

**The Children's Family House Society of B.C.  
Financial Statements  
For the 11 month period ended December 31, 2017**

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Financial Statements  
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## Independent Auditor's Report

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To the members of 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. for the 11 month period ended December 31, 2017, which comprise the Statement of Financial Position, the Statement of Operating Revenue and Expenses, Statement of Changes in Net Assets and Statement of Cash Flows, 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 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 and cash flows from operations for the 11 month period ended December 31, 2017 and for the 12 month period ended January 31, 2017, current assets as at December 31, 2017 and January 31, 2017, and net assets as at February 1, 2017, December 31, 2017, February 1, 2016 and January 31, 2017. Our audit opinion for the 11 month period ended December 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.



### Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements for the 11 month period ended present fairly, in all material respects, the financial position of The Children's Family House Society of B.C. as at December 31, 2017 and the results of its operations and its cash flows for the 11 month period then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### Other Matters

Without modifying our opinion, we draw attention to attention to Note 1(c) Change in Accounting Policies and Fiscal Year End. The financial statements presents contribution revenue under the restricted method for the 11 month period ended December 31, 2017 and the 12 month period ended January 31, 2017 as a result of an accounting policy change during the period. Additionally, the fiscal year end was changed from January 31 to December 31 effective December 31, 2017.

### 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 7, 2018

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

STATEMENT OF FINANCIAL POSITION  
11 MONTH PERIOD ENDED DECEMBER 31, 2017

	December 31 2017	January 31 2017
		(Note 12)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note 2)	\$ 980,040	1,131,188
Accounts receivable	326,128	228,665
Prepaid expenses and other assets	56,847	78,844
<b>Total current assets</b>	<b>1,363,014</b>	<b>1,438,697</b>
Restricted Cash	79,053	119,517
Investments - Internally Restricted (Note 3)	13,735,181	12,149,429
Capital assets (Note 4)	28,718,529	29,285,797
<b>Total assets</b>	<b>\$ 43,895,778</b>	<b>42,993,440</b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 162,072	210,136
Deferred Revenue	267,945	264,807
<b>Total current liabilities</b>	<b>430,017</b>	<b>474,943</b>
<b>FUND BALANCES</b>		
Unrestricted fund	\$ 1,039,164	1,198,704
Externally restricted fund (Note 5)	79,053	119,517
Internally restricted (Note 5)	13,735,181	12,149,429
Invested in capital assets	28,612,363	29,050,847
<b>Total fund balances</b>	<b>43,465,761</b>	<b>42,518,497</b>
<b>Total liabilities and fund balances</b>	<b>\$ 43,895,778</b>	<b>\$ 42,993,440</b>

On behalf of the Board:

  
Director

  
Director

STATEMENT OF OPERATIONS  
11 MONTH PERIOD ENDED DECEMBER 31, 2017

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Internally Restricted</u>	<u>Total</u>	12 Month Period Ended January 31 2017
	December 31 2017	December 31 2017	December 31 2017	December 31 2017	2017
<b>REVENUES AND OTHER SUPPORT</b>					(Note 12)
Fundraising events (Note 7)	\$ 1,402,753	\$ -	\$ -	\$ 1,402,753	\$ 1,468,080
Donations and Grants	1,159,057	36,000	-	1,195,057	1,221,974
Donations and Grants - Capital Pledges (Note 13)	80,783			80,783	367,137
Donations and Grants - McDonald's	1,069,455	-	-	1,069,455	936,752
Bequests	207,101	-	-	207,101	240,772
Room fees	708,164	-	-	708,164	746,165
Investment income (Note 9)	5,881	-	-	5,881	6,470
<b>Total revenues and other support</b>	<b>4,633,193</b>	<b>36,000</b>	<b>-</b>	<b>4,669,193</b>	<b>4,987,350</b>
<b>EXPENSES</b>					
Program	2,354,032	35,116	-	2,389,147	2,510,639
Management and general	678,042	-	-	678,042	651,320
Fundraising	1,239,550	-	-	1,239,550	1,001,698
<b>Total operating expenses</b>	<b>4,271,624</b>	<b>35,116</b>	<b>-</b>	<b>4,306,739</b>	<b>4,163,657</b>
<b>Excess of operating revenues over expenses</b>	<b>361,569</b>	<b>884</b>	<b>-</b>	<b>362,454</b>	<b>823,693</b>
Loss on disposal of obsolete capital assets	(609)	-	-	(609)	(1,286)
Realized investment (loss)	(333)	-	-	(333)	-
Unrealized investment gain (Note 9)	-	-	585,752	585,752	787,552
<b>Excess of revenues over expenses</b>	<b>\$ 360,627</b>	<b>\$ 884</b>	<b>\$ 585,752</b>	<b>\$ 947,264</b>	<b>\$ 1,609,959</b>

STATEMENT OF FUNCTIONAL EXPENSES  
11 MONTH PERIOD ENDED DECEMBER 31, 2017

	Program Services			Supporting Services		December 31	January 31
	Ronald McDonald House	Surrey Family Room	Total Program Services	Management and General	Fundraising and Events	Total 2017 Functional Expenses	Total 2017 Functional Expenses
Advertising and promotion	\$ -	\$ -	\$ -	\$ -	\$ 238,043	\$ 238,043	\$ 102,075
Amortization of capital assets	670,429	-	670,429	-	-	670,429	705,431
Audit and accounting	-	-	-	22,522	-	22,522	20,000
Automobile	12,213	-	12,213	-	-	12,213	11,692
Bank charges & investment management fees	-	-	-	28,203	-	28,203	28,706
Board	-	-	-	13,167	-	13,167	10,866
Cleaning & Janitorial services - contracted	399,675	-	399,675	-	-	399,675	416,962
Conferences	19,913	-	19,913	42,195	-	62,107	9,180
Consulting, professional fees & memberships	-	-	-	8,470	-	8,470	11,265
Contracted Building & facilities maintenance	92,253	-	92,253	-	-	92,253	107,553
Family support	165,043	-	165,043	-	-	165,043	252,818
Fundraising events (Note 7)	-	-	-	-	449,207	449,207	412,265
Insurance	28,131	-	28,131	2,979	-	31,110	3,158
Miscellaneous	-	-	-	3,826	-	3,826	11,424
Office	-	-	-	24,110	-	24,110	31,498
Programs	54,885	-	54,885	-	-	54,885	81,057
Repairs and maintenance	174,337	-	174,337	-	-	174,337	191,855
Salaries and Benefits	529,594	50,900	580,493	442,624	549,621	1,572,738	1,483,522
Surrey Family Room program	-	11,500	11,500	-	-	11,500	8,995
Technology and telephone	49,566	-	49,566	74,619	-	124,185	56,742
Travel and meal costs	47	-	47	15,329	2,678	18,054	15,704
Utilities	123,914	-	123,914	-	-	123,914	176,277
Volunteer recognition	6,749	-	6,749	-	-	6,749	14,612
<b>Total expenses</b>	<b>\$ 2,326,748</b>	<b>\$ 62,400</b>	<b>\$ 2,389,147</b>	<b>\$ 678,042</b>	<b>\$ 1,239,550</b>	<b>\$ 4,306,739</b>	<b>\$ 4,163,657</b>

STATEMENT OF CHANGES IN NET ASSETS  
11 MONTH PERIOD ENDED DECEMBER 31, 2017

	<u>Unrestricted</u>	<u>Externally Restricted</u>	<u>Internally Restricted</u>	<u>Invested in Property and Equipment</u>	<u>Total</u>
Fund balances, February 1, 2016	\$ 1,545,769	\$ 106,664	\$ 9,936,878	\$ 29,319,228	\$ 40,908,538
Excess of revenues over expenses -unrestricted	799,983	22,425	787,552	-	1,609,959
Amortization of capital assets	705,431			(705,431)	
Acquisition of capital assets	(61,629)	(9,571)		71,199	-
Disposition of capital assets	1,286			(1,286)	
Changes in outstanding capital pledges (Note 13)	(367,137)			367,137	
Transfers between funds	(1,425,000)	-	1,425,000	-	-
Fund balances, January 31, 2017 (Note 12)	\$ 1,198,704	\$ 119,517	\$ 12,149,429	\$ 29,050,847	\$ 42,518,497

Fund balances, February 1, 2017 (Note 12)	\$ 1,198,704	\$ 119,518	\$ 12,149,429	\$ 29,050,847	\$ 42,518,497
Excess of revenues over expenses	360,627	884	585,752	-	947,264
Amortization of capital assets	670,429			(670,429)	
Acquisition of capital assets	(62,421)	(41,349)		103,770	
Disposition of capital assets	609			(609)	
Reduction in outstanding capital pledges (Note 13)	(48,000)			48,000	
Changes in outstanding capital pledges (Note 13)	(80,783)			80,783	
Transfers between funds	(1,000,000)	-	1,000,000	-	-
Fund balances, December 31, 2017	\$ 1,039,164	\$ 79,053	\$ 13,735,181	\$ 28,612,363	\$ 43,465,761



**STATEMENT OF CASH FLOWS**  
**11 MONTH PERIOD ENDED DECEMBER 31, 2017**

	December 31 2017	January 31 2017
		(Note 11)
<b>OPERATING ACTIVITIES</b>		
<i>Excess of revenue over expenses for the year</i>	\$ 947,264	\$ 1,609,959
<i>Add (deduct) items not involving cash</i>		
Amortization of capital assets	670,429	705,431
Loss on disposal of obsolete assets	609	1,286
Unrealized investment gain	(585,752)	(787,552)
	1,032,549	1,529,124
Net change in non-cash working capital balances related to operations		
Accounts receivable	(97,463)	(30,262)
Prepaid expenses and other assets	21,997	3,316
Accounts payable and accrued liabilities	(48,065)	59,278
Deferred Revenue	3,473	7,499
Externally Restricted Funds	40,464	(12,854)
	(79,594)	26,977
<b>Cash provided by (used in) operating activities</b>	<b>952,955</b>	<b>1,556,101</b>
<b>INVESTING ACTIVITIES</b>		
Decrease (increase) in unrestricted investments, net	(333)	116,478
Increase in internally restricted investments, net	(1,000,000)	(1,425,000)
Purchase of capital assets- other	(103,770)	(71,199)
<b>Cash provided by (used in) investing activities</b>	<b>(1,104,104)</b>	<b>(1,379,721)</b>
Net increase in cash and cash equivalents during the year	(151,148)	176,380
Cash and cash equivalents, beginning of the year	1,131,188	954,808
<b>Cash and cash equivalents, end of the year</b>	<b>\$ 980,039</b>	<b>\$ 1,131,188</b>

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

For the 11 month period ended December 31, 2017

### 1. Significant accounting policies

#### (a) Nature of business

##### Organization

Ronald McDonald House Charities British Columbia and Yukon - The Children's Family House Society of British Columbia (the "Society") - 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 active member of their child's health care team.

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

For the 11 month period ended December 31, 2017

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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*

Effective February 1, 2017, the Society adopted Section 4410.57-78 and changed the method in accounting for revenue and contributions from deferral method to restricted fund method to be consistent with the National body and other Provincial organizations. This change in accounting policy is applied retroactively. These financial statements have been modified to comply the presentation and disclosure requirements under the restricted fund method. The impact of this change on the financial statements is summarized in Note 12.

Additionally, 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 January 31, 2017 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.

For the 11 month period ended December 31, 2017

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1. Significant accounting policies (continued)

e. *Fund accounting (continued)*

The 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 -This reports resources that are to be used for the music therapy program.

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

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

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 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.

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

For the 11 month period ended December 31, 2017

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1. Significant accounting policies (continued)

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 approximately three months or less from the date of purchase unless they are held for restricted purposes.

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 data and capitalized to the financial instruments for those measured at amortized cost.

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 identify, 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 fair market value can be reasonably estimated. 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 11 month period ended December 31, 2017

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1. **Significant accounting policies (continued)**

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.

l. *Internally restricted net assets*

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.

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

For the 11 month period ended December 31, 2017

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2. CASH

Cash and cash equivalents of \$980,040 (January 31, 2017 - \$1,131,188) and restricted cash of \$79,053 (January 31, 2017 - \$119,517) are all held in one Canadian Chartered bank.

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3. INTERNALLY RESTRICTED INVESTMENTS

The internally restricted investments are comprised of the following:

	December 31 2017	January 31 2017
PH&N Cash, Money Market & Equivalents	405,115	129,851
PH&N Equities	5,933,867	5,112,089
PH&N Fixed Income	6,209,255	5,738,916
Vancouver Foundation	150,777	145,440
RBC Investments - GICs maturing in 2018 with rates between 1.12 - 1.72%	1,032,582	1,007,361
RBC Investments -Mutual Funds	3,586	15,772
Investments - internally restricted	<u>\$ 13,735,181</u>	<u>\$ 12,149,429</u>

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

For the 11 month period ended December 31, 2017

4. CAPITAL ASSETS

Capital assets consist of the following:

	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
	<b>31,139,572</b>	<b>2,421,043</b>	<b>28,718,529</b>

	2016		
	Cost \$	Accumulated Amortization \$	Net Book Value \$
Buildings	29,555,186	1,231,582	28,323,605
Furniture, fixtures and equipment	821,413	376,577	444,836
Leasehold improvements - Ronald McDonald Family Rooms	587,718	97,739	489,978
Computer software and equipment	42,780	22,467	20,313
Vehicles	63,207	56,142	7,065
	<b>31,070,304</b>	<b>1,784,507</b>	<b>29,285,797</b>

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 11 month period ended December 31, 2017

5. NET ASSETS

Externally Restricted Funds

				December 31	January 31
	Music Therapy	Art Therapy	Playground	2017	2017
<b>REVENUES AND OTHER SUPPORT</b>					
Opening Balances	\$ 7,406	\$ 48,000	\$ 64,111	\$ 119,518	\$ 106,664
Donations and Grants - Restricted	21,000	15,000	-	36,000	63,000
<b>EXPENSES</b>					
Program	(16,406)	(18,709)		(35,116)	(40,576)
Capital Assets purchased using restricted funds	-	-	(41,349)	(41,349)	(9,571)
Total Restricted fund expenditures	(16,406)	(18,709)	(41,349)	(76,464)	(50,146)
Closing Balances	12,000	44,291	22,763	79,053	119,517

Internally Restricted Funds

Amounts set aside for future projects by the Board	6,135,181	5,349,429
Amounts set aside for future operations by the Board	7,600,000	6,800,000
	<u>13,735,181</u>	<u>12,149,429</u>

During the 11 month period, the Board of Directors approved a transfer of \$1,000,000 (January 31, 2017 - \$1,425,000) to the internally restricted Phillips Hagar & North (PH&N) investment accounts. Internally restricted investments now total \$13,735,181 (January 31, 2017 - \$12,129,429) which represent the following:

- approximately \$8.3 Million represents the two times operating reserve as detailed in RMH licencing guidelines
- approximately \$5.4 Million represents a portion of the Building Reserve Fund to maintain the House over time based on The Property Replacement Reserve Study which estimated the Building Reserve requirement to total approximately \$5.4 Million.

6. CONTRIBUTED ASSETS, MATERIALS AND SERVICES

	December 31	January 31
	2017	2017
Materials and supplies	\$ 71,569	\$ 43,365
Event tickets	33,494	38,225
Food and supplies	79,915	62,660
	<u>\$ 184,979</u>	<u>\$ 144,250</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 11 month period ended December 31, 2017

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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 2017	January 31 2017
Revenue	\$ 1,402,753	\$ 1,468,080
Expenses	449,207	412,265
Net proceeds from fundraising events	\$ 953,546	\$ 1,055,815

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8. Donations and Grants - McDonald's

Donations and Grants include \$1,069,455 (January 31, 2017 - \$936,752) in grants and contributions from Ronald McDonald House Charities, from coinbox donations and McHappy Day proceeds from McDonald's Restaurants throughout British Columbia and the Yukon.

9. Investment Income

	December 31, 2017	January 31, 2017
Total investment income gain	\$ 591,633	\$ 794,022
Less unrealized (gain) on restricted investments	(585,752)	(787,552)
Realized Investment Income	\$ 5,881	\$ 6,470

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

**For the 11 month period ended December 31, 2017**

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**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 five employees (January 31, 2017 - three) with annual remuneration over \$75,000 each. The total remuneration for these individuals for the 11 month period was \$551,400 (January 31, 2017 - \$361,204). No honoraria were paid to the members of the Board of Directors for both reporting periods.

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**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.

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

For the 11 month period ended December 31, 2017

12. CHANGE IN ACCOUNTING POLICIES AND FISCAL PERIOD END

Effective February 1, 2017, the Society changed to accounting for revenue and contributions under the restricted fund method. These financial statements have applied the change retroactively. The Society also changed the fiscal period end to December 31st.

The impact of these changes was as followed:

Change to Net Assets	January 31, 2017	January 31, 2017 (Previously reported)	Increase (Decrease)
<b>Assets</b>	\$ 42,993,440	\$ 42,993,440	\$ -
Less Liabilities			
Accounts payable and accrued liability	210,136	210,136	-
Deferred revenue	264,807	320,213	(55,406)
Capital contributions unspent	-	64,111	(64,111)
Deferred capital contributions	-	26,306,160	(26,306,160)
<b>Net Assets</b>	<b>\$ 42,518,497</b>	<b>\$ 16,092,820</b>	<b>\$ 26,425,677</b>
<b>Net Assets</b>			
Invested in capital assets	29,050,847	2,979,637	26,071,210
Externally restricted	119,517	-	119,517
Internally Restricted	12,149,429	12,149,429	-
Unrestricted	1,198,704	963,754	234,950
	<b>\$ 42,518,497</b>	<b>\$ 16,092,820</b>	<b>\$ 26,425,677</b>
<b>Change to Excess of Revenue Over Expenses</b>			
Revenue	\$ 4,987,350	\$ 4,597,789	\$ 389,561
Expenses including non-operating items	3,377,391	2,750,073	627,318
Excess of revenue over expenses	<b>\$ 1,609,959</b>	<b>\$ 1,847,716</b>	<b>\$ (237,757)</b>

13. 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 covered by unrestricted funds. Each year since opening, Capital Pledge Payments have reduced the amount covered by unrestricted funds.

During the 11 months ended December 31, 2017 \$80,783 in Capital Pledge Donations were received (January 31, 2017 - \$367,137).

During the 11 months ended December 31, 2017 the Capital Pledge Commitments were decreased \$48,000 (January 31, 2017 - \$0).

Capital Pledge Commitments, end of financial period

	31-Dec-17	31-Jan-17	31-Jan-16
	\$ 106,167	\$ 234,950	\$ 602,087

The Capital Pledge Commitment as at December 31, 2017 of \$106,167 (January 31, 2017 - \$234,950) represents the difference between the Capital Assets (Assets) and Invested in Capital Assets (Fund Balances).