



Financial Statements

Toronto Children's Care Inc.

October 31, 2016

Contents

	Page
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statements of Operations and Changes in Fund Balances	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 12



Independent Auditor's Report

Grant Thornton LLP
11th Floor
200 King Street West, Box 11
Toronto, ON
M5H 3T4
T +1 416 366 0100
F +1 416 360 4949
www.GrantThornton.ca

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 statement of financial position as at October 31, 2016, 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 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 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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Toronto Children's Care Inc. 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 matter

The financial statements of Toronto Children's Care Inc. for the year ended October 31, 2015, were audited by another auditor who expressed an unqualified audit opinion on February 10, 2016, except as to Note 12, which is as of May 6, 2016.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script.

Toronto, Canada
January 24, 2017

Chartered Professional Accountants
Licensed Public Accountants

Toronto Children's Care Inc.

Statement of Financial Position

October 31,

2016

2015

Assets

Current assets

Cash and cash equivalents	\$ 1,168,042	\$ 983,324
Segregated cash – internally restricted fund	108,508	629,682
Accounts receivable	57,661	539,077
Prepaid expenses and other assets	108,923	47,499
Government remittances recoverable	112,487	74,550
Current portion of mortgage receivable	-	740,651
	<u>1,555,621</u>	<u>3,014,783</u>

Investments (Note 3)	18,169,564	15,787,388
Capital assets (Note 4)	<u>28,539,261</u>	<u>28,724,238</u>
	<u>\$ 48,264,446</u>	<u>\$ 47,526,409</u>

Liabilities

Current liabilities

Accounts payable and accrued liabilities	\$ 475,822	\$ 606,098
Deferred revenue	47,003	-
Current portion of loans payable (Note 5)	<u>81,210</u>	<u>81,210</u>
	<u>604,035</u>	<u>687,308</u>

Loans payable (Note 5)	<u>375,102</u>	<u>441,121</u>
	<u>979,137</u>	<u>1,128,429</u>

Fund Balances

Unrestricted fund (from page 4)	529,519	993,343
Internally restricted fund (from page 4) (Note 7)	18,216,529	16,635,390
Invested in capital assets (from page 4)	<u>28,539,261</u>	<u>28,769,247</u>
	<u>47,285,309</u>	<u>46,397,980</u>
	<u>\$ 48,264,446</u>	<u>\$ 47,526,409</u>

On behalf of the Board

Director

Toronto Children's Care Inc.

Statement of operations and changes in fund balances

October 31

	Unrestricted Fund		Internally Restricted Fund		Invested in Capital Assets		Externally Restricted Fund		Total	Total
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Revenues										
Donations and										
Fundraising	\$ 4,262,487	\$ 4,192,947	\$ 134,560	\$ 177,525	\$ 325,548	\$ 333,500	\$ 200,000	\$ 200,000	\$ 4,922,595	\$ 4,903,972
Investment income	-	-	1,300,849	604,053	-	-	-	-	1,300,849	604,053
(Note 6)										
Ronald McDonald House										
Room payments	424,893	391,587	-	-	-	-	-	-	424,893	391,587
	<u>\$ 4,687,380</u>	<u>\$ 4,584,534</u>	<u>\$ 1,435,409</u>	<u>\$ 781,578</u>	<u>\$ 325,548</u>	<u>\$ 333,500</u>	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$ 6,648,337</u>	<u>\$ 5,899,612</u>
Expenses										
Program – Family										
Services	\$ 1,890,078	\$ 1,545,725	\$ -	\$ -	\$ -	\$ -	\$ 200,000	\$ 200,000	\$ 2,090,078	\$ 1,745,725
Program –										
Operations	1,284,883	1,118,691	-	-	-	-	-	-	1,284,883	1,118,691
Fundraising	952,491	824,332	-	-	-	-	-	-	952,491	824,332
Administration	587,774	508,972	-	-	-	-	-	-	587,774	508,972
Investment fees	-	-	54,264	46,827	-	-	-	-	54,264	46,827
Amortization	-	-	-	-	791,518	1,218,997	-	-	791,518	1,218,997
	<u>\$ 4,715,226</u>	<u>\$ 3,997,720</u>	<u>\$ 54,264</u>	<u>\$ 46,827</u>	<u>\$ 791,518</u>	<u>\$ 1,218,997</u>	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$ 5,761,008</u>	<u>\$ 5,463,544</u>
Excess (deficiency)										
of revenues										
over expenses	\$ (27,846)	\$ 586,814	\$ 1,381,145	\$ 734,751	\$ (465,970)	\$ (885,497)	\$ -	\$ -	\$ 887,329	\$ 436,068
Fund balances,										
beginning of										
year	993,343	3,520,520	16,635,390	13,102,516	28,769,247	29,338,876	-	-	46,397,980	45,961,912
Transfer (Note 7)	(435,978)	(3,113,991)	199,994	2,798,123	235,984	315,868	-	-	-	-
Fund balances,										
end of year	\$ 529,519	\$ 993,343	\$ 18,216,529	\$ 16,635,390	\$ 28,539,261	\$ 28,769,247	\$ -	\$ -	\$ 47,285,309	\$ 46,397,980

See accompanying notes to financial statements

Toronto Children's Care Inc.

Statement of cash flows

October 31,

2016

2015

SOURCES (USES) OF CASH

Operating activities

Excess (deficiency) of revenues over expenses:

Unrestricted Fund	\$ (27,846)	\$ 586,814
Internally Restricted Fund	1,381,145	734,751
Invested in Capital Assets	(465,970)	(885,497)

Items not involving cash

Amortization	791,518	1,218,997
Unrealized (gain) loss on investments	(769,371)	729,939
Amortization of imputed interest benefit	15,191	16,880
	<u>924,667</u>	<u>2,401,884</u>

Changes in non-cash working capital items,

Accounts receivable	481,416	(169,474)
Prepaid expenses and other assets	(61,424)	(3,921)
Government remittances recoverable	(37,937)	55,396
Accounts payable and accrued liabilities	<u>(83,273)</u>	<u>170,894</u>

Cash provided by operating activities

1,223,449 2,454,779

Investing activities

Acquisition of capital assets	(606,541)	(604,359)
Mortgage receivable	740,651	9,349
Purchases of investments, net of sales	<u>(1,612,805)</u>	<u>(1,100,677)</u>

Cash used in investing activities

(1,478,695) (1,695,687)

Financing activities

Loans payable	<u>(81,210)</u>	<u>(81,210)</u>
---------------	-----------------	-----------------

Cash used in financing activities

(81,210) (81,210)

Net (decrease) increase in cash

(336,456) 677,882

Cash and cash equivalents, beginning of year

1,613,006 935,124

Cash and cash equivalents, end of year

\$ 1,276,550 \$ 1,613,006

Represented by:

Cash	\$ 1,162,998	\$ 978,284
Segregated cash – internally restricted fund	108,508	629,682
Guaranteed investment certificate	<u>5,044</u>	<u>5,040</u>

\$ 1,276,550 \$ 1,613,006

Toronto Children's Care Inc.

Notes to the financial statements

October 31, 2016

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 paediatric 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 fulfil 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 four separate funds whose purposes are as follows:

The Unrestricted 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 Internally Restricted fund is used to report the assets, liabilities, revenues and expenses internally restricted by the Board of Directors. This fund includes two funds: The Stabilization fund and The Property Replacement Reserve fund. The Stabilization Fund was established by the Board of Directors to ensure the organization's future financial stability; the purpose of the fund is to cover the future cost of ongoing programs in the event of an unanticipated loss of funding. The Property Replacement Reserve fund was established to have funds available for future repairs to and maintenance of the property components of the Organization.

The Invested in Capital Assets 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 the financial statements

October 31, 2016

2. Significant accounting policies (continued)

Fund accounting (continued)

The Externally Restricted fund is used to report resources contributed with specified restrictions as to their uses.

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 Unrestricted fund, Internally Restricted fund or the Externally Restricted fund as appropriate in the year received or receivable, if the amount can be reasonably estimated and collection is reasonably assured.

Interest earned on resources of the Unrestricted and Internally Restricted funds is recognized in the respective funds on an accrual basis and dividend income recognized when received.

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

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, which are measured at fair value. Changes in fair value are recognized in net earnings.

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

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 10 years. Capital assets related to family rooms are amortized over a period of 10 years.

Change in estimate

In the fiscal year, the Organization revised its estimated useful life for furniture, fixtures and equipment from 4 years to 10 years in order to better align with the use of the assets. This change in accounting estimate has been applied prospectively.

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.

Toronto Children's Care Inc.

Notes to the financial statements

October 31, 2016

2. Significant accounting policies (continued)

Contributed materials and 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 and donors who contribute a considerable amount of time, effort and materials over the course of the year. Because of the difficulty of determining the fair value of this time and effort, contributed materials and services are not recognized in these financial statements.

3. Investments

The Organization manages its investments using third party investment managers who are evaluated annually. To support this evaluation, a monitoring service has been engaged to report on the results for each investment manager, as well as the consolidated results.

As at October 31, 2016, the portfolio was invested as follows:

	<u>2016</u>	<u>2015</u>
Government treasury bills	\$ 3,936,842	\$ 3,059,137
Fixed income	8,307,858	7,505,550
Equities	<u>5,924,864</u>	<u>5,222,701</u>
	<u>\$ 18,169,564</u>	<u>\$ 15,787,388</u>

4. Capital assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2016 Net Carrying Amount</u>	<u>2015 Net Carrying Amount</u>
Land	\$ 3,230,866	\$	\$ 3,230,866	\$ 3,230,866
Building	26,943,883	(3,334,304)	23,609,579	24,160,558
Furniture, fixtures and Equipment	2,423,105	(1,953,652)	469,453	373,726
Family rooms	<u>1,462,934</u>	<u>(233,571)</u>	<u>1,229,363</u>	<u>959,088</u>
	<u>\$ 34,060,788</u>	<u>\$ (5,521,527)</u>	<u>\$ 28,539,261</u>	<u>\$ 28,724,238</u>

Amortization expense for the year amounted to \$791,518 (2015 - \$1,218,997).

Toronto Children's Care Inc.

Notes to the financial statements

October 31, 2016

5. Loans payable

	<u>2016</u>	<u>2015</u>
Toronto Energy Conservation Fund Loan (i)	\$ 381,465	\$ 454,125
Toronto Green Energy Fund Loan (ii)	130,388	138,938
Less: imputed interest benefit	<u>(55,541)</u>	<u>(70,731)</u>
	456,312	522,332
Less: current portions	<u>81,210</u>	<u>81,210</u>
	<u>\$ 375,102</u>	<u>\$ 441,122</u>

Principal repayments over the next five years are as follows:

2017	\$ 81,210
2018	81,210
2019	81,210
2020	81,210
Thereafter	<u>187,013</u>
	<u>\$ 511,853</u>

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

6. Investment income

	<u>2016</u>	<u>2015</u>
Interest income	\$ 231,085	\$ 161,050
Dividends and other income	273,999	243,870
Realized gain on sale of investments	26,394	929,072
Unrealized gain (loss) on investments	<u>769,371</u>	<u>(729,939)</u>
	<u>\$ 1,300,849</u>	<u>\$ 604,053</u>

Toronto Children's Care Inc.

Notes to the financial statements

October 31, 2016

7. Internally Restricted fund

The Internally Restricted fund is comprised of the following balances:

	<u>2016</u>	<u>2015</u>
Stabilization fund	\$ 14,101,477	\$ 12,879,584
Property Replacement Reserve fund	<u>4,115,052</u>	<u>3,755,806</u>
	<u>\$ 18,216,529</u>	<u>\$ 16,635,390</u>

In 2015, the Board of Directors restructured the investments to establish a Stabilization fund and a Property Replacement fund.

During the year ended October 31, 2016, \$153,029 was transferred from the operating fund to the internally restricted fund.

8. Letter of credit

Toronto Children's Care Inc. has a standby letter of credit bearing interest at 1.3% per annum. The beneficiary of this letter of credit is the Ontario Teachers Federation.

Toronto Children's Care Inc.

Notes to the financial statements

October 31, 2016

9. 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 interest rate risk or foreign currency risk at the statement of financial position date.

Toronto Children's Care Inc.
Notes to the financial statements

October 31, 2016

10. Related party transactions

During the year, the Organization paid \$184 (2015 - \$5) 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.

11. Comparative figures

Certain reclassifications for the year ended October 31, 2015 have been made for the purpose of comparability.
