



Financial Statements

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

June 30, 2014

Contents

	Page
Independent Auditor's Report	1 - 2
Balance Sheet	3
Statement of Revenue, Expenses and Fund Balances	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 14

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, 2014, 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.

Independent Auditor's Report (continued)

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, 2014, 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.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script.

Hamilton, Canada
October 27, 2014

Chartered Accountants
Licensed Public Accountants

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

June 30

2014

2013

	Operating Fund	Restricted Funds	Total	Total
Assets				
Current				
Accounts receivable	\$ 138,504	\$ -	\$ 138,504	\$ 76,626
Inventory	10,262	-	10,262	14,078
Investments (note 3)	147,392	1,107,850	1,255,242	1,195,536
Prepaid expenses	39,250	-	39,250	22,424
	335,408	1,107,850	1,443,258	1,308,664
Capital assets (note 4)	13,339,420	-	13,339,420	13,751,395
	<u>\$ 13,674,828</u>	<u>\$ 1,107,850</u>	<u>\$ 14,782,678</u>	<u>\$ 15,060,059</u>
Liabilities				
Current				
Bank indebtedness (note 13)	\$ 801,289	\$ -	\$ 801,289	\$ 1,799,936
Accounts payable and accrued liabilities	103,626	-	103,626	127,136
Deferred revenue	237,273	-	237,273	54,649
Current portion of capital lease (note 14)	4,307	-	4,307	4,184
	1,146,495	-	1,146,495	1,985,905
Capital lease obligation (note 14)	11,326	-	11,326	15,633
Deferred contributions (note 5)	11,105,828	-	11,105,828	10,326,126
	<u>12,263,649</u>	<u>-</u>	<u>12,263,649</u>	<u>12,327,664</u>
Fund balances				
Externally restricted (note 7)	-	39,179	39,179	37,204
Internally restricted (note 8)	-	1,068,671	1,068,671	1,056,418
Operating (note 9)	1,411,179	-	1,411,179	1,638,773
	1,411,179	1,107,850	2,519,029	2,732,395
	<u>\$ 13,674,828</u>	<u>\$ 1,107,850</u>	<u>\$ 14,782,678</u>	<u>\$ 15,060,059</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			2014	2013
	Operating Fund	Restricted Funds	Total	Total
Revenue				
Fundraising	\$ 827,240	\$ -	\$ 827,240	\$ 868,962
Special events	311,136	-	311,136	374,777
RMHC funding	231,080	-	231,080	231,080
Donations in-kind	136,895	-	136,895	38,609
Room rental	135,346	-	135,346	120,658
Investment income (note 10)	<u>118,485</u>	<u>585</u>	<u>119,070</u>	<u>29,556</u>
	<u>1,760,182</u>	<u>585</u>	<u>1,760,767</u>	<u>1,663,642</u>
Expenses				
Wages and benefits	975,181	-	975,181	954,749
Supplies in-kind	136,895	-	136,895	38,609
Utilities	125,408	-	125,408	130,805
Culinary kitchen expense	104,512	-	104,512	90,055
Special events	83,394	-	83,394	84,606
House maintenance and supplies	81,059	-	81,059	111,568
Interest and bank charges	53,722	-	53,722	99,565
Technology support	48,591	-	48,591	43,572
Professional fees	45,659	-	45,659	12,433
Fund raising	35,761	-	35,761	28,155
House security	32,347	-	32,347	18,813
Office supplies and postage	17,921	-	17,921	20,957
Meetings and conferences	16,034	-	16,034	3,756
Communications	13,148	-	13,148	5,416
Telephone	12,865	-	12,865	12,111
Donor and volunteer recognition	12,395	-	12,395	11,790
Family relations	11,411	-	11,411	11,410
Insurance	6,250	-	6,250	6,991
Family room	<u>430</u>	<u>-</u>	<u>430</u>	<u>3,505</u>
	<u>1,812,983</u>	<u>-</u>	<u>1,812,983</u>	<u>1,688,866</u>
Excess of revenue over expenses from operations	<u>(52,801)</u>	<u>585</u>	<u>(52,216)</u>	<u>(25,224)</u>
Capital expenses				
Amortization	445,915	-	445,915	300,917
Amortization of deferred contributions	<u>(284,765)</u>	<u>-</u>	<u>(284,765)</u>	<u>(264,772)</u>
	<u>161,150</u>	<u>-</u>	<u>161,150</u>	<u>36,145</u>
Deficiency of revenue over expenses for the year	(213,951)	585	(213,366)	(61,369)
Fund balances - beginning of year	1,638,773	1,093,622	2,732,395	2,793,764
Interfund transfers (note 11)	<u>(13,643)</u>	<u>13,643</u>	<u>-</u>	<u>-</u>
Fund balances - end of year	<u>\$ 1,411,179</u>	<u>\$ 1,107,850</u>	<u>\$ 2,519,029</u>	<u>\$ 2,732,395</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	2014	2013
Increase (decrease) in cash and cash equivalents		
Operating		
Deficiency of revenue over expenses	\$ (213,366)	\$ (61,369)
Adjustments for non-cash items		
Amortization	445,915	300,917
Net change in fair value of investments	(64,328)	3,868
Gain (loss) on disposal of investments	<u>(5,255)</u>	<u>2,208</u>
	162,966	245,624
Changes in non-cash working capital (note 12)	<u>84,226</u>	<u>(280,873)</u>
	<u>247,192</u>	<u>(35,249)</u>
Investing		
Purchase of capital assets	(33,940)	(138,431)
Purchase of investments	(506,388)	(434,531)
Proceeds on disposal of investments	516,265	352,499
Decrease in capital lease obligation	<u>(4,184)</u>	<u>19,817</u>
	<u>(28,247)</u>	<u>(200,646)</u>
Financing		
Net proceeds from deferred contributions	779,702	2,131,884
Short-term bank advances	<u>(998,647)</u>	<u>(1,895,989)</u>
	<u>(218,945)</u>	<u>235,895</u>
Decrease in cash and cash equivalents	-	-
Cash and cash equivalents - beginning of year	<u>-</u>	<u>-</u>
Cash and cash equivalents - end of year	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the financial statements

Kids Care Oncology Central West Ontario

(o/a Ronald McDonald House Hamilton)

Notes to the Financial Statements

June 30, 2014

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.

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.

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.

Kids Care Oncology Central West Ontario

(o/a Ronald McDonald House Hamilton)

Notes to the Financial Statements

June 30, 2014

2. Significant accounting policies (continued)

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 Central West Ontario

(o/a Ronald McDonald House Hamilton)

Notes to the Financial Statements

June 30, 2014

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
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, 2014

3. Investments

	<u>2014</u>	<u>2013</u>
Fixed income instruments	\$ 472,826	\$ 383,140
Equities	643,025	313,517
Cash equivalents	<u>139,391</u>	<u>498,879</u>
	<u>\$ 1,255,242</u>	<u>\$ 1,195,536</u>

4. Capital assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2014</u>	<u>2013</u>
Land	\$ 9,181	\$ -	\$ 9,181	\$ 9,181
Building	14,587,814	1,700,100	12,887,714	13,250,573
Furniture and fixtures	460,291	128,456	331,835	368,706
Office equipment	121,570	66,281	55,289	77,344
Computer software	37,552	13,988	23,564	18,520
Computer hardware	59,132	40,754	18,378	22,954
Serenity garden	10,882	725	10,157	-
Sign	<u>8,154</u>	<u>4,852</u>	<u>3,302</u>	<u>4,117</u>
	<u>\$ 15,294,576</u>	<u>1,955,156</u>	<u>\$ 13,339,420</u>	<u>13,751,395</u>

Kids Care Oncology Central West Ontario

(o/a Ronald McDonald House Hamilton)

Notes to the Financial Statements

June 30, 2014

5. Deferred contributions

Deferred contributions represent the unamortized amounts of restricted grants and net donations received for the expansion of the house. Changes during the year are as follows:

	<u>2014</u>	<u>2013</u>
Balance - beginning of year	\$ 10,326,126	\$ 8,194,242
Add: Grants received	715,000	2,002,023
Add: Net donations received	349,467	464,362
Less: revenue recognized from expansion funds	-	(69,729)
Less: amortization of deferred capital contributions	<u>(284,765)</u>	<u>(264,772)</u>
Balance - end of year	<u>\$ 11,105,828</u>	<u>\$ 10,326,126</u>

Fundraising revenue in the statement of revenue, expenses and fund balances includes \$nil (2013 - \$69,729) of expansion contributions recognized to fund the following related non-capital build expenses included in house and maintenance supplies:

	<u>2014</u>	<u>2013</u>
Maintenance and supplies	\$ -	\$ 69,729

6. Commitments and contingency

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

Fiscal years ending June 30, 2015	\$ 4,307
2016	4,433
2017	4,562
2018	2,331

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.

Kids Care Oncology Central West Ontario

(o/a Ronald McDonald House Hamilton)

Notes to the Financial Statements

June 30, 2014

7. Externally restricted funds

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

	<u>2014</u>	<u>2013</u>
Our Special Friend Jean's Benevolent Fund	\$ 35,702	\$ 36,000
Lloyd Kirkpatrick Memorial Outstanding Student Volunteer Award Fund	1,224	1,204
Kelsey Nights of Comfort Fund	<u>2,253</u>	<u>-</u>
	<u>\$ 39,179</u>	<u>\$ 37,204</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.

8. Internally restricted funds

	<u>2014</u>	<u>2013</u>
Property Replacement Reserve Fund	\$ 825,671	\$ 813,418
Stabilization Fund	<u>243,000</u>	<u>243,000</u>
	<u>\$ 1,068,671</u>	<u>\$ 1,056,418</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 reevaluation of the reserve fund requirements is being undertaken. For the June 30, 2014 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 Central West Ontario
(o/a Ronald McDonald House Hamilton)
Notes to the Financial Statements

June 30, 2014

9. Operating fund balance

Components of the operating fund balance are as follows:

	<u>2014</u>	<u>2013</u>
Net assets invested in capital assets		
Capital assets	\$ 13,339,420	\$ 13,751,395
Deferred contributions	(11,105,828)	(10,326,126)
Line of credit (included in bank indebtedness)	<u>(850,000)</u>	<u>(1,790,000)</u>
Invested in capital assets	1,383,592	1,635,269
Unrestricted fund balance	<u>27,587</u>	<u>3,504</u>
Operating fund balance	<u>\$ 1,411,179</u>	<u>\$ 1,638,773</u>

10. Investment income

Investment income consists of the following:

	<u>2014</u>	<u>2013</u>
Interest and dividends	\$ 49,487	\$ 35,632
Loss on disposal of investments	5,255	(2,208)
Net change in fair value of investments	<u>64,328</u>	<u>(3,868)</u>
	<u>\$ 119,070</u>	<u>\$ 29,556</u>

11. Interfund transfers

Transfers to (from) funds consist of the following:

	<i>Operating Fund</i>	<i>Restricted Funds</i>
Allocation of interest to internally restricted fund	\$ <u>(13,643)</u>	\$ <u>13,643</u>
	<u>\$ (13,643)</u>	<u>\$ 13,643</u>

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

June 30, 2014

12. Changes in non-cash working capital

	<u>2014</u>	<u>2013</u>
Accounts receivable	\$ (61,878)	\$ 290,250
Prepaid expenses	(16,826)	(6,033)
Inventory	3,816	(14,078)
Accounts payable and accrued liabilities	(23,510)	(523,522)
Deferred revenue	<u>182,624</u>	<u>(27,490)</u>
	<u>\$ 84,226</u>	<u>\$ (280,873)</u>

13. Credit facilities

The organization has secured a demand operating credit facility to a maximum amount of \$2,500,000 bearing interest at prime plus 0.5% of which \$850,000 (2013 - \$1,790,000) 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, 2014	\$ 1,000,000
October 31, 2015	1,000,000
October 31, 2016	500,000

14. Obligation under capital lease

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

Fiscal years ending June 30, 2015	\$ 4,307
2016	4,433
2017	4,562
2018	2,331
	15,633
Less current portion:	<u>4,307</u>
Total long-term obligation	<u>\$ 11,326</u>

Interest charges to the accounts of the organization on the above during the year amounts to \$1,000 (2013 - \$1,000).

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

June 30, 2014

15. Special Events

The statement of revenue, expenses and fund balances for the year ending June 30, 2013, includes Gala revenue in the amount of \$168,293 and expenses of \$38,626. RMHH Gala is held every second year. The statement for the year ending June 30, 2014, includes The Ultimate Race revenue in the amount of \$119,628 and expenses of \$56,930. The Ultimate Race is held every second year during non-Gala years.

16. Excess of Revenue over Expenses from Operations

RMHH continues to transition out of the Capital Expansion Project and ended the June 30, 2014 fiscal year with an actual deficiency of \$52,801 of revenue over expenses compared to the planned deficiency of \$85,242 of revenue over expenses (*budgeted figure unaudited*).

17. 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.

18. Comparative figures

Certain of the comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.
