



Financial statements

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

June 30, 2016

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# Independent auditor's report

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

We have audited the accompanying financial statements of Kids Care Oncology Central West Ontario (o/a Ronald McDonald House Hamilton), which comprise the balance sheet as at June 30, 2016, and the statements of revenue, expenses and fund balances and cash flows, 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 qualified audit opinion.

**Opinion**

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at June 30, 2016, 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.

Hamilton, Canada  
November 24, 2016



Chartered Professional Accountants  
Licensed Public Accountants

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

**Balance Sheet**

June 30,

**2016**

2015

	Operating Fund	Restricted Fund	<u>Total</u>	<u>Total</u>
<b>Assets</b>				
Current				
Cash and cash equivalents \$	121,822	\$ -	\$ <b>121,822</b>	\$ -
Accounts receivable	248,059	-	<b>248,059</b>	143,207
Inventory	9,333	-	<b>9,333</b>	24,792
Investments (Note 3)	26,505	693,426	<b>719,931</b>	1,307,124
Prepaid expenses	<u>44,392</u>	-	<u><b>44,392</b></u>	<u>22,211</u>
	450,111	693,426	<b>1,143,537</b>	1,497,334
Capital assets (Note 4)	<u>12,721,691</u>	-	<u><b>12,721,691</b></u>	<u>13,139,063</u>
	<u>\$ 13,171,802</u>	<u>\$ 693,426</u>	<u>\$ <b>13,865,228</b></u>	<u>\$ 14,636,397</u>
<b>Liabilities</b>				
Current				
Bank indebtedness (Note 13)	\$ -	\$ -	\$ -	\$ 662,720
Accounts payable and accrued liabilities	108,373	-	<b>108,373</b>	107,080
Deferred revenue	72,685	-	<b>72,685</b>	23,192
Current portion of capital lease (Note 14)	<u>5,955</u>	-	<u><b>5,955</b></u>	<u>4,433</u>
	187,013	-	<b>187,013</b>	797,425
Capital lease obligation (Note 14)	8,045	-	<b>8,045</b>	6,894
Deferred contributions (Note 5)	<u>11,261,701</u>	-	<u><b>11,261,701</b></u>	<u>11,416,436</u>
	<u>11,456,759</u>	-	<u><b>11,456,759</b></u>	<u>12,220,755</u>
<b>Fund balances</b>				
Externally restricted (Note 7)	-	115,577	<b>115,577</b>	37,841
Internally restricted (Note 8)	-	577,849	<b>577,849</b>	1,110,202
Operating (Note 9)	<u>1,714,043</u>	-	<u><b>1,714,043</b></u>	<u>1,267,599</u>
	<u>1,714,043</u>	<u>693,426</u>	<u><b>2,408,469</b></u>	<u>2,415,642</u>
	<u>\$ 13,171,802</u>	<u>\$ 693,426</u>	<u>\$ <b>13,865,228</b></u>	<u>\$ 14,636,397</u>

Commitments and contingency (Note 6)

On behalf of the Board

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

See accompanying notes to the financial statements.

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

June 30,

2016

2015

	Operating Fund	Restricted Fund	<u>Total</u>	<u>Total</u>
Revenue				
Fundraising	\$ 1,087,060	\$ 15,000	\$ 1,102,060	\$ 858,386
Special events	382,458	-	382,458	428,905
RMHC funding	268,093	-	268,093	261,633
Donations in-kind	257,438	-	257,438	236,619
Room rental	148,480	14,213	162,693	147,825
Other grants	-	70,000	70,000	-
Investment income (Note 10)	32,591	-	32,591	67,124
	<u>2,176,120</u>	<u>99,213</u>	<u>2,275,333</u>	<u>2,000,492</u>
Expenses				
Wages and benefits	1,068,927	-	1,068,927	967,438
Supplies in-kind	257,438	-	257,438	236,619
Special events	200,676	-	200,676	158,652
Utilities	136,227	-	136,227	132,988
Culinary kitchen expenses	106,195	7,105	113,300	105,056
House maintenance and supplies	70,238	-	70,238	89,874
Technology support	51,381	-	51,381	46,855
House security	35,409	-	35,409	33,702
Interest and bank charges	32,764	-	32,764	46,256
Family relations	15,829	16,144	31,973	15,648
Fund raising	30,833	-	30,833	19,774
Professional fees	23,357	-	23,357	22,200
Meetings and conferences	19,708	-	19,708	11,466
Office supplies and postage	18,150	-	18,150	16,390
Telephone	15,564	-	15,564	12,861
Communications	10,804	-	10,804	21,766
Donor and volunteer recognition	8,789	500	9,289	9,299
Insurance	5,677	-	5,677	5,761
Family room	2,362	-	2,362	2,847
	<u>2,110,328</u>	<u>23,749</u>	<u>2,134,077</u>	<u>1,955,452</u>
Excess of revenue over expenses from operations	<u>65,792</u>	<u>75,464</u>	<u>141,256</u>	<u>45,040</u>
Capital items				
Amortization	439,102	-	439,102	442,764
Amortization of deferred contributions	(290,673)	-	(290,673)	(294,672)
Loss on disposal of capital assets	-	-	-	335
	<u>148,429</u>	<u>-</u>	<u>148,429</u>	<u>148,427</u>
Deficiency of revenue over expenses for the year	(82,637)	75,464	(7,173)	(103,387)
Fund balances - beginning of year	1,267,599	1,148,043	2,415,642	2,519,029
Interfund transfers (Note 11)	530,081	(530,081)	-	-
Fund balances - end of year	<u>\$ 1,715,043</u>	<u>\$ 693,426</u>	<u>\$ 2,408,469</u>	<u>\$ 2,415,642</u>

See accompanying notes to the financial statements.

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

June 30,

**2016**

2015

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Increase (decrease) in cash and cash equivalents

**Operating**

Deficiency of revenue over expenses	\$ (7,173)	\$ (103,387)
Adjustments for non-cash items		
Amortization of capital assets	439,102	442,764
Amortization of deferred contributions	(290,673)	(294,672)
Net change in fair value of investments	19,420	38,261
Loss on disposal of investments	<u>-</u>	<u>(44,417)</u>
	<b>160,676</b>	38,549

Changes in non-cash working capital (Note 12)	<u>(60,788)</u>	<u>(212,821)</u>
	<b>99,888</b>	<u>(174,272)</u>

**Investing**

Purchase of capital assets	(21,730)	(242,742)
Proceeds on disposal of capital assets	-	335
Purchase of investments	(739,351)	(499,864)
Proceeds on disposal of investments	1,307,124	454,138
Decrease in capital lease obligation	<u>2,673</u>	<u>(4,306)</u>
	<b>548,716</b>	<u>(292,439)</u>

**Financing**

Proceeds from deferred contributions	135,938	605,280
Short-term bank advances	<u>(662,720)</u>	<u>(138,569)</u>
	<b>(526,782)</b>	466,711

Increase in cash and cash equivalents	<b>121,822</b>	-
Cash and cash equivalents – beginning of year	<u>-</u>	<u>-</u>
Cash and cash equivalents – end of year	<b>\$ 121,822</b>	<b>\$ -</b>

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See accompanying notes to the financial statements.

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

## **Notes to the Financial Statements**

June 30, 2016

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### **1. Nature of operations**

Kids Care Oncology Central West 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.

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### **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.



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

## Notes to the Financial Statements

June 30, 2016

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### 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.

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

## Notes to the Financial Statements

June 30, 2016

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### 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
Office equipment	30%	declining balance
Computer hardware	30% - 45%	declining balance
Computer software	20% - 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.

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3. Investments	<u>2016</u>	<u>2015</u>
Fixed income instruments	\$ 527,122	\$ 650,508
Equities	137,922	595,567
Cash equivalents	<u>54,887</u>	<u>61,049</u>
	<u>\$ 719,931</u>	<u>\$ 1,307,124</u>

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

**Notes to the Financial Statements**

June 30, 2016

4. Capital assets	Cost	Accumulated Amortization	2016	2015
			Net Book Value	Net Book Value
Land	\$ 9,181	\$ -	\$ 9,181	\$ 9,181
Building	14,589,061	2,429,584	12,159,477	12,524,234
Furniture and fixtures	460,759	191,558	269,201	298,652
Office equipment	121,570	94,478	27,092	38,703
Computer software	45,532	27,277	18,255	16,623
Computer hardware	64,556	54,844	9,712	10,097
Photo booth	13,787	5,556	8,232	9,651
Serenity garden	238,043	24,889	213,154	228,990
Water Heater	8,101	1,215	6,886	-
Sign	8,154	7,652	501	2,932
	<u>\$ 15,558,744</u>	<u>\$ 2,837,053</u>	<u>\$ 12,721,691</u>	<u>\$ 13,139,063</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 \$11,045,345 (2015 – \$11,196,619) of deferred contributions in relation to the expansion of the house and \$216,356 (2015 - \$219,817) of deferred contributions in relation to Serenity Garden, which is on the house grounds. Changes during the year are as follows:

**Deferred contribution - building:**

	2016	2015
Balance – beginning of year	\$ 11,196,619	\$ 11,105,828
Add: Grants received	-	-
Add: Net donations received	131,938	377,882
Less: amortization of deferred capital contributions	<u>(283,212)</u>	<u>(287,091)</u>
Balance – end of year	<u>\$ 11,045,345</u>	<u>\$ 11,196,619</u>

**Deferred contribution – serenity garden:**

	2016	2015
Balance – beginning of year	\$ 219,817	\$ -
Add: Grants received	-	227,397
Add: Net donations received	4,000	-
Less: amortization of deferred capital contributions	<u>(7,461)</u>	<u>(7,580)</u>
Balance – end of year	<u>\$ 216,356</u>	<u>\$ 219,817</u>
Total deferred contributions – end of year	<u>\$ 11,261,701</u>	<u>\$ 11,416,436</u>

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

### Notes to the Financial Statements

June 30, 2016

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#### 6. Commitments and contingency

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

Fiscal years ending June 30, 2017	\$	9,000
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#### 7. Externally restricted funds

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

		<u>2016</u>		<u>2015</u>
Our Special Friend Jean's Benevolent Fund	\$	34,170	\$	35,904
Lloyd Kirkpatrick Memorial				
Outstanding Student Volunteer Award Fund		246		741
Kelsey Nights of Comfort Fund		549		990
The Grocery Foundation Fund		4,176		-
Room Rental Fund		171		-
MTH Dairy Fund		3,818		-
ArcelorMittal Dofasco Fund		71,455		-
E.V.A Children's Foundation Fund		916		-
Courage Capes		<u>76</u>		<u>206</u>
	\$	<u>115,577</u>	\$	<u>37,841</u>

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 was 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 ArcelorMittal 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.

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

## Notes to the Financial Statements

June 30, 2016

<b>8. Internally restricted funds</b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Property Replacement Reserve Fund	\$ <b>334,849</b>	\$ 867,202
Stabilization Fund	<b><u>243,000</u></b>	<u>243,000</u>
	<b>\$ <u>577,849</u></b>	<b>\$ <u>1,110,202</u></b>

At the direction of the Board of Directors, Reserve Advisors Inc. conducted a Property Replacement Reserve Study of the Ronald McDonald House 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 June 30, 2016 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.

### **9. Operating fund balance**

Components of the operating fund balance are as follows:

	<b><u>2016</u></b>	<b><u>2015</u></b>
Net assets invested in capital assets		
Capital assets	\$ <b>12,721,691</b>	\$ 13,139,063
Deferred contributions	<b>(11,261,701)</b>	(11,416,436)
Line of credit (included in bank indebtedness)	<u>-</u>	<u>(715,000)</u>
Invested in capital assets	<b>1,459,990</b>	1,007,627
Unrestricted fund balance	<b><u>255,053</u></b>	<u>259,972</u>
Operating fund balance	<b>\$ <u>1,715,043</u></b>	<b>\$ <u>1,267,599</u></b>

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

**Notes to the Financial Statements**

June 30, 2016

**10. Investment income** 2016 2015

Investment income consists of the following:

Interest and dividends	\$ 52,011	\$ 60,968
Gain on disposal of investments	-	44,417
Net change in fair value of investments	<u>(19,420)</u>	<u>(38,261)</u>
	<u>\$ 32,591</u>	<u>\$ 67,124</u>

**11. Interfund transfers - fund balance continuity**

Transfers to (from) funds consist of the following:

	<u>Operating Fund</u>	<u>Restricted Funds</u>
Allocation of interest to internally restricted fund	\$ (19,919)	\$ 19,919
Transfer of funds for repayment of line of credit	<u>550,000</u>	<u>(550,000)</u>
	<u>\$ 530,081</u>	<u>\$ (530,081)</u>

**12. Changes in non-cash working capital** 2016 2015

Accounts receivable	\$ (104,852)	\$ (4,703)
Prepaid expenses	<u>(22,181)</u>	17,039
Inventory	15,459	(14,530)
Accounts payable and accrued liabilities	1,293	3,454
Deferred revenue	<u>49,493</u>	<u>(214,081)</u>
	<u>\$ (60,788)</u>	<u>\$ (212,821)</u>

**13. Credit facilities**

The organization has secured a demand operating credit facility to a maximum amount of \$1,500,000 bearing interest at prime plus 0.5% of which \$nil (2015 - \$715,000) was outstanding at year end. This facility is secured by a general security agreement over all assets of the organization. The purpose of this facility is to assist with short-term financing of the expansion project pending funding from other sources. The authorized limit is scheduled to be reduced as follows:

October 31, 2016

500,000

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

### Notes to the Financial Statements

June 30, 2016

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#### 14. Obligation under capital lease- debt

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

Fiscal years ending June 30, 2017	\$	5,955
2018		3,868
2019		1,695
2020		1,872
Subsequent and thereafter		<u>610</u>
		14,000
Less current portion		<u>5,955</u>
Total long-term obligation	\$	<u>8,045</u>

Interest charges to the accounts of the organization on the above during the year amounts to \$565 (2015 - \$399).

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#### 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.

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#### 16. Subsequent events

As a requirement put in place by Ronald McDonald House Global, all related organizations must have a fiscal year end ending December 31<sup>st</sup>. This change is required to be effective for the year ended December 31, 2018.