

THE CHILDREN'S FAMILY HOUSE SOCIETY OF B.C.

FINANCIAL STATEMENTS

For the year ended December 31, 2018

**The Children's Family House Society of B.C.
Financial Statements
For the year ended December 31, 2018**

Table of Contents

Independent Auditor's Report	2-3
Financial Statements	
Statement of Financial Position	4
Statement of Operations	5
Statement of Functional Expenses	6-7
Statement of Cash Flows	8
Notes to Financial Statements	9-17



Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of The Children's Family House Society of B.C. (the Society), which comprise the statement of financial position as at December 31, 2018, and the statements of Operations and Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2018, 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 Qualified Opinion

In common with many not-for-profit organizations, the Society derives revenue from donations and fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Society. Therefore, we were not able to determine whether any adjustments might be necessary to donations and fundraising revenue, excess of revenues over expenses, and cash flows from operations for the periods ended December 31, 2018 and 2017, current assets as at December 31, 2018 and 2017, and net assets as at January 1 and December 31 for both the 2018 and 2017 periods. Our audit opinion on the financial statements for the year ended December 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.

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 the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical 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 qualified audit opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Society'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 the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society'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 the Society'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 the Society'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 the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Report on Other Legal and Regulatory Requirements

As required by the Societies 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 Professional Accountants
Vancouver, British Columbia

May 6, 2019

The Children's Family House Society of B.C.

STATEMENT OF FINANCIAL POSITION
Year Ended December 31, 2018

	December 31 2018	December 31 2017
ASSETS		
Current assets		
Cash and cash equivalents (Note 2)	\$ 1,366,023	980,040
Accounts receivable	458,101	326,128
Prepaid expenses and other assets	73,417	56,847
Total current assets	1,897,541	1,363,014
Restricted Cash	77,634	79,053
Investments - Internally Restricted (Note 3)	15,525,846	13,735,181
Capital assets (Note 4)	28,034,242	28,718,529
Total assets	\$ 45,535,263	43,895,778
LIABILITIES AND FUND BALANCES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 168,889	162,072
Deferred revenue	264,039	267,945
Total current liabilities	432,928	430,017
FUND BALANCES		
Unrestricted fund	\$ 1,514,613	1,039,164
Externally restricted fund (Note 5)	77,634	79,053
Internally restricted fund(Note 5)	15,525,846	13,735,181
Capital asset fund	27,984,242	28,612,363
Total fund balances	45,102,335	43,465,761
Total liabilities and fund balances	\$ 45,535,263	\$ 43,895,778

On behalf of the Board:

Director

Director

The Children's Family House Society of B.C.

STATEMENT OF OPERATIONS

Year ended December 31, 2018

11 month period ended December 31, 2017

	Unrestricted		Restricted		Internally Restricted		Capital Asset		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
REVENUES AND OTHER SUPPORT										
Contributions -Donations and Grants	1,844,571	1,159,057	37,000	36,000					1,881,571	1,195,057
-Donations and Grants - McDonald's	1,383,866	1,069,455							1,383,866	1,069,455
-Donations and Grants - Bequests	946,854	207,101							946,854	207,101
-Donations and Grants - Capital Pledges (note 12)	56,167	80,783							56,167	80,783
Fundraising Activities/Events	1,320,755	1,402,753							1,320,755	1,402,753
RMH Room donations/fees	766,263	708,164							766,263	708,164
Total revenues and other support	6,318,476	4,627,313	37,000	36,000	-	-	-	-	6,355,476	4,663,313
EXPENSES										
Program	2,697,239	2,354,032	34,639	35,116			3,420	609	2,735,298	2,389,756
Management and general	756,949	678,042							756,949	678,042
Fundraising	1,223,613	1,239,550							1,223,613	1,239,550
Total expenses	4,677,801	4,271,624	34,639	35,116	0	0	3,420	609	4,715,860	4,307,348
Excess of operating revenues over expenses	1,640,675	355,689	2,361	884	0	-	(3,420)	(609)	1,639,616	355,965
Investment income, net	6,293	5547	0	0	(9,335)	585,752	0	0	(3,042)	591,299
Excess of revenues over expenses	1,646,968	361,236	2,361	884	(9,335)	585,752	(3,420)	(609)	1,636,574	947,264
Fund balances, beginning of year	1,039,164	1,198,704	79,053	119,518	13,735,181	12,149,429	28,612,363	29,050,847	43,465,761	42,518,497
Transfers between funds (note 5)	(1,800,000)				1,800,000					
Transfers between funds (note 12)	(56,167)						56,167			
Transfers between funds - amortization	742,434						(742,434)			
Transfers between funds - capital asset additions	(57,785)	(520,776)	(3,780)	(41,349)	-	1,000,000	61,565	(437,875)		
Fund balances, end of year	1,514,613	1,039,164	77,634	79,053	15,525,846	13,735,181	27,984,242	28,612,363	45,102,335	43,465,761

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The Children's Family House Society of B.C.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2018

	Program Services			Supporting Services		
	Ronald McDonald House	Surrey Family Room	Total Program Services	Management and General	Fundraising and Events	Total Functional Expenses
Advertising and promotion	\$ -	\$ -	\$ -	\$ -	\$ 242,638	\$ 242,638
Amortization of capital assets	742,434	-	742,434	-	-	742,434
Audit and accounting	-	-	-	29,500	-	29,500
Automobile	12,937	-	12,937	-	-	12,937
Bank charges & investment management fees	-	-	-	41,237	-	41,237
Board	-	-	-	15,753	-	15,753
Cleaning & Janitorial services - contracted	383,899	-	383,899	-	-	383,899
Conferences	14,318	-	14,318	14,506	7,296	36,120
Consulting, professional fees & memberships	-	-	-	32,414	513	32,927
Contracted Building & facilities maintenance	102,548	-	102,548	-	-	102,548
Family support	146,997	-	146,997	-	-	146,997
Fundraising events (Note 7)	-	-	-	-	378,566	378,566
Insurance	18,307	-	18,307	3,250	-	21,557
Miscellaneous	-	-	-	5,098	-	5,098
Office	14,318	-	14,318	24,286	-	38,604
Programs and activities	105,555	-	105,555	-	-	105,555
Repairs and maintenance	290,472	-	290,472	-	-	290,472
Salaries and Benefits	600,807	87,242	688,049	504,006	585,674	1,777,729
Surrey Family Room program	-	21,383	21,383	-	-	21,383
Technology and telephone	41,966	-	41,966	77,033	-	118,999
Travel and meal costs	-	-	-	9,866	8,926	18,792
Utilities	130,851	-	130,851	-	-	130,851
Volunteer recognition	17,844	-	17,844	-	-	17,844
Total expenses	\$ 2,623,253	\$ 108,625	\$ 2,731,878	\$ 756,949	\$ 1,223,613	\$ 4,712,440

The Children's Family House Society of B.C.

STATEMENT OF FUNCTIONAL EXPENSES

11 month period ended December 31, 2017

	Program Services			Supporting Services		
	Ronald McDonald House	Surrey Family Room	Total Program Services	Management and General	Fundraising and Events	Total Functional Expenses
Advertising and promotion	\$ -	\$ -	\$ -	\$ -	\$ 238,043	\$ 238,043
Amortization of capital assets	670,429	-	670,429	-	-	670,429
Audit and accounting	-	-	-	22,522	-	22,522
Automobile	12,213	-	12,213	-	-	12,213
Bank charges & investment management fees	-	-	-	28,203	-	28,203
Board	-	-	-	13,167	-	13,167
Cleaning & Janitorial services - contracted	399,675	-	399,675	-	-	399,675
Conferences	19,913	-	19,913	42,195	-	62,107
Consulting, professional fees & memberships	-	-	-	8,470	-	8,470
Contracted Building & facilities maintenance	92,253	-	92,253	-	-	92,253
Family support	165,043	-	165,043	-	-	165,043
Fundraising events (Note 7)	-	-	-	-	449,207	449,207
Insurance	28,131	-	28,131	2,979	-	31,110
Miscellaneous	-	-	-	3,826	-	3,826
Office	-	-	-	24,110	-	24,110
Programs and activities	54,885	-	54,885	-	-	54,885
Repairs and maintenance	174,337	-	174,337	-	-	174,337
Salaries and Benefits	529,594	50,900	580,493	442,624	549,621	1,572,738
Surrey Family Room program	-	11,500	11,500	-	-	11,500
Technology and telephone	49,566	-	49,566	74,619	-	124,185
Travel and meal costs	47	-	47	15,329	2,678	18,054
Utilities	123,914	-	123,914	-	-	123,914
Volunteer recognition	6,749	-	6,749	-	-	6,749
Total expenses	\$ 2,326,747	\$ 62,400	\$ 2,389,147	\$ 678,042	\$ 1,239,550	\$ 4,306,739

The Children's Family House Society of B.C.

STATEMENT OF CASH FLOWS

Year ended December 31, 2018

	December 31 2018	December 31 2017
	(12 months)	(11 months)
OPERATING ACTIVITIES		
<i>Excess of revenue over expenses</i>		
Unrestricted Funds	1,646,968	361,236
Externally Restricted Funds	2,361	884
Internally Restricted Funds	(9,335)	585,752
Capital Asset Fund	(3,420)	(609)
<i>Add (deduct) items not involving cash</i>		
Amortization of capital assets	742,434	670,429
Externally Restricted funds	(2,361)	(884)
Donated capital assets	(19,000)	-
Loss on disposal of obsolete assets	3,420	609
Unrealized investment loss (gain)	9,335	(585,752)
	2,370,401	1,031,665
Net change in non-cash working capital balances related to operations		
Accounts receivable	(131,780)	(97,463)
Prepaid expenses and other assets	(16,571)	21,997
Accounts payable and accrued liabilities	6,817	(48,065)
Deferred Revenue	(3,906)	3,473
	(145,439)	(120,058)
Cash provided by (used in) operating activities	2,224,962	911,607
INVESTING ACTIVITIES		
Increase in internally restricted investments, net	(1,800,194)	(1,000,333)
Purchase of capital assets	(38,785)	(62,421)
Cash provided by (used in) investing activities	(1,838,979)	(1,062,755)
Net increase in cash and cash equivalents	385,983	(151,148)
Cash and cash equivalents, beginning of the year	980,040	1,131,187
Cash and cash equivalents, end of the year	\$ 1,366,023	\$ 980,040

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

For the year ended December 31, 2018

1. SIGNAFICANT ACCOUNTING POLICIES

(a) Nature of Business

Organization

The Children's Family House Society of British Columbia (the "Society"), operating as Ronald McDonald House Charities British Columbia and Yukon, is a British Columbia not for profit, charitable corporation formed under the Income Tax Act of Canada, and incorporated under the Societies Act of British Columbia. The mission of Ronald McDonald House Charities British Columbia and Yukon (RMHBC) is to create, find and support programs that directly improve the health and well-being of children and their families. RMHBC and the network of local Ronald McDonald House Charity (RMHC) Chapters, of which there are 14 in Canada, ascribe to five core values: we are focused on the critical needs of children, we lead with compassion, we celebrate the diversity of our people and our programs, we value our heritage and we operate with accountability and transparency.

In Canada, 13 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 Ronald McDonald Houses, Family Rooms and Ronald McDonald Care Mobiles to help enable the support of families with sick children.

We fulfill 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.

Ronald McDonald House BC

When children must travel long distances to access top medical care, accommodations and support for families can be expensive or not readily available. The Society helps families stay close to their ill or injured child through the Ronald McDonald House programs located in Vancouver, which provide temporary lodging, meals and other support to children and their families. The program provides families with emotional and physical comfort and increases the caregivers' ability to spend more time with their child, to interact with their clinical care team and to participate in critical medical care decisions.

Ronald McDonald Family Room

When a child is critically ill, parents may be reluctant to leave the hospital. In order to provide comfort and support to their child, it is important that parents have an opportunity to rest, have a meal or have a moment of quiet. Located inside medical care facilities, the Ronald McDonald Family Room programs in Surrey Memorial Hospital serve as a place of respite, relaxation and privacy for family members, often just steps away from where their child is being treated. The Ronald McDonald Family Room program provides parents with an opportunity to remain close to their hospitalized child and to be an

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

For the year ended December 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of Accounting

These financial statements are prepared in accordance with Part III of the Chartered Professional Accountants of Canada ["CPA Canada"] Handbook - Accounting, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies summarized below.

(c) Change in Accounting Policies and Fiscal Year End

The fiscal year end was changed from January 31st to December 31st effective December 31, 2017. Therefore, the statement of operations compares the results from the 12 months ended December 31, 2018 to the 11 months ended December 31, 2017. This change in period end was made to be consistent with the National body and other Provincial organizations.

(d) 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, the disclosure of contingent assets and liabilities at the statement of financial position date, and the reported amount of revenue and expenses during the reporting period. A significant area requiring management estimates are the rates used for amortization of capital assets. Actual results could differ from those estimates.

(e) Fund Accounting

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

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

The Internally Restricted fund reports resources that are to be used for specific purposes as specified by the Board of Trustees [the "Board"] of RMHBC.

The Society has received funds from donors that generated surpluses in previous years. The Board has elected to invest these funds in separate accounts and internally restrict such funds for future capital expansion and replacement needs on the new house, as well as a fund for future operations.

Externally Restricted fund - reports resources that are subject to restrictions imposed by contributors and therefore not available for use by the Society other than for specific purposes. This fund includes the following restricted funds:

Music Therapy Fund -reports resources that are to be used for the music therapy program.

Art Therapy Fund -reports resources that are to be used for the art therapy program.

Playground Fund -reports resources that are to be used for the playground.

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

For the year ended December 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Revenue Recognition

The Society follows the restricted fund method of accounting for contributions.

Unrestricted contributions are recognized as revenue in the Unrestricted fund when received or receivable if the amount can be reasonably estimated. Restricted 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. However, if no appropriate restricted fund is presented, then the restricted contribution is recognized as deferred revenue of the Unrestricted Fund in the year in which the related expenses are incurred.

Revenue from fundraising events 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.

Fees are recognized when the services have been provided. Revenue from room payments is recognized as revenue in the Unrestricted fund on an accrual basis when the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income (loss), which consists of interest, dividends, income distributions from pooled funds, and realized and unrealized gains and losses, is recorded as revenue in the Statement of Operations. Interest is recognized in the respective funds on an accrual basis and other investment income is recognized in the respective funds when received.

(g) Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Functional Expenses. Accordingly, certain costs, such as salaries, are separated between the functional departments based on specific positions and associated duties.

(h) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit and short-term investments with a short-term to maturity of three months or less from the date of purchase.

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

For the year ended December 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) *Financial Instruments*

Investments are initially recorded at fair value. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred. In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any change in fair value reported in the Statement of Operations.

Other financial instruments, including accounts receivable and accounts payable, are initially recorded at their fair value and are subsequently measured amortized cost, net of any provisions for impairment.

Transaction cost on the acquisition, sale of acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position.

Financial assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in the Statement of Operations. A previously recognized impairment loss may be reversed to the extent of the improvement, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in the Statement of Operations.

(j) *Contributed Materials and Services*

Donated materials and services are recorded in the financial statements at fair market value when the fair market value can be reasonably estimated for those items which would otherwise be purchased. Because of the difficulty in determining the fair value of volunteer time, these services are not recognized in the financial statements.

(k) *Capital Assets*

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at estimated fair value at the date of contribution. Amortization for capital assets is provided on a straightline basis over the estimated useful lives as follows:

Building	60 years
Furniture and fixtures	5 years
Leasehold improvements	15 years
Computer equipment	3 years
Vehicles	3 years
Playground Structures and Equipment	5 years

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 Operations.

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

For the year ended December 31, 2018

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents of \$1,366,023 (December 31, 2017 - \$980,040) and restricted cash of \$77,634 (December 31, 2017 - \$79,053) are all held in one Canadian Chartered bank.

3. INVESTMENTS - INTERNALLY RESTRICTED

The investments are comprised of the following:

	December 31 2018	December 31 2017
PH&N Cash, Money Market & Equivalents	740,622	405,115
PH&N Equities - Pooled Funds	6,715,589	5,933,867
PH&N Fixed Income - Pooled Funds	6,870,842	6,209,255
Vancouver Foundation	143,277	150,777
RBC Investments - GICs maturing in 2019 with rates between 2.15 - 2.45%	1,055,474	1,032,582
RBC Investments - Mutual Funds and Cash	42	3,586
Investments - internally restricted	\$ 15,525,846	\$ 13,735,181

PH&N Average Returns:

Midterm Account	1.10%
Long Term account	-1.20%

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

For the year ended December 31, 2018

4. CAPITAL ASSETS

Capital assets consist of the following:

	2018		
	Cost \$	Accumulated Amortization \$	Net Book Value \$
Buildings	29,569,085	2,175,821	27,393,263
Furniture, fixtures and equipment	855,873	683,869	172,004
Leasehold improvements - Ronald McDonald Family Rooms	587,718	172,837	414,881
Computer software and equipment	32,097	30,532	1,565
Vehicles	69,591	49,753	19,838
Playground	45,129	12,438	32,691
	31,159,492	3,125,250	28,034,242

	2017		
	Cost \$	Accumulated Amortization \$	Net Book Value \$
Buildings	29,555,186	1,683,119	27,872,067
Furniture, fixtures and equipment	833,652	526,885	306,766
Leasehold improvements - Ronald McDonald Family Rooms	587,718	133,656	454,062
Computer software and equipment	52,077	36,959	15,117
Vehicles	69,591	36,633	32,958
Playground	41,349	3,790	37,559
	31,139,572	2,421,043	28,718,529

The Society entered into an agreement in 2014 with Children's & Women's Health Centre of British Columbia Branch to lease the underlying land for the new building on Heather Street for a period of 60 years at a total nominal cost of \$1.00.

The Society entered into an agreement in 2014 with Fraser Health Authority to lease the premises within Surrey Memorial Hospital for the new Ronald McDonald Family Room at no cost for a period of 10 years plus an option to renew for a further five years.

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

For the year ended December 31, 2018

5. RESTRICTED FUND BALANCE

Externally Restricted Funds

				December 31	December 31
	Music Therapy	Art Therapy	Playground	2018	2017
REVENUES AND OTHER SUPPORT					
Opening Balances	\$ 12,000	\$ 44,291	\$ 22,763	\$ 79,053	\$ 119,518
Donations and Grants - Restricted	12,000	25,000	-	37,000	36,000
EXPENSES					
Program	(12,000)	(22,639)	-	(34,639)	(35,116)
Capital Assets purchased using restricted funds	-	-	(3,780)	(3,780)	(41,349)
Total Restricted fund expenditures	(12,000)	(22,639)	(3,780)	(38,419)	(76,465)
Closing Balances	12,000	46,652	18,983	77,634	79,053

Internally Restricted Funds

Amounts set aside for future projects by the Board	\$ 7,225,846	\$ 6,135,181
Amounts set aside for future operations by the Board	8,300,000	7,600,000
	<u>\$ 15,525,846</u>	<u>\$ 13,735,181</u>

During the year, the Board of Directors approved a transfer of \$1,800,000 (December 31, 2017 - \$1,000,000) to the internally restricted accounts.

- approximately \$8.3 Million represents the two times operating reserve as detailed in RMH licensing guidelines
- approximately \$7.2 Million represents a portion of the Building Reserve Fund to maintain the House over time based on the Property Replacement Reserve Study as well as future Family Rooms

6. CONTRIBUTED ASSETS, MATERIALS AND SERVICES

	December 31	11 months
	2018	December 31
		2017
Materials and supplies	\$ 115,135	\$ 71,569
Event tickets	44,816	33,494
Food and supplies	82,719	79,915
	<u>\$ 242,670</u>	<u>\$ 184,979</u>

The amount above is representative of the fair market value of contributed assets, materials, and services when the fair market value can be reasonably estimated. In addition to the contributed assets, materials and services recorded above, the Society also received a significant amount of materials and services free of charge or at a substantial discount from their fair market value. As the fair value was not readily determinable, the amounts have not been included in the financial statements. Additionally, because of the difficulty in determining the fair value of volunteer time, these services are not recognized in the financial statements.

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

For the year ended December 31, 2018

7. Fundraising Events

Fundraising events during the two reporting periods each included two golf tournaments, a gala, and several other sponsor organized activities.

	December 31 2018	11 months December 31 2017
Revenue	\$ 1,320,755	\$ 1,402,753
Expenses	378,566	449,207
Net proceeds from fundraising events	\$ 942,189	\$ 953,546

8. Donations and Grants - McDonald's

Donations and Grants include \$1,383,866 (December 31, 2017 - \$1,069,455) in grants and contributions from Ronald McDonald House Charities, from coinbox and kiosk donations, and McHappy Day proceeds from McDonald's Restaurants throughout British Columbia and the Yukon.

9. Investment Income

	December 31, 2018	11 months December 31, 2017
Realized investment income	\$ 6,293	\$ 5,547
Less unrealized gain (loss) on restricted investments	(9,335)	585,752
Investment income, net	\$ (3,042)	\$ 591,299

10. Salaries, Honoraria and Benefits

The Societies Act (British Columbia) requires certain information to be reported with regards to remuneration of employees, contractors and Directors.

Included in salaries and benefits are four employees (December 31, 2017 - five) with annual remuneration over \$75,000 each. The total remuneration for these individuals for the year was \$489,922 (December 31, 2017 \$551,400). No remuneration was paid to the members of the Board of Directors for either reporting period.

The Children's Family House Society of B.C.

Notes to Financial Statements

For the year ended December 31, 2018

11. 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, investments and accounts receivable. The maximum amount of credit risk exposure is limited to the carrying amount of the balance in the financial statements. There is no significant concentration of credit risk. Management has carefully reviewed the balances and provided an allowance for any doubtful accounts.

(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 except for the fixed income investments. The Society is investing in low risk funds to mitigate its risks. The investment policy provides a balance between fixed income and equities to mitigate the risks.

(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 exposed to market risk on equity and market investments. The market risk is mitigated by prudent investment policies.

(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.

12. Capital Pledge Payments

When the House was being constructed, a number of Capital Pledge Commitments were made which covered a payment schedule of 2 - 5 years. Costs in excess of Capital Pledge Donations were temporarily covered by unrestricted funds. Each year since opening, Capital Pledge Payments have reduced the amount funded by unrestricted funds.

During the year ended December 31, 2018 \$59,167 in Capital Pledge Donations were received (December 31, 2017 - \$80,783).

The remaining Capital Pledge Commitment as at December 31, 2018 of \$50,000 (December 31, 2017 - \$106,167) represents the difference between the Capital Assets (Assets) and the Capital Asset Fund (Fund Balances).