

**SOUTHWESTERN ONTARIO CHILDRENS CARE INC.  
(o/a RONALD MCDONALD HOUSE CHARITIES®  
SOUTHWESTERN ONTARIO)**

**AUDITED FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**



**SOUTHWESTERN ONTARIO CHILDRENS CARE INC.**

**(o/a RONALD MCDONALD HOUSE CHARITIES® SOUTHWESTERN ONTARIO))**

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**DECEMBER 31, 2017**

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## INDEPENDENT AUDITOR'S REPORT

To the Directors of:  
Southwestern Ontario Childrens Care Inc.

We have audited the accompanying financial statements of Southwestern Ontario Childrens Care Inc., which comprise the statement of financial position as at December 31, 2017 and the statement of operations and changes in fund balances, statement of functional expenses and statement of cash flows for the sixteen month period 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 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 disclosure 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 controls 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 is sufficient and appropriate to provide a basis for our qualified audit opinion.

## **Basis for Qualification**

In common with many not-for-profit organizations, the organization derives revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of donations and fundraising in the sixteen month fiscal period ending December 31, 2017 was limited to the amounts recorded in the records of the organization. Accordingly, we were unable to determine whether any adjustments for unrecorded amounts might be necessary to revenues, excess or deficiency of revenues over expenditures and fund balances.

## **Qualified Opinion**

In our opinion, except for the possible effects of the matter described in the Basis for Qualification paragraph, the financial statements present fairly, in all material respects, the financial position of Southwestern Ontario Childrens Care Inc. as at December 31, 2017 and its financial performance and its cash flows for the sixteen month period then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*Davis Martindale LLP*

Chartered Professional Accountants  
Licensed Public Accountants

London, Ontario  
April 9, 2018



**SOUTHWESTERN ONTARIO CHILDRENS CARE INC.  
(o/a RONALD MCDONALD HOUSE CHARITIES® SOUTHWESTERN ONTARIO))**

**STATEMENT OF FINANCIAL POSITION**

**AS AT DECEMBER 31, 2017**

**ASSETS**

	<b>December 31, 2017</b>	<b>August 31, 2016</b>
<b>Current Assets</b>		(note 12, 13)
Cash	\$ 694,482	\$ 473,773
Accounts receivable	151,695	239,634
Prepaid expenses and other assets	<u>18,150</u>	<u>23,378</u>
	864,327	736,785
<b>Investments (note 3)</b>	6,303,711	5,510,300
<b>Capital assets, net (note 4)</b>	<u>7,836,378</u>	<u>8,152,426</u>
	<b><u>\$15,004,416</u></b>	<b><u>\$14,399,511</u></b>

**LIABILITIES AND FUND BALANCES**

**Current Liabilities**

Accounts payable and accrued liabilities	\$ 103,313	\$ 91,368
Government remittances payable	108,087	65,303
Deferred contributions (note 5)	<u>11,955</u>	<u>86,161</u>
	<u>223,355</u>	<u>242,832</u>

**Commitments (note 7)**

**Fund Balances**

General fund	5,464,096	5,205,541
Capital asset fund (note 8)	<u>9,316,965</u>	<u>8,951,138</u>
	<u>14,781,061</u>	<u>14,156,679</u>
	<b><u>\$15,004,416</u></b>	<b><u>\$14,399,511</u></b>

Approved on Behalf of the Board

  
\_\_\_\_\_  
Director  
  
\_\_\_\_\_  
Director

*The attached Independent Auditor's Report and notes form  
an integral part of these audited financial statements.*



**SOUTHWESTERN ONTARIO CHILDRENS CARE INC.  
(o/a RONALD McDONALD HOUSE CHARITIES® SOUTHWESTERN ONTARIO)**

**STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES**

**FOR THE SIXTEEN MONTH PERIOD ENDED DECEMBER 31, 2017**

	<b>General</b>		<b>Capital Asset</b>		<b>Total</b>	
	<b>December 31, 2017</b>	<b>August 31, 2016 (note 13)</b>	<b>December 31, 2017</b>	<b>August 31, 2016 (note 12, 13)</b>	<b>December 31, 2017</b>	<b>August 31, 2016 (note 12, 13)</b>
<b>Revenues and Other Support</b>						
Contributions	\$ 1,735,569	\$ 1,019,897	\$ 539,891	\$ 979,875	\$ 2,275,460	\$ 1,999,772
Fundraising activities	924,181	471,434	-	-	924,181	471,434
RMH room donations/fees	701,827	330,333	-	-	701,827	330,333
Other revenues	<u>12,402</u>	<u>4,605</u>	<u>-</u>	<u>-</u>	<u>12,402</u>	<u>4,605</u>
	<u>3,373,979</u>	<u>1,826,269</u>	<u>539,891</u>	<u>979,875</u>	<u>3,913,870</u>	<u>2,806,144</u>
<b>Expenses</b>						
Program	2,120,864	1,290,542	497,117	459,834	2,617,981	1,750,376
Management and general	365,705	154,616	-	-	365,705	154,616
Fundraising	<u>522,434</u>	<u>269,798</u>	<u>-</u>	<u>-</u>	<u>522,434</u>	<u>269,798</u>
	<u>3,009,003</u>	<u>1,714,956</u>	<u>497,117</u>	<u>459,834</u>	<u>3,506,120</u>	<u>2,174,790</u>
<b>Excess of operating revenues over expenses</b>						
Investment income, net (note 3)	<u>172,644</u>	<u>397,157</u>	<u>43,988</u>	<u>44,073</u>	<u>216,632</u>	<u>441,230</u>
<b>Excess of revenues over expenses</b>	<b>\$ 537,620</b>	<b>\$ 508,470</b>	<b>\$ 86,762</b>	<b>\$ 564,114</b>	<b>\$ 624,382</b>	<b>\$ 1,072,584</b>
Fund Balances, beginning of period	\$ 5,205,541	\$ 4,770,535	\$ 1,419,940	\$ 1,400,048	\$ 6,625,481	\$ 6,170,583
Adjustment (note 12)	<u>-</u>	<u>-</u>	<u>7,531,198</u>	<u>6,913,512</u>	<u>7,531,198</u>	<u>6,913,512</u>
Revised Balances, beginning of period	5,205,541	4,770,535	8,951,138	8,313,560	14,156,679	13,084,095
Excess of revenues over expenses	<u>537,620</u>	<u>508,470</u>	<u>86,762</u>	<u>564,114</u>	<u>624,382</u>	<u>1,072,584</u>
Transfers between funds (note 9)	<u>(279,065)</u>	<u>(73,464)</u>	<u>279,065</u>	<u>73,464</u>	<u>-</u>	<u>-</u>
<b>Fund balances, end of period</b>	<b>\$ 5,464,096</b>	<b>\$ 5,205,541</b>	<b>\$ 9,316,965</b>	<b>\$ 8,951,138</b>	<b>\$ 14,781,061</b>	<b>\$ 14,156,679</b>

*The attached Independent Auditor's Report and notes form  
an integral part of these audited financial statements.*



**SOUTHWESTERN ONTARIO CHILDRENS CARE INC.  
(o/a RONALD McDONALD HOUSE CHARITIES® SOUTHWESTERN ONTARIO)**

**SCHEDULE 1 - STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE SIXTEEN MONTH PERIOD ENDED DECEMBER 31, 2017**

	Ronald McDonald House <u>(London)</u>	Ronald McDonald House <u>(Windsor)</u>	Ronald McDonald Family Room	<b>Total Program Services</b>	<b>Supporting Services</b>		<b>Total Expenses</b>
					Management and General	Fundraising	
Salaries	\$ 790,563	\$ 441,357	\$ 111,601	<b>\$1,343,521</b>	\$ 180,529	\$ 462,758	<b>\$1,986,808</b>
Amortization of capital assets	328,113	141,156	27,848	<b>497,117</b>	-	-	<b>497,117</b>
Advertising	-	-	-	-	27,785	13,287	<b>41,072</b>
Education, training and meetings	12,896	4,198	175	<b>17,269</b>	9,898	7,082	<b>34,249</b>
Family support services and supplies	161,055	28,956	8,997	<b>199,008</b>	-	-	<b>199,008</b>
Maintenance and repairs	265,056	-	-	<b>265,056</b>	-	-	<b>265,056</b>
Office supplies	3,931	1,965	-	<b>5,896</b>	35,646	26,794	<b>68,336</b>
Professional fees	-	-	-	-	82,961	-	<b>82,961</b>
Travel, meal and entertainment costs	15,611	9,630	176	<b>25,417</b>	28,886	12,513	<b>66,816</b>
Utilities	148,787	625	-	<b>149,412</b>	-	-	<b>149,412</b>
Volunteer resources and recognition	7,795	3,898	7,795	<b>19,488</b>	-	-	<b>19,488</b>
Other expenses	<u>95,797</u>	<u>-</u>	<u>-</u>	<u><b>95,797</b></u>	<u>-</u>	<u>-</u>	<u><b>95,797</b></u>
<b>Total Expenses</b>	<b><u>\$1,829,604</u></b>	<b><u>\$ 631,785</u></b>	<b><u>\$ 156,592</u></b>	<b><u><u>\$2,617,981</u></u></b>	<b><u>\$ 365,705</u></b>	<b><u>\$ 522,434</u></b>	<b><u><u>\$3,506,120</u></u></b>

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**SOUTHWESTERN ONTARIO CHILDRENS CARE INC.  
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**SCHEDULE 2 - STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE TWELVE MONTH PERIOD ENDED AUGUST 31, 2016**

	Ronald McDonald House (London)	Ronald McDonald House (Windsor)	Ronald McDonald Family Room	Total <u>Program Services</u>	Supporting Services		Total <u>Expenses</u>
					Management and General	Fundraising	
Salaries	\$ 595,841	\$ 116,873	\$ 53,326	<b>\$ 766,040</b>	\$ 70,091	\$ 260,115	<b>\$1,096,246</b>
Amortization of capital assets	361,111	70,694	27,848	<b>459,653</b>	-	-	<b>459,653</b>
Advertising	-	-	1,414	<b>1,414</b>	29,391	-	<b>30,805</b>
Education, training and meetings	17,151	-	-	<b>17,151</b>	-	-	<b>17,151</b>
Family support services and supplies	92,904	31,286	6,549	<b>130,739</b>	-	-	<b>130,739</b>
Maintenance and repairs	150,381	-	-	<b>150,381</b>	-	-	<b>150,381</b>
Office supplies	-	-	-	-	13,972	9,502	<b>23,474</b>
Printing costs	-	-	-	-	-	181	<b>181</b>
Professional fees	-	-	-	-	34,815	-	<b>34,815</b>
Travel, meal and entertainment costs	26,866	-	-	<b>26,866</b>	6,347	-	<b>33,213</b>
Utilities	113,060	2,233	-	<b>115,293</b>	-	-	<b>115,293</b>
Volunteer resources and recognition	11,807	-	-	<b>11,807</b>	-	-	<b>11,807</b>
Other expenses	<u>71,032</u>	<u>-</u>	<u>-</u>	<u><b>71,032</b></u>	<u>-</u>	<u>-</u>	<u><b>71,032</b></u>
<b>Total Expenses</b>	<b><u>\$1,440,153</u></b>	<b><u>\$ 221,086</u></b>	<b><u>\$ 89,137</u></b>	<b><u>\$1,750,376</u></b>	<b><u>\$ 154,616</u></b>	<b><u>\$ 269,798</u></b>	<b><u>\$2,174,790</u></b>

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**SOUTHWESTERN ONTARIO CHILDRENS CARE INC.  
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**STATEMENT OF CASH FLOWS  
FOR THE SIXTEEN MONTH PERIOD ENDED DECEMBER 31, 2017**

	<b>December 31, 2017</b>	<b>August 31, 2016</b>
		(note 12, 13)
<b>Operating Activities</b>		
Excess of revenues over expenses for the period		
General fund	\$ 537,620	\$ 508,470
Capital asset fund	<u>86,762</u>	<u>564,114</u>
	<u>624,382</u>	<u>1,072,584</u>
Add (deduct) items not involving cash		
Amortization of capital assets	497,117	459,653
Realized gain on sale of investments	(112,631)	(128,016)
Unrealized loss (gain) on investments	<u>19,062</u>	<u>(228,916)</u>
	<u>1,027,930</u>	<u>1,175,305</u>
Net change in non-cash working capital balances related to operations:		
Accounts receivable	87,940	(116,926)
Prepaid expenses and other assets	5,223	(5,697)
Accounts payable and accrued liabilities	11,949	34,811
Government remittances payable	42,784	(6,057)
Deferred contributions	<u>(74,206)</u>	<u>86,161</u>
<b>Cash Provided by Operating Activities</b>	<b>1,101,620</b>	<b>1,167,597</b>
<b>Cash Flows from Investing Activities</b>		
Purchases of investments, net of sales	(368,800)	(926,020)
Purchases of capital assets	<u>(181,070)</u>	<u>(1,398,557)</u>
<b>Net Cash Used In Investing Activities</b>	<b><u>(549,870)</u></b>	<b><u>(2,324,577)</u></b>
<b>Net Increase (Decrease) in Cash During the Period</b>	<b>551,750</b>	<b>(1,156,980)</b>
<b>Cash, Beginning of Period</b>	<b><u>749,509</u></b>	<b><u>1,906,489</u></b>
<b>Cash, End of Period</b>	<b><u>\$ 1,301,259</u></b>	<b><u>\$ 749,509</u></b>
<b>Cash is Comprised as Follows:</b>		
Operating cash	\$ 694,482	\$ 473,773
Investment cash (note 3)	<u>606,777</u>	<u>275,736</u>
	<u><b>\$ 1,301,259</b></u>	<u><b>\$ 749,509</b></u>

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**SOUTHWESTERN ONTARIO CHILDRENS CARE INC.  
(o/a RONALD McDONALD HOUSE CHARITIES® SOUTHWESTERN ONTARIO)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIXTEEN MONTH PERIOD ENDED DECEMBER 31, 2017**

**1. Nature of the Organization**

**Organization**

Southwestern Ontario Childrens Care Inc. ("the Organization") (o/a Ronald McDonald House Charities® Southwestern Ontario) is an Ontario not for profit, charitable corporation formed in 1985. The mission of Ronald McDonald House Charities (RMHC) is to create, find and support programs that directly improve the health and well-being of children and their families. RMHC and the network of local Chapters, of which there are 14 in Canada, ascribe to five core values: we are focused on the critical needs of children, we lead with compassion, we celebrate the diversity of our people and our programs, we value our heritage and we operate with accountability and transparency.

In Canada, 13 Regional RMHC Chapters work collaboratively through the support of RMHC Canada, Canada's national RMHC foundation, which is focused on contributing funding from McDonald's Restaurants of Canada and other donors, to support the building and operations of Ronald McDonald Houses, Family Rooms and Ronald McDonald Care Mobiles to help enable the support of families with sick children.

We fulfill our mission through operation of sustainable programs that enable family-centered care, bridge access to quality health care, are a vital part of the health care continuum and strengthen families during difficult times. The following programs, operated by the Organization, represent the core functions of Ronald McDonald House Charities:

**Ronald McDonald House**

When children must travel long distances to access top medical care, accommodations and support for families can be expensive or not readily available. The Organization helps families stay close to their ill or injured child through the Ronald McDonald House program(s) located in London and Windsor, Ontario, which provide temporary lodging, meals and other support to children and their families. The program provides families with emotional and physical comfort and increases the caregivers' ability to spend more time with their child, to interact with their clinical care team and to participate in critical medical care decisions.

**Ronald McDonald Family Room**

When a child is critically ill, parents may be reluctant to leave the hospital. In order to provide comfort and support to their child, it is important that parents have an opportunity to rest, have a meal or have a moment of quiet. Located inside medical care facilities, the Ronald McDonald Family Room program(s) in the Children's Hospital at London Health Sciences Centre serve as a place of respite, relaxation and privacy for family members, often just steps away from where their child is being treated. The Ronald McDonald Family Room program provides parents with an opportunity to remain close to their hospitalized child and to be an active member of their child's health care team.

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**SOUTHWESTERN ONTARIO CHILDRENS CARE INC.  
(o/a RONALD MCDONALD HOUSE CHARITIES® SOUTHWESTERN ONTARIO)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIXTEEN MONTH PERIOD ENDED DECEMBER 31, 2017**

**2. Significant Accounting Policies**

These financial statements are prepared in accordance with Part III of the Chartered Professional Accountants of Canada ("CPA Canada") Handbook - Accounting, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies summarized below.

**(a) Use of estimates**

The preparation of financial statements in accordance 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, the disclosure of contingent assets and liabilities at the statement of financial position date, and the reported amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**(b) Fund accounting**

To ensure observance of limitations and restrictions placed on the use of resources available to the Organization, the accounts are maintained in accordance with the principles of Fund Accounting. Under these principles, the accounts of the Organization have been classified into the following funds:

The General fund reports unrestricted resources available for general operating activities.

The Restricted fund reports resources that are used for specific purposes as specified by the donor or the Board of Trustees (the "Board"). Any funds internally restricted by the Board are recorded through a transfer to the respective fund.

The Capital Asset fund reports resources that are restricted to the Organization's capital asset purchases, replacements, or maintenance initiatives.

**(c) Revenue recognition**

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

Contributions, grants, and bequests are recorded in the appropriate funds when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted contributions are recognized as revenue in the General fund when initially recorded in the accounts. Externally restricted contributions are recorded in the Restricted fund or Capital Asset fund when initially recognized in the accounts.

Revenue from fundraising is recognized as revenue in the corresponding fund as appropriate in the year received or receivable, if the amount can be reasonably estimated and collection is reasonably assured.

Fees are recognized when the services have been provided. Revenue from room payments is recognized as revenue in the General fund on an accrual basis when the amount to be received can be reasonably estimated and collection is reasonably assured.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIXTEEN MONTH PERIOD ENDED DECEMBER 31, 2017**

**2. Significant Accounting Policies (continued)**

**(c) Revenue recognition (continued)**

Investment income (loss) consists of interest, dividends, income distributions from pooled funds, and realized and unrealized gains and losses. Investment income earned on Restricted fund or Capital Asset fund resources that must be spent on donor-restricted activities is recognized as revenue of the respective fund. General investment income earned on Restricted fund, Capital Asset fund, and General fund resources is recognized as revenue of the General fund. Investment losses are allocated in a manner consistent with investment income.

**(d) Expense allocation**

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**(e) Foreign currency translation**

Transactions denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the transaction date. Monetary assets and liabilities are translated into Canadian dollars at exchange rates in effect at the dates of the balance sheets. Non-monetary assets and liabilities are translated at the historic rate.

**(f) Financial instruments**

Investments are recorded at fair value. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Other financial instruments, including accounts receivable and accounts payable, are initially recorded at their fair value and are subsequently measured amortized cost, net of any provisions for impairment.

**(g) Contributed materials and services**

Donated materials and services are recorded in the financial statements at fair market value when fair market value can be reasonably estimated. Because of the difficulty in determining the fair value of volunteer time, these services are not recognized in the financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIXTEEN MONTH PERIOD ENDED DECEMBER 31, 2017**

**2. Significant Accounting Policies (continued)**

**(h) Capital assets**

Purchased capital assets are recorded at acquisition cost. Contributed capital assets are recorded at fair value at the date of the contribution. Amortization is calculated using the straight line method at the following annual rates.

Land	NIL
Building	40 years
Furniture, fixtures, equipment	5 years
Automobile	5 years
Computer hardware	3 years
Computer software	3 years
Parking lot	10 years

**(i) Impairment of long-lived assets**

Long-lived assets are tested for impairment when events or changes in circumstances indicate that their carrying value may not be recoverable. An impairment loss is recognized when the carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its residual value.

**3. Investments**

Investments in pooled funds have been allocated among the asset classes based on the underlying investments held in the pooled funds.

December 31, 2017	August 31, 2016 (note 13)
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Investment income (expense) consists of the following:

Interest, dividends and other	\$ 152,670	\$ 89,166
Realized gains on sale of investments	112,631	128,016
Management fees	<u>(29,607)</u>	<u>(4,868)</u>
	<u>235,694</u>	<u>89,948</u>
Unrealized gain (loss) on investments	(7,748)	217,722
Unrealized foreign exchange gain (loss)	<u>(11,314)</u>	<u>11,194</u>
	<u>(19,062)</u>	<u>228,916</u>
	<u><u>\$ 216,632</u></u>	<u><u>\$ 441,230</u></u>

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**SOUTHWESTERN ONTARIO CHILDRENS CARE INC.  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIXTEEN MONTH PERIOD ENDED DECEMBER 31, 2017**

**3. Investments (continued)**

Investments, all of which are recorded at fair value, have an asset mix as follows:

	<b>December 31, 2017</b>			<b>August 31, 2016</b>		
	General Fund	Capital Fund	<b>Total</b>	General Fund	Capital Fund	<b>Total</b> (note 13)
Cash	\$ 464,260	\$ 142,517	<b>\$ 606,777</b>	\$ 218,860	\$ 56,876	<b>\$ 275,736</b>
Fixed Income						
Canadian Bonds	2,542,537	780,500	<b>3,323,037</b>	2,659,756	691,202	<b>3,350,958</b>
Equities						
Canadian	1,255,500	385,409	<b>1,640,909</b>	880,381	228,788	<b>1,109,169</b>
United States of America	450,837	138,397	<b>589,234</b>	520,636	135,300	<b>655,936</b>
Other international	<u>109,990</u>	<u>33,764</u>	<u><b>143,754</b></u>	<u>94,058</u>	<u>24,443</u>	<u><b>118,501</b></u>
	<u>1,816,327</u>	<u>557,570</u>	<u><b>2,373,897</b></u>	<u>1,495,075</u>	<u>388,531</u>	<u><b>1,883,606</b></u>
	<u><b>\$4,823,124</b></u>	<u><b>\$1,480,587</b></u>	<u><b>\$6,303,711</b></u>	<u><b>\$4,373,691</b></u>	<u><b>\$1,136,609</b></u>	<u><b>\$5,510,300</b></u>

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**SOUTHWESTERN ONTARIO CHILDRENS CARE INC.  
(o/a RONALD MCDONALD HOUSE CHARITIES® SOUTHWESTERN ONTARIO)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIXTEEN MONTH PERIOD ENDED DECEMBER 31, 2017**

**4. Capital Assets**

Capital assets consist of the following:

	<b>2017</b>		
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>
Building	\$ 8,532,997	\$ 2,104,729	\$ 6,428,268
Ronald McDonald Family Room	278,478	153,163	125,315
Parking lot	10,661	1,599	9,062
Furniture, fixtures, equipment	1,264,430	1,109,404	155,026
Automobile	59,349	49,073	10,276
Computer hardware	137,917	113,043	24,874
Computer software	47,214	21,483	25,731
Ronald McDonald House Windsor	<u>1,243,872</u>	<u>186,046</u>	<u>1,057,826</u>
	<u><u>\$11,574,918</u></u>	<u><u>\$ 3,738,540</u></u>	<u><u>\$ 7,836,378</u></u>

	<b>August 31, 2016</b>		
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>
Building	\$ 8,488,356	\$ 1,891,963	\$ 6,596,393
Ronald McDonald Family Room	278,478	125,315	153,163
Parking lot	10,661	533	10,128
Furniture, fixtures, equipment	1,161,923	1,028,513	133,410
Automobile	59,349	37,203	22,146
Computer hardware	115,003	89,128	25,875
Computer software	40,842	6,807	34,035
Ronald McDonald House Windsor	<u>1,239,236</u>	<u>61,960</u>	<u>1,177,276</u>
	<u><u>\$11,393,848</u></u>	<u><u>\$ 3,241,422</u></u>	<u><u>\$ 8,152,426</u></u>

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIXTEEN MONTH PERIOD ENDED DECEMBER 31, 2017**

**5. Deferred Contributions**

Deferred contributions represent unspent resources externally restricted for program expenses in future years for which a corresponding fund does not exist. Changes in the deferred contributions balance are as follows:

	<b>December 31, 2017</b>	<b>August 31, 2016</b> (note 13)
Balance, beginning of the period:	\$ 86,161	\$ -
Amount received during the period	11,955	1,039,101
Amount recognized as revenue during the period	<u>86,161</u>	<u>952,940</u>
Balance, end of period	<u>\$ 11,955</u>	<u>\$ 86,161</u>

**6. Financial Instruments**

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

**Credit risk**

The Organization is exposed to credit risk in connection with its accounts receivable and its short-term and fixed income investments because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation. Accounts receivable is recorded net of an allowance for doubtful accounts of \$NIL (2016 - \$NIL).

**Interest rate risk**

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

**Liquidity risk**

The Organization is exposed to the risk that it will encounter difficulty in meeting obligations associated with its financial liabilities. The Organization considers that it has sufficient funds available to meet its obligations as they come due.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIXTEEN MONTH PERIOD ENDED DECEMBER 31, 2017**

**7. Commitments**

The Organization entered into a lease agreement with the London Health Sciences Centre (“the London hospital”) whereby the Organization would lease from the London hospital certain land owned by the hospital. The initial term of the lease ends on July 31, 2083, with an aggregate annual base rent of \$1.00.

The Organization also entered into another lease agreement with the London hospital whereby the Organization leases space within the hospital for \$NIL consideration. The initial term of the lease ends in 2021.

The Organization entered into a lease agreement with the Windsor Regional Hospital (“the Windsor hospital”) whereby the Organization would lease from the Windsor hospital certain portions of the building owned by the hospital. The initial term of the lease ends in 2026.

**8. Capital Asset Fund**

The Capital asset fund balance consists of the following:

	<b>December 31, 2017</b>	<b>August 31, 2016</b>
Investments	\$ 1,480,587	\$ 1,136,609
Capital assets (note 4)	<u>7,836,378</u>	<u>8,152,426</u>
	9,316,965	9,289,035
Less amounts financed by:		
Due to General fund	-	(337,897)
Balance, end of period	<u>\$ 9,316,965</u>	<u>\$ 8,951,138</u>

During the period, there were transfers made by the General fund to the Capital Asset fund in the amount of \$279,065 (2016 - \$73,464).

**9. Interfund Transfers**

Transfers between funds during the period consist of the following:

	<b>General Fund</b>	<b>Capital Asset Fund</b>
	<b>December 31, 2017</b>	<b>August 31, 2016</b>
Other transfers approved by the Board	\$ <u>(279,065)</u>	\$ <u>(73,464)</u>
	\$ <u>279,065</u>	\$ <u>73,464</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIXTEEN MONTH PERIOD ENDED DECEMBER 31, 2017**

**10. Events**

Revenues are generated from events organized by the Organization as well as third party events held throughout the community. The net proceeds from community sponsored events are donated to Southwestern Ontario Childrens Care Inc. Expenses incurred to run these events are the responsibility of the fundraisers and not Southwestern Ontario Childrens Care Inc.

The Organization's primary annual fundraising events are the Ronald McDonald House Charities® Southwestern Ontario Golf Classic, Curling Bonspiel, Bowlathon, and Red Shoe Society Events.

	<b>December 31, 2017</b>	<b>August 31, 2016</b>
Revenues	\$ 410,312	\$ 360,779
Expenses	<u>(156,854)</u>	<u>(128,688)</u>
Net proceeds	253,458	232,091
Other events net proceeds	93,691	115,756
Total income recognized from fundraising events	<u>\$ 347,149</u>	<u>\$ 347,847</u>

**11. Related Party Transactions**

Ronald McDonald House Charities (RMHC) is a system of independent, separately registered public benefit organizations, referred to as "Chapters" within the global organization. The Organization is an independent operating Chapter within the RMHC system. Each Chapter is licensed by McDonald's Corporation and Ronald McDonald House Charities, Inc. to use RMHC related trademarks in conjunction with fundraising activities and the operation of its programs; the License Agreement also sets standards for programs, governance, finance, branding, and reporting. During the sixteen month period ended December 31, 2017, the Organization received from Ronald McDonald House Charities, Inc. \$ 577,033 (2016 - \$123,587 ); and the Organization received \$535,607 (2016 - \$185,918 ) from Ronald McDonald House Charities, Canada.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIXTEEN MONTH PERIOD ENDED DECEMBER 31, 2017**

**12. Change to Accounting Policy**

Effective September 1, 2016, the organization adopted the straight line method of amortization from the declining balance method of amortization, and the restricted fund method of accounting for contributions from the deferred method under the Canadian accounting standards for not-for-profit organizations. The change in accounting policies have been applied retrospectively.

The adoption of the new accounting policies resulted in adjustments to the previously reported assets, fund balances, and net revenues over expenditures of the organization.

- (a) The effect of adopting the accounting policies retrospectively on the Statement of Financial Position as at August 31, 2016 are as follows:
  - i) Capital assets, net has increased by \$94,595;
  - ii) Deferred contributions has changed from \$7,436,603 to \$NIL; and
  - iii) Capital Fund balance has increased by \$7,531,198.
- (b) The effect of adopting the accounting policies retrospectively on the Statement of Operations and Changes in Fund Balances for the twelve month period ended August 31, 2016 are as follows:
  - i) Contributions received in the year and recognized as revenue increased from \$181 to \$979,875;
  - ii) Revenue from amortization of deferred contributions has decreased by \$351,542;
  - iii) Amortization expense has increased by \$10,466; and
  - iv) Excess (deficiency) of revenues over expenses in the Capital Asset Fund has increased from \$(53,572) to \$564,114.

**13. Comparative Figures**

The comparative figures presented in these financial statements are for the twelve month period ending August 31, 2016. The current figures are for the sixteen month period ending December 31, 2017.

Certain sections of the comparative figures presented in these statements have been reclassified to conform to the statement presentation adopted in the current year.

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