

**FRIENDS OF SASKATCHEWAN
CHILDREN INC.**

FINANCIAL STATEMENTS

December 31, 2011

INDEPENDENT AUDITOR'S REPORT

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, 2011, and the statements of revenue and expenditures, 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 generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Basis for Qualified Opinion

In common with many charitable organizations, Friends of Saskatchewan Children Inc. derives part of its revenues from the general public in the form of third party fundraising and donations which are not susceptible to complete audit verification. Accordingly our verification of revenues from these sources was limited to accounting for the amounts recorded in the records of Friends of Saskatchewan Children Inc. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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, 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other matters

The financial statements of Friends of Saskatchewan Children Inc. for the year ended December 31, 2010, were audited by another auditor who expressed a modified opinion, relating to the possible effects of the matter described in the Basis for Qualified Opinion paragraph, on those statements on April 20, 2011.

Deloitte + Touche LLP

Chartered Accountants

Saskatoon, Saskatchewan
May 3, 2012

FRIENDS OF SASKATCHEWAN CHILDREN INC.
STATEMENT OF REVENUE AND EXPENDITURES
Year ended December 31, 2011

	2011	2010
REVENUE		
Adopt-A-Room program	\$ 27,199	\$ 61,433
Capital grants	-	61,197
Donations, memorials and bequests	378,586	354,775
Fundraising	102,828	103,692
Ronald McDonald House Charities grant	132,851	100,000
Room fees	42,117	41,945
Third party fundraising	90,091	124,912
	<u>773,672</u>	<u>847,954</u>
EXPENDITURES		
Amortization	55,900	57,651
Conferences and travel	5,965	3,044
Donations expense	13,175	10,699
Fundraising expense	38,583	32,498
Guest services	6,050	7,247
Household supplies	2,346	4,065
Insurance	2,315	2,312
Office	35,846	21,196
Professional fees	17,313	36,194
Property taxes	21,251	21,360
Publicity and promotion	40,952	48,395
Repairs and maintenance	52,181	34,563
Telephone	9,106	7,397
Utilities	26,966	24,969
Volunteer	7,177	9,215
Wages and employee benefits - administration	153,300	126,334
Wages and employee benefits - other	92,096	88,580
	<u>580,522</u>	<u>535,719</u>
REVENUE OVER EXPENDITURES - BEFORE OTHER INCOME	193,150	312,235
OTHER INCOME		
Investment income	88,139	83,415
Investment management fees	(20,023)	(19,140)
Realized capital gains (losses)	5,362	(5,045)
	<u>73,478</u>	<u>59,230</u>
EXCESS OF REVENUE OVER EXPENDITURES	\$ <u>266,628</u>	\$ <u>371,465</u>

FRIENDS OF SASKATCHEWAN CHILDREN INC.
STATEMENT OF FINANCIAL POSITION
As at December 31, 2011

	2011	2010
CURRENT ASSETS		
Cash	\$ 303,929	\$ 505,574
Term deposits (Note 4)	15,145	-
Short-term investments (Note 5)	814,535	353,657
Accounts receivable	28,604	20,382
Prepaid expenses	3,250	3,630
	1,165,463	883,243
TERM DEPOSITS - RESTRICTED (Note 4)	-	22,660
LONG-TERM INVESTMENTS (Note 5)	2,198,712	2,045,933
CAPITAL ASSETS (Note 6)	1,812,856	1,863,850
	\$ 5,177,031	\$ 4,815,686
LIABILITY AND NET ASSETS		
Current liability		
Accounts payable and accrued liabilities	\$ 25,442	\$ 19,470
Net assets		
Internally restricted net assets invested in capital assets (Note 7)	1,812,856	1,863,850
Internally restricted net assets (Note 7)	2,813,733	2,392,366
Unrestricted net assets	525,000	540,000
	\$ 5,177,031	\$ 4,815,686

See accompanying notes to the financial statements

APPROVED BY THE BOARD

..... "signed" **Director**

..... "signed" **Director**

FRIENDS OF SASKATCHEWAN CHILDREN INC.
STATEMENT OF NET ASSETS
Year ended December 31, 2011

	2011	2010
INTERNALLY RESTRICTED NET ASSETS INVESTED IN CAPITAL ASSETS		
Balance, beginning of year	\$ 1,863,850	\$ 1,889,600
Transfers to unrestricted net assets:		
Capital assets purchased	4,906	31,901
Amortization	(55,900)	(57,651)
BALANCE, END OF YEAR	<u>\$ 1,812,856</u>	<u>\$ 1,863,850</u>
INTERNALLY RESTRICTED NET ASSETS		
Balance, beginning of year	\$ 2,392,366	\$ 1,959,620
Transfers from unrestricted net assets	332,622	357,215
Unrealized gain on investments (Note 5)	88,745	75,531
BALANCE, END OF YEAR	<u>\$ 2,813,733</u>	<u>\$ 2,392,366</u>
UNRESTRICTED NET ASSETS		
Balance, beginning of year	\$ 540,000	\$ 500,000
Net revenue over expenditures	266,628	371,465
Transfers:		
Internally restricted net assets invested in capital assets	50,994	25,750
To internally restricted net assets	(332,622)	(357,215)
BALANCE, END OF YEAR	<u>\$ 525,000</u>	<u>\$ 540,000</u>

FRIENDS OF SASKATCHEWAN CHILDREN INC.
STATEMENT OF CASH FLOWS
Year ended December 31, 2011

	2011	2010
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Excess of revenue over expenditures	\$ 266,628	\$ 371,465
Items not affecting cash:		
Amortization	55,900	57,651
Changes in non-cash working capital:		
Accounts receivable	(8,222)	(2,515)
Prepaid expenses	380	88
Accounts payable and accrued liabilities	5,972	4,334
Cash provided by operating activities	<u>320,658</u>	<u>431,023</u>
INVESTING ACTIVITIES		
Purchases of capital assets	(4,906)	(31,901)
Increase in term deposits - restricted	-	(87)
Decrease in term deposits - unrestricted	7,515	-
Increase in short-term investments	(460,878)	-
Increase in long-term investments	(64,034)	(143,648)
Cash used in investing activities	<u>(522,303)</u>	<u>(175,636)</u>
NET (DECREASE) INCREASE IN CASH	(201,645)	255,387
Cash, beginning of year	<u>505,574</u>	<u>250,187</u>
CASH, END OF YEAR	\$ <u>303,929</u>	\$ <u>505,574</u>

FRIENDS OF SASKATCHEWAN CHILDREN INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2011

1. DESCRIPTION OF BUSINESS

These financial statements reflect the operations of Friends of Saskatchewan Children Inc. (the "Organization"). The Organization was incorporated under the laws of the Province of Saskatchewan on December 14, 1982, and is a registered charitable organization under the provisions of the Income Tax Act. The organization operates as Ronald McDonald House Saskatchewan and provides housing and other assistance for young patients and their families during periods of treatment at a Saskatoon hospital.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization has elected to use the exemption provided by the Canadian Institute of Chartered Accountants ("CICA") permitting not-for-profit organizations not to apply Sections 3862 and 3863 of Part V - Pre-changeover accounting standards of the CICA Handbook which would otherwise have applied to the financial statements of the Organization for the year ended December 31, 2010. The Organization applies the requirements of Section 3861 of Part V - Pre-changeover accounting standards of the CICA Handbook.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") for not-for-profit organizations and reflect the following significant accounting policies:

Capital Assets

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

Building	5%	Declining balance
Computer equipment	30%	Declining balance
Furniture and fixtures	20%	Declining balance
Paving and landscaping	20%	Declining balance
Signage	20%	Declining balance

FRIENDS OF SASKATCHEWAN CHILDREN INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets (continued)

Building under construction will be amortized once the building is available for use. No amortization has been recorded as of December 31, 2011.

Impairment of Long-lived Assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate their carrying amount may not be recoverable. Impairment loss is recognized when their carrying amounts exceed the total undiscounted cash flows expected from their use and eventual disposition. The amount of impairment loss is determined as to the excess of the carrying value of the assets over their fair market value. No events have occurred nor have any circumstances changed which would indicate impairment in the value of long-lived assets.

Financial Instruments

Financial assets and liabilities are classified according to their characteristics and management's choices and intentions related thereto for the purposes of ongoing measurements. The fair value of a financial instrument is the estimated amount that would be received or would be paid to terminate the instrument agreement at the reporting date. Various market value data and other valuation techniques are used as appropriate to estimate the fair value of each type of financial instrument.

As a result of the non-designation of financial instruments on adoption of CICA Handbook Section 3855 Financial instruments - recognition and measurement, the Organization's financial assets have been classified under the available-for-sale category.

<u>Asset/Liability</u>	<u>Classification</u>	<u>Measurement</u>
Cash	Available-for-sale	Fair value
Term deposits - restricted	Available-for-sale	Fair value
Short-term investments	Available-for-sale	Fair value
Accounts receivable	Available-for-sale	Fair value
Long-term investments	Available-for-sale	Fair value
Accounts payable and accrued liabilities	Other liabilities	Amortized cost

Transaction costs related to available-for-sale assets are capitalized upon initial recognition and then transferred to the statement of changes in net assets.

FRIENDS OF SASKATCHEWAN CHILDREN INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of Organization's financial statements in conformity with GAAP 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 revenue and expenditures during the reporting period. Actual results could differ materially from those estimates.

Contributed Materials and Service

Volunteers contribute many hours per year to assist the organization in carrying out its service delivery activities. Because of the difficulty of determining the fair market value of these services, contributed volunteer services are not recognized in the financial statements. In addition, materials contributed throughout the year are also not recorded on the financial statements.

Restricted Net Assets

Restricted net assets originate from decisions by the Board of Directors and provide for unexpected shortfalls or specific future causes, as well as investment in major capital expenditures. Investment income earned on these restricted funds is allocated to the net assets restricted for capital replacements on an annual basis or to increase the restricted net asset balance as determined by the Board of Directors.

Certain donations have been restricted by the donors for particular projects. If these have not been completed by the end of the fiscal year, the amount is transferred into externally restricted net assets. Transfers out of this fund by the Board of Directors are based on utilization of the funds for the purpose intended. There are no externally restricted net assets at December 31, 2011.

Unrestricted Net Assets

It is the policy of the Board of Directors to retain approximately two times the budgeted amount of annual House operating and administration expenses for the next fiscal year (not including fundraising expenses, etc.), less annual budgeted Ronald McDonald House Charities grant and room fee revenue, in Unrestricted Net Assets at the current fiscal year end. Any excess amount or shortfall at year end will be transferred into or will be replenished from Restricted Net Assets.

FRIENDS OF SASKATCHEWAN CHILDREN INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

3. FUTURE ACCOUNTING POLICY CHANGE

New Accounting Framework

The CICA has issued a new accounting framework applicable to Canadian not-for-profit organizations. Effective for fiscal years beginning on January 1, 2012, not-for-profit organizations will have to choose between International Financial Reporting Standards ("IFRS") and the accounting standards for not-for-profit organizations with accounting standards for private enterprises as the underlying framework, whichever suits them best. Early adoption of these standards is permitted. The Organization currently plans to adopt the new accounting standards for not-for-profit organizations for its fiscal year beginning on January 1, 2012. The impact of this transition has not yet been determined.

4. TERM DEPOSITS - RESTRICTED

The Organization was issued Visa cards with a limit of \$20,000 and the bank made available overdraft protection of \$1,000 against which term deposits totaling \$22,660 at December 31, 2010 were pledged as collateral. During the year, the pledged collateral was released and the remaining term deposits were moved from restricted to unrestricted.

5. SHORT-TERM AND LONG-TERM INVESTMENTS

The Organization's short-term and long-term investment portfolio is recorded at its fair market value. The portfolio is made up of a combination of money market instruments, fixed income securities and common equity investments. In 2011, unrealized gains of \$88,745 (2010 - \$75,531) were posted directly to the Statement of Net Assets.

FRIENDS OF SASKATCHEWAN CHILDREN INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2011

6. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value	
			2011	2010
Land	\$ 1,001,951	\$ -	\$ 1,001,951	\$ 1,001,951
Building	1,782,266	1,040,205	742,061	781,117
Building under construction	4,906	-	4,906	-
Computer equipment	44,524	39,713	4,811	6,873
Furniture and fixtures	242,417	195,346	47,071	58,839
Paving and landscaping	30,242	26,928	3,314	4,142
Signage	20,174	11,432	8,742	10,928
	<u>\$ 3,126,480</u>	<u>\$ 1,313,624</u>	<u>\$ 1,812,856</u>	<u>\$ 1,863,850</u>

7. CAPITAL MANAGEMENT

The capital structure of the Organization consists of net assets. The Organization's objective when managing capital is to ensure it maintains adequate capital to support its continued operations.

The Organization is not subject to externally imposed capital requirements.

Internally restricted amounts are not available without prior approval of the Board of Directors.

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Risk Factors

The Organization's management has overall responsibility for the oversight of financial risks and reviews the Organization's policies on an ongoing basis to ensure that these risks are appropriately managed. The source of risk exposure and how each is managed is outlined below:

FRIENDS OF SASKATCHEWAN CHILDREN INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2011

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Credit Risk

The Organization's principal financial assets are cash, term deposits, investments, and accounts receivable, which are subject to credit risk. The carrying amounts of financial assets on the statement of financial position represent the Organization's maximum credit exposure at that date.

The Organization's credit risk is primarily attributable to its receivables. The Organization does not have significant exposure to any individual customer and has not incurred any significant bad debts during the year. The credit risk on cash, term deposits and investments is limited because the counterparties are chartered banks with high-credit-ratings assigned by national credit-rating agencies.

Market Risk

The market risk associated with investments is reduced to a minimum since these assets are invested in grade A or better instruments.

Interest Rate Risk

The Organization is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-rate instruments subject the Organization to a fair value risk while the floating-rate instruments subject it to a cash flow risk.

Fair Value

The fair value of cash, term deposits, accounts receivable and accounts payable and accrued liabilities approximate their carrying value due to the short-term maturity and normal credit terms of those instruments.

The fair value of investments is based on quoted market prices.

9. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.