditures	121,936	23,323	145,259
Net contribution to special programs by the Kids Kottage Foundation	\$ (5,000)	\$ -	\$ (5,000)

**KIDS KOTTAGE FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2017**

9. **Special Programs** - continued

	<b>March 31, 2016</b>		
	FASD Respite Care	Basic Shelf	Total
Special Program Revenue			
Grants received	\$ 111,936	\$ -	\$ 111,936
Donations received	5,000	37,112	42,112
Special program revenue received during the year	116,936	37,112	154,048
Allocation to deferred contributions	(5,000)	(8,533)	(13,533)
Special program revenue	111,936	28,579	140,515
Special Program Expenditures			
Donation to Elves Special Needs Society	124,596	-	124,596
Program operating costs	-	28,579	28,579
Total special program expenditures	124,596	28,579	153,175
Net contribution to special programs by the Kids Kottage Foundation	\$ (12,660)	\$ -	\$ (12,660)

10. **Commitments**

The Foundation has entered into lease agreements for office equipment which expire March 31, 2019 and March 31, 2020, and a software licensing agreement which expires March 31, 2018. The minimum payments required under these agreements for the next three years, and in aggregate, are:

2018	\$ 9,823
2019	5,383
2020	2,486
	\$ 17,692

**KIDS KOTTAGE FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2017**

**11. Restricted Cash**

From time to time, the Foundation receives proceeds from casinos and raffles carried out under the authority of the Alberta Gaming & Liquor Commission. These funds must be maintained in separate bank accounts and may only be used for the following approved purposes:

- (a) Telephone costs (up to 10% of the funds).
- (b) Program related equipment.
- (c) Grant funding costs.
- (d) Promotional activities.
- (e) Resource materials and supplies.
- (f) Special program support/development (parent support group, outreach program, client transportation, family camp, crisis nursery program).
- (g) Wages, salaries, fees for service and honorariums for family support workers and team leaders.
- (h) Youth development programs (crisis nursery, outreach program).

**12. Net Change In Non-Cash Working Capital**

	<b>2017</b>	<b>2016</b>
Decrease (increase) in:		
Accounts receivable	\$ 3,263	\$ (28,240)
Endowment fund income receivable	(66)	(12,177)
Government remittances recoverable	3,581	2,100
Prepaid expenses	23,389	(9,670)
Increase (decrease) in:		
Accounts payable	(45,595)	47,189
Deferred revenue	(23,765)	6,145
	\$ (39,193)	\$ 5,347

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**13. Expense Allocation**

Fundraising Expenses

Direct fundraising expenses are not allocated to other programs.

General Support Expenses

General support expenses have been allocated as follows:

	<b>2017</b>			
	Site Expenses	Fundraising Expenses	Administration Expenses	Total
Wages and benefits	\$ 45,430	\$ 71,870	\$ 68,140	\$ 185,440
Advertising	25,802	25,802	-	51,604
Office	9,007	18,417	21,775	49,199
Insurance	10,115	2,334	3,112	15,561
Telephone	-	4,462	4,462	8,924
	\$ 90,354	\$ 122,885	\$ 97,489	\$ 310,728

	<b>2016</b>			
	Site Expenses	Fundraising Expenses	Administration Expenses	Total
Wages and benefits	\$ 43,545	\$ 71,142	\$ 66,662	\$ 181,349
Advertising	31,676	31,676	-	63,352
Office	10,065	9,271	14,647	33,983
Insurance	9,904	2,286	3,047	15,237
Telephone	-	4,550	4,550	9,100
	\$ 95,190	\$ 118,925	\$ 88,906	\$ 303,021

**14. Comparative Figures**

Certain of the 2016 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

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**15. Financial Risks And Concentrations Of Risk**

The Foundation's financial assets and liabilities are exposed to certain risks. Unless otherwise noted, it is management's opinion that the Foundation is not exposed to significant liquidity, credit, interest rate, currency or market risks. 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 in GICs and high interest savings accounts until they are required.

As explained in note 1, 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 alternate source of stable funding. Similarly, a significant reduction in the proceeds from community fundraising would force the Foundation to seek additional 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 obligations, 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 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.

The Foundation owns a number of GICs with fixed interest rates. Short term GICs (those which mature within the next 12 months) bear interest at effective rates between 1.25% and 2.1% per annum. Long term GICs with maturity dates between July 2018 and March 2020 bear interest at effective rates between 1.7% and 2.3% per annum.