

Ronald McDonald House Charities Canada

Financial statements
December 31, 2019



Independent auditor's report

To the Members of
Ronald McDonald House Charities Canada

Opinion

We have audited the financial statements of **Ronald McDonald House Charities Canada** ["RMHC Canada"], which comprise the statement of financial position as at December 31, 2019, and the statement of operations and changes in fund balances and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of RMHC Canada as at December 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of RMHC Canada in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing RMHC Canada's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate RMHC Canada or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing RMHC Canada's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 RMHC Canada's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on RMHC Canada's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause RMHC Canada to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Toronto, Canada
June 9, 2020

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants



Ronald McDonald House Charities Canada

Statement of financial position

As at December 31

	2019	2018
	\$	\$
Assets		
Current		
Cash and cash equivalents	5,715,296	5,893,372
Due from related parties	686,977	713,745
Other receivables <i>[note 5]</i>	553,965	388,781
Cash surrender value of life insurance policies	33,132	31,371
Total current assets	6,989,370	7,027,269
Investments, fair value <i>[note 3]</i>	30,971,678	24,632,011
Donation boxes <i>[note 4]</i>	104,031	339,631
Total assets	38,065,079	31,998,911
Liabilities and fund balances		
Current		
Accounts payable and accrued liabilities	2,360,962	1,432,847
Grants payable <i>[note 6]</i>	945,357	1,080,922
Total current liabilities	3,306,319	2,513,769
Fund balances		
General fund <i>[note 7]</i>	34,424,905	29,233,113
Restricted fund <i>[note 7]</i>	333,855	252,029
Total fund balances	34,758,760	29,485,142
Total liabilities and fund balances	38,065,079	31,998,911

See accompanying notes

On behalf of the Board:



Director



Director

Ronald McDonald House Charities Canada

Statement of operations and changes in fund balances

Year ended December 31

	General		Restricted		Total	
	2019	2018	2019	2018	2019	2018
	\$	\$	\$	\$	\$	\$
Revenue						
Contributions	10,833,293	10,243,606	—	—	10,833,293	10,243,606
Special events revenue	435,186	439,417	—	—	435,186	439,417
Directed donations	—	—	3,767,192	2,225,751	3,767,192	2,225,751
Other income	—	—	450,000	325,000	450,000	325,000
	11,268,479	10,683,023	4,217,192	2,550,751	15,485,671	13,233,774
Expenses						
Program – grants <i>[note 6]</i>	7,704,637	7,097,595	177,000	60,000	7,881,637	7,157,595
Cost of direct benefits to donors	62,029	69,326	—	—	62,029	69,326
Management and general administration	772,453	457,600	22,232	58,402	794,685	516,002
Fundraising	797,077	935,050	318,942	222,733	1,116,019	1,157,783
Directed donations	—	—	3,767,192	2,243,951	3,767,192	2,243,951
	9,336,196	8,559,571	4,285,366	2,585,086	13,621,562	11,144,657
Change in fund balances from operations	1,932,283	2,123,452	(68,174)	(34,335)	1,864,109	2,089,117
Investment income, net	3,409,509	121,971	—	—	3,409,509	121,971
Change in fund balances	5,341,792	2,245,423	(68,174)	(34,335)	5,273,618	2,211,088
Fund balances, beginning of year	29,233,113	26,987,690	252,029	286,364	29,485,142	27,274,054
Transfer between funds <i>[note 11]</i>	(150,000)	—	150,000	—	—	—
Fund balances, end of year	34,424,905	29,233,113	333,855	252,029	34,758,760	29,485,142

See accompanying notes

Ronald McDonald House Charities Canada

Statement of cash flows

Year ended December 31

	2019	2018
	\$	\$
Operating activities		
Change in fund balances	5,273,618	2,211,088
Add (deduct) items not involving cash		
Amortization	273,435	454,470
Net donation box write-off	226	2,903
Unrealized gain (loss) on investments	(2,364,549)	782,477
	<u>3,182,730</u>	<u>3,450,938</u>
Changes in non-cash working capital balances related to operations		
Accounts and other receivables	(138,416)	(326,781)
Cash surrender value of life insurance policies	(1,761)	(1,743)
Accounts payable and accrued liabilities	928,115	1,101,741
Grants payable	(135,565)	620,599
Cash provided by operating activities	<u>3,835,103</u>	<u>4,844,754</u>
Investing activities		
Contributions to investments	(3,975,118)	(1,834,952)
Acquisition of donation boxes	(38,061)	(27,722)
Cash used in investing activities	<u>(4,013,179)</u>	<u>(1,862,674)</u>
Net increase (decrease) in cash during the year	(178,076)	2,982,080
Cash and cash equivalents, beginning of year	5,893,372	2,911,292
Cash and cash equivalents, end of year	<u>5,715,296</u>	<u>5,893,372</u>

See accompanying notes

Ronald McDonald House Charities Canada

Notes to financial statements

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1. Purpose of RMHC Canada

Ronald McDonald House Charities Canada ["RMHC Canada"] is a not-for-profit charitable corporation incorporated in 1982 under the laws of Ontario as a corporation without share capital, and is registered as a public foundation under the *Income Tax Act*. As such, RMHC Canada is exempt from income taxes and is able to issue donations receipts for income tax purposes.

RMHC Canada, is a national organization committed primarily to supporting Canadian families with sick children through its support for the Canadian RMHC Chapters and their programs, which work to serve families with critically ill children being treated at a nearby pediatric hospital.

In Canada, 12 regional RMHC Chapters work collaboratively through the support of RMHC Canada, Canada's national RMHC foundation, which is focused on contributing funding from McDonald's Restaurants of Canada and other donors to support the building and operations of the Ronald McDonald Houses, Family Rooms and Ronald McDonald Care Mobiles, to help enable the support of families with sick children.

We fulfil our mission through operation of sustainable programs that enable family-centered care, bridge access to quality health care, are a vital part of the health care continuum, and strengthen families during difficult times.

RMHC Canada commits annual operating cost grants based on the following general guidelines:

	2019	2018
	\$	\$
House	110,000	110,000
Per bedroom in house	3,000	3,000
1st Family room in a hospital	33,500	33,500
2nd Family room in the same hospital	20,000	20,000
24-hour Family room [supplement]	6,500	40,000

RMHC Canada also commits to capital requirements of the Houses using the following general guidelines:

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	2019		2018	
Stand-alone house	\$0–\$500,000	50% plus	\$0–\$500,000	50% plus
	\$500,001–\$1,000,000	30% plus	\$500,001–\$1,000,000	30% plus
	\$1,000,001–		\$1,000,001–	
	\$10,000,000	20%	\$10,000,000	20% plus
House inside a hospital	\$0–\$1,000,000	50% plus	\$0–\$1,000,000	50% plus
	\$1,000,001–		\$1,000,001–	
	\$10,000,000	20%	\$10,000,000	20% plus
Family rooms	\$0–\$500,000	50% plus	\$0–\$500,000	50% plus
	\$500,001–\$600,000	20% plus	\$500,001–\$600,000	20% plus
			\$600,001–\$700,000	10% plus

In certain circumstances, the Board of Directors will make exceptions to these general guidelines.

2. Summary of significant accounting policies

These financial statements are prepared in accordance with Part III of the *CPA Canada Handbook – Accounting*, “Accounting Standards for Not-for-profit Organizations”, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies summarized herein:

Fund accounting

To ensure observance of limitations and restrictions placed on the use of the resources available to RMHC Canada, the accounts are maintained in accordance with the principles of fund accounting. Under these principles, the accounts of RMHC Canada have been classified into the following funds:

The general fund reports unrestricted resources available for general operating activities.

The restricted fund reports resources that are to be used for specific purposes as specified by the donor or the Board of Trustees [the “Board”]. Any funds internally restricted by the Board are recorded through a transfer to the respective fund.

Revenue recognition

RMHC Canada follows the restricted fund method of accounting for contributions.

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Contributions, grants and bequests are recorded in the appropriate funds when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted contributions are recognized as revenue in the general fund when initially recorded in the accounts. Externally restricted contributions are recorded in the restricted fund when initially recognized in the accounts. Revenue from fundraising is recognized as revenue in the corresponding fund as appropriate in the year received or receivable, if the amount can be reasonably estimated and collection is reasonably assured. Investment income (loss) consists of interest, dividends, income distributions from pooled funds, and realized and unrealized gains and losses. Investment income earned on restricted fund resources that must be spent on donor-restricted activities is recognized as revenue of the respective fund. General investment income earned on restricted fund and general fund resources is recognized as revenue of the general fund. Investment losses are allocated in a manner consistent with investment income.

Directed donations

RMHC Canada reports directed donations as revenue of the restricted fund when received and expensed when disbursed.

Cash and cash equivalents

Cash balances are deposited with the Royal Bank of Canada and earn interest at the bank's prime rate less 2.4%, provided that the bank's prime rate is greater than 2.4%. Cash equivalents comprise cash held for investment.

Foreign currency translation

Transactions denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the transaction date. Monetary assets and liabilities are translated into Canadian dollars at exchange rates in effect as at the date of the statement of financial position. Non-monetary assets and liabilities are translated at the historic rate.

Investments

Investments are recorded at fair value. Publicly traded securities and bonds are valued based on the latest bid prices, and pooled funds are valued based on reported unit values. The cash on deposit within each long-term investment fund is considered long-term since that cash will be re-invested in the fund. Transactions are recorded on a trade date basis, and transaction costs are expensed as incurred.

Cash surrender value of insurance policies

The cash surrender value represents the funds that RMHC Canada will receive if the policies are terminated before they mature or the insured event occurs.

Contributed services

McDonald's Restaurants of Canada Limited ["McDonald's"] pays a substantial amount of the administrative expenses of RMHC Canada. McDonald's incurs indirect costs in supporting RMHC Canada, and many of its employees contribute their efforts on a voluntary basis. The value of these contributed services is not easily quantifiable and therefore is not recognized in the financial statements.

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Donation boxes

RMHC Canada owns donation boxes that are deployed in McDonald's restaurants. The donation boxes are recorded at cost and amortized on a straight-line basis over five years. The donation box collections are primarily distributed to the Houses net of coin collection, processing, program and capital payback deductions.

Grants

Grants to the Ronald McDonald Houses are recorded in the statement of operations and changes in fund balances when formally approved by the Board and the terms for payment have been met. Grants can also be approved by the Executive Board within a budget that is set for this type of grant. The difference, if any, between an approved grant and final payment is reflected in the financial statements in the year the final payment is made. Grants are reversed if it is determined that the funds are no longer required.

3. Investments

The fair value of investments consists of the following:

	2019	2018
	\$	\$
Cash – Canadian dollars	3,358	19,584
PH&N Short-term Bond & Mortgage Fund	1,455,931	783,813
PH&N Bond Fund	4,930,945	4,696,998
PH&N Canadian Equity Value Fund	2,603,739	2,271,411
RBC QUBE Low Volatility Canadian Equity Fund	2,564,363	2,494,426
RBC QUBE Low Volatility Global Equity Fund	4,923,038	3,991,114
RBC Global Equity Focus Fund	4,881,799	3,669,487
RBC Emerging Markets Equity Fund	1,610,594	1,336,447
RBC High Yield Bond Fund Series	746,380	1,173,022
PH&N MTGE Pension Trust	4,351,729	4,215,293
PH&N High Yield Bond	742,188	—
RBC Can Core Real Estate Fund	2,160,972	—
Total investments	30,975,036	24,651,595
Less cash equivalents	(3,358)	(19,584)
Total long-term investments	30,971,678	24,632,011

As at December 31, 2019, the cost of total investments is \$28,902,467 [2018 – \$24,943,574]. During the year, certain investments were sold and reinvested in other investments realizing \$135,529 of gains [2018 – \$(106,018)]. Investment income is net of investment management fees incurred of \$117,082 in 2019 [2018 – \$104,202].

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4. Donation boxes

The donation boxes are recorded at cost and amortized on a straight-line basis over five years.

	2019	2018
	\$	\$
Cost	2,372,827	2,341,306
Less accumulated amortization	(2,268,796)	(2,001,675)
Net book value	104,031	339,631

5. Government remittances receivable

As at December 31, 2019, prepaid expenses and other assets include government receivable of \$136,115 [2018 – \$110,667].

6. Grants payable

As at December 31, 2019, the balance of \$945,357 [2018 – \$1,080,922] is payable to all of the RMHC Chapters across Canada. The payment was made in January 2020.

7. Fund balance

The restricted fund balance consists of funds received to support programs in the future, and directed donations. Part of the general fund balance represents up to \$915,600 for general and administrative expenses per year for 2019 and 2020 approved by the Board.

8. Commitments

As at December 31, 2019, RMHC Canada has fulfilled its commitments with UNICEF Canada regarding future donations of nil [2018 – \$25,000].

9. Financial instruments and risk management

RMHC Canada is exposed to various financial risks through transactions in financial instruments.

Currency risk

RMHC Canada is exposed to foreign currency risk with respect to its investments denominated in foreign currencies, including the underlying investments of its pooled funds denominated in foreign currencies, because the fair value and future cash flows will fluctuate due to the changes in the relative value of foreign currencies against the Canadian dollar.

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Interest rate risk

RMHC Canada is exposed to interest rate risk with respect to its investments in fixed income investments and a pooled fund that holds fixed income securities because the fair value will fluctuate due to changes in market interest rates.

10. Related party transactions

Included in revenue are contributions of \$10,878,976 [2018 – \$10,293,803] received or receivable as a result of various fundraising activities by related parties. Included in expenses are costs of \$841,008 [2018 – \$657,190] paid or payable to related parties as a reimbursement for payments made on behalf of RMHC Canada. Related parties include McDonald's, McDonald's franchisees and employees and the members or directors of RMHC Canada. As at December 31, 2019, accounts payable and accrued liabilities include amounts due to related parties of \$96,638 [2018 – \$85,214].

11. Interfund transfers

Transfers between funds during the year consist of the following:

	General fund		Restricted fund	
	2019	2018	2019	2018
	\$	\$	\$	\$
Matching funds for the RBC Family Wellness Program	(150,000)	—	150,000	—