

**FRIENDS OF CHILDREN (ATLANTIC) ASSOCIATION  
(Operating as "Ronald McDonald House Charities Atlantic")**

**FINANCIAL STATEMENTS**

**OCTOBER 31, 2016**

**FRIENDS OF CHILDREN (ATLANTIC) ASSOCIATION  
(Operating as "Ronald McDonald House Charities Atlantic")**

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**OCTOBER 31, 2016**

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# Independent Auditor's Report

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To the Directors of  
**Friends of Children (Atlantic) Association**  
**(Operating as Ronald McDonald House Charities Atlantic Association)**

We have audited the accompanying financial statements of Friends of Children (Atlantic) Association, which comprise the statement of financial position as at October 31, 2016 and the statement of operations, statement of changes in net assets and statement of 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.

## **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 years ended October 31, 2016 and 2015, current assets as at October 31, 2016 and 2015, and net assets as at November 1, 2015 and 2014 and October 31, 2016 and 2015. Our audit opinion on the financial statements for the year ended October 31, 2015 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 Friends of Children (Atlantic) Association as at October 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.

**Other matters**

Our audit was conducted for the purpose of forming an opinion on the financial statements of Friends of Children (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

**FRIENDS OF CHILDREN (ATLANTIC) ASSOCIATION**  
**(Operating as "Ronald McDonald House Charities Atlantic")**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED OCTOBER 31, 2016**

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	2016	2015
	\$	\$
<b>REVENUES</b>		
Fundraising and donations (Note 3)	740,574	592,312
Family room - operating grant	60,000	60,000
Amortization of capital grants	52,032	52,032
Room fees	45,430	48,874
Grants	38,881	33,107
Miscellaneous	<u>9,776</u>	<u>14,376</u>
	<u>946,693</u>	<u>800,701</u>
<b>OPERATING EXPENSES</b>		
Amortization	66,542	65,141
Program - operations (Schedule)	36,760	65,549
Program - family services (Schedule)	347,723	283,937
Administration (Schedule)	198,020	180,487
Board of directors (Schedule)	11,899	5,931
Fundraising and development	<u>224,381</u>	<u>184,571</u>
	<u>885,325</u>	<u>785,616</u>
<b>EXCESS OF REVENUES OVER EXPENSES BEFORE INVESTMENT INCOME</b>	<b>61,368</b>	<b>15,085</b>
<b>INVESTMENT INCOME (Note 4)</b>	<u><b>264,845</b></u>	<u><b>32,568</b></u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<u><u><b>326,213</b></u></u>	<u><u><b>47,653</b></u></u>

See accompanying notes to the financial statements

**FRIENDS OF CHILDREN (ATLANTIC) ASSOCIATION**  
**Operating as "Ronald McDonald House Charities Atlantic")**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED OCTOBER 31, 2016**

	<u>Internally Restricted Reserves</u>			<b>2016</b> \$	2015 \$
	Net Assets invested in Capital Assets \$	Reserve for Capital Asset \$	Unrestricted Operating Surplus \$		
<b>NET ASSETS</b> - beginning of year	34,179	2,992,095	404,314	<b>3,430,588</b>	3,382,935
Excess (deficiency) of revenues over expenses	( 14,510)	-	340,723	<b>326,213</b>	47,653
Transfer of investment income to reserve for capital assets	-	264,845	( 264,845)	-	-
Interfund transfers	-	50,000	( 50,000)	-	-
<b>NET ASSETS</b> - end of year	<u>19,669</u>	<u>3,306,940</u>	<u>430,192</u>	<b><u>3,756,801</u></b>	<u>3,430,588</u>

See accompanying notes to the financial statements

FRIENDS OF CHILDREN (ATLANTIC) ASSOCIATION  
 Operating as "Ronald McDonald House Charities Atlantic")  
 STATEMENT OF FINANCIAL POSITION  
 AS AT OCTOBER 31, 2016

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	2016	2015
	\$	\$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	183,992	188,473
Receivables	29,373	7,706
HST recoverable	28,113	21,868
Prepays	<u>16,394</u>	<u>5,228</u>
	257,872	223,275
<b>INVESTMENTS</b>	3,525,334	3,212,797
<b>CAPITAL ASSETS (Note 5)</b>	<u>235,200</u>	<u>293,260</u>
	<u>4,018,406</u>	<u>3,729,332</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	34,810	40,762
<b>DEFERRED CONTRIBUTIONS (Note 6)</b>	<u>226,795</u>	<u>257,982</u>
	<u>261,605</u>	<u>298,744</u>
<b>NET ASSETS</b>		
Internally restricted net assets invested in capital assets	19,669	34,179
Internally restricted reserve for capital assets	3,306,940	2,992,095
Unrestricted operating surplus	<u>430,192</u>	<u>404,314</u>
	<u>3,756,801</u>	<u>3,430,588</u>
	<u>4,018,406</u>	<u>3,729,332</u>

Approved by the Board

Diagona Jopok Cooper Director

[Signature] Director

See accompanying notes to the financial statements

**FRIENDS OF CHILDREN (ATLANTIC) ASSOCIATION**  
**(Operating as "Ronald McDonald House Charities Atlantic")**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED OCTOBER 31, 2016**

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	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>CASH PROVIDED BY (USED FOR):</b>		
<b>OPERATING</b>		
Excess of revenues over expenses	326,213	47,653
Items not affecting cash		
Amortization	66,542	65,141
Realized gain on disposal of investments	( 112,641)	( 68,986)
Unrealized (gain) loss on investments	( 147,291)	164,951
	<u>132,823</u>	<u>208,759</u>
Changes in non-cash working capital items		
Receivables	( 21,667)	63,489
HST recoverable	( 6,245)	( 12,054)
Prepays	( 11,166)	( 2,041)
Accounts payable and accrued liabilities	( 5,952)	13,761
Deferred contributions	( 31,187)	( 42,942)
	<u>56,606</u>	<u>228,972</u>
<b>INVESTING</b>		
Acquisition of capital assets	( 8,482)	( 6,097)
Proceeds on disposal of investments	2,051,200	2,627,260
Acquisition of investments	( 2,103,805)	( 2,804,236)
	<u>( 61,087)</u>	<u>( 183,073)</u>
<b>CHANGE IN CASH</b>	<b>( 4,481)</b>	<b>45,899</b>
<b>CASH - beginning of year</b>	<u><b>188,473</b></u>	<u><b>142,574</b></u>
<b>CASH - end of year</b>	<u><u><b>183,992</b></u></u>	<u><u><b>188,473</b></u></u>

See accompanying notes to the financial statements



**FRIENDS OF CHILDREN (ATLANTIC) ASSOCIATION**  
**(Operating as "Ronald McDonald House Charities Atlantic")**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED OCTOBER 31, 2016**

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**1. NATURE OF OPERATIONS**

Friends of Children (Atlantic) Association (the "Association") operating as Ronald McDonald House Charities Atlantic, 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.

**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.

**FRIENDS OF CHILDREN (ATLANTIC) ASSOCIATION**  
**(Operating as "Ronald McDonald House Charities Atlantic")**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED OCTOBER 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.

**FRIENDS OF CHILDREN (ATLANTIC) ASSOCIATION**  
**(Operating as "Ronald McDonald House Charities Atlantic")**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED OCTOBER 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.

**FRIENDS OF CHILDREN (ATLANTIC) ASSOCIATION**  
**(Operating as "Ronald McDonald House Charities Atlantic")**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED OCTOBER 31, 2016**

**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 October 31, 2016 the total donations received from McDonald's restaurants, including the funds from Happy Meal Program, McHappy day and coin box fund, totaled \$395,014 (2015 - \$308,355).

<b>4. INVESTMENT INCOME</b>	<b>2016</b>	<b>2015</b>
	\$	\$

Investment income is comprised of following items:

Dividends and interest	87,279	112,844
Realized gain on disposal of investments	112,641	68,986
Unrealized gain (loss) on investments	147,291	( 164,951)
Unrealized foreign exchange (loss) gain	( 58,364)	38,000
Investment management fees	( 24,002)	( 22,311)
	<u>264,845</u>	<u>32,568</u>

**5. CAPITAL ASSETS**

	Cost	Accumulated Amortization	Net 2016	Net 2015
	\$	\$	\$	\$
Land	60,000	-	60,000	60,000
Family Room - IWK	291,828	291,828	-	29,182
Family Room - Moncton	156,380	93,828	62,552	78,190
Building	1,000,811	908,327	92,484	108,977
Equipment and computers	<u>92,683</u>	<u>72,519</u>	<u>20,164</u>	<u>16,911</u>
	<u>1,601,702</u>	<u>1,366,502</u>	<u>235,200</u>	<u>293,260</u>

Equipment and computers includes assets with a value of \$6,665 (2015 - \$6,098) which are not available for use as at October 31, 2016 and therefore have not been depreciated.

**FRIENDS OF CHILDREN (ATLANTIC) ASSOCIATION**  
**(Operating as "Ronald McDonald House Charities Atlantic")**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED OCTOBER 31, 2016**

<b>6. DEFERRED CONTRIBUTIONS</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Deferred restricted contributions	50,574	27,574
Deferred Adopt-A-Room contributions	17,044	19,199
Deferred capital grants	<u>159,177</u>	<u>211,209</u>
	<u><b>226,795</b></u>	<u><b>257,982</b></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	44,000
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 October 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:

## **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 October 31, 2016, cash and investments of \$26,459 and \$285,607 respectively (2015 - \$9,843 and \$288,122) are reported in US dollars and converted into Canadian dollars. The Association has not entered into foreign exchange contracts to hedge this risk.

**FRIENDS OF CHILDREN (ATLANTIC) ASSOCIATION**  
**(Operating as "Ronald McDonald House Charities Atlantic")**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED OCTOBER 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.

**9. COMPARATIVE FIGURES**

Certain figures presented for comparative purposes have been reclassified to conform with the financial statement presentation adopted for the current year.

**10. SUBSEQUENT EVENTS**

Subsequent to the year end the Association has changed its legal name to Ronald McDonald House Charities Atlantic.

## (Operating as "Ronald McDonald House Atlantic")

## SCHEDULE OF OPERATING EXPENSES

## FOR THE YEAR ENDED OCTOBER 31, 2016

	2016	2015
	\$	\$
<b>PROGRAM - OPERATIONS</b>		
Heating fuel	8,226	13,963
Electricity	8,245	8,684
Water	4,724	4,779
Property taxes	3,119	3,140
Supplies	5,397	2,371
Repairs and maintenance	<u>7,049</u>	<u>32,612</u>
	<u>36,760</u>	<u>65,549</u>
<b>PROGRAM - FAMILY SERVICES</b>		
Development and programming	165	340
Salaries, wages and employee benefits	324,715	233,465
Staff training and conferences	17,610	28,491
Family room	1,225	1,488
Family support	136	64
Volunteer recognition	3,747	3,555
Website	<u>125</u>	<u>16,534</u>
	<u>347,723</u>	<u>283,937</u>
<b>ADMINISTRATION</b>		
Professional fees	27,295	11,049
Phone	19,104	16,491
Supplies	1,136	3,425
Printing and stationary	9,347	2,683
Postage	1,226	1,525
Dues and fees	4,060	4,168
Interest and bank charges	2,424	1,990
Occupancy	17,000	-
Salaries and benefits	90,626	116,868
Computer	16,366	14,516
Miscellaneous	<u>9,436</u>	<u>7,772</u>
	<u>198,020</u>	<u>180,487</u>
<b>BOARD OF DIRECTORS</b>		
Insurance	2,521	2,750
Strategic sessions, meetings and AGMs	3,516	-
Travel	<u>5,862</u>	<u>3,181</u>
	<u>11,899</u>	<u>5,931</u>