Grant Thornton

Financial Statements

Toronto Children's Care Inc.

December 31, 2017

Contents

Independent Auditor's Report

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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 December 31, 2017, and the statements of operations and changes in fund balances and cash flows for the period from November 1, 2016 to December 31, 2017, 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.

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Toronto Children's Care Inc. as at December 31, 2017, and the results of its operations and cash flows for the period from November 1, 2016 to December 31, 2017 in accordance with Canadian accounting standards for not-for-profit organizations.

Grant Thornton LLP

Toronto, Canada
March 27, 2018

Chartered Professional Accountants
Licensed Public Accountants

Toronto Children's Care Inc.
Statement of Financial Position

	December 31, 2017	October 31, 2016
Assets		
Current assets		
Cash and cash equivalents	$ 1,046,903	$ 1,276,550
Accounts receivable (Note 5)	135,506	147,585
Prepaid expenses and other assets	102,178	131,486
	1,284,587	1,555,621
Investments (Note 3)	19,797,465	18,169,564
Capital assets, net (Note 4)	27,907,564	28,539,261
	$ 48,989,616	$ 48,264,446
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 257,181	$ 475,822
Deferred contributions (Note 6)	210,860	47,003
Current portion of loans payable (Note 7)	81,210	81,210
	549,251	604,035
Long term portion of loans payable (Note 7)	306,891	375,102
	856,142	979,137
Fund Balances		
Unrestricted fund (from page 4)	373,113	529,519
Restricted fund (from page 4) (Note 8)	19,852,797	18,216,529
Capital asset fund (from page 4)	27,907,564	28,539,261
	48,133,474	47,285,309
	$ 48,989,616	$ 48,264,446

On behalf of the Board

_______________ Director

Toronto Children's Care Inc.
Statement of operations and changes in fund balances

	Unrestricted Fund		Internally Restricted Fund		Invested in Capital Assets		Externally Restricted Fund		14 months ended December 31 2017 Total	12 months ended October 31 2016 Total
	2017 (14 months)	2016 (12 months)	2017 (14 months)	2016 (12 months)	2017 (14 months)	2016 (12 months)	2017 (14 months)	2016 (12 months)	2017 (14 months)	2016 (12 months)
Revenues										
Contributions and Fundraising	$ 5,572,167	$ 4,262,487	$ -	$ -	$ -	$ -	200,000	$ 200,000	$ 5,772,167	4,462,487
RMH room donations/fees	436,868	396,271	-	-	-	-	-	-	436,868	396,271
Other Revenues	700	-	-	134,560	234,708	325,548	-	-	235,408	460,108
	$ 6,009,735	$ 4,658,758	$ -	$ 134,560	$ 234,708	$ 325,548	$ 200,000	$ 200,000	$ 6,444,443	$ 5,318,866
Expenses										
Program	$ 3,913,528	$ 3,173,635	$ -	$ -	$ -	$ -	$ 200,000	$ 200,000	$ 4,113,528	$ 3,373,635
Management and General	684,680	560,478	-	-	-	-	-	-	684,680	560,478
Fundraising	1,529,088	952,491	-	-	-	-	-	-	1,529,088	952,491
Amortization	-	-	-	-	853,806	791,518	-	-	853,806	791,518
	$ 6,127,296	$ 4,686,604	$ -	$ -	$ 853,806	$ 791,518	$ 200,000	$ 200,000	$ 7,181,102	$ 5,678,122
Excess (deficiency) of operating revenues over expenses before investment income	$ (117,561)	$ (27,846)	$ -	$ 134,560	$ (619,098)	$ (465,970)	$ -	$ -	$ (736,659)	$ 359,256
Investment income, net (Note 9)	-	-	1,584,824	1,246,585	-	-	-	-	1,584,824	1,246,585
Excess (deficiency) of revenues over expenses	(117,561)	(27,846)	1,584,824	1,381,145	(619,098)	(465,970)	-	-	848,165	887,329
Fund balances, beginning of year	529,519	993,343	18,216,529	16,635,390	28,539,261	28,769,247	-	-	47,285,309	46,397,980
Transfer (Note 8)	(38,845)	(435,978)	51,444	199,994	(12,599)	235,984	-	-	-	-
Fund balances, end of year	$ 373,113	$ 529,519	$ 19,852,797	$ 18,216,529	$ 27,907,564	$ 28,539,261	$ -	$ -	$ 48,133,474	$ 47,285,309

See accompanying notes to financial statements

Toronto Children's Care Inc.
Statement of cash flows

	14 months ended December 31 2017	12 months ended October 31 2016
SOURCES (USES) OF CASH		
Operating activities		
Excess (deficiency) of revenues over expenses:		
Unrestricted Fund	$ (117,561)	$ (27,846)
Restricted Fund	1,584,824	1,381,145
Capital Assets Fund	(619,098)	(465,970)
Items not involving cash		
Amortization	853,806	791,518
Unrealized gains on investments	(538,593)	(769,371)
Amortization of imputed interest benefit	12,998	15,191
	1,176,376	924,667
Changes in non-cash working capital items,		
Accounts receivable	12,079	443,479
Prepaid expenses and other assets	29,308	(61,424)
Accounts payable and accrued liabilities	(218,641)	(130,276)
Deferred contributions	163,857	47,003
Cash provided by operating activities	1,162,979	1,223,449
Investing activities		
Acquisition of capital assets	(222,108)	(606,541)
Mortgage receivable	-	740,651
Purchases of investments, net of sales	(1,089,308)	(1,612,805)
Cash used in investing activities	(1,311,416)	(1,478,695)
Financing activities		
Repayment of loans payable	(81,210)	(81,210)
Cash used in financing activities	(81,210)	(81,210)
Net decrease in cash	(229,647)	(336,456)
Cash and cash equivalents, beginning of year	1,276,550	1,613,006
Cash and cash equivalents, end of year	$ 1,046,903	$ 1,276,550
Represented by:		
Cash	$ 991,571	$ 1,162,998
Segregated cash – internally restricted fund	55,332	108,508
Guaranteed investment certificate	-	5,044
	$ 1,046,903	$ 1,276,550

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. The Organization also operates 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.

The fiscal year end of the Organization was changed from October 31 to December 31 to align with the Ronald McDonald House global standards. As such, current results reflect 14 months of operations and comparative figures reflect 12 months.

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.

2. Significant accounting policies (continued)

Fund accounting (continued)

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.

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, Interally 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.

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.

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.

The portfolio was invested as follows:

	14 months ended 2017	12 months ended 2016
Government treasury bills	$ 4,964,102	$ 3,936,842
Fixed income	8,846,312	8,307,858
Equities	5,987,051	5,924,864
	$ 19,797,465	$ 18,169,564

Cash segregated for the internally restricted fund of $55,332 (October 31, 2016 – $108,508) is also managed using third party investment managers.

4. Capital asset

	Cost	Accumulated Amortization	14 months ended 2017 Net Carrying Amount	12 months ended 2016 Net Carrying Amount
Land	$ 3,230,866	$ -	$ 3,230,866	$ 3,230,866
Building	26,981,035	4,008,366	22,972,669	23,609,579
Furniture, fixtures and Equipment	2,534,689	1,983,467	551,222	469,453
Family rooms	1,536,267	383,460	1,152,807	1,229,363
	$ 34,282,857	$ 6,375,293	$ 27,907,564	$ 28,539,261

Amortization expense for the period amounted to $853,806 (Oct 31, 2016 - $791,518).

5. Government remittances receivable

As at December 31, 2017, accounts receivable include government remittances receivable of $107,686 (Oct 31, 2016 - $112,487).

6. Deferred contributions

Deferred contributions represent unspent resources externally restricted for program expenses in future years. Changes in the deferred contributions balance are as follows:

	14 months ended December 31 2017	12 months ended October 31 2016
Balance, beginning of period	$ 47,003	$ -
Amount received during the period	6,608,300	5,365,869
Amount recognized as revenue during the period	(6,444,443)	(5,318,866)
Balance, end of period	$ 210,860	$ 47,003

7. Loans payable

	14 months ended December 31 2017	12 months ended October 31 2016
Toronto Energy Conservation Fund Loan (i)	$ 308,805	$ 381,465
Toronto Green Energy Fund Loan (ii)	121,839	130,388
Less: imputed interest benefit	(42,543)	(55,541)
	388,101	456,312
Less: current portion	81,210	81,210
	$ 306,891	$ 375,102

Principal repayments over the next five years are as follows:

2018	$ 81,210
2019	81,210
2020	81,210
2021	81,210
2022	26,715
Thereafter	79,089
	$ 430,644

7. Loans payable (continued)

(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 and included in management and general expenses.

8. Internally Restricted fund

The Internally Restricted fund is comprised of the following balances:

	14 months ended December 31 2017	12 months ended October 31 2016
Stabilization fund	$ 14,919,414	$ 14,101,477
Property Replacement Reserve fund	4,277,615	4,115,052
	$ 19,197,029	$ 18,216,529

During the period ended December 31, 2017 $51,444 (Oct 31, 2016 – $199,994) was transferred from the operating fund to the internally restricted fund.

9. Investment income

	14 months ended December 31 2017	12 months ended October 31 2016
Interest income	$ 351,851	$ 231,085
Dividends and other income	738,930	273,999
Realized gain on sale of investments	12,676	26,394
Unrealized gain on investments	538,593	769,371
Investment fees	(57,226)	(54,264)
	$ 1,584,824	$ 1,246,585

10. 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.

11. 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.

12. Comparative figures

Certain reclassifications for the year ended October 31, 2016 have been made for the purpose of comparability.