



Financial statements

Kids Care Oncology South Central Ontario
(o/a Ronald McDonald House Charities Hamilton)

For the year ending December 31, 2017

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Grant Thornton

Independent auditor's report

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To the Board of Directors of
Kids Care Oncology South Central Ontario

We have audited the accompanying financial statements of Kids Care Oncology South Central Ontario (o/a Ronald McDonald House Hamilton), which comprise the balance sheet as at December 31, 2017, and the statements of revenue, expenses and 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 organization'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 organization'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 in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2017, 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.

Grant Thornton LLP

Hamilton, Canada
April 24, 2018

Chartered Professional Accountants
Licensed Public Accountants

**Kids Care Oncology South Central Ontario
(o/a Ronald McDonald House Charities Hamilton)
Balance Sheet**

December 31,

2017

2016

	Operating Fund	Restricted Fund	Total	Total
Assets				
Current				
Cash and cash equivalents \$	169,297	\$ -	\$ 169,297	\$ 219,250
Accounts receivable	199,807	-	199,807	122,257
Inventory	14,922	-	14,922	11,876
Investments (Note 3)	37,902	707,099	745,001	721,115
Prepaid expenses	21,329	-	21,329	63,260
	<u>443,257</u>	<u>707,099</u>	<u>1,150,356</u>	<u>1,137,758</u>
Capital assets (Note 4)	12,113,615	-	12,113,615	12,545,890
	<u>\$ 12,556,872</u>	<u>\$ 707,099</u>	<u>\$ 13,263,971</u>	<u>\$ 13,683,648</u>

Liabilities

Current

Accounts payable and accrued liabilities	\$ 126,736	\$ -	\$ 126,736	\$ 116,827
Deferred revenue	17,000	-	17,000	22,000
Current portion of capital lease (Note 14)	10,123	-	10,123	9,835
	<u>153,859</u>	<u>-</u>	<u>153,859</u>	<u>148,662</u>
Capital lease obligation (Note 14)	16,820	-	16,820	26,942
Deferred contributions (Note 5)	10,850,739	-	10,850,739	11,143,662
	<u>11,021,418</u>	<u>-</u>	<u>11,021,418</u>	<u>11,319,266</u>

Fund balances

Externally restricted (Note 7)	-	113,799	113,799	200,947
Internally restricted (Note 8)	-	593,300	593,300	582,809
Operating (Note 9)	1,535,454	-	1,535,454	1,580,626
	<u>1,535,454</u>	<u>707,099</u>	<u>2,242,553</u>	<u>2,364,382</u>
	<u>\$ 12,556,872</u>	<u>\$ 707,099</u>	<u>\$ 13,263,971</u>	<u>\$ 13,683,648</u>

Commitments (Note 6)
Credit facilities (Note 13)

On behalf of the Board

_____ Director _____ Director

See accompanying notes to the financial statements.

**Kids Care Oncology South Central Ontario
(o/a Ronald McDonald House Charities Hamilton)
Statement of Revenue, Expenses and Fund Balances**

December 31,	For the 12 months ended 2017			For the 6 months ended 2016
	Operating Fund	Restricted Fund	Total	Total
Revenue				
Fundraising	\$ 1,291,211	\$ 14,182	\$ 1,305,393	\$ 627,821
Special events	377,455	-	377,455	150,372
RMHC funding	261,260	-	261,260	101,909
Donations in-kind	200,068	-	200,068	97,256
Room rental	144,661	24,984	169,645	70,708
Investment income (Note 10)	37,442	-	37,442	7,933
Other grants	-	15,000	15,000	93,000
	<u>2,312,097</u>	<u>54,166</u>	<u>2,366,263</u>	<u>1,148,999</u>
Expenses				
Wages and benefits	1,184,364	-	1,184,364	596,419
Supplies in-kind	199,568	-	199,568	97,256
Utilities	162,001	-	162,001	73,299
Special events	90,224	-	90,224	66,928
Culinary kitchen expenses	130,071	3,627	133,698	49,710
House maintenance and supplies	109,382	-	109,382	35,385
Technology support	57,095	-	57,095	33,274
Family relations	28,428	124,318	152,746	31,356
House security	50,047	-	50,047	23,943
Professional fees	36,952	-	36,952	18,963
Donor and volunteer recognition	51,405	-	51,405	16,688
Meetings and conferences	8,976	-	8,976	16,142
Fundraising	27,847	-	27,847	14,761
Family room	1,490	1,000	2,490	13,088
Telephone	16,824	-	16,824	8,795
Office supplies and postage	21,114	-	21,114	6,600
Communications	26,104	-	26,104	6,026
Interest and bank charges	9,951	-	9,951	4,833
Insurance	6,561	-	6,561	1,905
	<u>2,218,404</u>	<u>128,945</u>	<u>2,347,349</u>	<u>1,115,370</u>
Excess (deficiency) of revenue over expenses from operations	<u>93,693</u>	<u>(74,779)</u>	<u>18,914</u>	<u>33,629</u>
Capital items				
Amortization	438,404	-	438,404	219,475
Amortization of deferred contributions	(297,661)	-	(297,661)	(141,971)
Loss on disposal of capital assets	-	-	-	212
	<u>140,743</u>	<u>-</u>	<u>140,743</u>	<u>77,716</u>
(Deficiency) of revenue over expenses for the year	(47,050)	(74,779)	(121,829)	(44,087)
Fund balances - beginning of year	1,580,626	783,756	2,364,382	2,408,469
Interfund transfers (Note 11)	1,878	(1,878)	-	-
Fund balances - end of year	<u>\$ 1,535,454</u>	<u>\$ 707,099</u>	<u>\$ 2,242,553</u>	<u>\$ 2,364,382</u>

See accompanying notes to the financial statements.

**Kids Care Oncology South Central Ontario
(o/a Ronald McDonald House Charities Hamilton)
Statement of Cash Flows**

December 31,	For the 12 months ended 2017	For the 6 months ended 2016
<hr/>		
Increase (decrease) in cash and cash equivalents		
Operating		
Deficiency of revenue over expenses	\$ (121,829)	\$ (44,087)
Adjustments for non-cash items		
Amortization of capital assets	438,404	219,475
Amortization of deferred contributions	(297,661)	(141,971)
Loss of disposal on capital lease	-	5,721
Loss on disposal of assets	-	212
Net change in fair value of investments	<u>(8,262)</u>	<u>6,401</u>
	10,652	45,751
Changes in non-cash working capital (Note 12)	<u>(33,756)</u>	<u>62,160</u>
	<u>(23,104)</u>	<u>107,911</u>
Investing		
Purchase of capital assets	(6,129)	(49,607)
Purchase of investments	(756,407)	(727,516)
Proceeds on disposal of investments	721,115	719,931
Increase in capital lease obligation	<u>9,834</u>	<u>22,777</u>
	<u>(31,587)</u>	<u>(34,415)</u>
Financing		
Proceeds from deferred contributions	<u>4,738</u>	<u>23,932</u>
Increase in cash and cash equivalents	(49,953)	97,428
Cash and cash equivalents – beginning of year	<u>219,250</u>	<u>121,822</u>
Cash and cash equivalents – end of year	<u>\$ 169,297</u>	<u>\$ 219,250</u>

See accompanying notes to the financial statements.

Kids Care Oncology South Central Ontario (o/a Ronald McDonald House Charities Hamilton) Notes to the Financial Statements

December 31, 2017

1. Nature of operations

Kids Care Oncology South Central Ontario (o/a Ronald McDonald House Charities Hamilton) (the House, or organization) is a non-profit organization operating as a registered charity within the meaning assigned in Section 149 of the Canadian Income Tax Act. Under the provisions of the Canadian Income Tax Act and the Ontario Corporations Tax Act the organization is exempt from federal and provincial income taxes.

The mission of the organization is to provide a warm, compassionate and safe “home away from home” for families of seriously ill children who are receiving treatment at local children’s hospitals.

As a requirement put in place by Ronald McDonald House Charities Global, all related organizations must have a fiscal year ending December 31st. The organization has made this change in year-end effective for December 31, 2016.

2. Significant accounting policies

The organization follows Canadian accounting standards for not-for-profit organizations (ASNPO) in preparing its financial statements. The significant accounting policies used are as follows:

Fund accounting

The organization has the following funds:

Operating fund

The revenue and expenses related to the collection of donations and fund raising activities as well as the expansion project are reported in the Operating fund. Investment income earned on the internally restricted position of the Restricted funds is reported in the Operating fund.

Restricted funds

The Restricted funds report amounts for which the use is restricted by the donors and related investment income on the fund balance.

Revenue recognition

The organization follows the restricted fund method of accounting for contributions.

Revenue and expenses, with the exception of grants, are recorded on the accrual basis. These contributions (including fundraising and special events) are recognized as revenue when received or receivable, when the amounts to be received can be estimated and collection is reasonably assured. Unrestricted grants and restricted grants that are not for the purchase of capital assets are recorded as received.

Restricted contributions and grants for the purchase of capital assets are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired capital assets.

Pledges are not recognized as revenue until received in cash or as an in-kind donation.

Kids Care Oncology South Central Ontario (o/a Ronald McDonald House Charities Hamilton)

Notes to the Financial Statements

December 31, 2017

2. Significant accounting policies (continued)

Unrealized gains and losses on held-for-trading financial assets are included in investment income and recognized as revenue in the statement of revenue, expenses and fund balances.

Donated materials and services

The organization records the fair value of any donated materials and services which they would normally have incurred as an operating expense with the exception of volunteer time. The fair value is determined based on arm's length market values. The organization has approximately 350 volunteers who contribute their time each year. The value of these services is not recognized in the financial statements.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and on deposit with banks and investments in money market instruments with an initial maturity of three months or less.

Financial instruments

Measurement

The organization initially measures its financial assets and liabilities at fair value.

The organization subsequently measures its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in the statement of revenue, expenses and fund balances.

Financial assets and liabilities measured at amortized cost include cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities. Financial assets and liabilities measured at fair value include investments.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in the statement of revenue, expenses and fund balances.

Kids Care Oncology South Central Ontario (o/a Ronald McDonald House Charities Hamilton)

Notes to the Financial Statements

December 31, 2017

2. Significant accounting policies (continued)

Capital assets

Capital assets are recorded at cost less accumulated amortization. Capital assets are amortized to estimated residual values at the following annual rates over the estimated useful lives of the related assets:

Building	40 years	straight line
Furniture and fixtures	10% - 20%	declining balance
Grease interceptor	30%	declining balance
Computer hardware	30% - 45%	declining balance
Computer software	20% - 30%	declining balance
Office equipment	30%	declining balance
Photo booth	30%	declining balance
Serenity garden	15 years	straight line
Sign	10%	straight line
Water heater	30%	declining balance

The estimated useful lives of assets are reviewed by management and adjusted if necessary.

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

Interest related to the period of development is capitalized as part of the cost of the building project. Capitalization of interest ceases when the asset is completed and is put into use.

Management estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities 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.

Items subject to significant management estimates include estimated useful lives of capital assets.

3. Investments

	<u>2017</u>	<u>2016</u>
Fixed income instruments	\$ 106,083	\$ 518,265
Equities	598,992	151,391
Cash equivalents	<u>39,926</u>	<u>51,459</u>
	<u>\$ 745,001</u>	<u>\$ 721,115</u>

**Kids Care Oncology South Central Ontario
(o/a Ronald McDonald House Charities Hamilton)**

Notes to the Financial Statements

December 31, 2017

4. Capital asset

			<u>2017</u>	<u>2016</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 9,181	\$ -	\$ 9,181	\$ 9,181
Building	14,589,061	2,976,629	11,612,432	11,977,160
Computer hardware	88,215	72,290	15,925	21,581
Computer software	46,586	34,956	11,630	16,413
Furniture and fixtures	460,759	230,696	230,063	255,742
Grease interceptor	12,681	2,747	9,934	10,778
Office equipment	115,271	91,861	23,410	34,736
Photo booth	13,788	8,907	4,881	6,973
Serenity garden	238,011	48,690	189,321	205,188
Sign	8,855	5,986	2,869	2,468
Water heater	8,101	4,132	3,969	5,671
	<u>\$ 15,590,509</u>	<u>\$ 3,476,894</u>	<u>\$ 12,113,615</u>	<u>\$ 12,545,890</u>

5. Deferred contributions

Deferred contributions represent the unamortized amounts of restricted grants and net donations received for the expansion of the house and grounds. The balance is comprised of \$10,662,260 (for the 6 months ended December 31, 2016 – \$10,930,912) of deferred contributions in relation to the expansion of the house and \$188,479 (for the 6 months ended December 31, 2016 - \$212,750) of deferred contributions in relation to Serenity Garden, which is on the house grounds. Changes during the year are as follows:

Deferred contributions - building:

	<u>2017</u>	<u>For the 6 months ended December 31, 2016</u>
Balance – beginning of year	\$ 10,930,912	\$ 11,045,345
Add: Net donations received	4,738	23,932
Less: amortization of deferred capital contributions	<u>(273,390)</u>	<u>(138,365)</u>
Balance – end of year	<u>\$ 10,662,260</u>	<u>\$ 10,930,912</u>

**Kids Care Oncology South Central Ontario
(o/a Ronald McDonald House Charities Hamilton)**

Notes to the Financial Statements

December 31, 2017

5. Deferred contributions (continued)

Deferred contributions – serenity garden:

	2017	For the 6 months ended December 31, 2016
Balance – beginning of year	\$ 212,750	\$ 216,356
Less: amortization of deferred capital contributions	<u>(24,271)</u>	<u>(3,606)</u>
Balance – end of year	\$ 188,479	\$ 212,750
Total deferred contributions – end of year	\$ 10,850,739	\$ 11,143,662

6. Commitments

The organization has the following annual commitments with respect to rental of equipment, maintenance contracts, and employee contracts:

2018	\$ 8,000
2019	9,000

7. Externally restricted funds

Major categories of fund balances with externally imposed restrictions are as follows:

	2017	For the 6 months ended December 31, 2016
Our Special Friend Jean’s Benevolent Fund	\$ 33,387	\$ 33,710
Lloyd Kirkpatrick Memorial		
Outstanding Student Volunteer Award Fund	(253)	247
Kelsey Nights of Comfort Fund	6,906	2,437
The Grocery Foundation Fund	2,506	4,130
Room Rental Fund	8,082	1,147
Meals that Heal (MTH) Dairy Fund	18	1,992
ArcelorMittal Dofasco Fund	36,644	133,207
E.V.A Children’s Foundation Fund	809	872
RMH RBC Family Wellness Fund	25,624	23,129
Courage Capes	<u>76</u>	<u>76</u>
	\$ 113,799	\$ 200,947

Kids Care Oncology South Central Ontario (o/a Ronald McDonald House Charities Hamilton)

Notes to the Financial Statements

December 31, 2017

7. Externally restricted funds (continued)

Our Special Friend Jean's Benevolent Fund was established to subsidize accommodation costs for bereaved families while staying at the House. The annual Lloyd Kirkpatrick Memorial Outstanding Student Volunteer Award was established to recognize the volunteer contribution to Ronald McDonald House of an individual who is continuing in his or her studies at the post-secondary level. The Kelsey Nights of Comfort Fund and the Room Rental Fund were established to cover accommodation costs for families who cannot afford to pay any fees while staying at the House. The Courage Cape Program provides complimentary 'superhero' capes to the many little heroes of Ronald McDonald House Charities Hamilton and Ronald McDonald Family Room Hamilton. These handmade capes are sewn by volunteers and offered to both RMHCH patients and their siblings.

The Grocery Foundation Fund is to be used for providing groceries to the house from Metro Supermarkets. The MTH Dairy Fund was established to provide only dairy products to the house. The Arcelor Mittal Dofasco (AMD) Fund was established for this funding to be used for renovations of the Family Room at McMaster Children's Hospital. E.V.A Children's Foundation Fund was established to subsidize accommodation costs for bereaved families that are coming from the Waterloo/Kitchener area. The RBC Wellness Grant is to be used to develop and implement family-centered activities designed to support the physical and/or emotional well-being of those staying at RMHC Hamilton and to provide mental-health related resources within the community that families can access when/if needed.

8. Internally restricted funds

		For the 6 months ended
	<u>2017</u>	<u>December 31, 2016</u>
Property Replacement Reserve Fund	\$ 350,300	\$ 339,809
Stabilization Fund	<u>243,000</u>	<u>243,000</u>
	<u>\$ 593,300</u>	<u>\$ 582,809</u>

At the direction of the Board of Directors, Reserve Advisors Inc. conducted a Property Replacement Reserve Study of the Ronald McDonald House Charities Hamilton. The purpose of the study was to establish a yearly reserve contribution necessary to meet future expenses for major replacements or repairs of the property components. In accordance with the recommendations, the Board established an initial reserve of \$100,000 by a transfer of funds from unrestricted funds effective January 1, 2002 and will transfer \$80,000 per year, thereafter, to 2022. As a result of the house expansion, a revaluation of the reserve fund requirements is being undertaken. For the December 31, 2017 year, the Board has elected to forego the \$80,000 transfer.

The Stabilization Fund was established by the Board of Directors to ensure continuing House operations due to unforeseeable events.

**Kids Care Oncology South Central Ontario
(o/a Ronald McDonald House Charities Hamilton)**

Notes to the Financial Statements

December 31, 2017

9. Operating fund balance

Components of the operating fund balance are as follows:

	2017	For the 6 months ended <u>December 31, 2016</u>
Net assets invested in capital assets		
Capital assets	\$ 12,113,615	\$ 12,545,890
Deferred contributions	<u>(10,850,739)</u>	<u>(11,143,662)</u>
Invested in capital assets	1,262,876	1,402,228
Unrestricted fund balance	<u>272,578</u>	<u>178,398</u>
Operating fund balance	\$ <u>1,535,454</u>	\$ <u>1,580,626</u>

10. Investment income

Investment income consists of the following:

	2017	For the 6 months ended <u>December 31, 2016</u>
Interest and dividends	\$ 29,180	\$ 14,334
Net change in fair value of investments	<u>8,262</u>	<u>(6,401)</u>
	\$ <u>37,442</u>	\$ <u>7,933</u>

11. Interfund transfers - fund balance continuity

Transfers to (from) funds consist of the following:

	Operating <u>Fund</u>	Restricted <u>Funds</u>
Allocation of interest to internally restricted fund	\$ <u>1,878</u>	\$ <u>(1,878)</u>
	\$ <u>1,878</u>	\$ <u>(1,878)</u>

Kids Care Oncology South Central Ontario (o/a Ronald McDonald House Charities Hamilton)

Notes to the Financial Statements

December 31, 2017

12. Changes in non-cash working capital

		For the 6 months ended
	<u>2017</u>	<u>December 31, 2016</u>
Accounts receivable	\$ (77,550)	\$ 125,802
Prepaid expenses	41,931	(18,868)
Inventory	(3,046)	(2,543)
Accounts payable and accrued liabilities	9,909	8,454
Deferred revenue	<u>(5,000)</u>	<u>(50,685)</u>
	<u>\$ (33,756)</u>	<u>\$ 62,160</u>

13. Credit facilities

The organization has secured a demand operating credit facility to a maximum amount of \$500,000 bearing interest at prime plus 0.5% of which \$nil (for the 6 months ended December 31, 2016 - \$nil) was outstanding at year end. This facility is secured by a general security agreement over all assets of the organization.

14. Obligation under capital lease- debt

The organization has the following future minimum capital lease payments with respect to equipment:

Fiscal years ending December 31, 2018	\$ 10,123
2019	7,191
2020	5,053
2021	3,640
Subsequent and thereafter	<u>936</u>
	26,943
Less current portion	<u>10,123</u>
Total long-term obligation	<u>\$ 16,820</u>

Interest charges to the accounts of the organization on the above during the year amounts to \$1,298 (for the 6 months ended December 31, 2016 - \$382).

**Kids Care Oncology South Central Ontario
(o/a Ronald McDonald House Charities Hamilton)**

Notes to the Financial Statements

December 31, 2017

15. Other matters

On April 15, 1992, the organization and the Corporation of the City of Hamilton entered into an agreement of purchase and sale relating to the real estate located on the intersection of Main Street West and Cootes Drive in Hamilton. Under the terms of the agreement, the real estate with a value of approximately \$652,000 was purchased by the organization for \$2. The agreement requires that the organization transfer the land back to the City at cost should the organization cease to operate for charitable purposes. The agreement also restricts the organization's ability to sell the property.

On September 15, 2010, the organization and the Corporation of the City of Hamilton entered into an agreement of purchase and sale, relating to the real estate located behind the Ronald McDonald House Charities Hamilton. Under the terms of the agreement, the real estate, with a value of approximately \$400,000 was purchased by the organization for \$1. The agreement requires that the organization transfer the land back should the organization cease to operate for charitable purposes. The agreement also restricts the organization's ability to sell the property.