

**RONALD MCDONALD HOUSE CHARITIES OF
NORTHERN ALBERTA, AN ALBERTA SOCIETY**

**(formerly the Society for Children's Oncology
Family Services of Northern Alberta)**

Financial Statements

Year Ended December 31, 2015

**RONALD MCDONALD HOUSE CHARITIES OF NORTHERN ALBERTA,
AN ALBERTA SOCIETY**

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Year Ended December 31, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Ronald McDonald House Charities of
Northern Alberta, An Alberta Society

Report on the Financial Statements

We have audited the accompanying financial statements of Ronald McDonald House Charities of Northern Alberta, An Alberta Society, which comprise the statement of financial position as at December 31, 2015 and the statements of operations, changes in fund balances and 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 charitable organizations, the Society derives revenue from donations and fundraising, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Society and we were not able to determine whether any adjustments might be necessary to operations, assets or fund balances.

Qualified Opinion

In our opinion, except for the effect of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of the Society as at December 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.

March 23, 2016



Edmonton, Alberta
CHARTERED ACCOUNTANTS

**RONALD MCDONALD HOUSE CHARITIES OF NORTHERN ALBERTA,
AN ALBERTA SOCIETY**

Statement of Financial Position

December 31, 2015

	Operating Fund	Capital Fund	2015	2014
ASSETS				
CURRENT				
Cash (Note 3)	\$ 757,926	\$ 8,350	\$ 766,276	\$ 2,027,408
Accounts receivable (Note 4)	46,464	0	46,464	26,365
Prepaid expenses	37,807	0	37,807	22,753
	<u>842,197</u>	<u>8,350</u>	<u>850,547</u>	<u>2,076,526</u>
INVESTMENTS (Note 5)	5,379,225	0	5,379,225	5,175,056
INVESTMENT IN PROPERTY	1,546,991	0	1,546,991	0
PROPERTY AND EQUIPMENT (Note 6)	<u>0</u>	<u>7,230,424</u>	<u>7,230,424</u>	<u>7,603,073</u>
	<u>\$ 7,768,413</u>	<u>\$ 7,238,774</u>	<u>\$15,007,187</u>	<u>\$14,854,655</u>
LIABILITIES AND FUND BALANCES				
CURRENT				
Accounts payable and accrued liabilities	\$ 69,370	\$ 0	\$ 69,370	\$ 55,492
Deferred contributions (Note 7)	250,696	0	250,696	106,959
	<u>320,066</u>	<u>0</u>	<u>320,066</u>	<u>162,451</u>
FUND BALANCES				
Internally restricted (Note 8)	2,189,720	0	2,189,720	3,514,209
Unrestricted	5,258,627	8,350	5,266,977	3,574,922
Invested in property and equipment	<u>0</u>	<u>7,230,424</u>	<u>7,230,424</u>	<u>7,603,073</u>
	<u>7,448,347</u>	<u>7,238,774</u>	<u>14,687,121</u>	<u>14,692,204</u>
	<u>\$ 7,768,413</u>	<u>\$ 7,238,774</u>	<u>\$15,007,187</u>	<u>\$14,854,655</u>

APPROVED BY THE BOARD

_____ Director

_____ Director

**RONALD MCDONALD HOUSE CHARITIES OF NORTHERN ALBERTA,
AN ALBERTA SOCIETY**

Statement of Operations

Year Ended December 31, 2015

	Operating Fund	Capital Fund	2015	2014
REVENUE				
Donations	\$1,964,041	\$ 0	\$1,964,041	\$1,522,197
Fundraising	1,509,694	0	1,509,604	1,278,435
Investment income	262,622	0	262,622	261,947
Facility rental	131,784	0	131,784	131,496
Realized gain on investments	34,902	0	34,902	226,932
Other	11,138	0	11,138	8,279
Unrealized gain on investments	0	0	0	33,353
Grants	0	0	0	20,850
	<u>3,914,181</u>	<u>0</u>	<u>3,914,181</u>	<u>3,483,489</u>
EXPENSES				
Operating (Note 14)	2,055,240	0	2,055,240	1,421,917
Fundraising	921,690	0	921,690	979,898
Administrative (Note 15)	473,515	0	473,515	369,353
Amortization of property and equipment	0	390,678	390,678	408,938
Unrealized loss on investments	50,324	0	50,324	0
Investment management fees	27,817	0	27,817	32,901
	<u>3,528,586</u>	<u>(390,678)</u>	<u>3,919,264</u>	<u>3,213,007</u>
REVENUE OVER (UNDER) EXPENSES	<u>\$ 385,595</u>	<u>\$ (390,678)</u>	<u>\$ (5,083)</u>	<u>\$ 270,482</u>

**RONALD MCDONALD HOUSE CHARITIES OF NORTHERN ALBERTA,
AN ALBERTA SOCIETY**

Statement of Changes in Fund Balances

Year Ended December 31, 2015

	Operating Fund								
	Internally Restricted								
	Property Reserve Fund	Financial Stabilization Fund	Board Restricted Fund	Total Internally Restricted	Unrestricted	Total Operating Fund	Capital Fund	2015	2014
Fund balances at beginning of year	\$ 532,653	\$ 1,249,742	\$ 1,731,814	\$ 3,514,209	\$ 3,566,572	\$ 7,080,781	\$ 7,611,423	\$14,692,204	\$14,421,722
Transfer (Note 8, 9)	90,000	0	(1,589,253)	(1,499,253)	1,481,224	(18,029)	18,029	0	0
Revenue over (under) expenses	24,282	135,960	14,522	174,764	210,831	385,595	(390,678)	(5,083)	270,482
FUND BALANCES AT END OF YEAR	\$ 646,935	\$ 1,385,702	\$ 157,083	\$ 2,189,720	\$ 5,258,627	\$ 7,448,347	\$ 7,238,774	\$14,687,121	\$14,692,204

**RONALD MCDONALD HOUSE CHARITIES OF NORTHERN ALBERTA,
AN ALBERTA SOCIETY**

Statement of Cash Flows

Year Ended December 31, 2015

	Operating Fund	Capital Fund	2015	2014
OPERATING ACTIVITIES				
Revenue over (under) expenses	\$ 385,595	\$ (390,678)	\$ (5,083)	\$ 270,482
Items not affecting cash:				
Amortization	0	390,678	390,678	408,938
Unrealized (gain) loss on investments	50,324	0	50,324	(226,932)
Changes in non-cash working capital items (<i>Note 10</i>)	122,462	0	122,462	14,034
	<u>558,381</u>	<u>0</u>	<u>558,381</u>	<u>466,522</u>
INVESTING ACTIVITIES				
Purchase of property and equipment	0	(18,029)	(18,029)	(35,798)
Interfund transfers	(18,029)	18,029	0	0
Increase in investments	(254,493)	0	(254,493)	(246,946)
Purchase of investment property	(1,546,991)	0	(1,546,991)	0
	<u>(1,819,513)</u>	<u>0</u>	<u>(1,819,513)</u>	<u>(282,744)</u>
CASH (DECREASE) INCREASE	(1,261,132)	0	(1,261,132)	183,778
Cash at beginning of year	<u>2,019,058</u>	<u>8,350</u>	<u>2,027,408</u>	<u>1,843,630</u>
CASH AT END OF YEAR	<u>\$ 757,926</u>	<u>\$ 8,350</u>	<u>\$ 766,276</u>	<u>\$2,027,408</u>
CASH FLOWS SUPPLEMENTARY INFORMATION				
Interest received	<u>\$ 14,536</u>	<u>\$ 0</u>	<u>\$ 14,536</u>	<u>\$ 16,803</u>

**RONALD MCDONALD HOUSE CHARITIES OF NORTHERN ALBERTA,
AN ALBERTA SOCIETY**

Notes to Financial Statements

Year Ended December 31, 2015

NOTE 1--NATURE OF OPERATIONS

Ronald McDonald House Charities of Northern Alberta, An Alberta Society (the Society) is a non-profit charitable organization incorporated under the Societies Act (Alberta). Its principal activity is the operation of Edmonton Ronald McDonald House. The Society is exempt from income taxes under Section 149(1) of the Income Tax Act and is entitled to issue charitable donation receipts.

NOTE 2-- SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Fund accounting

The Society follows the restricted fund method of accounting for contributions. The Society segregates its activities into the following funds:

Operating Fund

The Operating Fund reports the Society's operations, administrative and fundraising activities.

Capital Fund

The Capital Fund reports the assets, liabilities, revenues and expenses related to the Society's property and equipment.

Cash

Cash is defined as cash on hand and cash on deposit, net of cheques issued and outstanding at the reporting dates.

Investments

Marketable securities are recorded at fair market value. Unrealized gains or losses are recognized in the statement of operations.

Investment in property

Investment in property is recorded at cost. Investment in property consists of land and buildings held as a long-term investment.

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**RONALD MCDONALD HOUSE CHARITIES OF NORTHERN ALBERTA,
AN ALBERTA SOCIETY**

Notes to Financial Statements

Year Ended December 31, 2015

NOTE 2-- SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property and equipment

Property and equipment are stated at cost less accumulated amortization. Property and equipment are amortized over their estimated useful lives on the declining balance method at the following rates:

Building	5%
Furniture and equipment	20%
Automotive equipment	30%
Computer equipment	100%

Contributed goods and services

Contributed goods are recognized as revenue when their fair market value can be reasonably estimated. Volunteers contribute a significant amount of time each year to assist the Society in carrying out its programs and services. Contributed services of volunteers are not recognized as revenue in these financial statements because fair value cannot be reasonably determined.

Revenue recognition

Restricted contributions are recognized as revenue of the appropriate fund in the year that they are received. If a separate fund does not exist, the restricted contribution will be recorded as part of the Operating Fund and will be deferred and recognized as revenue when the related expenses are incurred.

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received.

Investment income is recognized as earned.

Allocation of revenue and expenses

The Society incurs general administrative expenses that are common to the operation of the Society. Certain of these expenses have been allocated to operations, fundraising and administration, based on the percentage of usage. Such allocations are reviewed annually.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost and tested for impairment at each reporting date.

Use of estimates

The preparation of financial statements, in conformity with Canadian accounting standards for not-for-profit organizations, requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Significant estimates include amortization, allowances for doubtful accounts, accrued liabilities, deferred contributions and in-kind donations. By their nature, these estimates are subject to measurement uncertainty and actual results could differ.

**RONALD MCDONALD HOUSE CHARITIES OF NORTHERN ALBERTA,
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Notes to Financial Statements

Year Ended December 31, 2015

NOTE 3--CASH

Cash includes \$175,483 (2014--\$39,499) in gaming proceeds which can only be used in accordance with the licensing agreement with the Alberta Gaming and Liquor Commission.

NOTE 4--ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	<u>2015</u>	<u>2014</u>
Room rentals	\$ 8,200	\$ 17,680
Goods and Services Tax rebate	12,702	8,685
Other	43,162	0
	64,064	26,365
Allowance for doubtful accounts	(17,600)	0
	<u>\$ 46,464</u>	<u>\$ 26,365</u>

During the year, the Society recorded bad debts of \$55,348 (2014--\$14,836). This amount has been included in operating expenses.

NOTE 5--INVESTMENTS

	<u>2015</u>		<u>2014</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Marketable securities	<u>\$4,951,311</u>	<u>\$5,379,225</u>	<u>\$4,696,910</u>	<u>\$5,175,056</u>

NOTE 6--PROPERTY AND EQUIPMENT

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2015 Net Book Value</u>	<u>2014 Net Book Value</u>
Land	\$ 799,172	\$ 0	\$ 799,172	\$ 799,172
Building	9,384,463	3,117,419	6,267,044	6,596,888
Furniture and equipment	820,537	665,343	155,194	193,993
Computer equipment	121,495	112,481	9,014	13,020
	<u>\$11,125,667</u>	<u>\$ 3,895,243</u>	<u>\$ 7,230,424</u>	<u>\$ 7,603,073</u>

**RONALD MCDONALD HOUSE CHARITIES OF NORTHERN ALBERTA,
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Notes to Financial Statements

Year Ended December 31, 2015

NOTE 7--DEFERRED CONTRIBUTIONS

A portion of receipts received in the year are deferred to be recognized as revenue in future years as the related expenses are incurred. Deferred contributions consist of the following:

	<u>2015</u>	2014
Gaming	\$175,483	\$ 39,899
RBC Foundation - Resource Connect	36,875	0
Thys Investments - Playhouse	20,000	10,000
Ronald McDonald House Charities	18,338	0
Syncrude Canada - care packages	0	55,681
Canadian Cancer Society grant	0	1,379
	<u>\$250,696</u>	<u>\$106,959</u>

NOTE 8--INTERNALLY RESTRICTED NET ASSETS

The Society's Board has created three internally restricted net asset funds as part of the Operating Fund.

Financial Stabilization Fund

The financial stabilization fund was established to secure the Society's future financial stability. The purpose of the fund is to provide a provision to cover the future cost of ongoing programs in the event of unanticipated loss of funding.

Property Reserve Fund

The property reserve fund was established to have funds available for future repairs and maintenance to the house. In 2015, \$90,000 (2014--\$90,000) was transferred from the Unrestricted Operating Fund.

Board Restricted Fund

The board restricted fund was established to allow for unexpected and unbudgeted costs. These funds can only be spent with the Board's authorization.

In 2015, the Board approved the use of \$1,546,991 for the purchase of the investment property located in Edmonton and \$42,262 to unrestricted net assets.

NOTE 9--INTERFUND TRANSFERS

In 2015, \$18,029 (2014--\$35,798) was transferred from the Unrestricted Operating Fund to the Capital Fund in order to fund the cash outlays for property and equipment acquisitions.

**RONALD MCDONALD HOUSE CHARITIES OF NORTHERN ALBERTA,
AN ALBERTA SOCIETY**

Notes to Financial Statements

Year Ended December 31, 2015

NOTE 10-- CHANGES IN NON-CASH WORKING CAPITAL

Changes in non-cash working capital items and their effect of increasing (decreasing) cash are as follows:

	<u>2015</u>	2014
Accounts receivable	\$ (20,099)	\$ 17,480
Prepaid expenses	(15,054)	(6,097)
Accounts payable and accrued liabilities	13,878	13,179
Deferred contributions	<u>143,737</u>	<u>(10,528)</u>
	<u>\$ 122,462</u>	<u>\$ 14,034</u>

NOTE 11--FINANCIAL INSTRUMENTS

The Society's financial instruments consist of cash, accounts receivable, investments, investments in property, accounts payable and accrued liabilities.

The Society is exposed to the following risks through its financial instruments:

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. The Society's main credit risk relates to accounts receivable. Accounts receivable are amounts due from guests and the Goods and Services Tax rebate. The Society has numerous guests which reduces the concentration of credit risk. It is management's opinion that there is no significant credit risk as of December 31, 2015.

Liquidity risk

Liquidity risk arises from the possibility that the Society might encounter difficulty in settling its debts or in meeting its obligations related to financial liabilities. It is management's opinion that the risk has been reduced due to the large cash balance kept on hand at December 31, 2015.

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. The Society mitigates this risk by using professional money managers and maintaining a diversified investment portfolio.

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**RONALD MCDONALD HOUSE CHARITIES OF NORTHERN ALBERTA,
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Notes to Financial Statements

Year Ended December 31, 2015

NOTE 11--FINANCIAL INSTRUMENTS *(continued)*

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. The Society has investments denominated in foreign currency. Foreign exchange gains are included in the statement of operations.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Society is exposed to interest rate risk arising on its interest bearing assets. The Society's cash includes amounts held by financial institutions that earn interest at market rates. The Society manages its risk by monitoring interest being earned on excess funds.

NOTE 12--DONATED GOODS AND SERVICES

Included in the Operating Fund donations and fundraising revenue is \$560,137 (2014--\$484,931) of donated materials and services consisting of furniture, insurance, van lease, house supplies, automotive maintenance and marketing.

NOTE 13--CHARITABLE FUNDRAISING ACT AND REGULATION DISCLOSURE

Included in fundraising expenses are salaries and benefits of \$453,460 (2014--\$570,854) related to fundraising activities for the current year.

Amounts generated through fundraising were spent on general operations and to purchase equipment used in the programs.

NOTE 14--OPERATING EXPENSES

	<u>2015</u>	<u>2014</u>
Operating and facility	\$1,445,456	\$ 777,468
Family recreation and education	322,366	267,614
Family stakeholder relations	234,833	280,082
Volunteer services	52,585	96,753
	<u>\$2,055,240</u>	<u>\$1,421,917</u>

**RONALD MCDONALD HOUSE CHARITIES OF NORTHERN ALBERTA,
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Notes to Financial Statements

Year Ended December 31, 2015

NOTE 15--ADMINISTRATIVE EXPENSES

	<u>2015</u>	<u>2014</u>
Salaries and benefits	\$ 291,825	\$ 173,395
Office	119,557	117,303
Service contracts	48,714	50,448
Board	7,269	8,826
Professional fees	6,150	19,381
	<u>\$ 473,515</u>	<u>\$ 369,353</u>
