

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

Financial Statements

Year Ended December 31, 2016

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

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Year Ended December 31, 2016

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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, 2016 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, 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.

Edmonton, Alberta
April 19, 2017



CHARTERED ACCOUNTANTS

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

Statement of Financial Position

December 31, 2016

	Operating Fund	Capital Fund	2016	2015
ASSETS				
CURRENT				
Cash (Note 3)	\$ 531,066	\$ 149,140	\$ 680,206	\$ 766,276
Accounts receivable (Note 4)	23,392	0	23,392	46,464
Prepaid expenses	77,732	0	77,732	37,807
	632,190	149,140	781,330	850,547
INVESTMENTS (Note 5)	5,819,146	0	5,819,146	5,379,225
INVESTMENT IN PROPERTY	0	1,546,991	1,546,991	1,546,991
PROPERTY AND EQUIPMENT (Note 6)	0	6,920,108	6,920,108	7,230,424
	<u>\$ 6,451,336</u>	<u>\$ 8,616,239</u>	<u>\$15,067,575</u>	<u>\$15,007,187</u>
LIABILITIES AND FUND BALANCES				
CURRENT				
Accounts payable and accrued liabilities	\$ 101,112	\$ 0	\$ 101,112	\$ 69,370
Deferred contributions (Note 7)	201,236	0	201,236	250,696
	302,348	0	302,348	320,066
FUND BALANCES				
Internally restricted (Note 8)	2,062,379	0	2,062,379	2,189,720
Unrestricted	4,086,609	1,696,131	5,782,740	5,266,977
Invested in property and equipment	0	6,920,108	6,920,108	7,230,424
	6,148,988	8,616,239	14,765,227	14,687,121
	<u>\$ 6,451,336</u>	<u>\$ 8,616,239</u>	<u>\$15,067,575</u>	<u>\$15,007,187</u>

LEASE COMMITMENT (Note 10)

APPROVED BY THE BOARD

_____ Director

_____ Director

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

Statement of Operations

Year Ended December 31, 2016

	Operating Fund	Capital Fund	2016	2015
REVENUE				
Fundraising	\$1,468,387	\$ 0	\$1,468,387	\$1,371,813
Donations	1,299,301	29,500	1,328,801	1,403,904
Gifts-in-kind	532,894	0	532,894	698,019
Investment income (<i>Note 11</i>)	441,147	0	441,147	219,383
Grants	118,595	125,000	243,595	0
Facility rental	135,888	0	135,888	131,784
Other	7,370	0	7,370	11,138
	<u>4,003,582</u>	<u>154,500</u>	<u>4,158,082</u>	<u>3,836,041</u>
EXPENSES				
Human resources	\$2,425,897	0	2,425,897	1,821,700
Events	409,581	0	409,581	415,638
Facility and vehicle	406,120	0	406,120	653,876
Amortization of property and equipment	0	380,835	380,835	390,678
Program and operating	142,291	0	142,291	226,710
Administration	84,798	0	84,798	89,140
Family recreation and education	74,275	0	74,275	76,698
Information technology	59,428	0	59,428	48,714
Communication	37,044	0	37,044	59,821
Development	31,950	0	31,950	52,592
Expenses for investment property	0	24,363	24,363	0
Volunteer services	3,394	0	3,394	5,557
	<u>3,674,778</u>	<u>405,198</u>	<u>4,079,976</u>	<u>3,841,124</u>
REVENUE OVER (UNDER) EXPENSES	\$ 328,804	\$ (250,698)	\$ 78,106	\$ (5,083)

**RONALD MCDONALD HOUSE CHARITIES OF NORTHERN ALBERTA,
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Statement of Changes in Fund Balances

Year Ended December 31, 2016

	Operating Fund							2016	2015
	Internally Restricted				Unrestricted	Total Operating Fund	Capital Fund		
	Property Reserve Fund	Financial Stabilization Fund	Board Restricted Fund	Total Internally Restricted					
FUND BALANCES - BEGINNING 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
Transfers (Note 8, 9)	(310,000)	0	(100,000)	(410,000)	(1,218,163)	(1,628,163)	1,628,163	0	0
Revenue over (under) expenses	24,322	257,795	542	282,659	46,145	328,804	(250,698)	78,106	(5,083)
FUND BALANCES - END OF YEAR	<u>\$ 361,257</u>	<u>\$ 1,643,497</u>	<u>\$ 57,625</u>	<u>\$ 2,062,379</u>	<u>\$ 4,086,609</u>	<u>\$ 6,148,988</u>	<u>\$ 8,616,239</u>	\$14,765,227	<u>\$14,687,121</u>

**RONALD MCDONALD HOUSE CHARITIES OF NORTHERN ALBERTA,
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Statement of Cash Flows

Year Ended December 31, 2016

	Operating Fund	Capital Fund	2016	2015
OPERATING ACTIVITIES				
Revenue over (under) expenses	\$ 328,804	\$ (250,698)	\$ 78,106	\$ (5,083)
Items not affecting cash:				
Amortization of property and equipment	0	380,835	380,835	390,678
Unrealized (gain) loss on investments	(118,788)	0	(118,788)	50,324
Realized gain on investments	(120,550)	0	(120,550)	(34,902)
Changes in non-cash working capital items (<i>Note 12</i>)	<u>(34,571)</u>	0	<u>(34,571)</u>	122,462
	<u>54,895</u>	<u>130,137</u>	<u>185,032</u>	<u>523,479</u>
INVESTING ACTIVITIES				
Purchase of property and equipment	0	(70,519)	(70,519)	(18,029)
Interfund transfers	(81,172)	81,172	0	0
Increase in investments	(200,583)	0	(200,583)	(219,591)
Purchase of investment property	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,546,991)</u>
	<u>(281,755)</u>	<u>10,653</u>	<u>(271,102)</u>	<u>(1,784,611)</u>
CASH (DECREASE) INCREASE	(226,860)	140,790	(86,070)	(1,261,132)
Cash at beginning of year	<u>757,926</u>	<u>8,350</u>	<u>766,276</u>	<u>2,027,408</u>
CASH AT END OF YEAR	<u>\$ 531,066</u>	<u>\$ 149,140</u>	<u>\$ 680,206</u>	<u>\$ 766,276</u>
CASH FLOWS SUPPLEMENTARY INFORMATION				
Interest received	<u>\$ 553</u>	<u>\$ 0</u>	<u>\$ 553</u>	<u>\$ 14,536</u>

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

Notes to Financial Statements

Year Ended December 31, 2016

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 date.

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.

(continues)

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

Year Ended December 31, 2016

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.

Investment income is recognized as earned.

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 and deferred contributions. By their nature, these estimates are subject to measurement uncertainty and actual results could differ.

NOTE 3--CASH

Cash includes \$41,400 (2015--\$175,483) in gaming proceeds which can only be used in accordance with the licensing agreement with the Alberta Gaming and Liquor Commission.

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

Year Ended December 31, 2016

NOTE 4--ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	<u>2016</u>	<u>2015</u>
Room rentals	\$ 11,612	\$ 8,200
Goods and Services Tax rebate	11,780	12,702
Other	0	<u>43,162</u>
	23,392	64,064
Allowance for doubtful accounts	0	<u>(17,600)</u>
	<u>\$ 23,392</u>	<u>\$ 46,464</u>

During the year, the Society recorded bad debts of \$19,228 (2015--\$55,348). This amount has been included in program and operating expenses.

NOTE 5--INVESTMENTS

	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Marketable securities	<u>\$5,133,985</u>	<u>\$5,819,146</u>	<u>\$4,951,311</u>	<u>\$5,379,225</u>

NOTE 6--PROPERTY AND EQUIPMENT

	<u>Cost</u>	<u>Accumulated amortization</u>	<u>2016 Net book value</u>	<u>2015 Net book value</u>
Land	\$ 799,172	\$ 0	\$ 799,172	\$ 799,172
Building	9,398,170	3,431,114	5,967,056	6,267,044
Furniture and equipment	823,834	696,711	127,123	155,194
Computer equipment	150,371	123,614	26,757	9,014
	<u>\$11,171,547</u>	<u>\$ 4,251,439</u>	<u>\$ 6,920,108</u>	<u>\$ 7,230,424</u>

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

Year Ended December 31, 2016

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>2016</u>	<u>2015</u>
RBC Foundation - Resource Connect	\$ 68,655	\$ 36,875
Gaming	41,400	175,483
Edmonton Community Foundation	40,000	0
Ronald McDonald House Charities	28,181	18,338
RBC – RMHC Family Wellness grant	23,000	0
Thys Investments - Playhouse	0	20,000
	<u>\$ 201,236</u>	<u>\$ 250,696</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.

Property Reserve Fund

The property reserve fund was established to have funds available for future repairs and maintenance to the house. In 2016, the regular annual amount of \$90,000 (2015--\$90,000) was transferred from the unrestricted operating fund to the property reserve fund. The Board also made a motion to transfer \$400,000 from the property reserve fund to the unrestricted operating fund for future kitchen renovations and a wireless key entry system.

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.

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 the current year, the Board approved the transfer of \$100,000 to the unrestricted operating fund.

NOTE 9--INTERFUND TRANSFERS

In 2016, \$81,172 (2015--\$18,029) was transferred from the unrestricted operating fund to the capital fund in order to fund the cash outlays for property and equipment acquisitions and operational costs of the investment property. The Board also approved the transfer of the investment in property from the operating fund to the capital fund. The investment in property transfer was \$1,546,991.

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

Year Ended December 31, 2016

NOTE 10--LEASE COMMITMENT

The Society leases office space in Grande Prairie, under an agreement that expires November 2018. Future lease payments will be approximately as follows:

2017	\$ 12,600
2018	<u>11,550</u>
	<u>\$ 24,150</u>

NOTE 11--INVESTMENT INCOME

	<u>2016</u>	<u>2015</u>
Investment income	\$ 228,826	\$ 248,086
Interest on premium savings	553	14,536
Management fees	(27,570)	(27,817)
Unrealized gain (loss) on investments	118,788	(50,324)
Realized gain on investments	<u>120,550</u>	<u>34,902</u>
	<u>\$ 441,147</u>	<u>\$ 219,383</u>

NOTE 12-- CHANGES IN NON-CASH WORKING CAPITAL

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

	<u>2016</u>	<u>2015</u>
Accounts receivable	\$ 23,072	\$ (20,099)
Prepaid expenses	(39,925)	(15,054)
Accounts payable and accrued liabilities	31,742	13,878
Deferred contributions	<u>(49,460)</u>	<u>143,737</u>
	<u>\$ (34,571)</u>	<u>\$ 122,462</u>

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

Year Ended December 31, 2016

NOTE 13--FINANCIAL INSTRUMENTS

The Society's financial instruments consist of cash, accounts receivable, investments and 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 generally 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, 2016.

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 on hand at December 31, 2016.

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.

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 or 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.

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

Year Ended December 31, 2016

NOTE 14--CHARITABLE FUNDRAISING ACT AND REGULATION DISCLOSURE

Included in fundraising expenses are salaries and benefits of \$605,943 (2015--\$453,460) 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 15--COMPARATIVE FIGURES

Certain amounts in the prior year's financial statements have been reclassified for comparative purposes to conform with the presentation in the current year's financial statements.
