

TORONTO CHILDREN'S CARE INC.
FINANCIAL STATEMENTS
OCTOBER 31, 2014

TORONTO CHILDREN'S CARE INC.

FINANCIAL STATEMENTS

OCTOBER 31, 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Toronto Children's Care Inc.

We have audited the accompanying financial statements of Toronto Children's Care Inc., which comprise the statements of financial position as at October 31, 2014, and the statements of operations and changes in fund balances and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits 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 auditors' 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 Organization derives revenue from donations 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 organization and we were not able to determine whether any adjustments might be necessary to donation revenue, excess of revenue over expenses and cash flows from operations for the year ended October 31, 2014, assets and fund balances as at October 31, 2014.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of Toronto Children's Care Inc. as at October 31, 2014, and the results of operations and its cash flows for the year ended in accordance with Canadian accounting standards for not-for-profit organizations.

Crowe Soberman LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
January 27, 2015

TORONTO CHILDREN'S CARE INC.
STATEMENT OF FINANCIAL POSITION

At October 31

2014

2013

ASSETS

Current

Cash and cash equivalents - unrestricted	\$ 801,047	\$ 1,410,177
Cash and cash equivalents - capital reserve fund	134,077	132,969
Marketable securities - unrestricted (Cost - \$12,495,929; 2013 - \$10,627,958) (Note 3)	12,971,109	11,389,559
Marketable securities - capital reserve fund (Cost - \$2,219,315; 2013 - \$2,061,814) (Note 3)	2,445,541	2,240,403
Accounts receivable, prepaid expenses and other	413,181	269,368
Government remittances recoverable	129,946	75,858
Current portion of mortgage receivable (Note 5)	9,650	-
	16,904,551	15,518,334
Capital assets (Note 4)	29,338,876	29,768,340
Mortgage receivable (Note 5)	740,350	750,000
	\$ 46,983,777	\$ 46,036,674

LIABILITIES

Current

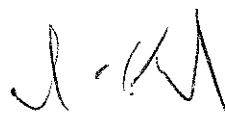
Accounts payable and accrued liabilities	\$ 435,204	\$ 683,889
Current portion of loans payable (Note 6)	81,210	81,210
	516,414	765,099
Loans payable (Note 6)	505,451	567,886
	1,021,865	1,332,985
Operating fund (from page 3)	3,520,520	3,253,191
Capital reserve fund (from page 3)	42,441,392	41,450,498
	45,961,912	44,703,689
	\$ 46,983,777	\$ 46,036,674

The accompanying notes are an integral part of the financial statements

On behalf of the Board



Director



TORONTO CHILDREN'S CARE INC.
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
Year ended October 31

	Operating Fund		Capital Reserve Fund		Total 2014	Total 2013
	2014	2013	2014	2013		
Revenues						
Donations and Fundraising	\$ 4,287,528	\$ 4,887,752	\$ 801,156	\$ 1,862,762	\$ 5,088,684	\$ 6,750,514
Investment income	1,088,213	843,071	172,306	251,866	1,260,519	1,094,937
Ronald McDonald House room payments	381,638	351,080	-	-	381,638	351,080
	5,757,379	6,081,903	973,462	2,114,628	6,730,841	8,196,531
Expenses						
Program - Operations	1,284,838	1,204,221	-	-	1,284,838	1,204,221
Program - Family services	1,222,314	866,177	-	-	1,222,314	866,177
Fundraising	1,159,076	1,019,711	-	-	1,159,076	1,019,711
Administration	571,189	359,270	-	-	571,189	359,270
Investment fees	52,633	49,273	12,147	9,594	64,780	58,867
Amortization	-	-	1,170,421	1,139,217	1,170,421	1,139,217
	4,290,050	3,498,652	1,182,568	1,148,811	5,472,618	4,647,463
Excess (deficiency) of revenues over expenses	\$ 1,467,329	\$ 2,583,251	\$ (209,106)	\$ 965,817	\$ 1,258,223	\$ 3,549,068
Fund balances, beginning of year	3,253,191	2,803,291	41,450,498	38,351,330	44,703,689	41,154,621
Transfer (Note 3)	(1,200,000)	(2,133,351)	1,200,000	2,133,351	-	-
Fund balances, end of year	\$ 3,520,520	\$ 3,253,191	\$ 42,441,392	\$ 41,450,498	\$ 45,961,912	\$ 44,703,689

The accompanying notes are an integral part of the financial statements

TORONTO CHILDREN'S CARE INC.**STATEMENT OF CASH FLOWS**

Year ended October 31

2014

2013

SOURCES (USES) OF CASH**Operating activities***Excess (deficiency) of revenues over expenses:*

Operating Fund	\$ 1,467,329	\$ 2,583,251
Capital Reserve Fund	(209,106)	965,817

Items not involving cash

Amortization	1,170,421	1,139,217
Gain on sale of marketable securities	(1,067,274)	(122,241)
Unrealized loss (gain) on marketable securities	244,449	(576,506)
Amortization of imputed interest benefit	18,775	20,613

1,624,594 **4,010,151****Changes in non-cash working capital items**

Accounts receivable, prepaid expenses and other	(143,813)	100,617
Government remittances recoverable	(54,088)	(4,527)
Accounts payable and accrued liabilities	(248,685)	76,260

Cash provided by operating activities **1,178,008** **4,182,501****Investing activities**

Acquisition of capital assets	(740,957)	(83,763)
Purchases of marketable securities, net of sales	(963,863)	(5,024,216)

Cash used in investing activities **(1,704,820)** **(5,107,979)****Financing activities**

Loans payable	(81,210)	(81,210)
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Cash used in financing activities **(81,210)** **(81,210)**

Net decrease in cash **(608,022)** **(1,006,688)**

Cash and cash equivalents, beginning of year **1,543,146** **2,549,834**

Cash and cash equivalents, end of year **\$ 935,124** **\$ 1,543,146****Represented by:**

Cash	\$ 601,691	\$ 617,225
Money market funds	264,673	708,593
Guaranteed investment certificate	68,760	217,328

\$ 935,124 **\$ 1,543,146***The accompanying notes are an integral part of the financial statements*

TORONTO CHILDREN'S CARE INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2014

1. Purpose of the organization and income tax status

Toronto Children's Care Inc. (the "Organization") is incorporated without share capital under the provisions of the Corporations Act (Ontario). The Organization is a registered charity that operates a Ronald McDonald House in Toronto, which is a temporary residence for the families of children receiving treatment for cancer and other major pediatric illnesses. Since February 2012, the Organization has also opened Ronald McDonald Family Rooms in local hospitals. An extension of Ronald McDonald House Toronto, the Family Rooms provide a "home away from home" for families of seriously ill children - within a hospital setting.

The Organization is a registered charity under the Income Tax Act and is exempt from income tax under Section 149(1)(l) of the Income Tax Act and is able to issue donation receipts for income tax purposes. Registration remains valid so long as the organization continues to fulfill the requirements of the Act and regulations in respect of registered charities.

2. Significant accounting policies

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

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 and disclosure of contingent assets and liabilities at the statement of financial position date and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Fund accounting

The Organization maintains its accounts in accordance with the principles of fund accounting, identifying two separate funds whose purposes are as follows:

The Operating Fund is used to report the Organization's day-to-day and recurring costs of administering and maintaining Ronald McDonald House Toronto and family rooms in local hospitals and providing services to the residents. This fund reports the use of unrestricted resources related to general operations.

The Capital Reserve Fund is used to report the assets, liabilities, revenues and expenses related to the Organization's capital assets.

TORONTO CHILDREN'S CARE INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2014

2. Significant accounting policies (continued)

Revenue recognition

Toronto Children's Care Inc. follows the restricted fund method of accounting for contributions.

Revenue from donations and fundraising is recognized as revenue in either the Operating Fund or the Capital Reserve Fund as appropriate in the year received or receivable, if the amount can be reasonably estimated and collection is reasonably assured.

Revenue from room payments is recognized as revenue in the Operating Fund on an accrual basis when receivable.

Interest earned on resources of the Operating Fund and the Capital Reserve Fund is recognized in the respective funds on an accrual basis and dividend income recognized when received.

Financial instruments

The Organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The Organization subsequently measures all its financial instruments at amortized cost using the effective interest rate method, except for investments in equity instruments that are quoted in an active market. Changes in fair value are recognized in net income.

Transaction costs are recognized in net earnings in the period incurred.

Cash and cash equivalents

Investments in highly liquid securities with original maturities of 90 days or less are included in cash and cash equivalents.

Capital assets

Purchased capital assets are stated at cost less accumulated amortization. The straight line method is used to amortize the building over a period of 40 years while furniture, fixtures and equipment are amortized over a period of 4 years. Capital assets related to family rooms are amortized over a period of 10 years.

Contributed capital assets are recorded at fair value and amortized as above when that value can be reasonably estimated. Otherwise, they are recorded at a nominal value.

Contributed services

The Organization would not be able to operate Ronald McDonald House Toronto and family rooms successfully and effectively as it does without the assistance of numerous dedicated volunteers who contribute a considerable amount of time and effort over the course of the year. Because of the difficulty of determining the fair value of this time and effort, contributed services are not recognized in these financial statements.

TORONTO CHILDREN'S CARE INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2014

3. Marketable securities

The Organization manages its marketable securities using a combination of passive ETF portfolios and third party managers who are evaluated annually. A third party reporting and monitoring service has been engaged to report on the results for each portfolio as well as the consolidated results. As at October 31, 2014, the portfolio was invested in 2.3% cash and cash equivalents, 11.3% government treasury bills, 49.4% bonds and 37.0% equities. During the year, the Board of Directors transferred \$1,200,000 of cash, cash equivalents and marketable securities from the operating fund to the capital asset fund for the purposes of funding capital maintenance for the building. The board has committed to further funding of \$200,000 per year.

4. Capital assets

	Cost	Accumulated Amortization	2014 Net Carrying Amount	2013 Net Carrying Amount
Land	\$ 3,230,866	\$ -	\$ 3,230,866	\$ 3,230,866
Building	26,668,658	1,993,578	24,675,080	25,255,462
Furniture, fixtures and equipment	2,232,754	1,460,647	772,107	1,164,278
Family rooms	717,610	56,787	660,823	117,734
	\$ 32,849,888	\$ 3,511,012	\$ 29,338,876	\$ 29,768,340

Amortization expense for the year amounted to \$1,170,421 (2013 - \$1,139,217).

5. Mortgages receivable

The Organization holds a second mortgage which is secured by the former facility. The mortgage was originally to mature on June 1, 2014. There was legal action against the mortgagee which delayed payment on the principal balance. As a result, the mortgage was refinanced on April 23, 2014. The refinanced mortgage matures April 16, 2017. Terms are as follows:

- November 1, 2014 to April 16, 2015 - Interest only payments at 6%;
- April 17, 2015 to April 16, 2016 - Blended monthly payments of \$5,805, bearing interest at 7%. Principal payment of \$100,000 to be received on April 30, 2016;
- April 17, 2016 to April 16, 2017 - Blended monthly payments of \$5,012, bearing interest at 8%. Remaining principal to be repaid on April 16, 2017.

Principal repayments over the next three years are as follows:

Year ending October 31, 2015	\$ 9,350
2016	113,923
2017	626,727

TORONTO CHILDREN'S CARE INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2014

6. Loans payable

	2014	2013
Toronto Energy Conservation Fund Loan (i)	\$ 526,785	\$ 599,445
Toronto Green Energy Fund Loan (ii)	147,488	156,038
Less: imputed interest benefit	(87,612)	(106,387)
	586,661	649,096
Less: current portion	81,210	81,210
	\$ 505,451	\$ 567,886

Principal repayments over the next five years are as follows:

Year ending October 31, 2015	\$ 81,210
2016	81,210
2017	81,210
2018	81,210
2019	81,210
Thereafter	268,223
	\$ 674,273

- (i) The loan is to be repaid in quarterly installments of \$18,165 expiring on January 1, 2022. The loan bears no interest except on outstanding installments which are subject to interest at the Royal Bank of Canada's prime rate.
- (ii) The loan is to be repaid in quarterly installments of \$2,137 expiring on January 1, 2032. The loan bears no interest except on outstanding installments which are subject to interest at the Royal Bank of Canada's prime rate.

The loans payable are initially recorded at fair value. The fair value of these interest free loans are estimated as the present value of all future payments discounted using the prevailing market rates of interest for similar instruments. The difference between fair value and amount received has been accounted for as imputed interest benefit, which is being amortized over the life of the loans.

TORONTO CHILDREN'S CARE INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2014

7. Financial instruments

The Organization regularly evaluates and manages the principal risks assumed with its financial instruments. The risks that arise from transacting in financial instruments include liquidity risk, credit risk, market risk, interest rate risk, and foreign currency risk. The following analysis provides a measure of the Organization's risk exposure and concentrations. There are no significant changes in the risk exposures from the prior period.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities as they come due. The Organization is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and loans payable. The Organization considers that it has sufficient funds available to meet its obligations as they come due.

Credit risk

The Organization is exposed to credit risk in the event of non-performance by counterparties in connection with its accounts receivable and mortgage receivable. The Organization assesses on that basis of amounts for which ultimate collection is reasonably assured based on their estimated realizable value.

Market risk

The Organization's investments in publicly-traded securities exposes the Organization to price risks as equity investments are subject to price changes in an open market. The Organization does not use derivative financial instruments to alter effects of this risk.

The Organization is not exposed to any significant foreign currency risk or interest rate risk at the statement of financial position date.

8. Related party transactions

During the year, the Organization paid \$74 (2013 - \$52) for disbursements to a legal firm in which a director of the Organization has an ownership interest. This transaction was in the normal course of operations.

9. Comparative figures

Certain reclassifications for the year ended October 31, 2013 have been made for the purpose of comparability.