

**Ronald McDonald House
Charities Alberta**

Financial Statements
December 31, 2020



Independent auditor's report

To the Members of Ronald McDonald House Charities Alberta

Our qualified opinion

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 Ronald McDonald House Charities Alberta (the Organization) as at December 31, 2020 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.

What we have audited

The Organization's financial statements comprise:

- the statement of financial position as at December 31, 2020;
- the statement of operations for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for qualified opinion

In common with many not-for-profit organizations, the Organization derives revenues from contributions and fundraising activities/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 and fundraising activities/events revenue, excess (deficiency) of revenues over expenses, and cash flows from operations for the years ended December 31, 2020 and 2019, current assets as at December 31, 2020 and 2019 and fund balances as at the beginning and the end of the years ended December 31, 2020 and 2019. Our audit opinion on the financial statements for the year ended December 31, 2019 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

PricewaterhouseCoopers LLP
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Independence

We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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.

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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
May 5, 2021


Ronald McDonald House Charities Alberta

Statement of Financial Position

As at December 31, 2020

	2020 \$	2019 \$
Assets		
Current assets		
Cash	4,541,759	3,191,159
Accounts receivable	621,029	770,282
Prepaid expenses	76,639	58,450
Short-term investments (note 5)	5,650,335	6,090,717
	<u>10,889,762</u>	<u>10,110,608</u>
Investments (note 5)	15,908,632	14,205,316
Investment in property	1,891,991	1,891,991
Long-term prepaid expense (note 13)	472,911	478,632
Capital assets (note 6)	24,863,766	24,844,594
	<u>54,027,062</u>	<u>51,531,141</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	202,226	346,451
Current portion of long-term debt (note 9)	37,658	34,299
	<u>239,884</u>	<u>380,750</u>
Deferred contributions (note 8)	2,397,501	1,486,589
Long-term debt (note 9)	36,855	63,765
	<u>2,674,240</u>	<u>1,931,104</u>
Fund balances (note 10)		
General fund	22,042,432	19,732,866
Capital asset fund	29,310,390	29,867,171
	<u>51,352,822</u>	<u>49,600,037</u>
	<u>54,027,062</u>	<u>51,531,141</u>

Approved by the Board of Directors

 Director



Director

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

Ronald McDonald House Charities Alberta

Statement of Operations

For the year ended December 31, 2020

	General fund		Capital asset fund		Total	
	2020 \$	2019 \$	2020 \$	2019 \$	2020 \$	2019 \$
Revenue						
Contributions (note 12)	3,553,411	4,112,534	307,763	580,545	3,861,174	4,693,079
Fundraising activities/events	2,018,933	2,909,353	-	533,543	2,018,933	3,442,896
Donated goods and services (note 14)	863,721	801,701	-	581,150	863,721	1,382,851
RMH room donations/fees	266,064	335,218	-	-	266,064	335,218
COVID-19 subsidies and grants (notes 2 and 4)	1,285,914	-	-	-	1,285,914	-
Other	5,407	37,149	-	-	5,407	37,149
	<u>7,993,450</u>	<u>8,195,955</u>	<u>307,763</u>	<u>1,695,238</u>	<u>8,301,213</u>	<u>9,891,193</u>
Expenses						
Program (note 6)	3,615,102	3,754,384	864,544	923,445	4,479,646	4,677,829
Fundraising (note 16)	1,390,218	1,997,784	-	-	1,390,218	1,997,784
Management and general	975,165	972,716	-	-	975,165	972,716
Donated goods and services (note 14)	858,457	801,701	-	-	858,457	801,701
	<u>6,838,942</u>	<u>7,526,585</u>	<u>864,544</u>	<u>923,445</u>	<u>7,703,486</u>	<u>8,450,030</u>
Excess (deficiency) of operating revenue over expenses	1,154,508	669,370	(556,781)	771,793	597,727	1,441,163
Investment income, net (note 5)	1,154,455	2,167,775	-	-	1,154,455	2,167,775
Unrealized foreign exchange gain	603	54,124	-	-	603	54,124
Excess (deficiency) of revenue over expenses for the year	2,309,566	2,891,269	(556,781)	771,793	1,752,785	3,663,062
Fund balances – Beginning of year	19,732,866	16,557,827	29,867,171	29,379,148	49,600,037	45,936,975
Interfund transfers (note 10)	-	283,770	-	(283,770)	-	-
Fund balances – End of year	<u>22,042,432</u>	<u>19,732,866</u>	<u>29,310,390</u>	<u>29,867,171</u>	<u>51,352,822</u>	<u>49,600,037</u>

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

Ronald McDonald House Charities Alberta

Statement of Cash Flows

For the year ended December 31, 2020

	2020 \$	2019 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year		
General fund	2,309,566	2,891,269
Capital asset fund	(556,781)	771,793
Items not involving cash		
Amortization of capital assets	858,820	902,077
Amortization of land lease	5,721	21,367
Unrealized loss (gain) on sale of investments	638,575	(1,561,080)
Contributed capital assets	-	(236,150)
Contributed investments in property	-	(345,000)
Contributed investments	(49,434)	(191,759)
	<u>3,206,467</u>	<u>2,252,517</u>
Net change in non-cash working capital balances related to operations		
Accounts receivable	149,253	(251,210)
Prepaid expenses	(18,189)	83,442
Accounts payable and accrued liabilities	(144,225)	170
Deferred contributions	910,912	1,314,291
	<u>4,104,218</u>	<u>3,399,210</u>
Investing activities		
Purchases of investments	(8,075,747)	(686,262)
Realized (loss) gain on sale of investments	(1,051,921)	38,404
Proceeds from sale of investments	7,287,690	1,426,899
Purchases of capital assets	(877,993)	(2,518,130)
	<u>(2,717,971)</u>	<u>(1,739,089)</u>
Financing activities		
Repayment of long-term debt	(35,647)	(11,632)
Increase in cash during the year	<u>1,350,600</u>	<u>1,648,489</u>
Cash – Beginning of year	<u>3,191,159</u>	<u>1,542,670</u>
Cash – End of year	<u>4,541,759</u>	<u>3,191,159</u>

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

Ronald McDonald House Charities Alberta

Notes to Financial Statements

December 31, 2020

1 Nature of the Organization

Organization

Ronald McDonald House Charities® Alberta (the Organization) is a not-for-profit, charitable corporation formed in October 2018 under the Societies Act of Alberta, as a result of the amalgamation of Ronald McDonald House Charities® Northern Alberta and Ronald McDonald House Charities® Southern & Central Alberta. The mission of Ronald McDonald House Charities (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 12 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 is registered as a Canadian charitable organization under the Income Tax Act (Canada) and accordingly is exempt from income taxes.

The Organization is also registered under The Charitable Fundraising Regulation of Alberta and has considered all required disclosures under Section 7(2) of the Regulation in preparing the financial statements.

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 Ronald McDonald House Charities Alberta.

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 programs located in Calgary, Edmonton, Medicine Hat and Red Deer, which provide temporary lodging, meals and other support to children and their families. The program provides families with emotional and physical comfort and increases the caregivers' ability to spend more time with their child, to interact with their clinical care team and to participate in critical medical care decisions.

Ronald McDonald House Charities Alberta

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Ronald McDonald Care Mobile

The Ronald McDonald Care Mobile (RMCM) program provides access to pediatric medical, dental and/or health education services for children living in underserved communities. The RMCM program is breaking down the barriers to health care, expanding critical health care access and extending the Organization's reach to countless underserved children. The RMCM program serves children that are at great risk to develop acute conditions, dental problems, chronic diseases and even serious lifelong illnesses. Through partnerships with local healthcare organizations and government ministries, the Organization is bringing clinical services and health education directly to those in need, so children can receive high quality, convenient care right in their own neighborhood – from urban communities to remote, hard-to-reach areas. In 2021, the Organization resolved to discontinue this program.

2 COVID-19

In March 2020, the World Health Organization declared the COVID-19 outbreak a worldwide pandemic. This has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include restrictions on events and gatherings, the implementation of travel bans, quarantine periods and physical distancing, have caused material disruption to businesses globally, resulting in an economic slowdown. Governments and central banks have introduced significant monetary and fiscal relief programs designed to stabilize economic conditions; however, the situation is dynamic, and the success of these interventions is not currently determinable.

Management has assessed the financial impact of COVID-19 as at December 31, 2020, including the collectibility of receivables and valuation of assets. The current economic challenges have resulted in declines in revenues and cash flows. COVID-19 may impact the future operations of the Organization through continued reduced revenues. To mitigate any potential operational constraints associated with cash flow, management has applied for government relief and grants where applicable (note 4).

The situation is dynamic and the ultimate duration and magnitude of the COVID-19 impact on the economy and the financial effect on the Organization is not known at this time. The Organization will continue to monitor the impacts of the pandemic on the community that it serves and its employees and continue to adjust to the volatile situation.

Ronald McDonald House Charities Alberta

Notes to Financial Statements

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3 Summary of significant accounting policies

These financial statements are prepared in accordance with the Chartered Professional Accountants of Canada Handbook, Part III – Accounting Standards for Not-for-Profit Organizations (ASNPO), which sets out ASNPO in Canada and includes the significant accounting policies summarized below.

a) Use of estimates

The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the statement of financial position date, and the reported amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

b) Fund accounting

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

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

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

c) Revenue recognition

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

Contributions are recorded in the appropriate funds when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted contributions are recognized as revenue in the general fund when initially recognized in the accounts. Externally restricted contributions for use towards capital asset initiatives are recognized as revenue of the capital asset fund when initially recognized in the accounts. Externally restricted contributions for which no appropriate fund exists, are recognized in the general fund and are deferred and recognized as revenue when the associated 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.

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

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Investment income consists of interest, dividends, income distributions from pooled funds and realized and unrealized gains and losses. Investment income earned on capital asset fund resources that must be spent on donor-restricted activities is recognized as revenue in the capital asset fund. General investment income earned on general fund resources is recognized as revenue of the general fund. Investment losses are allocated in a manner consistent with investment income.

The Organization receives government subsidies that provide immediate financial assistance as compensation for costs or expenditures to be incurred. The Organization recognizes government subsidies as revenue when received or receivable and when there is reasonable assurance that conditions attached to the subsidies are met.

d) Cash

Cash consists of cash on deposit.

e) Foreign currency translation

Transactions denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the transaction date. Monetary assets and liabilities are translated into Canadian dollars at exchange rates in effect at the date of the statement of financial position. Non-monetary assets and liabilities are translated at the historic rate.

f) Financial instruments

Investments are recorded at fair value. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Short-term investments, comprised entirely of guaranteed investment certificates having a maturity within one year from the date of purchase, are carried at market value with realized and unrealized gains or losses recognized directly in the statement of operations. Other financial instruments, including accounts receivable and accounts payable and accrued liabilities, are initially recorded at their fair value and are subsequently measured at amortized cost, net of any provisions for impairment.

g) Long-term debt

Long-term debt is initially measured at fair value, net of transaction costs and financing fees. It is subsequently measured at amortized cost. Transaction costs and financing fees are amortized using the straight-line method.

Ronald McDonald House Charities Alberta

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h) Contributed materials and services

Contributed materials and services are recorded in the financial statements at fair market value when fair market value can be reasonably estimated. Because of the difficulty in determining the fair value of volunteer time, these services are not recognized in the financial statements.

i) Capital assets

Purchased capital assets are recorded at acquisition cost. Contributed capital assets are recorded at fair value at the date of contribution. The cost of capital assets made up of significant separable component parts is allocated to the component parts when practicable and when estimates can be made of the estimated useful lives of the separate components. Amortization is determined using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	35 – 50 years
Caremobile	10 years
Furniture, fixtures, equipment	5 – 10 years
Serenity garden	5 years
Vehicles	3 – 5 years
Computer hardware, software, website	2 – 5 years

Construction-in-progress is not subject to amortization until the project has been completed and the asset is put in use. At that time, the corresponding costs are transferred to the appropriate asset category and amortized accordingly over its estimated useful life. There is no amortization taken on land or artwork.

j) Investment in property

Investment in property is recorded at cost. Investment in property consists of land and buildings held as a long-term investment.

k) Impairment of long-lived assets

Long-lived assets are tested for impairment when conditions indicate that an asset no longer contributes to Organization’s ability to provide goods and services, or that the value of future economic benefits or service potential associated with the asset is less than its net carrying amount. When conditions indicate that an asset is impaired, the net carrying amount of the asset is written down to the asset’s fair value or replacement cost. The write-downs of long-lived assets are recognized as expenses in the statement of operations. Write-downs are not subsequently reversed.

Ronald McDonald House Charities Alberta

Notes to Financial Statements

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4 COVID-19 subsidies and grants

As part of the Government of Canada's COVID-19 Economic Response plan, the Organization received funding through the following program:

- Canada Emergency Wage Subsidy

Due to the decrease in revenue as a result of COVID-19, the Organization received the Canada Emergency Wage Subsidy to cover a portion of its employee wages from March 15, 2020 to December 31, 2020 in the amount of \$1,042,318 (2019 – \$nil), of which \$291,376 was receivable as at December 31, 2020 (2019 – \$nil).

The Organization also received additional subsidies that provide immediate financial assistance as compensation for costs or expenditures incurred in the areas of providing families with meals, accommodation and travel expense relief from the following programs:

- Other COVID-19 grants
 - a) The Organization received grants from the United Way in the amount of \$115,000 (2019 – \$nil), of which \$5,742 was deferred as at December 31, 2020 (2019 – \$nil).
 - b) The Organization received grants from the Family and Community Support Services (FCSS) in the amount of \$188,399 (2019 – \$nil), of which \$62,661 was deferred as at December 31, 2020 (2019 – \$nil).
 - c) The Organization received grants from the Medicine Hat Community Foundation in the amount of \$17,250 (2019 – \$nil), of which \$13,650 was deferred as at December 31, 2020 (2019 – \$nil).
 - d) The Organization received grants from the Community of Northwestern Alberta in the amount of \$5,000 (2019 – \$nil).

Ronald McDonald House Charities Alberta

Notes to Financial Statements

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5 Investments

Investments, all of which are recorded at fair value, have an asset mix as follows:

	2020 \$	2019 \$
Short-term investments		
Cash held by investment managers	129,491	1,072,830
Guaranteed investment certificates	5,520,844	5,017,887
	<u>5,650,335</u>	<u>6,090,717</u>
Long-term investments		
Fixed income	7,027,122	4,926,230
Equities and pooled funds	8,881,510	9,279,086
	<u>15,908,632</u>	<u>14,205,316</u>

Investment income (loss) consists of the following:

	2020 \$	2019 \$
Interest income	146,692	305,287
Foreign income	30,834	138,200
Dividends	77,058	64,170
Pooled fund distributions	572,944	221,907
Realized and unrealized gains	413,347	1,522,678
Management fees	(86,420)	(84,467)
	<u>1,154,455</u>	<u>2,167,775</u>

6 Capital assets

	2020		2019	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Buildings	28,438,425	8,452,392	19,986,033	19,249,434
Caremobile	562,913	304,911	258,002	314,293
Furniture, fixtures, equipment	2,582,108	2,366,601	215,507	179,067
Serenity garden	19,666	19,666	-	-
Vehicles	122,948	98,123	24,825	65,808
Computer hardware, software, website	256,022	196,811	59,211	86,776
Land	3,859,659	-	3,859,659	3,859,659
Artwork	262,239	-	262,239	253,494
Construction-in-progress – Calgary	198,290	-	198,290	198,290
Construction-in-progress – Medicine Hat	-	-	-	637,773
	<u>36,302,270</u>	<u>11,438,504</u>	<u>24,863,766</u>	<u>24,844,594</u>

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During the year, the Organization recorded amortization expense of \$858,820 (2019 – \$902,076).

During the year, capital assets were donated to the Organization in the amount of \$nil (2019 – \$581,150).

7 Government remittances payable

As at December 31, 2020, accounts payable and accrued liabilities include government remittances payable of \$nil (2019 – \$nil).

8 Deferred contributions

Deferred contributions represent unspent resources externally restricted for program expenses in future years for which a corresponding fund does not exist. Changes in the deferred contributions balance are as follows:

	2020 \$	2019 \$
Balance – Beginning of year	1,486,589	172,298
Amount received during the year	1,554,408	1,601,407
Amount recognized as revenue during the year	(643,496)	(287,116)
Balance – End of year	<u>2,397,501</u>	<u>1,486,589</u>

9 Long-term debt

a) Long-term debt consists of the following:

	2020 \$	2019 \$
Capital lease obligation at an implicit interest rate of 2.689% per annum, maturing February 2022. Monthly principal plus interest payments of \$370.	5,085	9,304
Capital lease obligation at an implicit interest rate of 7.68% per annum, maturing January 2023. Monthly principal plus interest payments of \$261.	5,871	8,448
Capital lease obligation at an implicit interest rate of 5.76-8.04% per annum, maturing November 2022. Monthly principal plus interest payments of \$2,686.	<u>63,557</u>	<u>80,312</u>
	74,513	98,064
Less: Current portion	<u>37,658</u>	<u>34,299</u>
	<u>36,855</u>	<u>63,765</u>

The net book value of equipment under capital leases at December 31, 2020 was \$68,611 (2019 – \$96,375). In 2020, the Organization did not enter into any new capital lease obligations.

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Notes to Financial Statements

December 31, 2020

b) The estimated principal lease payments under the capital lease obligations are as follows:

	\$
2021	37,658
2022	36,769
2023	86
	<hr/>
	74,513
	<hr/>

10 Fund balances

The fund balances consist of the following:

	2020 \$	2019 \$
General fund		
Internally restricted	-	4,816,751
Unrestricted	22,042,432	14,916,115
	<hr/>	<hr/>
	22,042,432	19,732,866
	<hr/>	<hr/>
Capital asset fund		
Externally restricted	2,128,711	2,712,019
Internally funded capital assets	26,681,679	26,638,922
Amounts set aside by the Board for future projects	500,000	516,230
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	29,310,390	29,867,171
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	51,352,822	49,600,037
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During the year, the Board unrestricted the full balance in the general internally restricted fund.

During the year, \$16,230 that was previously set aside for building renovations was spent. Externally restricted balances represent unspent resources for capital maintenance and capital projects. The amounts set aside by the Board for future projects include \$500,000 for investment in a new Caremobile. In 2021, the Organization resolved to discontinue the Caremobile program and these amounts set aside by the Board will be resolved to be unrestricted.

During 2019, an interfund transfer was made that transferred \$283,770 from the capital fund into the general fund.

The 2019 balances in the general fund and the capital asset fund have been reclassified to properly record a land lease agreement.

Ronald McDonald House Charities Alberta

Notes to Financial Statements

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11 Financial instruments

The Organization is exposed to various financial risks through transactions in financial instruments.

Credit risk

The Organization is exposed to credit risk in connection with its accounts receivable and its short-term and fixed income investments because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation.

Interest rate risk

The Organization is exposed to interest rate risk principally with respect to its investments in fixed income investments and a pooled fund that holds fixed income securities because the fair value will fluctuate due to changes in market interest rates. Interest rates on investments vary from approximately 0.25 % to 12.75% per annum. These investments mature at various dates from one month to 59 years.

Liquidity risk

The Organization is exposed to the risk that it will encounter difficulty in meeting obligations associated with its financial liabilities. The Organization considers that it has sufficient funds available to meet its obligations as they come due.

Market and other price risk

The investments of the Organization are subject to price risk because changing interest rates impact the market value of the fixed rate investments, and the general economic conditions affect the market value of equity investments. This risk is mitigated through the use of an investment manager for the long-term portfolio investments and by investing other funds in short-term fixed rate products with high credit ratings.

12 Related party transactions

RMHC is a system of independent, separately registered public benefit organizations, referred to as Chapters within the global organizations. 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, 2020, the Organization received from Ronald McDonald House Charities, Global, \$129,164 CDN or \$95,197 US (2019 – \$262,426 CDN or \$199,130 US), and \$1,637,926 CDN (2019 – \$1,568,648 CDN) from Ronald McDonald House Charities, Canada.

Ronald McDonald House Charities Alberta

Notes to Financial Statements

December 31, 2020

13 Beneficial use of land

The land on which the Calgary building is located has been subleased for one dollar from Alberta Health Services (formerly Calgary Health Region) for 90 years commencing January 1, 2005.

In 2015, the sublease agreement was amended to include an additional parcel of land of approximately 1.26 acres in size for future capital expansion purposes. In consideration of the amendment to the sublease, the Organization prepaid \$500,000. This amount is reflected in the financial statements as a long-term prepaid expense and amortized over the life of the lease.

14 Donated goods and services

The fair value of donated goods and services included as contributions and expenses in the financial statements for the years ended December 31, 2020 and December 31, 2019 is as follows:

	2020 \$	2019 \$
Programming	506,417	682,218
Fundraising	357,304	119,483
	<u>863,721</u>	<u>801,701</u>

During 2019, gifts of property and real estate of \$581,150 were received. These gifts were recorded as revenues and capitalized as assets, rather than expensed. There were no gifts of property and real estate in the current year.

15 Allocation of expenses

The Organization allocates expenses by identifying an appropriate basis of allocation, which includes full-time equivalents, time spent on specific activities and square footage.

General management and program salary expenses are based on proportional hours attributable to the function.

General management and program salary expenses of \$1,867,448 (2019 – \$2,160,583) have been allocated as follows:

	2020 \$	2019 \$
Program expenses	930,437	1,136,817
Management and general expenses	501,293	585,647
Fundraising expenses	435,718	438,119
	<u>1,867,448</u>	<u>2,160,583</u>

Ronald McDonald House Charities Alberta

Notes to Financial Statements

December 31, 2020

16 Charitable fundraising

As required under section 7(2) of the Charitable Fundraising Regulation in Alberta, the following amounts are disclosed:

	2020 \$	2019 \$
Gross contributions received	6,743,828	9,518,826
Total amount paid as remuneration to employees whose duties involve fundraising	875,473	1,027,087
Event and other fundraising expenses	514,745	970,697
Total fundraising expenses	1,390,218	1,997,784

17 Concentrations

Contributions received from a single donor, Ronald McDonald Charities Canada, were \$1,637,926 during the year ended December 31, 2020 and \$1,568,648 during the year ended December 31, 2019, which represents 24.27% and 16.48%, respectively, of total public contributions.

18 Comparative figures

Certain reclassifications for the year ended December 31, 2019 have been made for the purpose of comparability.