



Financial statements

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

June 30, 2015

# Contents

	<b>Page</b>
<b>Independent auditor's report</b>	1
<b>Balance Sheet</b>	3
<b>Statement of Revenue, Expenses and Fund Balances</b>	4
<b>Statement of Cash Flows</b>	5
<b>Notes to the financial statements</b>	6-13



## Independent auditor's report

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

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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, 2015, 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.

**Basis for Qualified Opinion**

In common with many charitable organizations, the organization derives revenue from donations, special events and fundraising, 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 organization and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, assets and fund balances.

**Qualified Opinion**

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of the organization as at June 30, 2015, 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 26, 2015



Chartered Professional Accountants  
Licensed Public Accountants

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

**Balance Sheet**

June 30,

2015

2014

	<u>Operating Fund</u>	<u>Restricted Fund</u>	<u>Total</u>	<u>Total</u>
<b>Assets</b>				
<b>Current</b>				
Accounts receivable	\$ 143,207	\$ -	\$ 143,207	\$ 138,504
Inventory	24,792	-	24,792	10,262
Investments (Note 3)	159,081	1,148,043	1,307,124	1,255,242
Prepaid expenses	<u>22,211</u>	<u>-</u>	<u>22,211</u>	<u>39,250</u>
	349,291	1,148,043	1,497,334	1,443,258
Capital assets (Note 4)	<u>13,139,063</u>	<u>-</u>	<u>13,139,063</u>	<u>13,339,420</u>
	<u>\$ 13,488,354</u>	<u>\$ 1,148,043</u>	<u>\$ 14,636,397</u>	<u>\$ 14,782,678</u>
<b>Liabilities</b>				
<b>Current</b>				
Bank indebtedness (Note 13)	\$ 662,720	\$ -	\$ 662,720	\$ 801,289
Accounts payable and accrued liabilities	107,080	-	107,080	103,626
Deferred revenue	23,192	-	23,192	237,273
Current portion of capital lease (Note 14)	<u>4,433</u>	<u>-</u>	<u>4,433</u>	<u>4,307</u>
	797,425	-	797,425	1,146,495
Capital lease obligation (Note 14)	6,894	-	6,894	11,326
Deferred contributions (Note 5)	<u>11,416,436</u>	<u>-</u>	<u>11,416,436</u>	<u>11,105,828</u>
	<u>12,220,755</u>	<u>-</u>	<u>12,220,755</u>	<u>12,263,649</u>
<b>Fund balances</b>				
Externally restricted (Note 7)	-	37,841	37,841	39,179
Internally restricted (Note 8)	-	1,110,202	1,110,202	1,068,671
Operating (Note 9)	<u>1,267,599</u>	<u>-</u>	<u>1,267,599</u>	<u>1,411,179</u>
	<u>1,267,599</u>	<u>1,148,043</u>	<u>2,415,642</u>	<u>2,519,029</u>
	<u>\$ 13,488,354</u>	<u>\$ 1,148,043</u>	<u>\$ 14,636,397</u>	<u>\$ 14,782,678</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 Hamilton)  
Statement of Revenue, Expenses and Fund Balances**

June 30, 2015 2014

	Operating Fund	Restricted Fund	Total	Total
<b>Revenue</b>				
Fundraising	\$ 858,186	\$ 200	\$ 858,386	\$ 827,240
Special events	428,905	-	428,905	311,136
RMHC funding	231,080	30,553	261,633	231,080
Donations in-kind	236,619	-	236,619	136,895
Room rental	147,825	-	147,825	135,346
Investment income (Note 10)	67,124	-	67,124	119,070
	<u>1,969,739</u>	<u>30,753</u>	<u>2,000,492</u>	<u>1,760,767</u>
<b>Expenses</b>				
Wages and benefits	967,438	-	967,438	975,181
Supplies in-kind	236,619	-	236,619	136,895
Special events	158,652	-	158,652	83,394
Utilities	132,988	-	132,988	125,408
Culinary kitchen expenses	105,056	-	105,056	104,512
House maintenance and supplies	82,124	7,750	89,874	81,059
Technology support	46,855	-	46,855	48,591
Interest and bank charges	46,256	-	46,256	53,722
House security	33,702	-	33,702	32,347
Professional fees	22,200	-	22,200	45,659
Communications	21,766	-	21,766	13,148
Fund raising	19,774	-	19,774	35,761
Office supplies and postage	16,390	-	16,390	17,921
Family relations	15,648	-	15,648	11,411
Telephone	12,861	-	12,861	12,865
Meetings and conferences	11,466	-	11,466	16,034
Donor and volunteer recognition	8,799	500	9,299	12,395
Insurance	5,761	-	5,761	6,250
Family room	984	1,863	2,847	430
	<u>1,945,339</u>	<u>10,113</u>	<u>1,955,452</u>	<u>1,812,983</u>
Excess of revenue over expenses from operations	<u>24,400</u>	<u>20,640</u>	<u>45,040</u>	<u>(52,216)</u>
<b>Capital items</b>				
Amortization	442,764	-	442,764	445,915
Amortization of deferred contributions	(294,672)	-	(294,672)	(284,765)
Loss on disposal of capital assets	335	-	335	-
	<u>148,427</u>	<u>-</u>	<u>148,427</u>	<u>161,150</u>
Deficiency of revenue over expenses for the year	(124,027)	20,640	(103,387)	(213,366)
Fund balances - beginning of year	1,411,179	1,107,850	2,519,029	2,732,395
Interfund transfers (Note 11)	(19,553)	19,553	-	-
Fund balances - end of year	<u>\$ 1,267,599</u>	<u>\$ 1,148,043</u>	<u>\$ 2,415,642</u>	<u>\$ 2,519,029</u>

See accompanying notes to the financial statements.

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

**Statement of Cash Flows**

June 30,	2015	2014
Increase (decrease) in cash and cash equivalents		
<b>Operating</b>		
Deficiency of revenue over expenses	\$ (103,387)	\$ (213,366)
Adjustments for non-cash items		
Amortization of capital assets	442,764	445,915
Amortization of deferred contributions	(294,672)	(284,765)
Net change in fair value of investments	38,261	(64,328)
Loss on disposal of investments	<u>(44,417)</u>	<u>(5,255)</u>
	38,549	(121,799)
Changes in non-cash working capital (Note 12)	<u>(212,821)</u>	84,226
	<u>(174,272)</u>	<u>(37,573)</u>
<b>Investing</b>		
Purchase of capital assets	(242,742)	(33,940)
Proceeds on disposal of capital assets	335	-
Purchase of investments	(499,864)	(506,388)
Proceeds on disposal of investments	454,138	516,265
Decrease in capital lease obligation	<u>(4,306)</u>	<u>(4,184)</u>
	<u>(292,439)</u>	<u>(28,247)</u>
<b>Financing</b>		
Proceeds from deferred contributions	605,280	1,064,467
Short-term bank advances	<u>(138,569)</u>	<u>(998,647)</u>
	466,711	65,820
Decrease in cash and cash equivalents	-	-
Cash and cash equivalents – beginning of year	-	-
Cash and cash equivalents – end of year	\$ -	\$ -

See accompanying notes to the financial statements.

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

June 30, 2015

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**1. Nature of operations**

Kids Care Oncology, Central West Ontario (o/a Ronald McDonald House 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.



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

June 30, 2015

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**2. Significant accounting policies (continued)**

**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.

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.

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

June 30, 2015

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## 2. Significant accounting policies (continued)

### *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.

### **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

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.

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

June 30, 2015

3. Investments	<u>2015</u>	<u>2014</u>
Fixed income instruments	\$ 650,508	\$ 472,826
Equities	595,567	643,025
Cash equivalents	<u>61,049</u>	<u>139,391</u>
	<u>\$ 1,307,124</u>	<u>\$ 1,255,242</u>

4. Capital assets	<u>2015</u>		<u>2014</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	2,064,827	12,524,234	12,887,714
Furniture and fixtures	460,291	161,639	298,652	331,835
Office equipment	121,570	82,867	38,703	55,289
Computer software	37,736	21,113	16,623	23,564
Computer hardware	59,190	49,093	10,097	18,378
Photo booth	13,787	4,136	9,651	-
Serenity garden	238,011	9,021	228,990	10,157
Sign	<u>8,154</u>	<u>5,222</u>	<u>2,932</u>	<u>3,302</u>
	<u>\$ 15,536,981</u>	<u>\$ 2,397,918</u>	<u>\$ 13,139,063</u>	<u>\$ 13,339,420</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 \$11,196,619 (2014 – 11,105,828) of deferred contributions in relation to the expansion of the house and \$219,817 (2014 - Nil) of deferred contributions in relation to Serenity Garden, which is on the house grounds. Changes during the year are as follows:

**Deferred contribution - building:**

	<u>2015</u>	<u>2014</u>
Balance – beginning of year	\$ 11,105,828	\$ 10,326,126
Add: Grants received	-	715,000
Add: Net donations received	377,882	349,467
Less: amortization of deferred capital contributions	<u>(287,091)</u>	<u>(284,765)</u>
Balance – end of year	<u>\$ 11,196,619</u>	<u>\$ 11,105,828</u>

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

June 30, 2015

**Deferred contribution – serenity garden:**

	<u>2015</u>	<u>2014</u>
Balance – beginning of year	\$ -	\$ -
Add: Grants received	227,397	-
Add: Net donations received	-	-
Less: amortization of deferred capital contributions	<u>(7,580)</u>	<u>-</u>
Balance – end of year	<u>\$ 219,817</u>	<u>\$ -</u>

**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, 2016	\$ 82,000
2017	9,000

In addition, the organization has an outstanding letter of credit in the amount of \$52,086 issued to the City of Hamilton with respect to the house expansion. This letter of credit is secured by a guaranteed investment certificate in the amount of \$54,223 which is included in operating fund investments.

**7. Externally restricted funds**

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

	<u>2015</u>	<u>2014</u>
Our Special Friend Jean's Benevolent Fund	\$ 35,904	\$ 35,702
Lloyd Kirkpatrick Memorial		
Outstanding Student Volunteer Award Fund	741	1,224
Kelsey Nights of Comfort Fund	990	2,253
Courage Capes	<u>206</u>	<u>-</u>
	<u>\$ 37,841</u>	<u>\$ 39,179</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 was established to cover accommodation costs for bereaved 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.

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

June 30, 2015

<b>8. Internally restricted funds</b>	<u><b>2015</b></u>	<u><b>2014</b></u>
Property Replacement Reserve Fund	\$ 867,202	\$ 825,671
Stabilization Fund	<u>243,000</u>	<u>243,000</u>
	<u><b>\$ 1,110,202</b></u>	<u><b>\$ 1,068,671</b></u>

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, 2015 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:

	<u><b>2015</b></u>	<u><b>2014</b></u>
Net assets invested in capital assets		
Capital assets	\$ 13,139,063	\$ 13,339,420
Deferred contributions	(11,416,436)	(11,105,828)
Line of credit (included in bank indebtedness)	<u>(715,000)</u>	<u>(850,000)</u>
Invested in capital assets	1,007,627	1,383,592
Unrestricted fund balance	<u>259,972</u>	<u>27,587</u>
Operating fund balance	<u><b>\$ 1,267,599</b></u>	<u><b>\$ 1,411,179</b></u>

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

June 30, 2015

<b>10. Investment income</b>	<u>2015</u>	<u>2014</u>
Investment income consists of the following:		
Interest and dividends	\$ 60,968	\$ 49,487
Gain on disposal of investments	44,417	5,255
Net change in fair value of investments	<u>(38,261)</u>	<u>64,328</u>
	<u>\$ 67,124</u>	<u>\$ 119,070</u>

**11. Interfund transfers**

Transfers to (from) funds consist of the following:

	<u>Operating Fund</u>	<u>Restricted Funds</u>
Allocation of interest to internally restricted fund	\$ (19,553)	\$ 19,533

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

	<u>2015</u>	<u>2014</u>
Accounts receivable	\$ (4,703)	\$ (61,878)
Prepaid expenses	17,039	(16,826)
Inventory	(14,530)	3,816
Accounts payable and accrued liabilities	3,454	(23,510)
Deferred revenue	<u>(214,081)</u>	<u>182,624</u>
	<u>\$ (212,821)</u>	<u>\$ 84,226</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 \$715,000 (2014 - \$850,000) 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, 2015	\$ 1,000,000
October 31, 2016	500,000

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

June 30, 2015

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**14. Obligation under capital lease**

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

Fiscal years ending June 30, 2016	\$	4,433
2017		4,562
2018		<u>2,332</u>
		11,327
Less current portion:		4,433
Total long-term obligation	\$	<u>6,894</u>

Interest charges to the accounts of the organization on the above during the year amounts to \$399 (2014 - \$1,000).

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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 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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