

**Friends of Saskatchewan Children Inc.**  
**Financial Statements**  
*December 31, 2017*

# Friends of Saskatchewan Children Inc. Contents

*For the year ended December 31, 2017*

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## **Management's Responsibility**

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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 Board and management to discuss their audit findings.

April 18, 2018



Chief Executive Officer

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## Independent Auditors' Report

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To the Members of Friends of Saskatchewan Children Inc.:

We have audited the accompanying financial statements of Friends of Saskatchewan Children Inc., which comprise the statement of financial position as at December 31, 2017, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### *Basis for Qualified Opinion*

In common with many not-for-profit organizations, the Organization derives revenue from the general public in the form of contributions and 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 fundraising and donation revenue, excess of revenues over expenses and cash flows from operations for the years ended December 31, 2017 and 2016, current assets and fund balances as at December 31, 2017 and 2016. Our audit opinion on the financial statements for the year ended December 31, 2016 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 present fairly, in all material respects the financial position of Friends of Saskatchewan Children Inc. as at December 31, 2017 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.

Saskatoon, Saskatchewan

April 18, 2018

*MNP LLP*

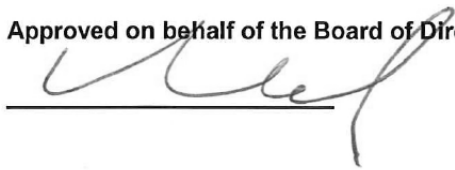
Chartered Professional Accountants

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

*As at December 31, 2017*

	<b>2017</b>	2016 <i>(Restated Note 2)</i>
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	3,639,343	3,026,852
Accounts receivable	27,751	18,960
Goods and Services Tax receivable	11,439	12,662
Short-term investments (Note 4)	1,980,640	1,847,085
Accrued interest	8,272	5,759
Prepaid expenses	37,209	732
	<b>5,704,654</b>	4,912,050
<b>Long-term investments (Note 5)</b>	<b>1,192,643</b>	1,046,183
<b>Capital assets (Note 6)</b>	<b>10,996,086</b>	11,397,532
	<b>17,893,383</b>	17,355,765
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accruals	105,450	75,418
Deferred contributions - operating (Note 7)	64,086	179,896
	<b>169,536</b>	255,314
<b>Deferred contributions - adopt-a-room (Note 7)</b>	<b>61,429</b>	-
	<b>230,965</b>	255,314
<b>Fund Balances</b>		
General fund (Note 8)	4,270,000	1,817,000
Restricted fund (Note 8)	2,396,332	3,885,919
Capital asset fund (Note 8)	10,996,086	11,397,532
	<b>17,662,418</b>	17,100,451
	<b>17,893,383</b>	17,355,765

Approved on behalf of the Board of Directors




*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, 2017*

	<b>General Fund</b>		<b>Restricted Fund</b>		<b>Capital Asset Fund</b>		<b>2017</b>	<b>2016</b>
	<b>2017</b>	2016 <i>(Restated Note 2)</i>	<b>2017</b>	2016 <i>(Restated Note 2)</i>	<b>2017</b>	2016 <i>(Restated Note 2)</i>		<i>(Restated Note 2)</i>
<b>Revenues and other support</b>								
Contributions	<b>1,235,717</b>	1,293,029	-	-	<b>604,675</b>	965,494	<b>1,840,392</b>	2,258,523
Fundraising activities and events	<b>428,845</b>	514,594	-	-	-	-	<b>428,845</b>	514,594
Room fees	<b>89,530</b>	87,710	-	-	-	-	<b>89,530</b>	87,710
Grant revenue	<b>243,093</b>	347,680	-	-	-	200,000	<b>243,093</b>	547,680
	<b>1,997,185</b>	2,243,013	-	-	<b>604,675</b>	1,165,494	<b>2,601,860</b>	3,408,507
<b>Expenses</b>								
Program <i>(Schedule 1)</i>	<b>1,082,896</b>	915,465	-	-	<b>564,726</b>	583,816	<b>1,647,622</b>	1,499,281
Management and general <i>(Schedule 2)</i>	<b>412,994</b>	340,953	-	-	<b>6,917</b>	7,831	<b>419,911</b>	348,784
Fundraising <i>(Schedule 3)</i>	<b>212,891</b>	309,766	-	-	-	-	<b>212,891</b>	309,766
	<b>1,708,781</b>	1,566,184	-	-	<b>571,643</b>	591,647	<b>2,280,424</b>	2,157,831
<b>Excess of operating revenues over expenses</b>	<b>288,404</b>	676,829	-	-	<b>33,032</b>	573,847	<b>321,436</b>	1,250,676
<b>Other items</b>								
Loss on disposal of capital assets	-	-	-	-	<b>(8,089)</b>	-	<b>(8,089)</b>	-
Gain on disposal of investments	<b>36,016</b>	8,553	-	-	-	-	<b>36,016</b>	8,553
Interest and dividends	<b>170,818</b>	108,129	-	-	-	-	<b>170,818</b>	108,129
Investment management fees	<b>(44,066)</b>	(42,503)	-	-	-	-	<b>(44,066)</b>	(42,503)
Unrealized gain on fair value of investments	<b>85,852</b>	43,073	-	-	-	-	<b>85,852</b>	43,073
	<b>248,620</b>	117,252	-	-	<b>(8,089)</b>	-	<b>240,531</b>	117,252
<b>Excess of revenues over expenses</b>	<b>537,024</b>	794,081	-	-	<b>24,943</b>	573,847	<b>561,967</b>	1,367,928

*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, 2017*

	<b>General Fund</b>		<b>Restricted Fund</b>		<b>Capital Asset Fund</b>		<b>2017</b>	<b>2016</b>
	<b>2017</b>	2016 <i>(Restated Note 2)</i>	<b>2017</b>	2016 <i>(Restated Note 2)</i>	<b>2017</b>	2016 <i>(Restated Note 2)</i>		<i>(Restated Note 2)</i>
Fund balances, beginning of year	<b>1,817,000</b>	1,676,000	<b>3,777,574</b>	3,020,551	<b>1,759,638</b>	1,978,522	<b>7,354,212</b>	6,675,073
Retrospective application of change in accounting policy <i>(Note 2)</i>	-	-	<b>108,345</b>		<b>9,637,894</b>	9,057,450	<b>9,746,239</b>	9,057,450
Fund balances, beginning of year, as restated	<b>1,817,000</b>	1,676,000	<b>3,885,919</b>	3,020,551	<b>11,397,532</b>	11,035,972	<b>17,100,451</b>	15,732,523
Excess of revenues over expenses	<b>537,024</b>	794,081	-	-	<b>24,943</b>	573,847	<b>561,967</b>	1,367,928
	<b>2,354,024</b>	2,470,081	<b>3,885,919</b>	3,020,551	<b>11,422,475</b>	11,609,819	<b>17,662,418</b>	17,100,451
Transfers between funds <i>(Note 8)</i>	<b>1,915,976</b>	(653,081)	<b>(1,489,587)</b>	865,368	<b>(426,389)</b>	(212,287)	-	-
<b>Fund balances, end of year</b>	<b>4,270,000</b>	1,817,000	<b>2,396,332</b>	3,885,919	<b>10,996,086</b>	11,397,532	<b>17,662,418</b>	17,100,451

*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, 2017*

	2017	2016 <i>(Restated Note 2)</i>
<b>Cash provided by (used for) the following activities</b>		
<b>Operating</b>		
Excess of revenues over expenses	561,967	1,367,928
Amortization	571,643	591,647
Gain on disposal of investments	(36,016)	(8,553)
Unrealized gain on fair value of investments	(85,852)	(43,073)
Loss on disposal of capital assets	8,089	-
Deferred contributions - operating recognized <i>(Note 7)</i>	(258,685)	(273,350)
	761,146	1,634,599
Changes in working capital accounts		
Accounts receivable	(8,791)	77,935
Accrued interest	(2,513)	526
Goods and Services Tax receivable	1,223	(4,212)
Prepaid expenses	(36,477)	13,861
Accounts payable and accruals	30,033	13,704
	744,621	1,736,413
<b>Financing</b>		
Restricted contributions received for operations <i>(Note 7)</i>	204,304	142,727
<b>Investing</b>		
Purchases of capital assets	(188,286)	(953,207)
Proceeds on disposal of capital assets	10,000	-
Purchase of investments	(255,750)	(271,364)
Proceeds on disposal of investments	97,602	245,789
	(336,434)	(978,782)
<b>Increase in cash and cash equivalents</b>	<b>612,491</b>	<b>900,358</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>3,026,852</b>	<b>2,126,494</b>
<b>Cash and cash equivalents, end of year</b>	<b>3,639,343</b>	<b>3,026,852</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, 2017

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### 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 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. 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

Effective January 1, 2016, the Organization changed its revenue recognition accounting policy. Previously the Organization was following the deferral method of accounting for contributions. During the year, the RMHC Canadian Chapter Financial Statement template was released, requiring all chapters to follow the restricted fund method of accounting for contributions. The change in accounting policy was enacted retrospectively and prior years have been restated. The restatement resulted in a decrease in deferred contributions - capital of \$9,637,894 and deferred contributions - operating of \$108,345 as well as an increase in invested in capital assets of \$9,637,894 and restricted fund of \$108,345 at December 31, 2016. Contributions revenue for the year ending December 31, 2016 increased by \$688,789 and invested in capital assets increased by \$9,057,450 at December 31, 2015.

**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, 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.

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

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 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.

***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 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 of revenue over expenses in the year the reversal occurs.

***Cash and cash equivalents***

Cash and cash equivalents include cash and money market funds 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 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.

	<b>Rate</b>
Ronald McDonald House	5 %
Ronald McDonald Family Room	5 %
Computer equipment	30 %
Furniture and fixtures	20 %
Signage	20 %
Paved surfaces	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.

When the Organization determines that a long-lived asset no longer has any long-term service potential to the Organization, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Write-downs are not reversed.

**Friends of Saskatchewan Children Inc.**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2017*

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**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 of revenues over expenses in the periods in which they become known.

**Allocation of expenses**

The Organization engages in fundraising programs. The costs of each program include the costs of personnel, premises and other expenses that are directly related to providing the program. The Organization also incurs a number of general support expenses that are common to the administration of the Organization and each of its programs.

Fundraising revenue and expenses related to operations and the capital campaign are reported as separate line items on the statement of operations. General fundraising is done to assist with the operations of the Organization. Capital campaign fundraising relates to funds raised for the expansion.

**4. Short-term investments**

	<b>2017</b>	<b>2016</b>
<b>Short-term investments recorded at fair market value:</b>		
Equity funds (book value: 2017 - \$1,753,390, 2016 - \$1,650,884)	<b>1,980,640</b>	1,772,947
Fixed maturity debt instruments / Canadian bonds (book value: 2017 - \$nil, 2016 - \$74,098)	-	74,138
	<b>1,980,640</b>	1,847,085

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

**5. Long-term investments**

	<b>2017</b>	<b>2016</b>
<b>Long-term investments recorded at fair value:</b>		
Fixed maturity debt instruments / Canadian bonds (book value: 2017 - \$1,154,888, 2016 - \$1,000,236)	<b>1,192,643</b>	1,046,183

Fixed maturity debt instruments consist of bonds and notes yielding between 1.97% and 7.05% (2016 - between 2.25% and 7.05%) with maturities ranging from July 2019 to December 2045 (2016 - March 2018 to December 2045).

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

*For the year ended December 31, 2017*

**6. Capital assets**

	<i>Accumulated</i>		<i>2017</i>	<i>2016</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	11,478,425	2,799,174	8,679,251	9,051,180
Ronald McDonald Family Room	344,832	25,381	319,451	335,206
Computer equipment	86,325	68,841	17,484	21,712
Furniture and fixtures	750,097	348,759	401,338	406,899
Signage	20,174	17,882	2,292	2,865
Computer software	8,195	-	8,195	8,195
Paved surfaces	23,610	10,011	13,599	16,999
	<b>14,266,134</b>	<b>3,270,048</b>	<b>10,996,086</b>	11,397,532

**7. Deferred contributions - operating**

Deferred contributions consist of contributions received for the adopt-a-room campaign and the RBC Mental Health Wellness program. Recognition of these amounts as revenue is deferred over the term of the commitments or when the specified expenditures are made. Changes in the deferred contribution balance are as follows:

	<i>2017</i>	<i>2016</i>
		<i>(Restated)</i>
<b>Deferred contributions - adopt a room</b>		
Balance, beginning of year	143,896	310,519
Contributions received during the year	204,304	94,727
Less: Contributions recognized as revenue	(222,685)	(261,350)
	<b>125,515</b>	143,896
Less: Long-term portion	(61,429)	-
Balance, end of year	<b>64,086</b>	143,896
<b>Deferred contribution - RBC Mental Health Wellness</b>		
Balance, beginning of year	36,000	-
Contributions received during the year	-	48,000
Less: Contributions recognized as revenue	(36,000)	(12,000)
Balance, end of year	-	36,000
<b>Total deferred contributions - operating</b>	<b>64,086</b>	179,896

**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, \$4,270,000 (2016 - \$1,817,000) 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 \$1,489,587 (2016 -transfer in of \$865,368) in order to internally restrict \$2,396,332 (2016 – \$3,885,919) 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 \$10,996,086 (2016 – \$11,397,532). During the year, \$426,389 (2016 - \$212,287) was transferred from the Capital Asset Fund to 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 cash flow risk with respect to its investments including bonds and notes which are subject to fixed interest rates ranging from 1.97% to 7.05% (2016 - 2.25% to 7.05%). 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.

***Liquidity risk***

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization's exposure to liquidity risk is dependent on the collection of accounts, purchasing commitments and obligations or raising funds to meet commitments and sustain operations.

***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, 2017, one donor accounted for 82% (2016 - one donor, 54%) 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.

**Friends of Saskatchewan Children Inc.**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2017*

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**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, 2017, the Organization received \$243,093 (2016 - \$547,680) from Ronald McDonald House Charities. At December 31, 2017, \$22,851 (2016 - \$10,740) due from Ronald McDonald House Charities was recorded in accounts receivable.

Included in prepaid expenses is a contribution of \$25,000 paid in advance to Ronald McDonald House Charities during the year for Year 1 (2018) of the National Collective investment.

**12. Comparative figures**

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

**Friends of Saskatchewan Children Inc.**  
**Schedule 1 - Schedule of Program Expenses**

*For the year ended December 31, 2017*

	<i>General Fund</i>	<i>Restricted Fund</i>	<i>Capital Asset Fund</i>	<i>2017</i>	<i>2016</i>
<b>Program</b>					
Salaries and benefits	<b>650,715</b>	-	-	<b>650,715</b>	564,929
Amortization	-	-	<b>564,726</b>	<b>564,726</b>	583,816
Repairs and maintenance	<b>88,142</b>	-	-	<b>88,142</b>	66,448
Utilities	<b>85,534</b>	-	-	<b>85,534</b>	69,817
Guest services	<b>76,077</b>	-	-	<b>76,077</b>	41,441
Night security	<b>68,071</b>	-	-	<b>68,071</b>	62,833
Property tax	<b>68,053</b>	-	-	<b>68,053</b>	68,521
Volunteer	<b>20,461</b>	-	-	<b>20,461</b>	11,711
Telephone, internet and cable	<b>19,083</b>	-	-	<b>19,083</b>	16,372
Household supplies	<b>6,760</b>	-	-	<b>6,760</b>	13,393
	<b>1,082,896</b>	-	<b>564,726</b>	<b>1,647,622</b>	1,499,281



**Friends of Saskatchewan Children Inc.**  
**Schedule 2 - Schedule of Management and General Expenses**

*For the year ended December 31, 2017*

	<i>General Fund</i>	<i>Restricted Fund</i>	<i>Capital Asset Fund</i>	<b>2017</b>	<b>2016</b>
<b>Management and general</b>					
Salaries and benefits	<b>300,899</b>	-	-	<b>300,899</b>	254,037
Office	<b>64,045</b>	-	-	<b>64,045</b>	38,557
Professional fees	<b>27,677</b>	-	-	<b>27,677</b>	25,558
Telephone, internet and cable	<b>12,722</b>	-	-	<b>12,722</b>	10,915
Amortization	-	-	<b>6,917</b>	<b>6,917</b>	7,831
Conferences	<b>5,857</b>	-	-	<b>5,857</b>	10,136
Insurance	<b>1,794</b>	-	-	<b>1,794</b>	1,750
	<b>412,994</b>	-	<b>6,917</b>	<b>419,911</b>	348,784

**Friends of Saskatchewan Children Inc.**  
**Schedule 3 - Schedule of Fundraising Expenses**

*For the year ended December 31, 2017*

	<i>General Fund</i>	<i>Restricted Fund</i>	<i>Capital Asset Fund</i>	<b>2017</b>	<i>2016</i>
<b>Fundraising</b>					
Signature fundraising events	<b>76,712</b>	-	-	<b>76,712</b>	187,860
Publicity and promotion	<b>58,453</b>	-	-	<b>58,453</b>	43,370
Salaries and benefits	<b>44,676</b>	-	-	<b>44,676</b>	38,603
Donations (mail out)	<b>33,050</b>	-	-	<b>33,050</b>	39,933
	<b>212,891</b>	-	-	<b>212,891</b>	309,766