

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

FINANCIAL STATEMENTS

OCTOBER 31, 2015

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

INDEX

OCTOBER 31, 2015

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

Independent Auditor's Report

Grant Thornton LLP
Suite 1100
2000 Barrington Street
Halifax, NS
B3J 3K1
T +1 902 421 1734
F +1 902 420 1068
www.GrantThornton.ca

To the Directors of
Ronald McDonald House Charities Atlantic

We have audited the accompanying financial statements of Ronald McDonald House Charities Atlantic, which comprise the statement of financial position as at October 31, 2015 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 revenues, excess of revenues over expenses, assets and net assets.

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 as at October 31, 2015, 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 Ronald McDonald House Charities Atlantic 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
February 10, 2016

Chartered Accountants

FRIENDS OF CHILDREN (ATLANTIC) ASSOCIATION
(Operating as "Ronald McDonald House Charities Atlantic")
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED OCTOBER 31, 2015

3

	2015	2014
	\$	\$
REVENUES		
Donations (Note 3)	450,139	439,452
Fundraising		
Bluenose marathon	10,616	33,726
Golf tournament	131,557	135,733
Family room - Operating grant	60,000	60,000
Amortization of capital grants	52,032	52,032
Room fees	48,874	42,385
Grants	33,107	2,496
Miscellaneous	<u>14,376</u>	<u>12,022</u>
	<u>800,701</u>	<u>777,846</u>
OPERATING EXPENSES		
Amortization	65,141	65,141
Golf tournament	20,898	20,721
Building (Schedule)	65,549	42,484
Program delivery (Schedule)	194,024	213,814
Administration (Schedule)	271,543	214,905
Board of directors (Schedule)	5,931	5,876
Development	<u>162,530</u>	<u>82,001</u>
	<u>785,616</u>	<u>644,942</u>
EXCESS OF REVENUES OVER EXPENSES	15,085	132,904
INVESTMENT INCOME (Note 4)	<u>32,568</u>	<u>145,281</u>
EXCESS OF REVENUES OVER EXPENSES	<u>47,653</u>	<u>278,185</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, 2015

	<u>Internally Restricted Reserves</u>			2015	2014
	Net Assets invested in Capital Assets \$	Reserve for Capital Asset \$	Unrestricted Operating Surplus \$		
NET ASSETS - beginning of year	47,288	2,959,527	376,120	3,382,935	3,104,750
Excess (deficiency) of revenues over expenses	(13,109)	-	60,762	47,653	278,185
Transfer of investment income to reserve for capital assets	<u>-</u>	<u>32,568</u>	<u>(32,568)</u>	<u>-</u>	<u>-</u>
NET ASSETS - end of year	<u>34,179</u>	<u>2,992,095</u>	<u>404,314</u>	<u>3,430,588</u>	<u>3,382,935</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, 2015
UNAUDITED - SEE NOTICE TO READER

5

	2015	2014
	\$	\$
ASSETS		
CURRENT		
Cash	188,473	142,574
Receivables	7,706	71,195
HST recoverable	21,868	9,814
Prepays	<u>5,228</u>	<u>3,187</u>
	223,275	226,770
INVESTMENTS	3,212,797	3,131,786
CAPITAL ASSETS (Note 5)	<u>293,260</u>	<u>352,304</u>
	<u>3,729,332</u>	<u>3,710,860</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	40,762	27,001
DEFERRED CONTRIBUTIONS (Note 6)	<u>257,982</u>	<u>300,924</u>
	<u>298,744</u>	<u>327,925</u>
NET ASSETS		
Internally restricted net assets invested in capital assets	34,179	47,288
Internally restricted reserve for capital assets	2,992,095	2,959,527
Unrestricted operating surplus	<u>404,314</u>	<u>376,120</u>
	<u>3,430,588</u>	<u>3,382,935</u>
	<u>3,729,332</u>	<u>3,710,860</u>

Approved by the Board

_____ Director _____ 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, 2015

6

	2015	2014
	\$	\$
CASH PROVIDED BY (USED FOR):		
OPERATING		
Excess of revenues over expenses	47,653	278,185
Items not affecting cash		
Amortization	65,141	65,141
Realized gain on disposal of investments	(68,986)	(46,721)
Unrealized loss (gain) on investments	<u>164,951</u>	<u>(38,919)</u>
	208,759	257,686
Changes in non-cash working capital items		
Receivables	63,489	(47,075)
HST recoverable	(12,054)	(382)
Prepays	(2,041)	1,397
Accounts payable and accrued liabilities	13,761	5,755
Deferred contributions	<u>(42,942)</u>	<u>(49,426)</u>
	<u>228,972</u>	<u>167,955</u>
INVESTING		
Acquisition of capital assets	(6,097)	(18,469)
Proceeds on disposal of investments	2,627,260	278,266
Acquisition of investments	<u>(2,804,236)</u>	<u>(436,472)</u>
	<u>(183,073)</u>	<u>(176,675)</u>
CHANGE IN CASH	45,899	(8,720)
CASH - beginning of year	<u>142,574</u>	<u>151,294</u>
CASH - end of year	<u>188,473</u>	<u>142,574</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, 2015

1. NATURE OF OPERATIONS

Friends of Children (Atlantic) Association (the "Association") operating as Ronald McDonald House Charities Atlantic, is a not-for-profit 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
Computers 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, 2015

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 carrying value may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

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 in equity instruments that are quoted in an active market, which are 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, 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets measured at amortized cost include cash and accounts receivable.

Financial assets measured at fair value include investments consisting of equities and guaranteed investment certificates.

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, 2015

3. DONATIONS

During the year, donations are received from corporations, individuals, and service clubs. The total donations received from McDonald's through various programs to support the charity, including the Happy Meal Program, McHappy day and coin box fund, totaled \$308,355 in 2015 (2014 -\$304,448).

4. INVESTMENT INCOME

2015 **2014**
\$ **\$**

Investment income is comprised of following items:

Dividends and interest	112,844	58,999
Realized gain on disposal of investments	68,986	46,721
Unrealized (loss) gain on investments	(164,951)	38,919
Unrealized foreign exchange gain	38,000	21,223
Investment management fees	(22,311)	(20,581)
	32,568	145,281

5. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2015	Net 2014
	\$	\$	\$	\$
Land	60,000	-	60,000	60,000
Family Room - IWK	291,828	262,646	29,182	58,366
Family Room - Moncton	156,380	78,190	78,190	93,828
Buildings	1,000,811	891,834	108,977	125,469
Equipment and Computers	84,201	67,290	16,911	14,641
	1,593,220	1,299,960	293,260	352,304

Equipment and computers includes assets with a value of \$6,098 which are not available for use as at October 31, 2015 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, 2015

11

6. DEFERRED CONTRIBUTIONS	2015	2014
	\$	\$
Deferred restricted contributions	27,574	27,574
Deferred Adopt-A-Room contributions	19,199	10,109
Deferred capital grants	<u>211,209</u>	<u>263,241</u>
	<u>257,982</u>	<u>300,924</u>

Restricted contributions represent donations which have been restricted from 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 which have been restricted for the purchase of capital assets.

The Association has agreed to lease space for ten years, ending July 2016 , from the IWK Health Centre for a nominal amount. Ronald McDonald House Charities has provided \$200,000 in support of these costs. The Association will amortize this contribution over a ten year period.

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. 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, 2015.

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:

7. 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, 2015, cash and investments of \$9,843 and \$288,122 respectively (2014 - \$3,134 and \$271,650) 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, 2015

7. 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.

8. COMPARATIVE FIGURES

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

(Operating as "Ronald McDonald House Atlantic")

SCHEDULE OF OPERATING EXPENSES

FOR THE YEAR ENDED OCTOBER 31, 2015

	2015	2014
	\$	\$
BUILDING		
Heating fuel	13,963	15,098
Electricity	8,684	8,879
Water	4,779	4,377
Property taxes	3,140	2,989
Supplies	2,371	4,896
Repairs and maintenance	<u>32,612</u>	<u>6,245</u>
	<u>65,549</u>	<u>42,484</u>
PROGRAM DELIVERY		
Development and programming	340	6,430
Salaries, wages and employee benefits	143,552	189,372
Staff training and conferences	28,491	14,138
Family room	1,488	1,180
Family support	64	81
Volunteer recognition	3,555	2,613
Website	<u>16,534</u>	<u>-</u>
	<u>194,024</u>	<u>213,814</u>
ADMINISTRATION		
Professional fees	11,049	7,706
Phone	16,491	13,195
Supplies	3,425	1,498
Printing and stationary	2,683	1,367
Postage	1,525	1,133
Dues and fees	4,168	1,875
Interest and bank charges	1,990	2,242
Salaries and benefits	207,924	167,167
Computer	14,516	13,752
Miscellaneous	<u>7,772</u>	<u>4,970</u>
	<u>271,543</u>	<u>214,905</u>
BOARD OF DIRECTORS		
Insurance	2,750	2,521
Travel	<u>3,181</u>	<u>3,355</u>
	<u>5,931</u>	<u>5,876</u>