

**Alberta Foster and Kinship Association**

**Financial Statements**

**March 31, 2025**

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# Alberta Foster and Kinship Association

## Financial Statements

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March 31, 2025

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|                                    | <b>Page</b> |
|------------------------------------|-------------|
| Independent Auditors' Report       | 3 - 4       |
| Statement of Operations            | 5           |
| Statement of Changes in Net Assets | 6           |
| Statement of Financial Position    | 7           |
| Statement of Cash Flows            | 8           |
| Notes to the Financial Statements  | 9 - 17      |

## **Independent Auditors' Report**

### **To the members of Alberta Foster and Kinship Association**

#### *Opinion*

We have audited the financial statements of Alberta Foster and Kinship Association, which comprise the statement of financial position as at March 31, 2025, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at March 31, 2025, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

#### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Association 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 sufficient and appropriate to provide a basis for our opinion.

#### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the 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 Association'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 Association or to cease operations, or has no realistic alternative but to do so.

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

## Independent Auditors' Report (continued)

### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted 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 Association'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 Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Association 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  
July 11, 2025

*Crowe Machay LLP*

**Chartered Professional Accountants**

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## Alberta Foster and Kinship Association

### Statement of Operations

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| For the year ended March 31,                                      | 2025               | 2024               |
|---|--------------------|--------------------|
| <b>Revenues</b>   |                    |                    |
| Province of Alberta   | \$ 1,666,869       | \$ 1,723,179       |
| Amortization of deferred capital contributions                    | 101,104            | 102,740            |
| Interest  | 67,009             | 50,575             |
| Other fundraising   | 22,728             | 15,519             |
| Conference  | 18,756             | 51,790             |
| Memberships   | 1,075              | 550                |
| Casino  | 2,351              | 79,669             |
|   | <b>1,879,892</b>   | <b>2,024,022</b>   |
| <b>Expenditures</b>   |                    |                    |
| Amortization  | 105,831            | 107,054            |
| Awareness education and promotion                                 | 249,954            | 363,544            |
| Bursaries   | 2,500              | 3,000              |
| CAST expenses   | -                  | 451                |
| Caregiver training  | 74,929             | 77,591             |
| Citations and awards  | 9,432              | 13,911             |
| Conference expenses   | 125,985            | 86,581             |
| Dues and memberships  | 1,689              | 1,124              |
| Foster care policy development                                    | -                  | 11,965             |
| Fundraising   | 8,305              | 2,785              |
| Insurance   | 152,149            | 156,929            |
| Interest and bank charges   | 3,484              | 2,804              |
| Mentor expenses   | -                  | 1,125              |
| Office and administration   | 126,667            | 80,446             |
| Office equipment repairs and maintenance                          | 11,544             | 4,449              |
| Postage and courier   | 2,936              | 7,732              |
| Printing and photocopying   | 2,710              | 5,227              |
| Professional fees   | 84,132             | 91,547             |
| Rent  | 94,846             | 131,089            |
| Staff development and training                                    | 6,950              | 39,526             |
| Staff travel  | 48,940             | 10,997             |
| Support to regional authorities and foster parents                | 3,847              | 406                |
| Telephone and utilities   | 54,563             | 79,713             |
| Wages and benefits  | 793,507            | 762,974            |
|   | <b>1,964,900</b>   | <b>2,042,970</b>   |
| <b>Deficiency of revenues over expenditures before other item</b> | <b>(85,008)</b>    | <b>(18,948)</b>    |
| <b>Other income (expense)</b>                                     |                    |                    |
| Gain (loss) on sale of property and equipment                     | 2,990              | (6,743)            |
| <b>Deficiency of revenues over expenditures</b>                   | <b>\$ (82,018)</b> | <b>\$ (25,691)</b> |

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## Alberta Foster and Kinship Association

### Statement of Changes in Net Assets

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For the year ended March 31,

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2025

|  | Total               | Unrestricted | Bursary Fund | Invested in<br>Capital Assets |
|--|---------------------|--------------|--------------|-------------------------------|
| <b>Balance, beginning of year</b>                | <b>\$ 1,845,803</b> | \$ 1,809,708 | \$ 24,024    | \$ 12,071                     |
| Deficiency of revenues over<br>expenditures      | (82,018)            | (74,791)     | (2,500)      | (4,727)                       |
| Capital assets purchased from operating<br>funds | -                   | (15,866)     | -            | 15,866                        |
| <b>Balance, end of year</b>                      | <b>\$ 1,763,785</b> | \$ 1,719,051 | \$ 21,524    | \$ 23,210                     |

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2024

|   | Total               | Unrestricted | Bursary Fund | Invested in<br>Capital Assets |
|---|---------------------|--------------|--------------|-------------------------------|
| <b>Balance, beginning of year</b>           | <b>\$ 1,871,494</b> | \$ 1,821,342 | \$ 27,024    | \$ 23,128                     |
| Deficiency of revenues over<br>expenditures | (25,691)            | (11,634)     | (3,000)      | (11,057)                      |
| <b>Balance, end of year</b>                 | <b>\$ 1,845,803</b> | \$ 1,809,708 | \$ 24,024    | \$ 12,071                     |

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## Alberta Foster and Kinship Association

### Statement of Financial Position

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March 31, 2025 2024

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#### Assets

##### Current

|                                |            |              |
|--------------------------------|------------|--------------|
| Cash (note 3)                  | \$ 983,891 | \$ 1,217,406 |
| Short term investment (note 4) | 221,004    | 203,135      |
| Accounts receivable            | 58,341     | 52,675       |
| Prepaid expenses (note 5)      | 146,533    | 106,832      |

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1,409,769

1,580,048

Property and equipment (note 6)

146,486

122,394

Note receivable (note 7)

1,200,000

1,200,000

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**\$ 2,756,255** **\$ 2,902,442**

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#### Liabilities

##### Current

|  |            |            |
|--|------------|------------|
| Accounts payable and accrued liabilities | \$ 112,020 | \$ 155,517 |
| Deferred contributions (note 8)          | 671,082    | 790,799    |

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783,102

946,316

Deferred lease inducement (note 9)

86,093

-

Deferred contributions related to capital assets (note 10)

123,275

110,323

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992,470

1,056,639

#### Net Assets

|                            |           |           |
|----------------------------|-----------|-----------|
| Unrestricted               | 1,719,051 | 1,809,708 |
| Bursary Fund (note 11)     | 21,524    | 24,024    |
| Invested in Capital Assets | 23,210    | 12,071    |

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1,763,785

1,845,803

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**\$ 2,756,255** **\$ 2,902,442**

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Contingent liabilities (note 12)

Commitments (note 13)

Approved on behalf of the Board:

 President  
 Director

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## Alberta Foster and Kinship Association

### Statement of Cash Flows

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| For the year ended March 31,                     | 2025              | 2024                |
|--|-------------------|---------------------|
| <b>Cash provided by (used for)</b>               |                   |                     |
| <b>Operating activities</b>                      |                   |                     |
| Deficiency of revenues over expenditures         | \$ (82,018)       | \$ (25,691)         |
| Items not affecting cash                         |                   |                     |
| Amortization                                     | 105,831           | 107,054             |
| Amortization of deferred capital contributions   | (101,104)         | (102,740)           |
| Loss (gain) on sale of property and equipment    | (2,990)           | 6,743               |
| Amortization of lease inducement                 | (6,622)           | -                   |
|  | <b>(86,903)</b>   | <b>(14,634)</b>     |
| Change in non-cash working capital items         |                   |                     |
| Accounts receivable                              | (5,666)           | (37,565)            |
| Prepaid expenses                                 | 53,014            | (41,121)            |
| Accounts payable and accrued liabilities         | (43,497)          | 126,359             |
| Deferred contributions                           | (119,717)         | (324,565)           |
|  | <b>(202,769)</b>  | <b>(291,526)</b>    |
| <b>Financing activity</b>                        |                   |                     |
| Deferred contributions related to capital assets | 114,056           | 183,823             |
| <b>Investing activities</b>                      |                   |                     |
| Purchase of short term investments               | (17,869)          | -                   |
| Proceeds on disposal of short term investments   | -                 | 92,355              |
| Purchase of property and equipment               | (129,923)         | (183,823)           |
| Proceeds on disposal of property and equipment   | 2,990             | -                   |
|  | <b>(144,802)</b>  | <b>(91,468)</b>     |
| <b>Decrease in cash</b>                          | <b>(233,515)</b>  | <b>(199,171)</b>    |
| <b>Cash, beginning of year</b>                   | <b>1,217,406</b>  | <b>1,416,577</b>    |
| <b>Cash, end of year</b>                         | <b>\$ 983,891</b> | <b>\$ 1,217,406</b> |

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# Alberta Foster and Kinship Association

## Notes to the Financial Statements

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March 31, 2025

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### 1. Nature of operations

Alberta Foster and Kinship Association (the "Association") was incorporated under the laws of the Province of Alberta under the Societies Act. Its major activities are to provide a liaison between the Ministry of Children and Youth Services and district Foster Parent Associations and the foster parents in the province, and to provide a variety of support services to foster parents, as well as recruitment and awareness services. The Association is a registered charity under the Income Tax Act of Canada and as long as it continues to meet the requirements of the Act, is not taxable.

### 2. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are detailed as follows:

#### (a) Revenue recognition

The Association follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and recognized as the related asset is amortized. 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 interest income is deferred until the approved related expenses are incurred. Unrestricted investment income is recognized on an accrual basis.

Revenues from conferences are recorded as income when the event is held or the services are provided. Funds received in advance are recorded as deposits.

Membership revenues are recognized in the fiscal year to which they relate. Amounts received in advance of a membership year are recorded as deposits.

#### (b) Property and equipment

Property and equipment are recorded at original cost plus any costs of betterment less accumulated amortization and recognized impairment write-downs and excludes any assets not in current use. Contributed equipment has not been recorded because a reliable estimate of fair value is not available. Amortization is calculated by the declining balance method at the annual rates set out in note 6. One half of the year's amortization is recorded in the year of acquisition. No amortization is recorded in the year of disposal.

Amortization of leasehold improvements is recorded over the remaining term of the lease plus the first renewal option.

When property and equipment are sold or retired, the related cost and accumulated amortization are removed from the accounts and any gain or loss is charged against earnings in the period.

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# Alberta Foster and Kinship Association

## Notes to the Financial Statements

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March 31, 2025

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### 2. Significant accounting policies (continued)

#### (c) Impairment of long-lived assets

The Association tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected undiscounted future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent carrying value exceeds its fair value.

#### (d) Contributed services and materials

These statements include the value of goods and commercial services contributed to assist the Association in carrying out its activities. These contributed goods and commercial services have been recorded at fair market value and are recognized at the time of contribution.

The Association also receives contributions of materials, time and other services by volunteers in order to assist the Association in carrying out its programs that are not recognized in these financial statements because of the difficulty of determining their fair value.

#### (e) Cash equivalents

Cash and cash equivalents consist of cash on hand and bank deposits.

#### (f) Financial instruments

##### Initial measurement

Financial assets originated or acquired or financial liabilities issued or assumed in an arm's length transaction are initially measured at their fair value. In the case of a financial asset or financial liability not subsequently measured at its fair value, the initial fair value is adjusted for financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption. Such fees and costs in respect of financial assets and liabilities subsequently measured at fair value are expensed.

Financial assets or liabilities originated or exchanged in related party transactions except for those that involve parties whose sole relationship with the Association is in the capacity of management, are initially measured at cost. The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms. If the instrument does, the cost is determined using the instruments undiscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor. Otherwise cost is determined using the consideration transferred or received by the Association in the transaction.

Transactions, with parties whose sole relationship with the Association is in the capacity of management, are accounted for as arm's length transactions.

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# Alberta Foster and Kinship Association

## Notes to the Financial Statements

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March 31, 2025

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### 2. Significant accounting policies (continued)

#### **Subsequent measurement**

The Association subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in debt instruments, equity instruments and forward exchange contracts that are quoted in an active market, which are measured at fair value without any adjustment for transaction costs. Changes in fair value are recognized in net income in the period in which they occur.

Financial assets measured at amortized cost include cash, short-term investments, accounts receivable, and note receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

#### **Transaction costs**

Transaction costs attributable to financial instruments subsequently measured at fair value and to those originated or exchanged in a related party transaction are recognized in income in the period incurred. Transaction costs for financial instruments originated or exchanged in an arm's length transaction that are subsequently measured at amortized cost are recognized in the original cost of the instrument and recognized in income over the life of the instrument using the straight-line method.

#### **Impairment**

At the end of each reporting period, management assesses whether there are any indications that financial assets measured at cost or amortized cost may be impaired. If there is an indication of impairment, management determines whether a significant adverse change has occurred in the expected timing or the amount of future cash flows from the asset, in which case the asset's carrying amount is reduced to the highest expected value that is recoverable by either holding the asset, selling the asset or by exercising the right to any collateral. The carrying amount of the asset is reduced directly or through the use of an allowance account and the amount of the reduction is recognized as an impairment loss in operations. Previously recognized impairment losses may be reversed to the extent of any improvement. The amount of the reversal, to a maximum of the related accumulated impairment charges recorded in respect of the particular asset, is recognized in operations.

#### **(g) Lease incentives**

Lease incentives under operating leases are recognized on a straight-line basis over the term of the lease. Rent expense is recorded net of these incentives.

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# Alberta Foster and Kinship Association

## Notes to the Financial Statements

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March 31, 2025

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### 2. Significant accounting policies (continued)

#### (h) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known. Actual results could differ from those estimates.

Items subject to management estimate include the useful lives of property and equipment, accrued liabilities and deferred contributions.

#### (i) Cloud computing arrangements

Cloud computing arrangements are accounted for using the simplification approach.

### 3. Cash

Included in cash is \$132,831 (2024 - \$38,390) which was raised through raffles and casinos. The use of these funds is restricted and must be applied to specific purposes approved by the Alberta Gaming, Liquor and Cannabis Commission.

### 4. Short term investment

Short term investment includes a guaranteed investment certificate of \$221,004 (2024 - \$203,135) bearing interest at a rate of 2.75% per annum (2024 - 4.00%), maturing April 2025 (2024 - June 2024).

### 5. Prepaid expenses

Included in prepaids is a prepaid rental credit. As part of the new lease agreement entered into during the year (see note 13 for more information) the Association received a rental credit of \$35 per square foot to be applied against future basic rent payments. As at March 31, 2025, \$74,172 remained available for future payments.

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## Alberta Foster and Kinship Association

### Notes to the Financial Statements

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March 31, 2025

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#### 6. Property and equipment

|                           |         |                   |                             | 2025              | 2024              |
|---------------------------|---------|-------------------|-----------------------------|-------------------|-------------------|
|                           | Rate    | Cost              | Accumulated<br>amortization | Net book<br>value | Net book<br>value |
| Furniture and fixtures    | 20%     | \$ 204,664        | \$ 184,601                  | \$ 20,063         | \$ 7,229          |
| Leasehold<br>improvements | 7 yr SL | 93,129            | 6,659                       | 86,470            | -                 |
| Computer equipment        | 30%     | 69,391            | 39,902                      | 29,489            | 42,127            |
| Computer software         | 100%    | 289,098           | 278,634                     | 10,464            | 73,038            |
|                           |         | <b>\$ 656,282</b> | <b>\$ 509,796</b>           | <b>\$ 146,486</b> | <b>\$ 122,394</b> |

#### 7. Note receivable

In consideration for the sale of the campground on April 1, 2022, the Association issued a vendor take-back mortgage to NobleKing Capital Inc. with a maturity date of April 1, 2025. As of the financial reporting date, the Association has not yet received the principal repayment and the note is in default. The note was secured by all personal property of NobleKing Capital Inc. The Association is in the process of finalizing the renewal of the agreement and renewing the security agreement. The Association continues to receive monthly interest payments at the annual rate of 5.00%.

Per the Alberta Gaming, Liquor, and Cannabis Commission, 18.1% of the principal and interest payments received are to be allocated to the restricted raffle and casino funds account as this portion of the funds were used in the initial purchase of the sold campground. This has been included in the deferred revenues from fundraising.

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## Alberta Foster and Kinship Association

### Notes to the Financial Statements

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March 31, 2025

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#### 8. Deferred contributions

|  | Balance,<br>beginning<br>of year | Received     | Recognized    | Repaid       | Balance,<br>end of year |
|--|----------------------------------|--------------|---------------|--------------|-------------------------|
| Fundraising  | \$ 258,305                       | \$ 97,697    | \$ (2,351)    | \$ -         | \$ 353,651              |
| Province of Alberta -<br>Operating grant               | 213,569                          | 1,350,000    | (1,350,000)   | (213,569)    | -                       |
| Province of Alberta -<br>Operating Grant -<br>Training | -                                | 200,000      | (75,338)      | -            | 124,662                 |
| Province of Alberta -<br>Training program<br>grant     | 222,000                          | -            | (29,231)      | -            | 192,769                 |
| Province of Alberta -<br>Engagement grant              | 96,925                           | 100,000      | (196,925)     | -            | -                       |
| Province of Alberta -<br>Sponsorship grant             | -                                | 150,000      | (129,431)     | (20,569)     | -                       |
|  | \$ 790,799                       | \$ 1,897,697 | \$(1,783,276) | \$ (234,138) | \$ 671,082              |

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#### 9. Deferred lease inducement

During the year the Association received a \$92,715 rental credit as an inducement to enter into a lease for office premises. The deferred lease inducement is being recognized over the term of the lease as a reduction of rent expense.

|                                | 2025      | 2024 |
|--------------------------------|-----------|------|
| Amount received                | \$ 92,715 | \$ - |
| Amortized against rent expense | (6,622)   | -    |
|                                | \$ 86,093 | \$ - |

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#### 10. Deferred contributions related to capital assets

Deferred contributions represent restricted contributions used to finance the purchase and construction of capital assets. The balance is amortized and recognized as revenue at the same rate at which the related assets are amortized.

|                            | 2025       | 2024       |
|----------------------------|------------|------------|
| Balance, beginning of year | \$ 110,323 | \$ 29,239  |
| Amortization               | (101,104)  | (102,740)  |
| Additions                  | 114,056    | 183,824    |
| Balance, end of year       | \$ 123,275 | \$ 110,323 |

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# Alberta Foster and Kinship Association

## Notes to the Financial Statements

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March 31, 2025

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### 11. Bursary Fund

The bursary fund is an internally restricted fund established to provide financial assistance to eligible members based on financial need, academic performance, or other criteria as specified by the Association's policy.

### 12. Contingent liabilities

Government contributions related to the projects of the Association are subject to conditions regarding the expenditure of funds. The Association's accounting records are subject to audit by the various funding agencies. Should any instances be identified in which the amounts charged to projects are not in accordance with the agreed terms and conditions, amounts would be refundable to the respective funding agencies.

Adjustments to the financial statements as a result of these audits will be recorded in the period in which they become known.

### 13. Commitments

Effective October 2024 the Association entered into a lease for office premises with a maturity date of September 30, 2031. The Association's total estimated lease payments, exclusive of GST, are as follows:

|                  |    |            |
|------------------|----|------------|
| 2026             | \$ | 33,695     |
| 2027             |    | 37,669     |
| 2028             |    | 74,755     |
| 2029             |    | 76,079     |
| 2030             |    | 76,079     |
| Subsequent years |    | 38,040     |
|                  |    | <hr/>      |
|                  |    | \$ 336,317 |

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### 14. Economic dependence

The Association is economically dependent on funding from the Alberta government. Alberta government revenue represents 89% (2024 - 85%) of total revenues.

### 15. Comparative amounts

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

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# Alberta Foster and Kinship Association

## Notes to the Financial Statements

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March 31, 2025

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### 16. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

#### (a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Association's exposure to credit risk relates to accounts receivable and arises from the possibility that a debtor does not fulfil its obligations.

The Association is exposed to concentration of credit risk to the extent that substantially all cash and investments are held at a single financial institution. The financial institution is a major Canadian bank. The bank and deposits held by the financial institution are insured by the Canadian Deposit Insurance Corporation. The Association is also exposed to credit risk through the outstanding note receivable from the campsite sale, however the receivable is secured by the asset sold and a default would result in the return of the asset.

There have not been any changes to the Association's exposure to credit risk from the prior year.

#### (b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities. The Association's exposure to liquidity risk relates to accounts payable and accrued liabilities and arises from the possibility that the timing and amount of its cash inflows will not be sufficient to enable it to meet its financial obligations as they become due. Management mitigates this risk by active working capital management including monitoring current and future cash flow requirements and management of expenses.

There has not been any changes to the Association's exposure to liquidity risk from the prior year.

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# Alberta Foster and Kinship Association

## Notes to the Financial Statements

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March 31, 2025

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### 16. Financial instruments (continued)

#### (c) 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 comprises three types of risk: currency risk, interest rate risk and other price risk. The Association is exposed to market risk as follows:

#### (i) Interest rate 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. The Association's interest-bearing financial instruments include fixed rate short-term investments and note receivable. The fair values of fixed rate financial instruments fluctuate as market rates of interest change. The Association does not employ derivative financial instruments to hedge its exposure to interest rate risk.

Continued economic uncertainty and changing inflation rates due to a range of economic factors has resulted in a change in interest rate risk from the prior year. Uncertain economic conditions including events may result in a change in prime lending rates both nationally and internationally. The Association cannot predict changes in prime lending rates.