TORONTO CHILDREN'S CARE INC.

AMENDED FINANCIAL STATEMENTS

OCTOBER 31, 2015

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Crowe Soberman™

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Toronto Children's Care Inc.

We have audited the accompanying amended financial statements of Toronto Children's Care Inc., which comprise the amended statement of financial position as at October 31, 2015, and the amended statements of operations and changes in fund balances and cash flows for the year 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 amended 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 amended 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 amended 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 amended financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the amended financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the amended 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 amended 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 amended financial statements.

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

Opinion
In our opinion, the amended financial statements present fairly, in all material respects, the financial position of Toronto Children's Care Inc. as at October 31, 2015, 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.

Other matters
We draw attention to Note 12 to the amended financial statements, which explains that the financial statements, specifically the statement of operations and changes in fund balances, have been amended from those on which we originally reported on February 10, 2016.

Crowe Soberman LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
February 10, 2016, except as to Note 12, which is as of May 6, 2016 (date of completion of audit procedures restricted to amendment described in Note 12)

TORONTO CHILDREN'S CARE INC.
AMENDED STATEMENT OF FINANCIAL POSITION
At October 31

	2015	2014
ASSETS		
Current		
Cash and cash equivalents	$ **983,324**	$ 643,316
Accounts receivable	**539,077**	369,603
Prepaid expenses and other assets	**47,499**	43,578
Government remittances recoverable	**74,550**	129,946
Current portion of mortgage receivable *(Note 4)*	**740,651**	9,650
	2,385,101	1,196,093
Investments *(Note 3)*	**16,417,070**	15,708,458
Mortgage receivable *(Note 4)*	**-**	740,350
Capital assets *(Note 5)*	**28,724,238**	29,338,876
	$ **47,526,409**	$ 46,983,777
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ **606,098**	$ 435,204
Current portion of loans payable *(Note 6)*	**81,210**	81,210
	687,308	516,414
Loans payable *(Note 6)*	**441,121**	505,451
	1,128,429	1,021,865
FUND BALANCES		
Unrestricted fund *(from page 3)*	**993,343**	3,520,520
Internally restricted fund *(from page 3) (Note 8)*	**16,635,390**	13,102,516
Invested in capital assets *(from page 3)*	**28,769,247**	29,338,876
	46,397,980	45,961,912
	$ **47,526,409**	$ 46,983,777

The accompanying notes are an integral part of the financial statements

On behalf of the Board

Director

TORONTO CHILDREN'S CARE INC.
AMENDED STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
Year ended October 31

	Unrestricted Fund		Internally Restricted Fund		Invested in Capital Assets		Externally Restricted Fund		**Total**	Total
	2015 *(restated - Note 12)*	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015** *(restated - Note 12)*	2014
Revenues										
Donations and Fundraising	$ **4,192,947**	$ 4,087,528	$ **177,525**	$ 445,839	$ **333,500**	$ 355,317	$ **200,000**	$ 200,000	$ **4,903,972**	$ 5,088,684
Investment income *(Note 7)*	-	1,088,213	**604,053**	172,306	-	-	-	-	**604,053**	1,260,519
Ronald McDonald House room payments	**391,587**	381,638	-	-	-	-	-	-	**391,587**	381,638
	4,584,534	5,557,379	**781,578**	618,145	**333,500**	355,317	**200,000**	200,000	**5,899,612**	6,730,841
Expenses										
Program - Family services	**1,545,725**	1,022,314	-	-	-	-	**200,000**	200,000	**1,745,725**	1,222,314
Program - Operations	**1,118,691**	1,284,838	-	-	-	-	-	-	**1,118,691**	1,284,838
Fundraising	**824,332**	1,159,076	-	-	-	-	-	-	**824,332**	1,159,076
Administration	**508,972**	571,189	-	-	-	-	-	-	**508,972**	571,189
Investment fees	-	52,633	**46,827**	12,147	-	-	-	-	**46,827**	64,780
Amortization	-	-	-	-	**1,218,997**	1,170,421	-	-	**1,218,997**	1,170,421
	3,997,720	4,090,050	**46,827**	12,147	**1,218,997**	1,170,421	**200,000**	200,000	**5,463,544**	5,472,618
Excess (deficiency) of revenues over expenses	$ **586,814**	$ 1,467,329	$ **734,751**	$ 605,998	$ **(885,497)**	$ (815,104)	$ -	$ -	$ **436,068**	$ 1,258,223
Fund balances, beginning of year	**3,520,520**	3,253,191	**13,102,516**	11,682,158	**29,338,876**	29,768,340	-	-	**45,961,912**	44,703,689
Transfer *(Note 8)*	**(3,113,991)**	(1,200,000)	**2,798,123**	814,360	**315,868**	385,640	-	-	-	-
Fund balances, end of year	$ **993,343**	$ 3,520,520	$ **16,635,390**	$ 13,102,516	$ **28,769,247**	$ 29,338,876	$ -	$ -	$ **46,397,980**	$ 45,961,912

The accompanying notes are an integral part of the financial statements

TORONTO CHILDREN'S CARE INC.
AMENDED STATEMENT OF CASH FLOWS

Year ended October 31		2015		2014
SOURCES (USES) OF CASH				
Operating activities				
Excess (deficiency) of revenues over expenses:				
Unrestricted Fund	$	**586,814**	$	1,467,329
Internally Restricted Fund		**734,751**		605,998
Invested in Capital Assets		**(885,497)**		(815,104)
Items not involving cash				
Amortization		**1,218,997**		1,170,421
Gain on sale of investments		**(929,072)**		(1,067,274)
Unrealized loss on investments		**729,939**		244,449
Amortization of imputed interest benefit		**16,880**		18,775
		1,472,812		1,624,594
Changes in non-cash working capital items				
Accounts receivable		**(169,474)**		(195,000)
Prepaid expenses and other assets		**(3,921)**		51,187
Government remittances recoverable		**55,396**		(54,088)
Accounts payable and accrued liabilities		**170,894**		(248,685)
Cash provided by operating activities		**1,525,707**		1,178,008
Investing activities				
Acquisition of capital assets		**(604,359)**		(740,957)
Mortgage receivable		**9,349**		-
Purchases of investments, net of sales		**(509,479)**		(448,655)
Cash used in investing activities		**(1,104,489)**		(1,189,612)
Financing activities				
Loans payable		**(81,210)**		(81,210)
Cash used in financing activities		**(81,210)**		(81,210)
Net increase (decrease) in cash		**340,008**		(92,814)
Cash and cash equivalents, beginning of year		**643,316**		736,131
Cash and cash equivalents, end of year	$	**983,324**	$	643,316
Represented by:				
Cash	$	**978,284**	$	574,556
Guaranteed investment certificate		**5,040**		68,760
	$	**983,324**	$	643,316

The accompanying notes are an integral part of the financial statements

1. Purpose of the organization and income tax status

Toronto Children's Care Inc. (the "Organization") is incorporated without share capital under the provisions of the Corporations Act (Ontario). The Organization is a registered charity that operates a Ronald McDonald House in Toronto, which is a temporary residence for the families of children receiving treatment for cancer and other major pediatric illnesses. Since February 2012, the Organization has also opened Ronald McDonald Family Rooms in local hospitals. An extension of Ronald McDonald House Toronto, the Family Rooms provide a "home away from home" for families of seriously ill children - within a hospital setting.

The Organization is a registered charity under the Income Tax Act and is exempt from income tax under Section 149(1)(l) of the Income Tax Act and is able to issue donation receipts for income tax purposes. Registration remains valid so long as the organization continues to fulfill the requirements of the Act and regulations in respect of registered charities.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the statement of financial position date and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Fund accounting

The Organization maintains its accounts in accordance with the principles of fund accounting, identifying four separate funds whose purposes are as follows:

The Unrestricted fund is used to report the Organization's day-to-day and recurring costs of administering and maintaining Ronald McDonald House Toronto and family rooms in local hospitals and providing services to the residents. This fund reports the use of unrestricted resources related to general operations.

The Internally Restricted fund is used to report the assets, liabilities, revenues and expenses internally restricted by the Board of Directors. This fund includes two funds: The Stabilization fund and The Property Replacement Reserve fund. The Stabilization Fund was established by the Board of Directors to ensure the organization's future financial stability; the purpose of the fund is to cover the future cost of ongoing programs in the event of an unanticipated loss of funding. The Property Replacement Reserve fund was established to have funds available for future repairs to and maintenance of the property components of the Organization.

The Invested in Capital Assets fund is used to report the assets, liabilities, revenues and expenses related to the Organization's capital assets.

2. Significant accounting policies

Fund accounting *(continued)*

The Externally Restricted fund is used to report resources contributed with specified restrictions as to their uses.

Revenue recognition

Toronto Children's Care Inc. follows the restricted fund method of accounting for contributions.

Revenue from donations and fundraising is recognized as revenue in either the Unrestricted fund, Interally Restricted fund or the Externally Restricted fund as appropriate in the year received or receivable, if the amount can be reasonably estimated and collection is reasonably assured.

Interest earned on resources of the Unrestricted and Internally Restricted funds is recognized in the respective funds on an accrual basis and dividend income recognized when received.

Revenue from room payments is recognized as revenue in the Unrestricted fund on an accrual basis when receivable.

Financial instruments

The Organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The Organization subsequently measures all its financial instruments at amortized cost using the effective interest rate method, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net earnings.

Transaction costs are recognized in net earnings in the period incurred.

Capital assets

Purchased capital assets are stated at cost less accumulated amortization. The straight line method is used to amortize the building over a period of 40 years while furniture, fixtures and equipment are amortized over a period of 4 years. Capital assets related to family rooms are amortized over a period of 10 years.

Contributed capital assets are recorded at fair value and amortized as above when that value can be reasonably estimated. Otherwise, they are recorded at a nominal value.

Contributed materials and services

The Organization would not be able to operate Ronald McDonald House Toronto and family rooms successfully and effectively as it does without the assistance of numerous dedicated volunteers and donors who contribute a considerable amount of time, effort and materials over the course of the year. Because of the difficulty of determining the fair value of this time and effort, contributed materials and services are not recognized in these financial statements.

3. Investments

The Organization manages its investments using third party investment managers who are evaluated annually. To support this evaluation, a monitoring service has been engaged to report on the results for each investment manager, as well as the consolidated results.

As at October 31, 2015, the portfolio was invested as follows:

	2015	2014
Cash and cash equivalents	$ 12,267	$ 291,808
Government treasury bills	3,676,552	1,828,179
Fixed income	7,505,550	8,206,513
Equities	5,222,701	5,381,958
	$ 16,417,070	$ 15,708,458

4. Mortgages receivable

The Organization holds a second mortgage which is secured by the former facility. The mortgage matures April 16, 2017. Terms are as follows:

- November 1, 2015 to April 16, 2016 - Blended monthly payments of $5,805, bearing interest at 7%. Principal payment of $100,000 to be received on April 30, 2016;
- April 17, 2016 to April 16, 2017 - Blended monthly payments of $5,012, bearing interest at 8%. Remaining principal to be repaid on April 16, 2017.

Subsequent to the year end, the mortgage was discharged early. The full amount of the mortgage receivable was repaid. Therefore, the entire amount is reported as current on the Statement of Financial Position.

5. Capital assets

	Cost	Accumulated Amortization	2015 Net Carrying Amount	2014 Net Carrying Amount
Land	$ 3,230,866	$ -	$ **3,230,866**	$ 3,230,866
Building	26,822,779	2,662,221	**24,160,558**	24,675,080
Furniture, fixtures and equipment	2,311,148	1,937,422	**373,726**	772,107
Family rooms	1,089,454	130,366	**959,088**	660,823
	$ 33,454,247	$ 4,730,009	$ **28,724,238**	$ 29,338,876

Amortization expense for the year amounted to $1,218,997 (2014 - $1,170,421).

6. Loans payable

		2015		2014
Toronto Energy Conservation Fund Loan (i)	$	**454,125**	$	526,785
Toronto Green Energy Fund Loan (ii)		**138,938**		147,488
Less: imputed interest benefit		**(70,731)**		(87,612)
		522,332		586,661
Less: current portion		**81,210**		81,210
	$	**441,122**	$	505,451

Principal repayments over the next five years are as follows:

Year ending October 31,	2016	$	81,210
	2017		81,210
	2018		81,210
	2019		81,210
	2020		81,210
	Thereafter		187,013
		$	593,063

(i) The loan is to be repaid in quarterly installments of $18,165 expiring on January 1, 2022. The loan bears no interest except on outstanding installments which are subject to interest at the Royal Bank of Canada's prime rate.

(ii) The loan is to be repaid in quarterly installments of $2,137 expiring on January 1, 2032. The loan bears no interest except on outstanding installments which are subject to interest at the Royal Bank of Canada's prime rate.

The loans payable are initially recorded at fair value. The fair value of these interest free loans are estimated as the present value of all future payments discounted using the prevailing market rates of interest for similar instruments. The difference between fair value and amount received has been accounted for as imputed interest benefit, which is being amortized over the life of the loans.

7. Investment income

Investment income consists of the following:

		2015		2014
Interest income	$	**161,050**	$	210,667
Dividends and other income		**243,870**		227,027
Realized gain on sale of investments		**929,072**		1,067,274
Unrealized loss on investments		**(729,939)**		(244,449)
	$	**604,053**	$	1,260,519

8. Internally Restricted fund

The Internally Restricted fund is comprised of the following balances:

	2015	2014
Stabilization fund	$ 12,879,584	$ 10,906,625
Property Replacement Reserve fund	3,755,806	2,195,891
	$ 16,635,390	$ 13,102,516

In 2015, the Board of Directors restructured the investments to establish a Stabilization fund and a Property Replacement fund. In order to reflect these actions, the Board of Directors approved the transfer of funds from the Unrestricted fund to the Internally Restricted fund.

9. Financial instruments

The Organization regularly evaluates and manages the principal risks assumed with its financial instruments. The risks that arise from transacting in financial instruments include liquidity risk, credit risk, market risk, interest rate risk, and foreign currency risk. The following analysis provides a measure of the Organization's risk exposure and concentrations. There are no significant changes in the risk exposures from the prior period.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities as they come due. The Organization is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and loans payable. The Organization considers that it has sufficient funds available to meet its obligations as they come due.

Credit risk

The Organization is exposed to credit risk in the event of non-performance by counterparties in connection with its accounts receivable and mortgage receivable. The Organization assesses on that basis of amounts for which ultimate collection is reasonably assured based on their estimated realizable value.

Market risk

The Organization's investments in publicly-traded securities exposes the Organization to price risks as equity investments are subject to price changes in an open market. The Organization does not use derivative financial instruments to alter effects of this risk.

The Organization is not exposed to any significant interest rate risk or foreign currency risk at the statement of financial position date.

10. Related party transactions

During the year, the Organization paid $5 (2014 - $74) for disbursements to a legal firm in which a director of the Organization has an ownership interest. This transaction was in the normal course of operations.

11. Comparative figures

Certain reclassifications for the year ended October 31, 2014 have been made for the purpose of comparability.

12. Amendment to expenses

Subsequent to the approval and issuance of the financial statements on February 10, 2016, it became known that the allocation of expenses in the Unrestricted Fund among Program - Family services, Program - Operations, Administration, and Fundraising was incorrectly reflected on the financial statements. The amendment results in a decrease in Program - Family services and Administration by $1,998 and $368,910 respectively, and a corresponding increase in Program - Operations and Fundraising by $12,123 and $358,785 respectively. There is no impact on the ending fund balances and the statement of financial position.