



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

**Financial Statements**

**March 31, 2010**

**Auditors' Report**

To: The Members of  
**Children's Cottage Society of Calgary, an Alberta Society**

We have audited the statement of financial position of **Children's Cottage Society of Calgary, an Alberta Society** 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 Society'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 Society derives revenue from donations the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Society, and we were not able to determine whether any adjustments might be necessary to revenue, excess (deficiency) of revenue over expenses, assets and net assets.

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

*Kenway Mack Slusarchuk Stewart LLP*

Chartered Accountants

May 10, 2010  
Calgary, Alberta

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

As at March 31,	2010	2009
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 281,722	\$ 294,966
Marketable investments (note 6)	264,965	12,903
Accounts receivable	56,087	104,118
Prepaid expenses	18,118	24,716
	<u>620,892</u>	<u>436,703</u>
<b>Restricted marketable investments (note 4, 6)</b>	1,402,494	1,490,526
<b>Office and computer equipment (note 8)</b>	55,879	48,344
	<u>\$ 2,079,265</u>	<u>\$ 1,975,573</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 219,576	\$ 194,546
<b>Deferred contributions (note 4)</b>	402,494	490,526
<b>Deferred capital contributions (note 5)</b>	41,757	29,031
	<u>663,827</u>	<u>714,103</u>
<b>Net Assets</b>		
Unrestricted	401,316	242,157
Invested in capital assets	14,122	19,313
Internally restricted	1,000,000	1,000,000
	<u>1,415,438</u>	<u>1,261,470</u>
	<u>\$ 2,079,265</u>	<u>\$ 1,975,573</u>

Approved by the Board



Director



Director

See accompanying notes to the financial statements

**Children's Cottage Society of Calgary,**  
**An Alberta Society**  
Statement of Operations

For the year ended March 31,

**2010**

**2009**

**Revenue**

Grants (note 10)	\$ 2,658,668	\$ 1,776,031
Donations	748,322	846,032
	<u>3,406,990</u>	<u>2,622,063</u>

**Expenses**

*Program delivery costs*

Salaries and benefits - program staffing	2,539,757	1,850,939
Direct program costs	348,111	266,542
Salaries and benefits - administration	179,935	119,653
Facility supplies and maintenance	107,820	60,159
Rent, utilities and insurance	39,166	51,867
Administration expenses	29,239	29,039
	<u>3,244,028</u>	<u>2,378,199</u>

*Administration*

Salaries and benefits - administration	110,451	131,652
Administration expenses	54,261	102,870
Facility expenses	11,007	9,390
	<u>175,719</u>	<u>243,912</u>

*Fund development*

Salaries and benefits - fund development	54,837	59,991
Direct fundraising costs	33,911	64,201
	<u>88,748</u>	<u>124,192</u>

Total expenses

	<u>3,508,495</u>	<u>2,746,303</u>
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**Investment income (loss)**

	255,473	(147,317)
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**Excess (deficiency) of revenue over expenses**

	<u>\$ 153,968</u>	<u>\$ (271,557)</u>
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See accompanying notes to the financial statements

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

Statement of Changes in Net Assets

For the year ended March 31,

**2010**

**2009**

	Invested in capital assets	Internally restricted	Unrestricted	Total	Total
<b>Balance, beginning of year</b>	\$ 19,313	\$ 1,000,000	\$ 242,157	\$ 1,261,470	\$ 1,533,027
Excess (deficiency) of revenues over expenses	-	-	153,968	153,968	(271,557)
Investment in capital assets	2,056	-	(2,056)	-	-
Amortization	(7,247)	-	7,247	-	-
<b>Balance, end of year</b>	\$ 14,122	\$ 1,000,000	\$ 401,316	\$ 1,415,438	\$ 1,261,470

*See accompanying notes to the financial statements*

**Children's Cottage Society of Calgary,  
An Alberta Society**  
Statement of Cash Flows

For the year ended March 31,	<b>2010</b>	<b>2009</b>
<b>Operating activities</b>		
Excess (deficiency) of revenue over expenses	\$ 153,968	\$ (271,557)
Items not affecting cash:		
Amortization	33,892	24,884
Amortization of deferred capital contributions	(26,645)	(27,115)
Gain on sale of investments	(23,572)	(15)
Reinvested dividend income	(55,606)	(47,664)
Unrealized (gains) losses on investments	(176,280)	198,901
	<u>(94,243)</u>	<u>(122,566)</u>
Changes in non-cash working capital items:		
Accounts receivable	48,032	(35,507)
Prepaid expenses	6,597	(164)
Accounts payable	25,027	28,825
Deferred contributions	(88,031)	132,001
	<u>(102,618)</u>	<u>2,589</u>
<b>Investing activities</b>		
Purchase of office and computer equipment	(41,426)	(25,622)
Purchase of marketable investments	(100,044)	(205,000)
Deferred capital contributions (note 5)	39,371	18,732
Proceeds from sale of marketable investments	191,473	7,085
	<u>89,374</u>	<u>(204,805)</u>
<b>Decrease in cash</b>	(13,244)	(202,216)
Cash, beginning of year	294,966	497,182
<b>Cash, end of year</b>	<u>\$ 281,722</u>	<u>\$ 294,966</u>

*See accompanying notes to the financial statements*

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

Notes to Financial Statements

March 31, 2010

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## 1. Nature of operations

The Children's Cottage Society of Calgary, an Alberta Society (the "Society") was incorporated on October 11, 1989 under the Societies Act of the Province of Alberta as a charitable organization. As a registered charitable organization, the Society is exempt from corporate income taxes provided certain disbursement requirements are maintained.

The Society operates the following programs:

### Crisis Nursery

The Crisis Nursery operates a twelve bed shelter for children to accommodate parents who are experiencing a crisis and have no other means of child care support.

### Brenda's House

Brenda's House was established by the Brenda Strafford Foundation in February 2009 as a home for up to 14 families while they receive support in finding their own home. The program operates in a facility that is owned by the Brenda Strafford Foundation. At Brenda's House, the Society and community agency partners work together to provide families with the resources to secure permanent housing as quickly as possible, while also meeting their other goals for health, well-being and development.

### Community Respite

The Community Respite program offers childcare relief to parents in crisis who require childcare and have no other means of support.

### Child Care Respite Program

The Child Care Respite program coordinates quality child care placements for vulnerable families experiencing homelessness and other complex situations which are have a negative effect on the child's development.

### Healthy Families

The Healthy Families program offers in-home education and support to parents with infants who are assessed as needing assistance to ensure safe children in healthy families.

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

Notes to Financial Statements

March 31, 2010

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## 2. Significant accounting policies

### a) Use of estimates

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, liabilities, disclosures of contingent liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

### b) Allocation of expenses

The Society incurs a number of general support expenses that are common to the administration of the organization and each of its programs. Expenditures are recorded on an accrual basis and are charged to the Crisis Nursery, Brenda's House, Community Respite, Child Care Respite, and Healthy Families programs according to the activity that they benefit.

The Society allocates its general support expenses by identifying the appropriate basis of allocating each component expense and applies that basis consistently each year. General support expenses include administrative salaries, information technology, insurance and office supplies which have been allocated proportionately based on the number of full time staff in each program. This basis of allocation is reviewed periodically and may be revised according to circumstances prevailing from time to time.

### c) Financial instruments

The Society's financial assets and financial liabilities are classified and measured as follows:

- Cash, restricted cash, marketable investments and restricted marketable investments are classified as held for trading and are measured at fair value. Gains and losses related to periodic measurement are recorded in the statement of operations.
- Accounts receivable are classified as loans and receivables and are initially measured at fair value and subsequently at amortized cost using the effective interest rate method.
- Accounts payable are classified as other liabilities and are initially measured at fair value and subsequently at amortized cost using the effective interest rate method.

The Society has elected to follow recommendations of CICA handbook section 3861 Financial Instruments – Disclosure and Presentation.

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

Notes to Financial Statements

March 31, 2010

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## 2. Significant accounting policies, continued

### d) Office and computer equipment

Office and computer equipment are recorded at cost. The Society provides for amortization using the straight-line method over an estimated useful life of three years for all asset classes. One half of a full year's amortization is recorded in the year of acquisition. No amortization is recorded in the year of disposal.

### e) Revenue recognition

The Society follows the deferral method of accounting for contributions.

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

Restricted contributions are initially deferred and recognized as revenue in the year in which the related expenses are incurred.

Restricted contributions received for capital assets are initially deferred and recognized as revenue over the useful life of the asset.

Externally restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted and internally restricted investment income is recognized in the month it accrues.

Endowment contributions are recognized as direct increases in net assets.

### f) Contributed materials and services

The Society records the value of donated materials and services when the fair value can be reasonably estimated and when the material and services are used in the normal course of the Society's operations and would otherwise have been purchased.

## 3. Capital management

The Society's objective in managing capital is to ensure that necessary funding is in place for the Society to undertake its mission of preventing harm and neglect to children, and strengthening families through a network of crises, respite and support services. The Society manages capital through annual budgeting techniques, and by continuously monitoring the need for funding of various expenditures. The Society's capital is maintained through revenue generating activities and through funding received from its supporters.

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

Notes to Financial Statements

March 31, 2010

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### 3. Capital management, continued

In addition to monitoring expenses and revenues to identify funding requirements, the Society has established funds to cover excesses of expenditures over revenues on an annual basis subject to a restriction that such funds will not be drawn below \$1,000,000 on a market value basis.

The Society's capital is defined as:

	<b>2010</b>	<b>2009</b>
Net assets	\$ 1,415,438	\$ 1,261,470
Deferred contributions	402,494	490,526
Deferred capital contributions	41,757	29,031
Total capital	<u>\$ 1,859,689</u>	<u>\$ 1,781,027</u>

Casino and lottery funding is used to fund operating expenditures approved by the Alberta Gaming and Liquor Commission. The Society has met all restrictions imposed by its supporters in the year. All funding received which has not been spent on eligible expenses has been deferred.

### 4. Restricted assets and deferred contributions

#### Deferred contributions

Deferred contributions represent unspent donations received by the Society designated by the donor for a specific purpose.

	<b>2010</b>	<b>2009</b>
Beginning balance	\$ 490,526	\$ 358,524
Contributions recognized as revenue in the year	(155,731)	(25,123)
Contributions spent for the purchase of capital assets (see note 5)	(39,371)	(18,732)
Contributions received related to future years	107,070	175,857
Ending balance	<u>\$ 402,494</u>	<u>\$ 490,526</u>

Included in deferred contributions is \$339,294 (2009 – \$330,083) of deferred contributions designated by donors to be used for capital purposes.

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

Notes to Financial Statements

March 31, 2010

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## 4. Restricted assets and deferred contributions, continued

### Restricted assets

	<u>2010</u>	<u>2009</u>
Marketable investments allocated to meet external restrictions	\$ 402,494	\$ 490,526
Internally restricted by Board (see note 6)	1,000,000	1,000,000
	<u>\$ 1,402,494</u>	<u>\$ 1,490,526</u>

## 5. Deferred capital contributions

Deferred capital contributions represent contributed capital assets and restricted contributions that have been designated by donors for the purchase of capital assets. The changes in the deferred capital contributions balance for the year are as follows:

	<u>2010</u>	<u>2009</u>
Beginning balance	\$ 29,031	\$ 37,414
Capital assets purchased with contributions (see note 4)	39,371	18,732
Amortization	(26,645)	(27,115)
Ending balance	<u>\$ 41,757</u>	<u>\$ 29,031</u>

## 6. Marketable investments

The Society has an investment portfolio, managed in accordance with the Society's investment policy, with a fair market value of \$1,667,459 at March 31, 2010 (2009 - \$1,503,429). The Board may, from time to time, approve a transfer of these funds for general use but will maintain a minimum market value balance of \$1,000,000. During the year, \$84,000 (2009 - \$110,000) was withdrawn from the investment portfolio for operations.

The Society is exposed to market risk, as 43% of the investment portfolio is invested in equities which are held in an actively traded market.

## 7. Endowment funds held by The Calgary Foundation

The Calgary Foundation has received cumulative contributions, planned gifts and grants of \$25,241 (2009 - \$21,121) designated by the donors to be retained permanently by the Calgary Foundation for the benefit of the Society. The Society receives income from the Calgary Foundation annually, set at 5% of the market value of the fund, calculated monthly. The Society received in the year \$1,056 (2009 - \$1,360) of revenues from this fund.

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

Notes to Financial Statements

March 31, 2010

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## 8. Office and computer equipment

	2010		2009	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment and software	\$ 205,823	\$ 191,107	\$ 205,822	\$ 173,685
Building	48,186	32,142	28,933	28,933
Furniture and office equipment	70,629	45,510	48,456	32,249
	<u>\$ 324,638</u>	<u>\$ 268,759</u>	<u>\$ 283,211</u>	<u>\$ 234,867</u>
Net Book Value	<u>\$ 55,879</u>		<u>\$ 48,344</u>	

## 9. Related party transactions

### Brenda's House

The Society exercises significant influence over the Brenda's House program by virtue of its involvement in decision-making regarding the program's financial and operating matters.

Under an agreement with the Brenda Strafford Foundation (the "Foundation"), the Society is responsible for the operation of Brenda's House. The Foundation acts as a charitable agent receiving the funds from the Calgary Homeless Foundation and distributing these funds to the Society and agency partners. These funds support the operating expenses of Brenda's House. The amount of the grant received for the current year was \$ 940,701 (2009 - \$305,117). Of this amount \$730,013 (2009 - \$157,629) was recognized as revenue and \$ 63,200 (2009 - \$147,488) as deferred revenue.

### Other

Donations from the Board of Directors and management totaled \$58,921 (2009 - \$44,050) in the year.

## 10. Operating grants

The operating grants provided by Region 3 - Calgary and Area Child and Family Services Authority, The City of Calgary Family and Community Support Services, The United Way of Calgary and Area, and The Brenda Strafford Foundation are required to be spent on approved expenses established by the respective agreements.

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

Notes to Financial Statements

March 31, 2010

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## 11. Commitments

The Society has entered into a lease for office premises, which expires on November 30, 2012. Rental payments, including estimated operating costs to the expiry of the lease, are as follows:

2011	\$	38,078
2012		39,276
2013		26,184
	\$	<u>103,538</u>

## 12. Life insurance

The Society is the beneficiary of a life insurance policy. Proceeds from the life insurance policy will be recorded as revenue in the year received. The total policy outstanding as at March 31, 2010 is \$30,000 (2009 - \$30,000).

## 13. Financial Instruments

The carrying amounts of cash, accounts receivable, and accounts payable approximate their fair values due to the short-term maturity of these instruments.

Marketable investments are recorded at fair value, which is determined directly by reference to published price quotations presented on the broker investment statements.

## 14. Comparative figures

The financial statements for the prior year have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.