

The Children's Family House Society of B.C.
Financial Statements
For the year ended January 31, 2014

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Financial Statements
For the year ended January 31, 2014

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Independent Auditor's Report

To the Members of the The Children's Family House Society of B.C.

We have audited the accompanying financial statements of The Children's Family House Society of B.C., which comprise the Statement of Financial Position as at January 31, 2014, and the Statements of Revenue and Expenses, Changes in Net Assets 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 Children's Family House Society of B.C. derives revenue from donations and fundraising events the completeness of which is not susceptible to 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 donations and fundraising events revenue, excess of revenue over expenses, assets and net assets.



Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of The Children's Family House Society of B.C. as at January 31, 2014 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.

Report on Other Legal and Regulatory Requirements

As required by the Society Act (British Columbia), we report that, in our opinion, the accounting principles in Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

BDO Canada LLP

Chartered Accountants

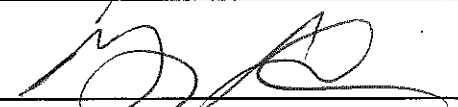
Vancouver, British Columbia
April 16, 2014

The Children's Family House Society of B.C.
Statement of Financial Position

	January 31, 2014	January 31, 2013
Assets		
Current		
Cash and cash equivalents (Note 3)	\$ 1,529,902	\$ 3,181,360
Accounts receivable	528,113	330,972
Prepaid expenses	64,834	64,952
	<u>2,122,849</u>	<u>3,577,284</u>
Restricted cash and Investments (Note 2 & 3)	221,470	11,126,542
Investments (Note 3)	5,131,376	6,145,872
Property and equipment (Notes 4 & 10)	25,582,362	7,857,398
	<u>\$ 33,058,057</u>	<u>\$ 28,707,095</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 1,094,371	\$ 1,256,804
Deferred revenue	162,050	154,484
	<u>1,256,421</u>	<u>1,411,288</u>
Capital contributions unspent (Note 2)	221,470	11,126,542
Deferred capital contributions (Note 5)	21,865,507	6,737,333
	<u>22,086,977</u>	<u>17,863,875</u>
Net Assets		
Invested in property and equipment (Note 6)	3,716,855	1,120,065
Unrestricted	5,997,804	8,311,867
	<u>9,714,659</u>	<u>9,431,932</u>
	<u>\$ 33,058,057</u>	<u>\$ 28,707,095</u>

Approved by the Board:


 _____ Director


 _____ Director

**The Children's Family House Society of B.C.
Statement of Revenue and Expenses**

Year ended January 31	2014	2013
Revenue		
Fundraising events(Note 8)	\$ 957,908	\$ 1,009,929
Donations	434,251	463,536
Bequests	161,516	58,500
Room fees	121,585	98,921
Investment income (Note 9)	101,663	149,755
Amortization of deferred capital contributions (Note 5)	21,172	16,771
	<u>1,798,095</u>	<u>1,797,412</u>
Capital campaign donations realized (Note 2)	108,806	228,483
	<u>1,906,901</u>	<u>2,025,895</u>
Expenses		
Fundraising events (Note 8)	287,895	352,482
Capital campaign expenses (Note 2)	108,806	228,483
House Operating and Administrative		
Salaries and benefits	762,460	639,842
Advertising and promotion	80,515	33,541
Technology	57,119	32,755
Amortization	55,000	55,382
Utilities	45,068	43,829
Repairs and maintenance	42,375	62,861
Bank charges & investment management fees (Note 9)	41,951	50,570
Consulting & Professional Fees	24,692	11,079
Office	18,403	17,321
Audit and accounting	16,971	18,260
Travel	16,464	13,760
Family Support	13,917	24,225
Conferences	11,852	4,814
Automobile	11,812	13,218
Miscellaneous	9,431	4,237
Board	8,590	2,110
Volunteer recognition	4,240	1,863
Insurance	3,700	4,000
Legal	2,913	2,719
	<u>1,227,473</u>	<u>1,036,386</u>
Excess of revenue over expenses	282,727	408,544
Net assets, beginning of year	<u>9,431,932</u>	<u>9,023,388</u>
Net assets, end of year	<u>\$ 9,714,659</u>	<u>\$ 9,431,932</u>

The Children's Family House Society of B.C.
Statement of Changes in Net Assets

Year ended January 31

	Unrestricted	Invested in Property and Equipment (Note 6)	Total
Net assets, January 31, 2012	\$ 7,870,400	\$ 1,152,988	\$ 9,023,388
Excess (deficiency) of revenue over expenses	408,544	-	408,544
Amortization of deferred capital contributions	(16,771)	16,771	-
Amortization of property and equipment	55,383	(55,383)	-
Transfer for purchase of property and equipment	(5,689)	5,689	-
Net assets, January 31, 2013	8,311,867	1,120,065	9,431,932
Excess (deficiency) of revenue over expenses	282,727	-	282,727
Amortization of deferred capital contributions	(21,172)	21,172	-
Amortization of property and equipment	55,000	(55,000)	-
Transfer for purchase of property and equipment	(3,987)	3,987	-
Temporary transfer to fund property under development	(2,626,631)	2,626,631	-
Net assets, January 31, 2014	\$ 5,997,804	\$ 3,716,855	\$ 9,714,659

**The Children's Family House Society of B.C.
Statement of Cash Flows**

Year ended January 31	2014	2013
Operating activities		
Excess of revenue over expenses for the year	\$ 282,727	\$ 408,544
Items not involving cash		
Amortization	55,000	55,383
Amortization of deferred capital contributions	(21,172)	(16,771)
Capital campaign contributions realized	(110,402)	(228,483)
Unrealized loss (gain) on investments	-	18,472
Changes in non-cash operating working capital		
Accounts receivable	(197,141)	(195,678)
Prepaid expenses	118	(30,938)
Accounts payable and accrued liabilities	(162,433)	1,072,172
Deferred revenue	7,566	77,737
	<u>(145,737)</u>	<u>1,160,439</u>
Investing activities		
Purchase of property and equipment	(17,779,964)	(4,967,695)
Increase in restricted investments	10,905,072	1,943,528
Increase in investments	1,014,496	(149,564)
	<u>(5,860,396)</u>	<u>(3,173,731)</u>
Financing activities		
Capital campaign and other capital donations received	4,354,676	3,228,489
Increase in cash and cash equivalents	(1,651,457)	1,215,197
Cash and cash equivalents, beginning of year	3,181,360	1,966,163
Cash and cash equivalents, end of year	<u>\$ 1,529,903</u>	<u>\$ 3,181,360</u>
Supplementary cash flow information		
Deferred capital contributions spent	<u>\$ 15,149,346</u>	<u>\$ 4,943,534</u>

The Children's Family House Society of B.C.
Notes to Financial Statements

January 31, 2014

1. Summary of Significant Accounting Policies

(a) Nature of Business The Society owns and operates the Ronald McDonald House (the "House") located in Vancouver, B.C. The Society was incorporated under the Society Act of British Columbia and is a registered charity under the Income Tax Act of Canada.

Ronald McDonald House is a residential facility which serves as a temporary home away from home for families of seriously ill children. Families from all over British Columbia and from outside of the province stay at the House while their child is receiving treatment at nearby B.C. Children's Hospital.

The Society is currently constructing a new Ronald McDonald House on the grounds of B.C. Children's Hospital which will be able to accommodate 73 families. The existing house has been sold and the move into the new facility will occur during May 2014 and be open to families during the summer of 2014.

(b) Basis of Accounting These financial statements are presented in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

(c) Revenue Recognition The Society follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions received specifically for the acquisition of property and equipment are recorded as capital contributions unspent until the amount is used to acquire property and equipment. Contributions for property and equipment that will be amortized are transferred to unamortized deferred capital contributions in the period the asset is acquired. Contributions for property and equipment that will not be amortized, such as land, are recorded as direct increases in net assets in the period the asset is acquired. Amounts spent on items that are not betterments are recorded as revenue when spent.

Deferred capital contributions are recognized as revenue on the same basis as the related property and equipment are amortized to indicate how the amortization expense has been funded. Unamortized deferred capital contributions, relating to property and equipment disposed of, are recognized as revenue in the period of disposal provided that all restrictions have been complied with.

Revenue from fundraising events is recognized in the period in which the event is held, provided the amounts are reasonably assured and can be reasonably estimated.

Donations are generally recorded in the year received or receivable if collection is assured. Donations that are for programs of a term that extends beyond the year received are deferred and recognized over the term of the program.

The Children's Family House Society of B.C.
Summary of Significant Accounting Policies

January 31, 2014

(d) Cash and Cash Equivalent

Cash and cash equivalents include cash and those highly liquid marketable investments with a term to maturity of three months or less at the date of acquisition.

(e) Restricted and Non-restricted Investments

These investments are highly liquid, with the majority being held in GICs. The restricted funds are designated for the capital project. These investments are recorded at their fair market value.

(f) Property and Equipment

Purchased property and equipment are recorded at cost. Contributed property and equipment are recorded at estimated fair value at the date of contribution. Amortization is provided on a declining balance basis over the estimated useful lives of the assets as follows:

Buildings	- 2 1/2% per annum
Garden improvements	- 10% per annum
Furniture and fixtures	- 20% per annum
Computer equipment	- 30% per annum
Computer software	- 30% per annum
Vehicles	- 30% per annum

Property under development will be amortized upon completion of development and when put into use. When a capital asset is considered to no longer have long term service potential to the Society, the excess of net book value over any residual value is recognized as an expense in the statement of revenue and expenses.

(g) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. A significant area requiring management estimates is the rates used for amortization of capital assets and deferred capital contributions. Actual results could differ from management's best estimates as additional information becomes available in the future.

(h) Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. Subsequently, the Society has elected to record all investments at fair market value including equities traded in an active market as well as bonds and guaranteed investment certificates, with any unrealized gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and capitalized to the financial instrument for those measured at amortized cost.

The Children's Family House Society of B.C.
Notes to Financial Statements
January 31, 2014

2. Capital Contributions Unspent

	January 31, 2014	January 31, 2013
<p>(i) During the year ended January 31, 2014, the Society received donations totaling \$4,354,676 (2013 - \$3,288,489) from various donors. The terms of these donations provide that the funds are to be applied to expense or capital costs of construction or purchase of a new housing facility incurred by the Society.</p> <p style="margin-left: 40px;">During the year ended January 31, 2014, the Society incurred \$108,806 of expenses (2013 - \$222,483) and transferred \$15,149,346 to Deferred Capital Contributions (2013 - \$4,931,317) relating to these donations.</p>	\$ 102,696	\$ 11,006,171
<p>(ii) During the year ended January 31, 2005 the Society received a grant of \$150,000 from Ronald McDonald House Charities of Canada. The terms of the of the grant provide that the funds are to be applied to 50% of certain renovations costs incurred by the Society.</p> <p style="margin-left: 40px;">During the year ended January 31, 2014, the Society incurred no costs related to the grant.</p>	40,431	40,431
<p>(iii) During the year ended January 31, 2007, the Society received a grant of \$25,000 from Djavad Mowafaghian. The terms of the grant provide that the funds are to be applied to the renovation costs incurred by the Society.</p> <p style="margin-left: 40px;">During the year ended January 31, 2014, the Society incurred \$1,596 costs related to the grant for various renovations.</p>	11,214	12,810
<p>(iv) During the year ended January 31, 2008 and in prior years, the Society received various donations of \$67,156. The terms of the donations provide that the funds are to be applied to the renovation costs incurred by the Society.</p> <p style="margin-left: 40px;">During the year ended January 31, 2014, the Society incurred no costs related to the grant.</p>	67,130	67,130
	\$ 221,470	\$ 11,126,542

The Children's Family House Society of B.C.
Notes to Financial Statements

January 31, 2014

2. Capital Contributions Unspent (continued)	January 31, 2014	January 31, 2013
Changes in capital contributions unspent are as follows:		
Donations received	\$ 4,354,676	\$ 3,228,489
Less:		
Capital Campaign Donations recognized as revenue	108,806	228,483
Transferred to deferred capital contributions - capital campaign	15,149,346	4,931,317
Transferred to deferred capital contributions - operating	<u>1,596</u>	<u>12,217</u>
	15,259,748	5,172,017
Decrease during the year	(10,905,072)	(1,943,528)
Capital contributions unspent, beginning of year	<u>11,126,542</u>	<u>13,070,070</u>
Capital contributions unspent, end of year	<u>\$ 221,470</u>	<u>\$ 11,126,542</u>

Capital campaign expenses comprise fees paid to capital related fundraisers, transition consultants and capital related disbursements.

The Children's Family House Society of B.C.
Notes to Financial Statements

January 31, 2014

3. Cash and Investments

Cash and cash equivalents of \$1,529,902 is all held in one Canadian Chartered bank.

Investments of \$3,535,919 are comprised of term deposits at one institution with an interest rate of 4.0% maturing June 2014.

The remaining investments balance is comprised of mutual fund and fixed income investments held with two portfolio managers as follows:

	January 31, 2014	January 31, 2013
Canadian Money Market Fund Series	\$ 99,489	\$ 500,925
Bond Fund Series	-	3,676,265
Canadian Equity Fund Series	-	506,477
Fixed Income	1,368,891	1,347,789
Other	127,078	114,416
Total Investments	<u>\$ 1,595,458</u>	<u>\$ 6,145,872</u>

The fixed income investments have interest rates ranging from 1.45% to 1.80% and mature between April and December 2014.

The Children's Family House Society of B.C.
Notes to Financial Statements

January 31, 2014

4. Property and Equipment

	Cost	Accumulated Amortization	January 31, 2014 Net Book Value
Land	\$ 279,759	\$ -	\$ 279,759
Buildings	2,123,269	1,090,252	1,033,017
Garden improvements	63,484	59,947	3,537
Furniture and equipment	552,768	515,602	37,166
Computer equipment	81,612	63,682	17,930
Computer software	39,808	32,409	7,399
Vehicles	63,207	42,609	20,598
Property under development	24,182,956	-	24,182,956
	\$ 27,386,863	1,804,501	\$ 25,582,362

	Cost	Accumulated Amortization	January 31, 2013 Net Book Value
Land	\$ 279,759	\$ -	\$ 279,759
Buildings	2,123,269	1,063,764	1,059,505
Garden improvements	63,483	59,554	3,929
Furniture and equipment	552,767	506,310	46,457
Computer equipment	77,623	56,853	20,770
Computer software	39,808	29,238	10,570
Vehicles	63,207	33,781	29,426
Property under development	6,406,982	-	6,406,982
	\$ 9,606,898	1,749,500	\$ 7,857,398

The Children's Family House Society of B.C.
Notes to Financial Statements

January 31, 2014

5. Deferred Capital Contributions

Deferred capital contributions represent unamortized external funding used to purchase capital assets.

	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$ 6,737,333	\$ 1,792,098
Capital contributions spent	15,149,346	4,962,006
Amount amortized to revenue	(21,172)	(16,771)
	-	-
Balance, end of year	<u>\$ 21,865,507</u>	<u>\$ 6,737,333</u>

6. Net Assets Invested in Property & Equipment

Net assets invested in property and equipment are calculated as follows:

	<u>2014</u>	<u>2013</u>
Property and equipment, net of accumulated amortization	\$ 25,582,362	\$ 7,857,398
Amounts funded by deferred capital contributions	(21,865,507)	(6,737,333)
	<u>\$ 3,716,855</u>	<u>\$ 1,120,065</u>

Change in net assets in property and equipment is calculated as follows:

	<u>2014</u>	<u>2013</u>
Deficiency of revenue over expenses:		
Amortization of deferred capital contributions	\$ 21,172	\$ 16,771
Amortization of property and equipment	(55,000)	(55,383)
	<u>\$ (33,828)</u>	<u>\$ (38,612)</u>
Net change in investment in capital assets:		
Purchase of property and equipment	\$ 17,779,964	\$ 4,967,695
Amounts funded by deferred capital contributions unspent	(15,149,346)	(4,962,006)
	<u>2,630,618</u>	<u>5,689</u>
Change for year	<u>\$ 2,596,790</u>	<u>\$ (32,923)</u>
Opening invested in net assets	\$ 1,120,065	\$ 1,152,988
Closing invested in net assets	<u>\$ 3,716,855</u>	<u>\$ 1,120,065</u>

The Society has successfully engaged in fundraising to support the full cost of constructing the new facility, but some of the funds have been pledged over time and will be received in future periods. The associated revenue and receivables related to such pledges have not been recorded in the financial statements. Accordingly, the Society has temporarily borrowed \$2,636,630 of the unrestricted operating funds to finance construction costs until the remaining capital donations are received and/or the proceeds from the sale of the existing house are received. At that time, the funds will be transferred back to the unrestricted fund.

7. Contributed Assets, Materials and Services

During the year, the Society received contributed materials and supplies with an estimated total fair value of \$2,532 (2013 - \$44,140) which have been reported as donations in revenue and expenses. During the year, the Society also received donated event tickets with an estimated total fair value of \$0 (2013 - \$2,602) which have been reported as donations in revenue and expenses. Other contributions of materials and services, including event tickets with a face value of zero, where a fair value cannot be readily established, are excluded from the financial statements.

The Children's Family House Society of B.C.
Notes to Financial Statements

January 31, 2014

8. Fundraising Events

Fundraising events included two golf tournaments, a gala, an amazing journey event and several other sponsor organized activities.

	<u>2014</u>	<u>2013</u>
Revenue	\$ 957,908	\$ 1,009,929
Expenses	287,895	352,482
Net proceeds from fundrasing events	<u>\$ 670,013</u>	<u>\$ 657,447</u>

9. Investment Income

	<u>2014</u>	<u>2013</u>
Interest from fixed term investments	\$ 101,663	\$ 149,754
Unrealized (loss) gain on investments	1,104	18,257
Investment Income (net)	<u>\$ 102,767</u>	<u>\$ 168,011</u>

Investment management fees of \$16,950 (2013 - \$27,637) has been included in expenses.

10. Financial Instrument Risks

The Society through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of those risks:

(a) Credit Risk

Credit risk is the risk that the Society will incur a loss due to the failure by its debtors to meet their contractual obligations. Financial instruments that potentially subject the Society to significant concentrations of credit risk consist primarily of cash and cash equivalents, and accounts receivable. The maximum amount of credit risk exposure is limited to the carrying amount of the balance in the financial statements.

(b) Foreign Exchange Risk

Foreign 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 is not exposed to foreign exchange risk as all financial instruments are denominated in Canadian dollars.

(c) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Society is not exposed to interest rate risk.

(d) Market Risk

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market. The Society is not exposed to market risk.

(e) Liquidity Risk

Liquidity risk is the risk that the Society will not be able to meet its obligations as they fall due. The Society maintains adequate levels of working capital to ensure all its obligations can be met when they fall due.

The Children's Family House Society of B.C.
Notes to Financial Statements

January 31, 2014

11. Commitment

The House has entered a project agreement with the Provincial Health Services Authority and with the Children's and Women Health Centre of B.C. Branch (C&W) to undertake construction of a new residential facility on land owned by C&W. The budget for the project is approximately \$30,000,000. A 60 year lease agreement will be effective with a nominal obligation upon completion of the project which is expected in the Spring of 2014. The project commenced October 2012 and construction costs totalled \$24.2 Million as of January 31, 2014 (2013 - \$6.4 Million).

Additionally, the House has entered into an agreement with Fraser Health Authority to open a Ronald McDonald Family Room within Surrey Memorial Hospital. The budget is approximately \$750,000 and the project is expected to be completed by June 2014.

12. Subsequent Events

There is an agreement to sell the existing house at 4116 Angus Drive, including all furniture, fixtures and household and kitchen equipment and supplies for net proceeds of approximately \$4.0 million. The sale is expected to close on May 30, 2014 and the resulting gain on disposal will be recognized in fiscal 2014/15.

13. Comparative Figures

Certain comparative figures have been reclassified to conform to the presentation used in the current year.