

**RONALD MCDONALD HOUSE CHARITIES  
ATLANTIC ASSOCIATION**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

**RONALD MCDONALD HOUSE CHARITIES ATLANTIC ASSOCIATION**  
**INDEX**  
**DECEMBER 31, 2016**

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	Page
<b>INDEPENDENT AUDITOR'S REPORT</b>	1 - 2
<b>STATEMENT OF OPERATIONS</b>	3
<b>STATEMENT OF CHANGES IN NET ASSETS</b>	4
<b>STATEMENT OF FINANCIAL POSITION</b>	5
<b>STATEMENT OF CASH FLOWS</b>	6
<b>NOTES TO THE FINANCIAL STATEMENTS</b>	7 - 13
<b>SCHEDULE OF OPERATING EXPENSES</b>	14

# Independent Auditor's Report

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To the Directors of  
**Ronald McDonald House Charities Atlantic Association**

We have audited the accompanying financial statements of Ronald McDonald House Charities Atlantic Association, which comprise the statement of financial position as at December 31, 2016 and the statement of operations, statement of changes in net assets and statement of cash flows for the two 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 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 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 Qualified Opinion**

In common with many non-profit organizations, the Association derives revenue from donations and fundraising from the public, 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 Association and we were not able to determine whether any adjustments might be necessary to fundraising and donations revenues, excess of revenues over expenses, and cash flows from operations for the period ended December 31, 2016 and year ended October 31, 2016, current assets as at December 31, 2016 and October 2016, and net assets as at November 1, 2016 and November 1, 2015 and December 31, 2016 October 31, 2016. Our audit opinion on the financial statements for the year ended October 31, 2016 was modified accordingly because of the possible effects of this limitation in scope.

**Qualified Opinion**

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 Ronald McDonald House Charities Atlantic Association as at December 31, 2016, and the results of its operations and its cash flows for the two month period then ended in accordance with Canadian accounting standards for not-for-profit organizations.

**Other matters**

Our audit was conducted for the purpose of forming an opinion on the financial statements of Ronald McDonald House Charities Atlantic Association taken as a whole. The supplementary information included in the Schedule is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Halifax, Canada  
March 22, 2017



Chartered Professional Accountants  
Licensed Public Accountants

**RONALD MCDONALD HOUSE CHARITIES ATLANTIC ASSOCIATION 3**  
**STATEMENT OF OPERATIONS**  
**FOR THE PERIOD ENDED DECEMBER 31, 2016 (Note 1)**

	<b>Two months ended Dec 31, 2016</b>	<b>Year ended Oct 31, 2016</b>
	<b>\$</b>	<b>\$</b>
<b>REVENUES</b>		
Fundraising and donations (Note 3)	<b>63,455</b>	740,574
Family room - operating grant	<b>10,000</b>	60,000
Amortization of capital grants	<b>5,148</b>	52,032
Room fees	<b>9,465</b>	45,430
Grants	<b>-</b>	38,881
Miscellaneous	<b>496</b>	9,776
	<u><b>88,564</b></u>	<u>946,693</u>
<b>OPERATING EXPENSES</b>		
Amortization	<b>6,423</b>	66,542
Program - operations (Schedule)	<b>8,054</b>	36,760
Program - family services (Schedule)	<b>49,741</b>	347,723
Administration (Schedule)	<b>47,706</b>	198,020
Board of directors (Schedule)	<b>458</b>	11,899
Fundraising and development	<b>51,228</b>	224,381
	<u><b>163,610</b></u>	<u>885,325</u>
<b>(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES BEFORE INVESTMENT INCOME</b>	<b>( 75,046)</b>	61,368
<b>INVESTMENT INCOME (Note 4)</b>	<u><b>108,151</b></u>	<u>264,845</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<u><b>33,105</b></u>	<u>326,213</u>

See accompanying notes to the financial statements

**RONALD MCDONALD HOUSE CHARITIES ATLANTIC ASSOCIATION**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE PERIOD ENDED DECEMBER 31, 2016 (Note 1)**

4

	<u>Internally Restricted Reserves</u>			<b>Dec 31, 2016</b>	Oct 31, 2016
	Net Assets invested in Capital Assets \$	Reserve for Capital Asset \$	Unrestricted Operating Surplus \$		
NET ASSETS - beginning of period	19,669	3,306,940	430,192	<b>3,756,801</b>	3,430,588
Excess (deficiency) of revenues over expenses	( 1,275)	-	34,380	<b>33,105</b>	326,213
Transfer of investment income to reserve for capital assets	<u>-</u>	<u>108,151</u>	<u>( 108,151)</u>	<u>-</u>	<u>-</u>
NET ASSETS - end of period	<u><u>18,394</u></u>	<u><u>3,415,091</u></u>	<u><u>356,421</u></u>	<u><u>3,789,906</u></u>	<u><u>3,756,801</u></u>

See accompanying notes to the financial statements

RONALD MCDONALD HOUSE CHARITIES ATLANTIC ASSOCIATION 5  
 STATEMENT OF FINANCIAL POSITION  
 AS AT DECEMBER 31, 2016 (Note 1)

	Dec 31, 2016	Oct 31, 2016
	\$	\$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	87,735	183,992
Receivables	35,353	29,373
HST recoverable	30,348	28,113
Prepays	<u>16,954</u>	<u>16,394</u>
	170,390	257,872
<b>INVESTMENTS</b>	3,637,885	3,525,334
<b>CAPITAL ASSETS (Note 5)</b>	<u>228,776</u>	<u>235,200</u>
	<u>4,037,051</u>	<u>4,018,406</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	25,498	34,810
<b>DEFERRED CONTRIBUTIONS (Note 6)</b>	<u>221,647</u>	<u>226,795</u>
	<u>247,145</u>	<u>261,605</u>
<b>NET ASSETS</b>		
Internally restricted net assets invested in capital assets	18,394	19,669
Internally restricted reserve for capital assets	3,415,091	3,306,940
Unrestricted operating surplus	<u>356,421</u>	<u>430,192</u>
	<u>3,789,906</u>	<u>3,756,801</u>
	<u>4,037,051</u>	<u>4,018,406</u>

Approved by the Board

Diagan Woprek Cooper Director      [Signature] Director

See accompanying notes to the financial statements

**RONALD MCDONALD HOUSE CHARITIES ATLANTIC ASSOCIATION 6**  
**STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED DECEMBER 31, 2016 (Note 1)**

	<b>Two months ended</b>	Year ended
	<b>Dec 31, 2016</b>	Oct 31, 2016
	\$	\$
<b>CASH PROVIDED BY (USED FOR):</b>		
<b>OPERATING</b>		
Excess of revenues over expenses	33,105	326,213
Items not affecting cash		
Amortization	6,423	66,542
Realized gain on disposal of investments	( 9,332)	( 112,641)
Unrealized gain on investments	( 76,499)	( 147,291)
	( 46,303)	132,823
Changes in non-cash working capital items		
Receivables	( 5,980)	( 21,667)
HST recoverable	( 2,235)	( 6,245)
Prepays	( 560)	( 11,166)
Accounts payable and accrued liabilities	( 9,311)	( 5,952)
Deferred contributions	( 5,148)	( 31,187)
	( 69,537)	56,606
<b>INVESTING</b>		
Acquisition of capital assets	-	( 8,482)
Proceeds on disposal of investments	833,833	2,051,200
Acquisition of investments	( 860,553)	( 2,103,805)
	( 26,720)	( 61,087)
<b>CHANGE IN CASH</b>	( 96,257)	( 4,481)
<b>CASH - beginning of period</b>	<u>183,992</u>	<u>188,473</u>
<b>CASH - end of period</b>	<u>87,735</u>	<u>183,992</u>

See accompanying notes to the financial statements



**RONALD MCDONALD HOUSE CHARITIES ATLANTIC ASSOCIATION 7**  
**NOTES TO THE FINANCIAL STATEMENTS (Note 1)**  
**FOR THE PERIOD ENDED DECEMBER 31, 2016**

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**1. NATURE OF OPERATIONS**

Ronald McDonald House Charities Atlantic Association (the "Association"), is a registered charitable organization dedicated to helping seriously ill or disabled children by providing them and their families a caring and supportive "home away from home" and by extending this care to the hospital setting in Maritime communities through the Ronald McDonald Family Room Program.

The Association changed its year end to December 31st. The comparative figures represent twelve months of operations ending October 31, 2016.

**2. SIGNIFICANT ACCOUNTING POLICIES**

Basis of accounting

The Association has prepared these financial statements in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Cash

Cash consists of cash on hand and bank balance held with a financial institution.

Capital assets

On acquisition capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution.

Capital assets are measured at cost less accumulated amortization. Amortization is provided for using the following rates and method over the estimated useful lives as follows:

Building	20 years	Straight-line
Computer software	5 years	Straight-line
Computer equipment	3 years	Straight-line
Equipment	5 years	Straight-line
Family rooms	10 years	Straight-line

One half year's amortization is taken in the year of acquisition.

**RONALD MCDONALD HOUSE CHARITIES ATLANTIC ASSOCIATION 8**  
**NOTES TO THE FINANCIAL STATEMENTS (Note 1)**  
**FOR THE PERIOD ENDED DECEMBER 31, 2016**

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Impairment of long-lived assets

Long-lived assets are tested for impairment whenever events or changes in circumstances indicate that their service potential may not be realized. When a capital asset no longer has any long-term service potential to the organization, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Any write-downs recognized are not reversed.

Income taxes

The Association is a registered charitable organization under the meaning assigned in section 149 (1) of the Income Tax Act, and, as such, is exempt from income taxes. Accordingly, no provision has been made in the accounts for income taxes.

Revenue recognition

The Association follows the deferral method of accounting for its contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Restricted contributions for the purchase of capital assets that will be amortized are deferred and recognized as revenue at the same rate of amortization as the related acquired capital assets. Restricted contributions for the purchase of capital assets that will not be amortized are recognized as direct increases in net assets.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Financial instruments

*Measurement of financial instruments*

The Association initially measures its financial assets and financial liabilities at fair value.

The Association subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments which are quoted in an active market and measured at fair value. Changes in fair value are recognized in excess of revenues over expenses.

**RONALD MCDONALD HOUSE CHARITIES ATLANTIC ASSOCIATION 9**  
**NOTES TO THE FINANCIAL STATEMENTS (Note 1)**  
**FOR THE PERIOD ENDED DECEMBER 31, 2016**

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Financial instruments (Continued)

Financial assets measured at amortized cost include cash and receivables.

Financial assets measured at fair value include investments.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

*Impairment*

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of any write-down is recognized in excess of revenues over expenses. Any previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of a reversal is recognized in excess of revenues over expenses.

Contributed goods and services

The Association benefits from donated services in the form of volunteer time and goods as support for various programs and objectives of the Association. Due to the difficulty of determining their fair value, these contributed goods and services are not recognized in these financial statements.

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 effect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates are used when accounting for items and matters such as estimated useful lives of capital assets and certain accrued liabilities. Actual results could differ from those estimates.

**RONALD MCDONALD HOUSE CHARITIES ATLANTIC ASSOCIATION<sup>10</sup>**  
**NOTES TO THE FINANCIAL STATEMENTS (Note 1)**  
**FOR THE PERIOD ENDED DECEMBER 31, 2016**

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**3. FUNDRAISING AND DONATIONS**

The Association receives donations from various donor types including corporations, individuals, and service clubs. The Association has a close relationship with McDonald's restaurants and receives donations from various programs in place to benefit the Association. As at December 31, 2016 the total donations received from McDonald's restaurants, including the funds from Happy Meal Program, McHappy day and coin box fund, totaled \$24,719 (2016 - \$395,014).

**4. INVESTMENT INCOME**

	<b>Dec 31,</b>	<b>Oct 31,</b>
	<b>2016</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>

Investment income is comprised of following items:

Dividends and interest	25,468	87,279
Realized gain on disposal of investments	9,332	112,641
Unrealized gain on investments	76,499	147,291
Unrealized foreign exchange gain (loss)	1,252	( 58,364)
Investment management fees	( 4,400)	( 24,002)
	<b>108,151</b>	<b>264,845</b>

**5. CAPITAL ASSETS**

	Cost	Accumulated Amortization	Net Dec 31, 2016	Net Oct 31, 2016
	\$	\$	\$	\$
Land	60,000	-	60,000	60,000
Family Room - IWK	291,828	291,828	-	-
Family Room - Moncton	156,380	96,435	59,945	62,552
Building	1,000,811	911,076	89,735	92,484
Equipment and computers	92,683	73,587	19,096	20,164
	<b>1,601,702</b>	<b>1,372,926</b>	<b>228,776</b>	<b>235,200</b>

**RONALD MCDONALD HOUSE CHARITIES ATLANTIC ASSOCIATION<sup>11</sup>**  
**NOTES TO THE FINANCIAL STATEMENTS (Note 1)**  
**FOR THE PERIOD ENDED DECEMBER 31, 2016**

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<b>6. DEFERRED CONTRIBUTIONS</b>	<b>Dec 31,</b>	<b>Oct 31,</b>
	<b>2016</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Deferred restricted contributions	<b>50,574</b>	50,574
Deferred Adopt-A-Room contributions	<b>17,044</b>	17,044
Deferred capital grants	<u><b>154,029</b></u>	<u>159,177</u>
	<u><b>221,647</b></u>	<u>226,795</u>

Restricted contributions represent donations which have been restricted from general operations by the donor, but for which a specific purpose has not yet been determined.

Adopt-A-Room contributions represent restricted funds received for future room upgrades.

Deferred capital grants represent contributions received for capital assets purchase.

The Association has agreed to lease space for ten years, ending June 2021, from the Moncton Hospital for a nominal amount. In addition, Ronald McDonald House Charities has provided \$200,000 in the form of a capital grant, that will be amortized over a ten year period.

**7. COMMITMENT**

The Association leases office space under an operating lease arrangement. Future minimum lease payments over the next four years are approximately as follows:

2017	40,500
2018	45,000
2019	45,000
2020	19,000

**8. FINANCIAL INSTRUMENTS RISKS**

*Risks and concentrations*

The Association is exposed to various risks through its financial instruments. The following analysis provides a measure of the Association's risk exposure and concentrations at December 31, 2016.

It is management's opinion that the Association is not exposed to significant interest rate risk from its financial instruments. The risks arising on financial instruments are limited to the following:

**RONALD MCDONALD HOUSE CHARITIES ATLANTIC ASSOCIATION<sup>12</sup>**  
**NOTES TO THE FINANCIAL STATEMENTS (Note 1)**  
**FOR THE PERIOD ENDED DECEMBER 31, 2016**

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**8. FINANCIAL INSTRUMENTS RISKS (Continued)**

*Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments that potentially subject the Association to concentrations of credit risk consist of cash, receivables and marketable securities. The Association deposits its cash in and purchases investments from reputable financial institutions and therefore believes the risk of loss to be remote. The Association is exposed to credit risk from outstanding receivables balances. The Association believes this credit risk is minimized as the Association has a large and diverse receivable base. A provision for impairment of accounts receivable is established when there is objective evidence that the Association will not be able to collect all amounts due.

*Liquidity risk*

Liquidity risk is the risk that the Association will encounter difficulty in meeting obligations associated with financial liabilities. The Association is exposed to this risk mainly in respect of its accounts payable and accrued liabilities. The Association generates sufficient cash flow from operating activities to fund operations and fulfill obligations as they become due.

*Market risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Association is mainly exposed to currency risk and interest rate risk.

*Currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Certain assets are exposed to foreign exchange fluctuations. As at December 31, 2016, cash and investments of \$35,673 and \$279,054 respectively (2015 - \$26,459 and \$285,607) are reported in US dollars and converted into Canadian dollars. The Association has not entered into foreign exchange contracts to hedge this risk.

**RONALD MCDONALD HOUSE CHARITIES ATLANTIC ASSOCIATION<sup>13</sup>**  
**NOTES TO THE FINANCIAL STATEMENTS (Note 1)**  
**FOR THE PERIOD ENDED DECEMBER 31, 2016**

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**8. FINANCIAL INSTRUMENTS RISKS (Continued)**

*Other price risk*

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

**RONALD MCDONALD HOUSE CHARITIES ATLANTIC ASSOCIATION 14**  
**SCHEDULE OF OPERATING EXPENSES**  
**FOR THE PERIOD ENDED DECEMBER 31, 2016**

	Dec 31, 2016 \$	Oct 31, 2016 \$
<b>PROGRAM - OPERATIONS</b>		
Heating fuel	2,666	8,226
Electricity	1,500	8,245
Water	825	4,724
Property taxes	510	3,119
Supplies	1,809	5,397
Repairs and maintenance	<u>744</u>	<u>7,049</u>
	<u><b>8,054</b></u>	<u><b>36,760</b></u>
<b>PROGRAM - FAMILY SERVICES</b>		
Development and programming	75	165
Salaries, wages and employee benefits	46,416	324,715
Staff training and conferences	2,474	17,610
Family room	622	1,225
Family support	-	136
Volunteer recognition	154	3,747
Website	<u>-</u>	<u>125</u>
	<u><b>49,741</b></u>	<u><b>347,723</b></u>
<b>ADMINISTRATION</b>		
Professional fees	2,794	27,295
Phone	2,466	19,104
Supplies	2,598	1,136
Printing and stationary	5,938	9,347
Postage	610	1,226
Dues and fees	1,327	4,060
Interest and bank charges	261	2,424
Occupancy	7,387	17,000
Salaries and benefits	15,155	90,626
Computer	6,324	16,366
Miscellaneous	<u>2,846</u>	<u>9,436</u>
	<u><b>47,706</b></u>	<u><b>198,020</b></u>
<b>BOARD OF DIRECTORS</b>		
Insurance	458	2,521
Strategic sessions, meetings and AGMs	-	3,516
Travel	<u>-</u>	<u>5,862</u>
	<u><b>458</b></u>	<u><b>11,899</b></u>