

**Friends of Saskatchewan Children Inc.**  
**Financial Statements**  
*December 31, 2019*

# Friends of Saskatchewan Children Inc.

## Contents

*For the year ended December 31, 2019*

---

	<i>Page</i>
<b>Management's Responsibility</b>	
<b>Independent Auditor's Report</b>	
<b>Financial Statements</b>	
Statement of Financial Position.....	1
Statement of Operations.....	2
Statement of Functional Expenses.....	3
Statement of Changes in Fund Balances.....	5
Statement of Cash Flows.....	6
<b>Notes to the Financial Statements.....</b>	<b>7</b>

---

## **Management's Responsibility**

---

To the Members of Friends of Saskatchewan Children Inc.:

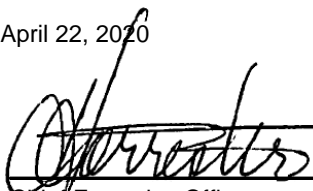
Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and Audit and Finance Committee are composed entirely of individuals who are neither management nor employees of the Organization. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Audit and Finance Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the Members to audit the financial statements and report directly to the members; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit and Finance Committee and management to discuss their audit findings.

April 22, 2020



---

Chief Executive Officer

# Independent Auditor's Report

---

To the Members of Friends of Saskatchewan Children Inc.:

## Qualified Opinion

We have audited the financial statements of Friends of Saskatchewan Children Inc. (the "Organization"), which comprise the statement of financial position as at December 31, 2019, and the statements of operations, functional expenses, changes in fund balances 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 Organization as at December 31, 2019, 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.

## Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization derives revenue from the general public in the form of contributions, fundraising activities and events, 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 Organization. Therefore, we were not able to determine whether any adjustments might be necessary to contributions, fundraising activities and events, excess (deficiency) of revenues over expenses and cash flows from operations for the years ended December 31, 2019 and 2018, current assets as at December 31, 2019 and 2018 and fund balances as at January 1 and December 31 of both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended December 31, 2018 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 Organization 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 opinion.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Organization'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.

## Independent Auditor's Report *(continued)*

---

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 Organization'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 Organization'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 Organization 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.

Saskatoon, Saskatchewan  
April 22, 2020

*MNP LLP*  
Chartered Professional Accountants

**Friends of Saskatchewan Children Inc.**  
**Statement of Financial Position**

*As at December 31, 2019*

	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	2,979,475	2,123,953
Accounts receivable	194,195	126,205
Goods and Services Tax receivable	12,529	10,433
Short-term investments (Note 4)	3,827,462	3,213,252
Accrued interest	7,879	9,137
Prepaid expenses	5,903	857
	<b>7,027,443</b>	<b>5,483,837</b>
<b>Long-term investments (Note 5)</b>	<b>1,619,920</b>	<b>1,530,376</b>
<b>Capital assets (Note 6)</b>	<b>10,286,536</b>	<b>10,683,859</b>
	<b>18,933,899</b>	<b>17,698,072</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accruals	34,886	105,696
Current portion of deferred contributions (Note 7)	159,585	154,996
	<b>194,471</b>	<b>260,692</b>
<b>Deferred contributions (Note 7)</b>	<b>69,999</b>	<b>85,596</b>
	<b>264,470</b>	<b>346,288</b>
<b>Subsequent event (Note 13)</b>		
<b>Fund Balances</b>		
General fund (Note 8)	4,900,000	4,725,000
Restricted fund (Note 8)	3,482,893	1,942,925
Capital asset fund (Note 8)	10,286,536	10,683,859
	<b>18,669,429</b>	<b>17,351,784</b>
	<b>18,933,899</b>	<b>17,698,072</b>

Approved on behalf of the Board of Directors

*Brittany Walter*  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

*The accompanying notes are an integral part of these financial statements*

**Friends of Saskatchewan Children Inc.**  
**Statement of Operations**

*For the year ended December 31, 2019*

	<i>General Fund</i>		<i>Restricted Fund</i>		<i>Capital Asset Fund</i>		<i>2019</i>	<i>2018</i>
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>		
<b>Revenues and other support</b>								
Contributions	<b>2,255,296</b>	1,117,871	-	-	<b>37,573</b>	53,733	<b>2,292,869</b>	1,171,604
Fundraising activities and events	<b>505,970</b>	627,255	-	-	-	-	<b>505,970</b>	627,255
Room fees	<b>111,030</b>	103,345	-	-	-	-	<b>111,030</b>	103,345
Grant revenue ( <i>Note 11</i> )	<b>245,500</b>	245,500	-	-	-	-	<b>245,500</b>	245,500
	<b>3,117,796</b>	2,093,971	-	-	<b>37,573</b>	53,733	<b>3,155,369</b>	2,147,704
<b>Expenses</b>								
Program - House	<b>1,228,996</b>	1,121,475	-	-	<b>506,278</b>	526,809	<b>1,735,274</b>	1,648,284
Program - Family Room	<b>82,518</b>	76,640	-	-	<b>25,647</b>	23,841	<b>108,165</b>	100,481
Management and general	<b>250,900</b>	244,476	-	-	<b>8,318</b>	5,245	<b>259,218</b>	249,721
Fundraising	<b>326,109</b>	377,833	-	-	<b>3,919</b>	4,020	<b>330,028</b>	381,853
Cost of direct benefit to donors	<b>77,160</b>	74,281	-	-	-	-	<b>77,160</b>	74,281
	<b>1,965,683</b>	1,894,705	-	-	<b>544,162</b>	559,915	<b>2,509,845</b>	2,454,620
<b>Excess (deficiency) of operating revenues over expenses</b>	<b>1,152,113</b>	199,266	-	-	<b>(506,589)</b>	(506,182)	<b>645,524</b>	(306,916)
<b>Other items</b>								
Loss on disposal of capital assets	-	-	-	-	-	(1,218)	-	(1,218)
Gain on disposal of investments	<b>1,446</b>	277,375	-	-	-	-	<b>1,446</b>	277,375
Interest and dividends	<b>180,139</b>	195,845	-	-	-	-	<b>180,139</b>	195,845
Investment management fees	<b>(46,869)</b>	(50,862)	-	-	-	-	<b>(46,869)</b>	(50,862)
Unrealized (loss) gain on fair value of investments	<b>537,405</b>	(424,858)	-	-	-	-	<b>537,405</b>	(424,858)
	<b>672,121</b>	(2,500)	-	-	-	(1,218)	<b>672,121</b>	(3,718)
<b>Excess (deficiency) of revenues over expenses</b>	<b>1,824,234</b>	196,766	-	-	<b>(506,589)</b>	(507,400)	<b>1,317,645</b>	(310,634)

*The accompanying notes are an integral part of these financial statements.*

**Friends of Saskatchewan Children Inc.**  
**Statement of Functional Expenses**

*For the year ended December 31, 2019*

	<u>Program Services</u>		Management and General	Fundraising	Cost of Direct Benefits to Donors	Total
	Ronald McDonald House	Ronald McDonald Family Room				
Salaries	712,168	55,190	150,070	155,783	-	1,073,211
Employee benefits	52,728	2,307	14,263	11,552	-	80,850
Payroll taxes	44,552	3,134	6,433	8,946	-	63,065
Total salaries and related expenses	809,448	60,631	170,766	176,281	-	1,217,126
Advertising	-	-	4,487	83,218	-	87,705
Amortization	506,278	25,647	8,318	3,919	-	544,162
Automobile	-	-	5,036	-	-	5,036
Cleaning service and supplies	16,626	-	-	-	-	16,626
Direct mail	-	-	-	32,545	-	32,545
Donor recognition	-	-	-	8,669	-	8,669
Education, training and meetings	10,913	571	14,107	1,213	-	26,804
Family support services and supplies	144,769	9,177	-	-	-	153,946
Insurance	-	2,335	590	-	-	2,925
Linens and laundry	927	-	-	-	-	927
Maintenance and repairs	73,819	2,853	-	-	-	76,672
Office supplies	12,977	784	2,884	1,442	-	18,087
Other	5,166	-	13,908	6,976	32,833	58,883
Printing	-	334	-	3,821	-	4,155
Professional fees	-	-	23,524	-	-	23,524
Rent	-	-	-	-	16,541	16,541
Technology	27,391	-	7,267	7,815	-	42,473
Telephone	33,057	2,365	6,945	3,472	-	45,839
Travel, meals and entertainment	-	2,711	-	4	27,786	30,501
Utilities	84,200	-	1,386	653	-	86,239
Volunteer resources and recognition	9,703	757	-	-	-	10,460
<b>Total Expenses</b>	1,735,274	108,165	259,218	330,028	77,160	2,509,845

*The accompanying notes are an integral part of these financial statements.*



**Friends of Saskatchewan Children Inc.**  
**Statement of Functional Expenses**

*For the year ended December 31, 2018*

	<i>Program Services</i>		Management and General	Fundraising	Cost of Direct Benefits to Donors	Total
	Ronald McDonald House	Ronald McDonald Family Room				
Salaries	651,642	51,095	138,333	115,713	-	<b>956,783</b>
Employee benefits	56,600	4,891	14,260	12,307	-	<b>88,058</b>
Payroll taxes	31,170	3,054	5,899	6,432	-	<b>46,555</b>
Total salaries and related expenses	739,412	59,040	158,492	134,452	-	<b>1,091,396</b>
Advertising	-	-	6,004	73,493	-	<b>79,497</b>
Amortization	526,809	23,841	5,245	4,020	-	<b>559,915</b>
Cleaning service and supplies	5,506	-	-	-	-	<b>5,506</b>
Direct mail	-	-	-	31,854	-	<b>31,854</b>
Donor recognition	-	-	-	3,198	-	<b>3,198</b>
Education, training and meetings	5,039	338	33,147	6,323	-	<b>44,847</b>
Family support services and supplies	140,249	4,307	-	-	-	<b>144,556</b>
Insurance	-	1,304	3,803	-	-	<b>5,107</b>
Linens and laundry	-	-	-	-	-	-
Maintenance and repairs	81,767	5,160	-	-	-	<b>86,927</b>
Office supplies	8,983	450	2,862	998	-	<b>13,293</b>
Other	4,045	-	656	107,343	32,580	<b>144,624</b>
Printing	-	819	-	10,422	-	<b>11,241</b>
Professional fees	-	-	25,578	-	-	<b>25,578</b>
Rent	-	-	-	-	15,132	<b>15,132</b>
Technology	19,792	-	5,182	6,499	-	<b>31,473</b>
Telephone	25,549	2,369	5,239	2,620	-	<b>35,777</b>
Travel, meals and entertainment	-	2,525	-	12	26,569	<b>29,106</b>
Utilities	79,834	-	1,314	619	-	<b>81,767</b>
Automobile	-	-	2,199	-	-	<b>2,199</b>
Volunteer resources and recognition	11,299	328	-	-	-	<b>11,627</b>
<b>Total Expenses</b>	<b>1,648,284</b>	<b>100,481</b>	<b>249,721</b>	<b>381,853</b>	<b>74,281</b>	<b>2,454,620</b>

*The accompanying notes are an integral part of these financial statements.*

**Friends of Saskatchewan Children Inc.**  
**Statement of Changes in Fund Balances**

*For the year ended December 31, 2019*

	<i>General Fund</i>		<i>Restricted Fund</i>		<i>Capital Asset Fund</i>		<i>2019</i>	<i>2018</i>
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>		
Fund balances, beginning of year	<b>4,725,000</b>	4,270,000	<b>1,942,925</b>	2,396,332	<b>10,683,859</b>	10,996,086	<b>17,351,784</b>	17,662,418
Excess (deficiency) of revenues over expenses	<b>1,824,234</b>	196,766	-	-	<b>(506,589)</b>	(507,400)	<b>1,317,645</b>	(310,634)
	<b>6,549,234</b>	4,466,766	<b>1,942,925</b>	2,396,332	<b>10,177,270</b>	10,488,686	<b>18,669,429</b>	17,351,784
Transfers between funds ( <i>Note 8</i> )	<b>(1,649,234)</b>	258,234	<b>1,539,968</b>	(453,407)	<b>109,266</b>	195,173	-	-
<b>Fund balances, end of year</b>	<b>4,900,000</b>	4,725,000	<b>3,482,893</b>	1,942,925	<b>10,286,536</b>	10,683,859	<b>18,669,429</b>	17,351,784

*The accompanying notes are an integral part of these financial statements.*

**Friends of Saskatchewan Children Inc.**  
**Statement of Cash Flows**

*For the year ended December 31, 2019*

	<b>2019</b>	<b>2018</b>
<hr/>		
<b>Cash provided by (used for) the following activities</b>		
<b>Operating</b>		
Excess (deficiency) of revenues over expenses	1,317,645	(310,634)
Amortization	544,162	559,915
Gain on disposal of investments	(1,446)	(277,375)
Unrealized (gain) loss on fair value of investments	(537,405)	424,858
Loss on disposal of capital assets	-	1,218
	<hr/>	<hr/>
	1,322,956	397,982
Changes in working capital accounts		
Accounts receivable	(67,990)	(98,454)
Goods and Services Tax receivable	(2,096)	1,006
Accrued interest	1,258	(865)
Prepaid expenses	(5,046)	36,352
Accounts payable and accruals	(70,810)	246
Deferred contributions	(11,008)	115,077
	<hr/>	<hr/>
	1,167,264	451,344
<b>Investing</b>		
Purchases of capital assets	(146,839)	(249,716)
Proceeds on disposal of capital assets	-	810
Purchase of investments	(827,575)	(5,004,059)
Proceeds on disposal of investments	662,672	3,286,231
	<hr/>	<hr/>
	(311,742)	(1,966,734)
<b>Increase (decrease) in cash resources</b>	<b>855,522</b>	<b>(1,515,390)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>2,123,953</b>	<b>3,639,343</b>
	<hr/>	<hr/>
<b>Cash and cash equivalents, end of year</b>	<b>2,979,475</b>	<b>2,123,953</b>

*The accompanying notes are an integral part of these financial statements*

# Friends of Saskatchewan Children Inc.

## Notes to the Financial Statements

For the year ended December 31, 2019

---

### 1. Incorporation and nature of the organization

Friends of Saskatchewan Children Inc. (the "Organization") is a Saskatchewan not-for-profit, charitable corporation formed on December 14, 1982. The Organization operates as Ronald McDonald House Charities Saskatchewan (RMHC-SK). The mission of RMHC is to create, find and support programs that directly improve the health and well-being of children and their families. RMHC and the network of local Chapters, of which there are 13 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, 12 Regional RMHC Chapters work collaboratively through the support of RMHC Canada, Canada's national RMHC foundation, which is focused on contributing funding from McDonald's Restaurants of Canada and other donors, to support the building and operations of Ronald McDonald Houses, Family Rooms and Ronald McDonald Care Mobiles to help enable the support of families with sick children.

The Organization fulfills its 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. The following programs, operated by the Organization, represent the core functions of RMHC-SK:

#### ***Ronald McDonald House***

When children must travel long distances to access top medical care, accommodations and support for families can be expensive or not readily available. The Organization helps families stay close to their ill or injured child through the Ronald McDonald House program located in Saskatoon, Saskatchewan, which provides 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 program in the Prince Albert Victoria Hospital PEDS Unit serves 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 hospitalised child and to be an active member of their child's health care team.

### 2. Change in accounting policy

#### ***Capital Assets Held by Not-for-Profit Organizations***

Effective January 1, 2019, the Organization adopted the Accounting Standard Board's (AcSB) new accounting standard under Section 4433 *Tangible Capital Assets Held by Not-for-Profit Organizations*. Applying this new Section results in changes to the determination of impairment and write-downs of capital assets and allows for the recognition of partial impairments of these assets.

Pursuant to the transitional provisions, this change was applied prospectively, and the prior periods have not been restated. There was no material impact of this change in accounting policy, as there are no material component parts with differing useful lives requiring separation and there are no indications of partial impairments.

**3. Significant accounting policies**

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

***Fund accounting***

The Organization follows the restricted fund method of accounting for contributions, and maintains three funds: General Fund, Restricted Fund, and Capital Asset Fund.

The General Fund reports the Organization's unrestricted resources available for general core functions.

The Restricted Fund reports the Organization's resources that are to be used for specific purposes as specified by the donor or the Board of Directors (the "Board"). Any funds internally restricted by the Board are recorded through a transfer to the respective fund.

The Capital Asset Fund reports the Organization's resources that are restricted to the Organization's capital asset purchases, replacements, or maintenance initiatives.

***Revenue recognition***

The Organization uses the restricted fund method of accounting for contributions.

Unrestricted contributions, grants and bequests are recognized as revenue in the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions, grants or bequests are recognized as revenue of the Restricted Fund or Capital Asset Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions for purposes other than those of the Restricted Fund or Capital Asset Fund are recognized as revenue in the General Fund in the year in which the related expenses are recognized.

Revenue from fundraising is recognized as revenue in the corresponding fund as appropriate in the year received or receivable, if the amount can be reasonably estimated and collection is reasonably assured.

Room fees are recognized when services are provided. Revenue from room payments is recognized as revenue in the General Fund when the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income consists of interest, dividends, income distributions from pooled funds, and realized and unrealized gains and losses. Investment income earned on Restricted Fund or Capital Asset Fund resources that must be spent on donor-restricted activities is recognized as revenue of the respective fund when earned. General investment income earned on Restricted Fund, Capital Asset Fund and General Fund resources is recognized as revenue of the General Fund when earned.

***Contributed materials and services***

Contributions of materials are recognized both as contributions and expenses in the statement of operations when a fair value can be reasonably estimated and when the materials are used in the normal course of the Organization's operations and would otherwise have been purchased. Volunteers contribute many hours to assist the Organization, however, because of the difficulty in determining their fair value, volunteer hours are not recognized in the financial statements.

***Financial instruments***

The Organization recognizes its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management.

At initial recognition, the Organization may irrevocably elect to subsequently measure any financial instrument at fair value. The Organization has elected to measure all investments at fair value. Fair value is determined by published price quotations. All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess (deficiency) of revenues over expenses for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

**3. Significant accounting policies** *(Continued from previous page)*

***Financial asset impairment***

The Organization assesses impairment of all of its financial assets measured at cost or amortized cost. When there is an indication of impairment, the Organization determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Organization reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment which is not considered temporary is included in current year excess (deficiency) of revenues over expenses.

The Organization reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the excess (deficiency) of revenues over expenses in the year the reversal occurs.

***Cash and cash equivalents***

Cash and cash equivalents include cash on deposit and short-term investments with maturities of three months or less from the date of purchase unless they are held for investment rather than liquidity purposes, in which case they are classified as investments.

***Investments***

Investments are measured at fair value. Any changes in fair value are recorded immediately in the excess (deficiency) of revenues over expenses.

***Capital assets***

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided using the declining balance method at rates intended to amortize the cost of assets over their estimated useful lives. Land is not amortized.

	Rate
Ronald McDonald House	5 %
Ronald McDonald Family Rooms	5 %
Computer equipment	30 %
Furniture and fixtures	20 %
Signage	20 %
Paving, fencing and land development	20 %

***Long-lived assets***

Long-lived assets consist of capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Organization writes down long-lived assets held for use when conditions indicate that the group of assets no longer contribute to the Organization's ability to provide goods and services. The assets are also written-down when the value of future economic benefits or service potential associated with the group of assets is less than its net carrying amount. When the Organization determines that a long-lived asset is impaired, its carrying amount is written down to the asset's fair value. Any subsequent recovery is not recorded.

**Friends of Saskatchewan Children Inc.**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2019*

---

**3. Significant accounting policies** *(Continued from previous page)*

**Measurement uncertainty**

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and as adjustments become necessary they are reported in excess (deficiency) of revenues over expenses in the periods in which they become known.

**Allocation of expenses**

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 have been allocated among the programs and supporting services benefited, based on a direct allocation, full-time equivalent, or square footage component as applicable to expense.

**4. Short-term investments**

	<b>2019</b>	2018
<b>Short-term investments recorded at fair market value:</b>		
Equities and mutual funds (book value: 2019 - \$3,388,982, 2018 - \$3,324,367)	<b>3,714,501</b>	3,107,528
Fixed maturity debt instruments / Canadian bonds (book value: 2019 - \$118,061, 2018 - \$107,100)	<b>112,961</b>	105,724
	<b>3,827,462</b>	3,213,252

Equities and mutual funds are recorded as short term due to the ability of the Organization to dispose of the investments at any time.

Fixed maturity debt instruments consist of a bond yielding 4.85% (2018 - bonds and notes yielding 1.78% to 3.75%). All fixed maturity debt instruments noted above will mature prior to December 31, 2020 (2018 - December 31, 2019).

**5. Long-term investments**

	<b>2019</b>	2018
<b>Long-term investments recorded at fair value:</b>		
Fixed maturity debt instruments / Canadian bonds (book value: 2019 - \$1,535,281, 2018 - \$1,506,645)	<b>1,619,920</b>	1,530,376

Fixed maturity debt instruments consist of bonds and notes yielding between 1.97% and 6.93% (2018 - between 1.97% and 6.50%) with maturities ranging from September 2021 to June 2048 (2018 - June 2020 to December 2108).

**Friends of Saskatchewan Children Inc.**  
**Notes to the Financial Statements**

*For the year ended December 31, 2019*

**6. Capital assets**

	<i>Accumulated</i>		<i>2019</i>	<i>2018</i>
	<i>Cost</i>	<i>amortization</i>	<i>Net book</i>	<i>Net book</i>
			<i>value</i>	<i>value</i>
Land	1,554,476	-	1,554,476	1,554,476
Ronald McDonald House	11,641,289	3,650,986	7,990,303	8,275,557
Ronald McDonald Family Rooms	344,832	56,528	288,304	303,478
Computer equipment	86,325	77,758	8,567	12,239
Furniture and fixtures	823,348	511,880	311,468	390,283
Signage	20,174	18,707	1,467	1,834
Computer software	8,195	-	8,195	8,195
Paved surfaces	179,650	55,894	123,756	137,797
	<b>14,658,289</b>	<b>4,371,753</b>	<b>10,286,536</b>	<b>10,683,859</b>

**7. Deferred contributions**

Deferred contributions consist of contributions received for the Adopt-a-Room campaign. Recognition of these amounts as revenue is deferred over the term of the commitments. Changes in the deferred contribution balance are as follows:

	<i>2019</i>	<i>2018</i>
Balance, beginning of year	240,592	125,515
Contributions received during the year	243,158	336,642
Less: Contributions recognized as revenue	<b>(254,166)</b>	<b>(221,565)</b>
	<b>229,584</b>	240,592
Less: Current portion	<b>(159,585)</b>	(154,996)
Balance, end of year	<b>69,999</b>	85,596

**8. Fund balances**

**General Fund**

The Organization is required by Ronald McDonald House Charities to retain approximately two and a half times the annual operating costs of the Organization as an operating reserve. As a result, \$4,900,000 (2018 - \$4,725,000) has been retained by the Organization in the General Fund to be in compliance with this requirement. Any excess amount or shortfall at year end will be transferred into or will be replenished from internally restricted net assets in the Restricted Fund as approved by the Board of Directors.

**Restricted Fund**

During the year, the Organization's Board of Directors approved the transfer out of \$1,539,968 from the General Fund (2018 - \$453,407 to the General Fund) in order to internally restrict \$3,482,893 (2018 - \$1,942,925) to be held in the Restricted Fund for unexpected shortfalls or specific future causes, as well as investment in major capital expenditures.

**Capital Asset Fund**

The Board of Directors has internally restricted net assets invested in capital assets of \$10,286,536 (2018 - \$10,683,859). During the year, \$109,266 (2018 - \$195,173) was transferred to the Capital Asset Fund from the General Fund.



**9. Financial instruments**

The Organization, as part of its operations, carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

***Interest rate risk***

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Organization is exposed to interest rate fair value risk with respect to its investments including bonds and notes which are subject to fixed interest rates ranging from 1.97% to 6.93% (2018 - 1.78% to 6.50%). In seeking to minimize the risks from interest rate fluctuations, the Organization manages its exposure by selecting investments with a variety of rates of return and maturity dates.

***Other price risk***

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Organization's investments in equity funds, bond funds, bonds and notes expose the Organization to price risk as these investments are subject to price changes in an open market due to a variety of reasons including changes in market rates of interest, general economic indicators and restrictions on credit markets.

***Credit concentration***

As at December 31, 2019, one contributor accounted for 79% (2018 - one contributor, 74%) of accounts receivable. The Organization believes that there is no unusual exposure associated with the collection of these receivables. The Organization performs regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable.

**10. Income taxes**

The Organization is registered as a charitable organization under the *Income Tax Act* (the "Act") and as such is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Organization must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

**11. Related party transactions**

Ronald McDonald House Charities (RMHC) is a system of independent, separately registered public benefit organizations, referred to as "Chapters" within the global organization. The Organization is an independent operating Chapter within the RMHC system. Each Chapter is licensed by McDonald's Corporation and Ronald McDonald House Charities, Inc. to use RMHC related trademarks in conjunction with fundraising activities and the operation of its programs; the License Agreement also sets standards of operations for programs, governance, finance, branding and reporting.

During the year ended December 31, 2019, the Organization received \$245,500 (2018 - \$245,500) from Ronald McDonald House Charities. At December 31, 2019, \$154,376 (2018 - \$99,969) due from Ronald McDonald House Charities was recorded in accounts receivable.

**12. Comparative figures**

Certain comparative figures have been reclassified to conform with current year presentation.

# Friends of Saskatchewan Children Inc.

## Notes to the Financial Statements

*For the year ended December 31, 2019*

---

### 13. Subsequent event

Subsequent to year-end, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses and organizations through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Organization as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the virus, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

While the extent of the impact is unknown, certain changes have been put in place subsequent to year end, including the temporary suspension of accepting new families at the Ronald McDonald House and temporary closure of the Ronald McDonald Family Room.