

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

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2018



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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Southwestern Ontario Childrens Care Inc.

Qualified Opinion

We have audited the accompanying financial statements of Southwestern Ontario Childrens Care Inc., which comprise of the statement of financial position as at December 31, 2018, the statement of operations and changes in fund balances, statements of functional expenses, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Southwestern Ontario Childrens Care Inc. as at December 31, 2018, and its financial performance and its cash flows for the year ended December 31, 2018 in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the organization derives revenue from donations and fundraising activity, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of donation and fundraising revenues, in the fiscal year ending December 31, 2018 and the sixteen month period ending December 31, 2017 was limited to the amounts recorded in the records of the organization. Accordingly, we are unable to determine whether any adjustments for unrecorded amounts might be necessary to revenues, excess (deficiency) of revenues over expenditures and net assets.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on Davis Martindale LLP's website at: https://www.davismartindale.com/auditors_report. This description forms part of our auditor's report.

London, Ontario
April 22, 2019

Davis Martindale LLP

Chartered Professional Accountants
Licensed Public Accountants



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

STATEMENT OF FINANCIAL POSITION

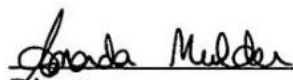
AS AT DECEMBER 31, 2018

	ASSETS	
	2018	2017 (note 12)
Current Assets		
Cash	\$ 423,416	\$ 694,482
Accounts receivable	224,668	151,695
Prepaid expenses and other assets	<u>13,257</u>	<u>18,150</u>
	661,341	864,327
Investments (note 3)	6,133,953	6,303,711
Capital assets, net (note 4)	<u>7,788,010</u>	<u>7,836,378</u>
	<u>\$ 14,583,304</u>	<u>\$ 15,004,416</u>


LIABILITIES AND FUND BALANCES

Current Liabilities		
Accounts payable and accrued liabilities	\$ 164,118	\$ 191,663
Government remittances payable	1,720	19,737
Deferred contributions (note 5)	<u>26,905</u>	<u>11,955</u>
	192,743	223,355
Commitments (note 7)		
Fund Balances		
General fund	5,162,298	5,464,096
Capital asset fund (note 8)	<u>9,228,263</u>	<u>9,316,965</u>
	<u>14,390,561</u>	<u>14,781,061</u>
	<u>\$ 14,583,304</u>	<u>\$ 15,004,416</u>

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 TWELVE MONTH PERIOD ENDED DECEMBER 31, 2018

	<u>General</u>		<u>Capital Asset</u>		<u>Total</u>	
	2018	2017 (note 12)	2018	2017 (note 12)	2018	2017 (note 12)
Revenues and Other Support						
Contributions	\$ 1,441,962	\$ 1,735,569	\$ 144,166	\$ 539,891	\$ 1,586,128	\$ 2,275,460
Fundraising activities (note 10)	944,113	924,181	-	-	944,113	924,181
RMH room donations/fees	488,843	701,827	-	-	488,843	701,827
Other revenues	<u>6,995</u>	<u>12,402</u>	<u>-</u>	<u>-</u>	<u>6,995</u>	<u>12,402</u>
	2,881,913	3,373,979	144,166	539,891	3,026,079	3,913,870
Expenses						
Program	1,959,356	2,120,864	536,526	497,117	2,495,882	2,617,981
Management and general	307,902	365,705	-	-	307,902	365,705
Fundraising	<u>414,340</u>	<u>522,434</u>	<u>-</u>	<u>-</u>	<u>414,340</u>	<u>522,434</u>
	<u>2,681,598</u>	<u>3,009,003</u>	<u>536,526</u>	<u>497,117</u>	<u>3,218,124</u>	<u>3,506,120</u>
Excess (deficiency) of operating revenues						
over expenses	200,315	364,976	(392,360)	42,774	(192,045)	407,750
Investment income (loss), net (note 3)	<u>(202,260)</u>	<u>172,644</u>	<u>3,805</u>	<u>43,988</u>	<u>(198,455)</u>	<u>216,632</u>
Excess (deficiency) of revenues over expenses	<u>\$ (1,945)</u>	<u>\$ 537,620</u>	<u>\$ (388,555)</u>	<u>\$ 86,762</u>	<u>\$ (390,500)</u>	<u>\$ 624,382</u>
Fund Balances, beginning of period	5,464,096	5,205,541	9,316,965	8,951,138	14,781,061	14,156,679
Excess of revenues over expenses	(1,945)	537,620	(388,555)	86,762	(390,500)	624,382
Transfers between funds (note 9)	<u>(299,853)</u>	<u>(279,065)</u>	<u>299,853</u>	<u>279,065</u>	<u>-</u>	<u>-</u>
Fund balances, end of period	<u>\$ 5,162,298</u>	<u>\$ 5,464,096</u>	<u>\$ 9,228,263</u>	<u>\$ 9,316,965</u>	<u>\$ 14,390,561</u>	<u>\$ 14,781,061</u>

*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 TWELVE MONTH PERIOD ENDED DECEMBER 31, 2018

	Ronald McDonald House (London)	Ronald McDonald House (Windsor)	Ronald McDonald Family Room	Total Program Services	<u>Supporting Services</u> Management and General Fundraising		Total Expenses
Salaries	\$ 656,790	\$ 366,405	\$ 92,171	\$ 1,115,366	\$ 160,922	\$ 362,742	\$ 1,639,030
Amortization of capital assets	363,682	144,996	27,848	536,526	-	-	536,526
Advertising	-	-	-	-	19,006	18,120	37,126
Education, training and meetings	13,328	7,190	1,418	21,936	8,086	7,128	37,150
Family support services and supplies	175,185	30,166	24,267	229,618	-	-	229,618
Maintenance and repairs	313,881	-	-	313,881	-	-	313,881
Office supplies	-	-	-	-	28,892	16,967	45,859
Professional fees	-	-	-	-	68,359	-	68,359
Travel, meal and entertainment costs	14,456	9,445	1,418	25,319	22,637	9,383	57,339
Utilities	97,215	320	-	97,535	-	-	97,535
Volunteer resources and recognition	8,047	4,023	8,046	20,116	-	-	20,116
Other - overflow accommodations	<u>135,585</u>	<u>-</u>	<u>-</u>	<u>135,585</u>	<u>-</u>	<u>-</u>	<u>135,585</u>
Total Expenses	\$ <u>1,778,169</u>	\$ <u>562,545</u>	\$ <u>155,168</u>	\$ <u>2,495,882</u>	\$ <u>307,902</u>	\$ <u>414,340</u>	\$ <u>3,218,124</u>

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SOUTHWESTERN ONTARIO CHILDRENS CARE INC.
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SCHEDULE 2 - STATEMENT OF FUNCTIONAL EXPENSES
FOR THE SIXTEEN MONTH PERIOD ENDED DECEMBER 31, 2017

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

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SOUTHWESTERN ONTARIO CHILDRENS CARE INC.
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STATEMENT OF CASH FLOWS
FOR THE TWELVE MONTH PERIOD ENDED DECEMBER 31, 2018

	2018	2017 (note 12)
Operating Activities		
Excess (deficiency) of revenues over expenses for the period		
General fund	\$ (1,945)	\$ 537,620
Capital asset fund	<u>(388,555)</u>	<u>86,762</u>
	(390,500)	624,382
Add (deduct) items not involving cash		
Amortization of capital assets	536,526	497,117
Realized (gain) loss on sale of investments	86,494	(112,631)
Unrealized loss on investments	<u>218,995</u>	<u>19,062</u>
	451,515	1,027,930
Net change in non-cash working capital balances related to operations:		
Accounts receivable	(72,974)	87,940
Prepaid expenses and other assets	4,893	5,223
Accounts payable and accrued liabilities	(27,544)	37,518
Government remittances payable	(18,017)	17,215
Deferred contributions	<u>14,950</u>	<u>(74,206)</u>
Cash Provided by Operating Activities	352,823	1,101,620
Cash Flows from Investing Activities		
Purchases of investments, net of sales	(474,115)	(368,800)
Purchases of capital assets	<u>(488,158)</u>	<u>(181,070)</u>
Net Cash Used In Investing Activities	<u>(962,273)</u>	<u>(549,870)</u>
Net Increase (Decrease) in Cash During the Period	(609,450)	551,750
Cash, Beginning of Period	<u>1,301,259</u>	<u>749,509</u>
Cash, End of Period	<u><u>\$ 691,809</u></u>	<u><u>\$ 1,301,259</u></u>
Cash is Comprised as Follows:		
Operating cash	\$ 423,416	\$ 694,482
Investment cash (note 3)	<u>268,393</u>	<u>606,777</u>
	<u><u>\$ 691,809</u></u>	<u><u>\$ 1,301,259</u></u>

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**SOUTHWESTERN ONTARIO CHILDRENS CARE INC.
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE TWELVE MONTH PERIOD ENDED DECEMBER 31, 2018**

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 13 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. The 13 Canadian Chapters operate 15 houses, 16 family rooms and one Care Mobile across Canada.

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 on the Site of London Health Sciences Centre-Childrens Hospital and Windsor, Canada first house with a hospital located inside Windsor Regional Hospital, 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.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE TWELVE MONTH PERIOD ENDED DECEMBER 31, 2018**

1. Nature of the Organization (continued)

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) London Health Sciences Centre Childrens Hospital 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. At Ronald McDonald House Windsor, the Day Pass Program allows families access to the house during daytime hours to provide families with the benefits of a Family Room Structure. Both London and Windsor also operate hospitality cart programs that connect with families at their child's bedside. The *Cart with a Heart Program* brings the family room to the families and helps to educate and engage them in the services offered by Ronald McDonald House Programs.

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 Standards for Not-for-Profit Organization, 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.

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**SOUTHWESTERN ONTARIO CHILDRENS CARE INC.
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE TWELVE MONTH PERIOD ENDED DECEMBER 31, 2018**

2. Significant Accounting Policies (continued)

(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 Directors (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.

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.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE TWELVE MONTH PERIOD ENDED DECEMBER 31, 2018**

2. Significant Accounting Policies (continued)

(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 statement of financial position. 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, accounts payable and accrued liabilities, and government remittances payable are initially recorded at their fair value and are subsequently measured at 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.

(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.

Automobile	5 years
Building	40 years
Computer hardware	3 years
Computer software	3 years
Furniture, fixtures, equipment	5 years
Leasehold - Ronald McDonald Family Room	10 years
Leasehold - Ronald McDonald House Windsor	10 years
Parking lot	10 years

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SOUTHWESTERN ONTARIO CHILDRENS CARE INC.
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE TWELVE MONTH PERIOD ENDED DECEMBER 31, 2018

2. Significant Accounting Policies (continued)

(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.

	2018	2017 (note 12)
Investment income (expense) consists of the following:		
Interest, dividends and other	\$ 162,367	\$ 152,670
Realized gains (losses) on sale of investments	(86,494)	112,631
Management fees	<u>(55,333)</u>	<u>(29,607)</u>
	20,540	235,694
Unrealized loss on investments	(339,646)	(7,748)
Unrealized foreign exchange gain (loss)	<u>120,651</u>	<u>(11,314)</u>
	<u>(218,995)</u>	<u>(19,062)</u>
Investment income (loss), net	\$ <u>(198,455)</u>	\$ <u>216,632</u>

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SOUTHWESTERN ONTARIO CHILDRENS CARE INC.
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

3. Investments (continued)

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

	General Fund	Capital Fund	2018 Total	General Fund	Capital Fund	2017 Total (note 12)
Cash	\$ 205,374	\$ 63,019	\$ 268,393	\$ 464,260	\$ 142,517	\$ 606,777
Fixed Income						
Canadian Bonds	2,027,286	622,069	2,649,355	2,542,537	780,500	3,323,037
Equities						
Canadian	1,658,491	508,904	2,167,395	1,255,500	385,409	1,640,909
United States of America	698,496	214,332	912,828	450,837	138,397	589,234
Other international	<u>104,053</u>	<u>31,929</u>	<u>135,982</u>	<u>109,990</u>	<u>33,764</u>	<u>143,754</u>
	<u>2,461,040</u>	<u>755,165</u>	<u>3,216,205</u>	<u>1,816,327</u>	<u>557,570</u>	<u>2,373,897</u>
	<u>\$ 4,693,700</u>	<u>\$ 1,440,253</u>	<u>\$ 6,133,953</u>	<u>\$ 4,823,124</u>	<u>\$ 1,480,587</u>	<u>\$ 6,303,711</u>

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SOUTHWESTERN ONTARIO CHILDRENS CARE INC.
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE TWELVE MONTH PERIOD ENDED DECEMBER 31, 2018

4. Capital Assets

Capital assets consist of the following:

		2018	
	Cost	Accumulated Amortization	Net Book Value
Automobile	\$ 59,349	\$ 59,349	\$ -
Building	8,579,720	2,318,637	6,261,083
Computer hardware	222,541	136,836	85,705
Computer software	47,214	37,221	9,993
Furniture, fixtures, equipment	1,621,240	1,229,054	392,186
Leasehold - Ronald McDonald Family Room	278,478	181,011	97,467
Leasehold - Ronald McDonald House Windsor	1,243,872	310,292	933,580
Parking lot	<u>10,661</u>	<u>2,665</u>	<u>7,996</u>
	<u>\$12,063,075</u>	<u>\$ 4,275,065</u>	<u>\$ 7,788,010</u>

		2017 (note 12)	
	Cost	Accumulated Amortization	Net Book Value
Automobile	\$ 59,349	\$ 49,073	\$ 10,276
Building	8,532,997	2,104,729	6,428,268
Computer hardware	137,917	113,043	24,874
Computer software	47,214	21,483	25,731
Furniture, fixtures, equipment	1,264,430	1,109,404	155,026
Leasehold - Ronald McDonald Family Room	278,478	153,163	125,315
Leasehold - Ronald McDonald House Windsor	1,243,872	186,046	1,057,826
Parking lot	<u>10,661</u>	<u>1,599</u>	<u>9,062</u>
	<u>\$11,574,918</u>	<u>\$ 3,738,540</u>	<u>\$ 7,836,378</u>

*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)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE TWELVE MONTH PERIOD ENDED DECEMBER 31, 2018

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:

	2018	2017 (note 12)
Balance, beginning of the period:	\$ 11,955	\$ 86,161
Amount received during the period	26,905	11,955
Less: Amount recognized as revenue during the period	<u>(11,955)</u>	<u>(86,161)</u>
Balance, end of period	<u>\$ 26,905</u>	<u>\$ 11,955</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 (2017 - \$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.

Currency Risk

The organization enters into foreign currency purchase and sale transactions and has assets that are denominated in foreign currencies and thus are exposed to the financial risk of earnings fluctuations arising from changes in foreign exchange rates and the degree of volatility of these rates. Management does not believe they represent a significant risk to the organization. The organization does not currently use derivative instruments to reduce its exposure to foreign currency risk.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE TWELVE MONTH PERIOD ENDED DECEMBER 31, 2018

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.

The Organization is committed to a three year National Partnership Program Investment with RMHC Canada ending December 31, 2020 with payments of \$25,000 each year.

8. Capital Asset Fund

The Capital Asset fund balance consists of the following:

	2018	2017 (note 12)
Investments (note 3)	\$ 1,440,253	\$ 1,480,587
Capital assets (note 4)	<u>7,788,010</u>	<u>7,836,378</u>
	<u><u>\$ 9,228,263</u></u>	<u><u>\$ 9,316,965</u></u>

During the period, there were transfers made by the General fund to the Capital Asset fund in the amount of \$299,853 (2017 - \$279,065).

9. Interfund Transfers

Transfers between funds during the year consist of the following:

	General Fund		Capital Asset Fund	
	2018	2017 (note 12)	2018	2017 (note 12)
Other transfers approved by the Board	\$ <u>(299,853)</u>	\$ <u>(279,065)</u>	\$ <u>299,853</u>	\$ <u>279,065</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 TWELVE MONTH PERIOD ENDED DECEMBER 31, 2018

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.

	2018	2017 (note 12)
Revenues	\$ 566,102	\$ 598,321
Expenses	<u>(151,822)</u>	<u>(251,173)</u>
Net proceeds	414,280	347,148
Other events net proceeds	<u>529,833</u>	<u>577,033</u>
Total income recognized from fundraising events	<u>\$ 944,113</u>	<u>\$ 924,181</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 twelve month period ended December 31, 2018, the Organization received from Ronald McDonald House Charities, Inc. \$529,831 (2017 - \$577,033); and the Organization received \$382,083 (2017 - \$535,607) from Ronald McDonald House Charities, Canada. Additionally, the Organization made a payment to RMHC Canada of \$25,000 for the National Partnership Program Investment. This program ends as of December 31, 2020.

12. Comparative Figures

The comparative figures presented in these financial statements are for the sixteen month period ending December 31, 2017. The current figures are for the twelve month period ending December 31, 2018.

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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integral part of these audited financial statements.*

