

**The Children's Hospital  
Foundation of Manitoba, Inc.**

Consolidated Financial Statements  
**December 31, 2018**



## *Independent auditor's report*

To the Members of The Children's Hospital Foundation of Manitoba, Inc.

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### *Our opinion*

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of The Children's Hospital Foundation of Manitoba, Inc. and its subsidiaries, (together, the Company) as at December 31, 2018 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 Company's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2018;
- the consolidated statement of operations and changes in fund balances for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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### *Basis for opinion*

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 consolidated 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 opinion.

#### **Independence**

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

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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### *Responsibilities of management and those charged with governance for the consolidated financial statements*

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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### *Auditor's responsibilities for the audit of the consolidated financial statements*

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Company'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 Company'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 consolidated 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Winnipeg, Manitoba  
April 16, 2019

# The Children's Hospital Foundation of Manitoba, Inc.

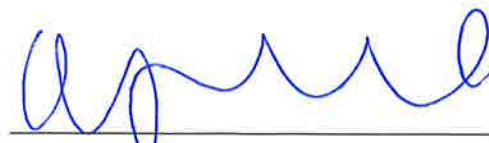
## Consolidated Statement of Financial Position

As at December 31, 2018

	2018 \$	2017 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	4,496,858	3,236,856
Short-term investments (note 4)	245,736	340,086
Accounts receivable	829,103	963,439
Prepaid expenses	95,243	60,134
Inventory	11,921	36,485
	<u>5,678,861</u>	<u>4,637,000</u>
<b>Investments</b> (note 4)	27,522,734	29,105,345
<b>Capital assets</b> (note 5)	<u>11,760,160</u>	<u>12,702,224</u>
	<u>44,961,755</u>	<u>46,444,569</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 6)	1,973,718	1,133,099
Grants payable	3,372,952	5,629,486
	<u>5,346,670</u>	<u>6,762,585</u>
<b>Fund Balances</b>		
<b>Unrestricted</b>		
Operating Fund	699,492	4,748,318
<b>Externally restricted</b>		
Endowment Fund	4,583,812	4,294,564
Designated Fund	9,679,994	4,836,638
<b>Internally restricted</b>		
Child Health Research Fund (note 7)	10,044,724	10,044,724
Children's Hospital Fund	2,846,903	3,055,516
Funds Invested in Capital Assets (note 8)	11,760,160	12,702,224
	<u>39,615,085</u>	<u>39,681,984</u>
	<u>44,961,755</u>	<u>46,444,569</u>
<b>Commitments</b> (note 12)		

Approved by the Board of Directors

  
Chair  
Dean Schinkel

  
Past-Chair  
Karen Cornejo

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

# The Children's Hospital Foundation of Manitoba, Inc.

## Consolidated Statement of Operations and Changes in Fund Balances

For the year ended December 31, 2018

							2018	2017
	Unrestricted	Externally restricted		Internally restricted				
	Operating Fund	Endowment Fund	Designated Fund	Child Health Research Fund	Children's Hospital Fund	Funds Invested in Capital Assets	Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$
				(note 7)		(note 8)		
<b>Revenue</b>								
Donations and fundraising revenue	4,896,733	557,640	5,668,649	-	-	-	11,123,022	7,321,516
Lottery proceeds	380,366	-	-	-	-	-	380,366	486,249
Other revenue	-	-	-	691,508	-	-	691,508	693,693
Investment income (note 4)	(1,338,028)	(221,464)	-	-	-	-	(1,559,492)	2,731,633
	3,939,071	336,176	5,668,649	691,508	-	-	10,635,404	11,233,091
<b>Expenses</b>								
Administrative expenses	977,572	-	-	-	-	-	977,572	911,545
Fundraising								
Direct expenses	1,218,581	-	-	-	-	-	1,218,581	1,201,251
Indirect expenses	1,039,938	-	-	-	-	-	1,039,938	1,112,696
	3,236,091	-	-	-	-	-	3,236,091	3,225,492
Disbursements and granting activities								
Amortization	-	-	-	-	-	994,864	994,864	1,036,658
Disbursements	-	-	16,829	-	-	-	16,829	52,718
Grants to Children's Hospital	147,473	5,686	2,013,499	-	88,232	-	2,254,890	3,417,665
Grants in aid of research	3,820,183	18,543	157,067	691,508	-	-	4,687,301	4,325,597
Other grants	50,820	-	7,023	-	-	-	57,843	103,981
Recovery of unused grants (note 11)	(56,879)	-	(488,636)	-	-	-	(545,515)	-
	3,961,597	24,229	1,705,782	691,508	88,232	994,864	7,466,212	8,936,619
	7,197,688	24,229	1,705,782	691,508	88,232	994,864	10,702,303	12,162,111
<b>Excess (deficiency) of revenue over expenses</b>	(3,258,617)	311,947	3,962,867	-	(88,232)	(994,864)	(66,899)	(929,020)
<b>Fund balances – Beginning of year</b>	4,748,318	4,294,564	4,836,638	10,044,724	3,055,516	12,702,224	39,681,984	40,611,004
<b>Investment in capital assets</b>	(52,800)	-	-	-	-	52,800	-	-
<b>Interfund transfers (note 11)</b>	(737,409)	(22,699)	880,489	-	(120,381)	-	-	-
<b>Fund balances – End of year</b>	699,492	4,583,812	9,679,994	10,044,724	2,846,903	11,760,160	39,615,085	39,681,984

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

# The Children's Hospital Foundation of Manitoba, Inc.

## Consolidated Statement of Cash Flows

For the year ended December 31, 2018

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	2018 \$	2017 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Deficiency of revenue over expenses	(66,899)	(929,020)
Items not affecting cash		
Amortization	994,864	1,036,658
Unrealized loss on investments	3,194,648	881,345
Realized loss (gain) on disposal of investments	20,026	(1,462,314)
	<hr/>	<hr/>
	4,142,639	(473,331)
Changes in non-cash working capital items	(1,292,124)	2,992,946
	<hr/>	<hr/>
	2,850,515	2,519,615
<b>Investing activities</b>		
Purchase of investments – net	(1,537,713)	(2,149,625)
Purchase of capital assets	(52,800)	(110,539)
	<hr/>	<hr/>
	(1,590,513)	(2,260,164)
<b>Increase in cash during the year</b>	1,260,002	259,451
<b>Cash – Beginning of year</b>	3,236,856	2,977,405
	<hr/>	<hr/>
<b>Cash – End of year</b>	4,496,858	3,236,856
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The accompanying notes are an integral part of these consolidated financial statements.

# The Children's Hospital Foundation of Manitoba, Inc.

## Notes to Consolidated Financial Statements

December 31, 2018

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### 1 Purpose of the organization

The Children's Hospital Foundation of Manitoba, Inc. (the Foundation) is an independent agency whose purpose is to raise and distribute funds for the advancement of knowledge and care in the fields of child health and child health research and thereby contribute to the improved health of children everywhere.

The Foundation is a registered charity under the Income Tax Act and accordingly is exempt from income taxes.

### 2 Basis of presentation

These consolidated financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

These consolidated financial statements include the assets and liabilities and results of operations of the Foundation and Children's Hospital Research Institute of Manitoba, Inc. (formerly the Manitoba Institute of Child Health, Inc.) (the Institute) and Children's Hospital Book Market, Inc. (the Book Market), both of which are organizations under the Foundation's common control.

### 3 Summary of significant accounting policies

#### Fund accounting

For financial reporting purposes, the accounts have been classified into the following funds:

The *Operating Fund* accounts for the Foundation's fundraising and administrative activities. This fund reports unrestricted resources.

The *Endowment Fund* reports resources contributed as endowment capital. Contributions to the Endowment Fund are invested by the Foundation in accordance with its Statement of Investment Policies, whereby, the capital of the Fund will be maintained, and the annual income earned will be allocated and added to the endowment capital to support the desired research, equipment and program funding, based on the restrictions imposed by contributors of the endowment.

The *Designated Fund* is to be used for the purchase of equipment as well as to provide funds for pediatric education and research.

The *Child Health Research Fund* is comprised of several subsidiary funds established for the purpose of supporting pediatric research:

- The *Pediatric Research Fund* is to be used for pediatric research purposes.
- The *Research Facilities Building Fund* was established for the construction and maintenance of the Foundation's interest in the John Buhler Research Centre.
- The *Research Facilities Equipment Fund* was established to support the purchase and maintenance of research equipment needs of the Foundation's interest in the John Buhler Research Centre.



# The Children's Hospital Foundation of Manitoba, Inc.

## Notes to Consolidated Financial Statements

December 31, 2018

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The *Children's Hospital Fund* was established with funds from the Children's Hospital to be used for future program needs and purchases of equipment for the hospital.

The *Funds Invested in Capital Assets* reports the Foundation's investment of resources in long-term capital assets.

### **Cash**

Cash consists of cash on hand and cash held at banking institutions.

### **Inventory**

Inventory is valued at the lower of invoice cost and net realizable value.

### **Investments**

Current investments consist of Guaranteed Investment Certificates (GICs) which have a maturity date within the next fiscal year, and other short-term liquid investments.

Long-term investments consist of equity investments and pooled funds with unrealized gains and losses, dividends and interest included in investment income of the appropriate fund. Purchases and sales of investments are recognized using trade date accounting. Management fees attributable to the investments are included in administrative expenses.

### **Capital assets**

Purchased capital assets are recorded at original cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis over the useful lives of the assets as follows:

Office and research equipment	5 years
Computer equipment	3 years
Office furniture	10 years
Leasehold improvements	10 years
Research facility improvements	10 years
Research building	25 years

In the year of acquisition, amortization is taken on half of the original cost.

# **The Children's Hospital Foundation of Manitoba, Inc.**

## Notes to Consolidated Financial Statements

**December 31, 2018**

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### **Revenue recognition**

The Foundation follows the restricted fund method of accounting for revenue. Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions are recognized as revenue of the appropriate restricted fund when received. Revenue from the sale of goods is recognized at the time of sale. Investment income is recognized when earned and allocated at the discretion of the Board of Directors (the Board).

### **Research grants**

The entire amount of research grants to qualified recipients is reflected as an expense in the fiscal year in which the grants are approved and committed.

### **Contributed services**

Volunteers are an integral part of carrying out the activities of the Foundation. Contributed services are not recognized in the consolidated financial statements due to the difficulty in determining fair market value.

### **Interfund transfers**

The transfer of funds between unrestricted and internally restricted funds is based on management's estimates and is approved by the Board.

### **Allocation of expenses**

Certain administrative expenses are allocated to fundraising activities and disbursements and granting activities based upon the proportionate amount of time spent on those functions.

### **Use of estimates**

The preparation of consolidated financial statements in conformity with Canadian ASNPO 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Financial instruments**

Financial assets and financial liabilities are initially recognized at fair value and subsequently measured at amortized cost, 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 the consolidated statement of operations in the year incurred.

# The Children's Hospital Foundation of Manitoba, Inc.

## Notes to Consolidated Financial Statements

December 31, 2018

Financial assets measured at amortized cost include cash, accounts receivable and short-term and other investments.

Financial liabilities measured at amortized cost include research grants payable, accounts payable and accrued liabilities.

Financial assets measured at fair value include investments in pooled funds and other equity investments with fair value determined by reference to the latest closing transactional net asset value of each respective pooled fund.

Financial assets are tested for impairment at the end of each reporting period when there are indications that the assets may be impaired.

### 4 Investments

	2018 \$	2017 \$
Short-term		
Mutual funds	36,025	205,073
GICs	209,711	135,013
	<u>245,736</u>	<u>340,086</u>
Long-term		
Pooled funds	<u>27,522,734</u>	<u>29,105,345</u>

Included in investment income is the following:

	<u>2018</u>		<u>2017</u>	
	Operating Fund \$	Endowment Fund \$	Total \$	Total \$
Unrealized loss on investments	(2,745,935)	(448,713)	(3,194,648)	(881,345)
Realized gain (loss) on investments	(20,026)	-	(20,026)	1,462,314
Investment income	1,427,933	227,249	1,655,182	2,150,664
	<u>(1,338,028)</u>	<u>(221,464)</u>	<u>(1,559,492)</u>	<u>2,731,633</u>

# The Children's Hospital Foundation of Manitoba, Inc.

## Notes to Consolidated Financial Statements

December 31, 2018

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### 5 Capital assets

			2018	2017
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Office and computer equipment	143,220	101,660	41,560	39,808
Office furniture	188,168	53,308	134,860	149,233
Leasehold improvements	193,967	131,992	61,975	58,102
Research equipment	3,908,216	3,853,883	54,333	90,337
Research computer equipment	479,008	479,008	-	-
Research facility improvements	1,421,443	1,401,474	19,969	89,192
Research building	20,702,195	9,254,732	11,447,463	12,275,552
	27,036,217	15,276,057	11,760,160	12,702,224

### 6 Government remittances

Government remittances consist of amounts required to be paid to government authorities and are recognized when the amounts become due. In respect of government remittances, \$7,407 (2017 – \$9,586) is included within accounts payable and accrued liabilities.

# The Children's Hospital Foundation of Manitoba, Inc.

## Notes to Consolidated Financial Statements

December 31, 2018

### 7 Child Health Research Fund

				2018	2017
	Pediatric Research Fund \$	Research Facilities Building Fund \$	Research Facilities Equipment Fund \$	Total \$	Total \$
Revenue					
Funds received	691,508	-	-	691,508	666,943
Expenses					
Grants in aid of research	(691,508)	-	-	(691,508)	(4,096,236)
Deficiency of revenue over expenses	-	-	-	-	(3,429,293)
Fund balance – Beginning of year	9,444,724	600,000	-	10,044,724	9,781,038
Investment in capital assets	-	-	-	-	(82,124)
Interfund transfers		-	-	-	3,775,103
Fund balance – End of year	9,444,724	600,000	-	10,044,724	6,615,431

### 8 Funds Invested in Capital Assets

			2018	2017
	Research \$	Other \$	Total \$	Total \$
Fund balance – Beginning of year	12,673,905	28,319	12,702,224	13,628,343
Purchase of capital assets – net	-	52,800	52,800	110,539
	12,673,905	81,119	12,755,024	13,738,882
Amortization of capital assets – net	988,350	6,513	994,864	1,036,658
Fund balance – End of year	11,685,555	74,606	11,760,160	12,702,224

# The Children's Hospital Foundation of Manitoba, Inc.

## Notes to Consolidated Financial Statements

December 31, 2018

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### 9 Allocation of expenses

The Foundation has allocated certain administrative expenses to indirect expenses and grants in aid of research based on the proportionate amount of time spent on indirect fundraising and research activities.

	2018 \$	2017 \$
Indirect expenses	113,428	90,905
Grants in aid of research	40,000	40,000
	<hr/> 153,428	<hr/> 130,905

### 10 Risk management

The Foundation manages risk and risk exposures by applying policies approved by the Board.

#### **Credit risk**

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. The Foundation is exposed to credit risk in its receivables and investments. The Foundation has an investment committee and policy which restricts the investing activities to quality investments in select market indices. Equity and fixed income securities are held in pooled funds. The Foundation, in the normal course of operations, is exposed to credit risk from its accounts receivables. The short-term nature of these receivables mitigates this risk.

#### **Interest rate risk**

Interest rate risk refers to the adverse consequences of interest rate fluctuations on the Foundation's cash flows, financial position and revenues. Certain of the Foundation's investments are subject to changes in interest rates.

#### **Market rate risk**

#### **Currency risk**

Currency risk is the risk that the fair value or future cash flows of the investment in pooled funds will fluctuate as a result of changes in foreign exchange rates of investments held. The investments in pooled funds consist of approximately 12% foreign equities that are subject to currency risk.

#### **Other price risk**

The Foundation is exposed to other price risk as its investment in pooled funds and other equity investments is subject to market fluctuations.

# The Children's Hospital Foundation of Manitoba, Inc.

## Notes to Consolidated Financial Statements

December 31, 2018

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### Liquidity risk

Liquidity risk is the risk that the Foundation cannot meet its financial obligations associated with financial liabilities in full. The Foundation expects to be able to meet its financial obligations in the foreseeable future.

### 11 Interfund transfers

During the year, certain amounts were reallocated between funds to more appropriately reflect the terms of reference for each of these funds. The Board has approved these reallocations. Of the amounts transferred, \$545,515 relates to the derecognition of grants payable during the year where it was determined that no further external obligations existed.

### 12 Commitments

The Foundation has committed to fund program support to the Child Health Program through the Children's Hospital. The commitments for the next three years are as follows:

	\$
2019	1,308,241
2020	500,225
2021	200,000
	<hr/>
	2,008,466
	<hr/>

### 13 Pledges

The following pledges have been received by the Foundation but not recorded in these financial statements. The pledged amounts are expected to be received as follows:

	Unrestricted Fund \$	Designated Fund \$	Endowment Fund \$
2019	12,700	460,000	-
2020	1,950	550,000	-
2021	1,200	1,050,000	-
2022	-	550,000	-
2023	-	500,000	-
Thereafter	-	2,050,000	-
	<hr/>	<hr/>	<hr/>
	15,850	5,160,000	-
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