

Financial statements

Ronald McDonald House Charities (Canada)

December 31, 2016



Building a better
working world

Independent auditors' report

To the Members of
Ronald McDonald House Charities (Canada)

Report on the financial statements

We have audited the accompanying financial statements of **Ronald McDonald House Charities (Canada)**, which comprise the statement of financial position as at December 31, 2016, and the statements of operations and changes in net assets 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.

Auditors' 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 auditors' 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 auditors consider internal control relevant to the entity'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 entity'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, the financial statements present fairly, in all material respects, the financial position of **Ronald McDonald House Charities (Canada)** as at December 31, 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.

Report on other legal and regulatory requirements

As required by the Corporations Act (Ontario), we report that, in our opinion, Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Toronto, Canada
June 20, 2017

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants



Ronald McDonald House Charities (Canada)


Statement of financial position

As at December 31

	2016	2015
	\$	\$
Assets		
Current		
Cash and cash equivalents	2,369,226	2,434,781
Short term investments <i>[note 4]</i>	2,224,175	1,455,441
Due from Related Parties <i>[note 5]</i>	446,057	462,632
Other receivables	501,021	650,539
Deferred costs <i>[note 6]</i>	—	41,438
Cash surrender value of life insurance policies	28,819	27,108
Total current assets	5,569,298	5,071,939
Non-current		
Long-term investments <i>[note 4]</i>	17,746,483	13,659,823
Donation boxes <i>[note 7]</i>	1,224,176	1,670,351
Total assets	24,539,957	20,402,113
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities <i>[note 5]</i>	658,192	625,918
Grants payable <i>[note 8]</i>	772,433	250,838
Deferred revenue <i>[note 6]</i>	249,090	468,651
Total current liabilities	1,679,715	1,345,407
Total liabilities	1,679,715	1,345,407
Net assets		
Internally restricted fund <i>[note 9]</i>	22,860,242	19,056,706
	24,539,957	20,402,113

See accompanying notes

On behalf of the Board:


Director


Director

Ronald McDonald House Charities (Canada)

Statement of operations and changes in net assets

Year ended December 31

	2016	2015
	\$	\$
Revenue		
Fundraising events	748,978	854,958
Donations <i>[note 5]</i>	9,147,103	9,182,939
Directed donations	933,798	716,557
Restricted contributions	150,000	—
Investment income <i>[note 4]</i>	1,226,421	622,082
	<u>12,206,300</u>	<u>11,376,536</u>
Expenses		
Fundraising events	213,077	338,982
General and administrative	375,754	387,234
Directed donations	933,798	716,557
Restricted contributions	150,000	—
Donation boxes	525,427	699,909
Amortization <i>[note 7]</i>	457,238	450,188
	<u>2,655,294</u>	<u>2,592,870</u>
Excess of revenue over expenses before grants	9,551,006	8,783,666
Grants <i>[schedule 1]</i>	5,747,470	4,506,883
Excess of revenue over expenses and grants	<u>3,803,536</u>	<u>4,276,783</u>
Net assets, beginning of year	19,056,706	14,779,923
Net assets, end of year	<u>22,860,242</u>	<u>19,056,706</u>

See accompanying notes

Ronald McDonald House Charities (Canada)

Statement of cash flows

Year ended December 31

	2016	2015
	\$	\$
Operating activities		
Excess of revenue over expenses and grants for the year	3,803,536	4,276,783
Add (deduct) items not involving cash		
Amortization	457,238	450,188
Net donation box write-off	11,132	22,950
Change in unrealized gain on total investments	(441,095)	1,131,741
Cash surrender value of life insurance policies	(31)	(1,748)
	<u>3,830,781</u>	<u>5,879,914</u>
Changes in non-cash operating assets and liabilities		
Accounts and other receivables	166,093	134,861
Deferred costs	41,438	26,518
Cash surrender value of life insurance policies	(1,680)	46,370
Accounts payable and accrued liabilities	32,274	47,606
Grants payable	521,595	(1,579,575)
Deferred revenue	(219,561)	(78,111)
Cash provided by operating activities	<u>4,370,940</u>	<u>4,477,583</u>
Investing activities		
Contributions to investments	(4,414,299)	(4,829,851)
Disposal (acquisition) of donation boxes	(22,196)	44,765
Cash used in investing activities	<u>(4,436,495)</u>	<u>(4,785,086)</u>
Net decrease in cash during the year	(65,555)	(307,503)
Cash and cash equivalents, beginning of year	<u>2,434,781</u>	<u>2,742,284</u>
Cash and cash equivalents, end of year	<u>2,369,226</u>	<u>2,434,781</u>

See accompanying notes

Schedule of grants

Year ended December 31

Name of donee	2016	2015
	\$	\$
Ronald McDonald House Charities - Chapters		
Children's Family House Society of British Columbia (The)	520,333	439,087
Children's Oncology Family Services of Northern Alberta	233,448	273,621
Fondation des Amis de L'Enfance (Montréal) Inc.	600,630	517,473
Fondation des Amis de L'Enfance (Québec) Inc.	280,124	350,918
Friends of Children (Atlantic) Association	295,215	251,597
Friends of Saskatchewan Children Inc.	440,094	224,461
Kids Care, Oncology, Central West Ontario	359,214	277,614
National Capital Children's Oncology Care Inc.	204,042	226,459
Pediatric Oncology Family Centre of Manitoba Inc.	175,286	199,319
Southern Alberta Pediatric Hostel Society	575,217	385,972
Southwestern Ontario Children's Care Inc.	964,218	277,973
Toronto Children's Care Inc.	837,579	877,149
Ronald McDonald House Newfoundland Inc.	219,591	167,633
	5,704,991	4,469,276
Other Donation Box grants		
Joseph Brant Hospital Foundation	12,415	11,326
Oakville Hospital Foundation	5,063	3,130
Westman Dreams for Kids Foundation	—	3,152
	17,479	17,608
Executive Board approved grants		
Unicef Canada	25,000	—
Parachute Canada	—	20,000
	25,000	20,000
Total grants	5,747,470	4,506,884

See accompanying notes

Ronald McDonald House Charities (Canada)

Notes to financial statements

December 31, 2016

1. Purpose of the organization

Ronald McDonald House Charities (Canada) [the "Charity"] was incorporated in October 1982 under the laws of Ontario as a corporation without share capital and is registered as a public foundation under the Income Tax Act (Canada). As such, the Charity is exempt from income taxes and is able to issue donation receipts for income tax purposes.

The Charity is a national organization committed primarily to supporting Canadian families with sick children through its support for the Canadian Ronald McDonald Houses [the "Houses"] and their programs. The Houses work to serve families with critically ill children being treated at a nearby pediatric hospital.

The Charity commits \$100,000 plus \$2,527 for every bedroom suite per year to each House as a contribution to operating costs. The Charity also commits \$30,000 per year for each family room operated by a House and another \$10,000 per year for each additional family room in the same hospital.

The Charity also commits to capital requirements of the Houses using the following general guidelines:

Stand Alone House:

\$0-\$500,000	50%	plus
\$500,000-\$1,000,000	30%	plus
\$1,000,000-\$10,000,000	20%	

\$0-\$1,000,000	50%	plus
\$1,000,000-\$10,000,000	20%	

House inside a Hospital:

Family rooms:

\$50% of total capital costs to a maximum of \$200,000.

In certain circumstances, the Board of Directors will make exceptions to these general guidelines.

2. Significant accounting policies

These financial statements are prepared in accordance with Part III of the CPA Canada Handbook – *Accounting Standards for Not-for-profit Organizations*, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies summarized herein:

Cash and cash equivalents

Cash balances are deposited with the Royal Bank of Canada and earn interest at the bank's prime rate less 2.5%, provided that the bank's prime rate is greater than 2.5%. Cash equivalents are comprised of cash held for investment.

Ronald McDonald House Charities (Canada)

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Investments

Investments are recorded at fair value. Publicly traded securities and bonds are valued based on the latest bid prices and pooled funds are valued based on reported unit values. The cash on deposit within each long-term investment fund is considered long-term since that cash will be re-invested in the fund. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Cash surrender value of insurance policies

The cash surrender value represents the funds that the Charity will receive if the policies are terminated before they mature or the insured event occurs.

Donation boxes

The Charity owns donation boxes which are deployed in McDonald's restaurants.

The donation boxes are recorded at cost and amortized on a straight-line basis over five years.

The donation box collections are primarily distributed to the Houses net of coin collection, processing, program and capital payback deductions.

Grants

Grants to the Ronald McDonald Houses are recorded in the statement of operations when formally approved by the Board of Directors and the terms for payment have been met. Grants can also be approved by the Executive Board within a budget that is set for this type of grant. The difference, if any, between an approved grant and final payment is reflected in the financial statements in the year the final payment is made. Grants are reversed if it is determined that the funds are no longer required.

Revenue recognition

The Charity follows the deferral method of accounting for donations. Unrestricted donations are recognized as revenue when received or receivable if the amount to be received can be estimated and collection is reasonably assured. Restricted donations are initially deferred and recognized as revenue in the year in which the related expenses are incurred. Revenue from fundraising events is recognized in the year in which the fundraising event takes place.

Investment income, which consists of interest, dividends, income distributions from pooled funds, and realized and unrealized gains and losses, net of transaction costs and expenses, is recorded as revenue in the statement of operations.

Directed donations

The Charity reports directed donations as revenue when received and expensed when disbursed.

Ronald McDonald House Charities (Canada)

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Contributed services

McDonald's Restaurants of Canada Limited ["McDonald's"] pays a substantial amount of the administrative expenses of the Charity. McDonalds incurs indirect costs in supporting the Charity and many of its employees contribute their efforts on a voluntary basis. The value of these contributed services is not easily quantifiable and therefore is not recognized in the financial statements.

3. Financial instruments

The Charity is exposed to various financial risks through transactions in financial instruments.

Currency risk

The Charity is exposed to foreign currency risk with respect to its investments denominated in foreign currencies, including the underlying investments of its pooled funds denominated in foreign currencies, because the fair value and future cash flows will fluctuate due to the changes in the relative value of foreign currencies against the Canadian dollar.

Interest rate risk

The Charity is exposed to interest rate risk with respect to its investments in fixed income investments and a pooled fund that holds fixed income securities because the fair value will fluctuate due to changes in market interest rates.

4. Investments

The fair value of investments consists of the following:

	2016	2015
	\$	\$
Cash – CA Canadian Dollars	1,310	4,108
PH&N Canadian Money Market Fund	24,625	73,726
PH&N Short-term Bond & Mortgage Fund	2,224,175	1,455,441
PH&N Bond Fund	4,360,007	4,018,988
PH&N Canadian Equity Value Fund	5,772,213	4,481,377
RBC QUBE Low Volatility Canadian Equity Fund	760,331	—
RBC QUBE Global Equity Fund	2,953,819	2,556,966
RBC QUBE Low Volatility Global Equity Fund	886,532	2,602,492
RBC Global Equity Focus Fund	3,013,581	—
Total Investments	19,996,594	15,193,098
Less Short-term Bond & Mortgage Fund	2,224,175	1,455,441
Less cash equivalents	25,935	77,834
Total Long-term Investments	17,746,483	13,659,823

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As at December 31, 2016, the cost of total investments is \$19,395,827 [2015 – \$15,033,427]. During the year, certain investments were sold and reinvested in other investments realizing \$83,441 of gains [2015 – \$811,176]. Investment income is net of investment management fees incurred of \$63,621 in 2016 [2015 – \$57,202].

5. Related party transactions

Included in revenue are contributions of \$8,575,979 [2015 – \$8,618,104] received or receivable as a result of various fundraising activities by related parties, including revenue from the Happy Meal program and revenue from Coin Boxes. Included in expenses are costs of \$437,059 [2015 – \$557,018] paid or payable to related parties as a reimbursement for payments made on behalf of the Charity. Related parties include McDonalds, McDonald's franchisees and employees and the members or directors of the Charity. As at December 31, 2016, accounts payable and accrued liabilities included amounts due to related parties of \$41,907 [2015 – \$163,098].

6. Deferred revenue and costs

Deferred costs of \$41,438 as at December 31, 2015 relate to fundraising events held in 2016.

Deferred revenue relates to fundraising events to be held in 2017 & other revenue that was not recognized during the year ended December 31, 2016, as the related disbursement has not yet occurred. Deferred revenue includes revenue relating to fundraising events to be held in 2017 of \$99,140 [2015 – \$97,993], \$145,698 RBC Mental Health Grant to be dedicated to the RMHC Mental Health Pilot [2015 – \$366,371] and \$4,252 for other unearned revenue received [2015 – \$4,287]. The RBC Mental Health grant is to cover the expenses for the Mental Health Pilot and will be recorded on the statement of operations as revenue and expense when spending is incurred. To date \$454,302 has been spent [2015 – \$133,629].

7. Donation boxes

The donation boxes are recorded at cost and amortized on a straight-line basis over five years.

	2016	2015
	\$	\$
Cost	2,323,093	2,318,655
Accumulated amortization	(1,098,917)	(648,304)
Net book value	1,224,176	1,670,351

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Notes to financial statements

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8. Grants payable

The following represents outstanding grants payable as at December 31:

Grant year	Charity	Outstanding			
		Total grant	Paid	2016	2015
		\$	\$	\$	\$
2016	Southwestern Ontario Children's Care Inc.	580,176	290,088	290,088	—
	Donation box grants payable	1,990,212	1,507,867	482,345	250,838
				772,433	250,838

9. Internally restricted fund

The internally restricted fund represents the net assets of the Charity and is not available for general purposes without the approval of the Board of Directors.

