

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

Consolidated Financial Statements  
**December 31, 2019**



## *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 Foundation) as at December 31, 2019 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 Foundation's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2019;
- 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 Foundation 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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### *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.

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*PricewaterhouseCoopers LLP*  
*One Lombard Place, Suite 2300, Winnipeg, Manitoba, Canada R3B 0X6*  
*T: +1 204 926 2400, F: +1 204 944 1020*

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



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

Those charged with governance are responsible for overseeing the Foundation'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 Foundation'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 Foundation'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 Foundation 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 Foundation 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 21, 2020

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


## Consolidated Statement of Financial Position

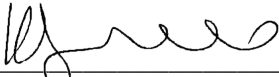
As at December 31, 2019

	2019 \$	2018 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	3,887,891	4,496,858
Short-term investments (note 4)	332,038	245,736
Accounts receivable	1,072,188	829,103
Prepaid expenses	101,115	95,243
Inventory	36,501	11,921
	<u>5,429,733</u>	<u>5,678,861</u>
<b>Investments</b> (note 4)	31,150,013	27,522,734
<b>Capital assets</b> (note 5)	<u>11,103,450</u>	<u>11,760,160</u>
	<u>47,683,196</u>	<u>44,961,755</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 6)	1,656,808	1,222,152
Grants payable	<u>5,464,921</u>	<u>4,124,518</u>
	<u>7,121,729</u>	<u>5,346,670</u>
<b>Fund Balances</b>		
<b>Unrestricted</b>		
Operating Fund	1,498,738	699,492
<b>Externally restricted</b>		
Endowment Fund	5,098,426	4,583,812
Designated Fund	10,291,402	9,679,994
<b>Internally restricted</b>		
Child Health Research Fund (note 7)	9,950,440	10,044,724
Children's Hospital Fund	2,619,011	2,846,903
Funds Invested in Capital Assets (note 8)	<u>11,103,450</u>	<u>11,760,160</u>
	<u>40,561,467</u>	<u>39,615,085</u>
	<u>47,683,196</u>	<u>44,961,755</u>

### Commitments (note 12)

#### Approved by the Board of Directors

  
\_\_\_\_\_  
Dean Schinkel Chair

  
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Karen Cornejo Past-Chair

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, 2019

							2019	2018
	Unrestricted	Externally restricted		Internally restricted				
	Operating Fund \$	Endowment Fund \$	Designated Fund \$	Child Health Research Fund \$ (note 7)	Children's Hospital Fund \$	Funds Invested in Capital Assets \$ (note 8)	Total \$	Total \$
<b>Revenue</b>								
Donations and fundraising revenue	5,183,802	81,053	4,104,700	-	-	-	9,369,555	11,123,022
Lottery proceeds	381,164	-	-	-	-	-	381,164	380,366
Other revenue	-	-	-	1,001,008	-	-	1,001,008	691,508
Investment income (note 4)	3,101,385	570,412	-	817	-	-	3,672,614	(1,559,492)
	<u>8,666,351</u>	<u>651,465</u>	<u>4,104,700</u>	<u>1,001,825</u>	<u>-</u>	<u>-</u>	<u>14,424,341</u>	<u>10,635,404</u>
<b>Expenses</b>								
Administrative expenses	1,060,245	23,067	-	-	-	-	1,083,312	977,572
Fundraising								
Direct expenses	1,239,878	-	-	-	-	-	1,239,878	1,218,581
Indirect expenses	1,233,969	-	-	-	-	-	1,233,969	1,039,938
	<u>3,534,092</u>	<u>23,067</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,557,159</u>	<u>3,236,091</u>
Disbursements and granting activities								
Amortization	-	-	-	-	-	953,803	953,803	994,864
Disbursements	-	-	57,857	-	-	-	57,857	16,829
Grants to Children's Hospital	25,823	37,255	3,586,037	-	93,227	-	3,742,342	2,254,890
Grants in aid of research	3,864,166	34,763	220,049	1,001,825	-	-	5,120,803	4,687,301
Other grants	45,995	-	-	-	-	-	45,995	57,843
Recovery of unused grants (note 11)	-	-	-	-	-	-	-	(545,515)
	<u>3,935,984</u>	<u>72,018</u>	<u>3,863,943</u>	<u>1,001,825</u>	<u>93,227</u>	<u>953,803</u>	<u>9,920,800</u>	<u>7,466,212</u>
	<u>7,470,076</u>	<u>95,085</u>	<u>3,863,943</u>	<u>1,001,825</u>	<u>93,227</u>	<u>953,803</u>	<u>13,477,959</u>	<u>10,702,303</u>
<b>Excess (deficiency) of revenue over expenses</b>	1,196,275	556,380	240,757	-	(93,227)	(953,803)	946,382	(66,899)
<b>Fund balances – Beginning 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
<b>Investment in capital assets</b>	(297,093)	-	-	-	-	297,093	-	-
<b>Interfund transfers (note 11)</b>	(99,936)	(41,766)	370,651	(94,284)	(134,665)	-	-	-
<b>Fund balances – End of year</b>	<u>1,498,738</u>	<u>5,098,426</u>	<u>10,291,402</u>	<u>9,950,440</u>	<u>2,619,011</u>	<u>11,103,450</u>	<u>40,561,467</u>	<u>39,615,085</u>

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, 2019

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	2019 \$	2018 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess (deficiency) of revenue over expenses	946,382	(66,899)
Items not affecting cash		
Amortization	953,803	994,864
Net change in realized and unrealized (gains) losses on investments	(3,120,148)	3,214,674
	<hr/>	<hr/>
	(1,219,963)	4,142,639
Changes in non-cash working capital items	1,501,522	(1,292,124)
	<hr/>	<hr/>
	281,559	2,850,515
<b>Investing activities</b>		
Purchase of investments – net	(593,433)	(1,537,713)
Purchase of capital assets	(297,093)	(52,800)
	<hr/>	<hr/>
	(890,526)	(1,590,513)
<b>Increase (decrease) in cash during the year</b>	(608,967)	1,260,002
<b>Cash – Beginning of year</b>	4,496,858	3,236,856
<b>Cash – End of year</b>	<hr/>	<hr/>
	3,887,891	4,496,858

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, 2019

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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, 2019

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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 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, 2019**

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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, 2019

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

	2019 \$	2018 \$
Short-term		
Mutual funds	297,222	36,025
GICs	34,816	209,711
	<u>332,038</u>	<u>245,736</u>
Long-term		
Pooled funds	<u>31,150,013</u>	<u>27,522,734</u>

Included in investment income is the following:

	<u>2019</u>			<u>2018</u>	
	Operating Fund \$	Endowment Fund \$	Child Health and Research \$	Total \$	Total \$
Realized and unrealized gains (losses) on investments	2,548,919	570,412	817	3,120,148	(3,214,674)
Investment income	552,466	-	-	552,466	1,655,182
	<u>3,101,385</u>	<u>570,412</u>	<u>817</u>	<u>3,672,614</u>	<u>(1,559,492)</u>

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

## Notes to Consolidated Financial Statements

December 31, 2019

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### 5 Capital assets

			2019	2018
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Office and computer equipment	228,195	(138,706)	89,489	41,560
Office furniture	217,366	(73,585)	143,781	134,860
Leasehold improvements	315,238	(147,270)	167,968	61,975
Research equipment	3,969,865	(3,891,551)	78,314	54,333
Research computer equipment	479,008	(479,008)	-	-
Research facility improvements	1,421,443	(1,416,921)	4,522	19,969
Research building	20,702,195	(10,082,819)	10,619,376	11,447,463
	27,333,310	(16,229,860)	11,103,450	11,760,160

### 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, \$3,778 (2018 – \$7,407) is included within accounts payable and accrued liabilities.

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

## Notes to Consolidated Financial Statements

December 31, 2019

### 7 Child Health Research Fund

				2019	2018
	Pediatric Research Fund \$	Research Facilities Building Fund \$	Research Facilities Equipment Fund \$	Total \$	Total \$
Revenue					
Funds received	1,001,825	-	-	1,001,825	691,508
Expenses					
Grants in aid of research	1,001,825	-	-	1,001,825	691,508
Deficiency of revenue over expenses	-	-	-	-	-
Fund balance – Beginning of year	9,444,724	600,000	-	10,044,724	10,044,724
Investment in capital assets	-	-	-	-	-
Interfund transfers	-	(94,284)	-	(94,284)	-
Fund balance – End of year	9,444,724	505,716	-	9,950,440	10,044,724

### 8 Funds Invested in Capital Assets

			2019	2018
	Research \$	Other \$	Total \$	Total \$
Fund balance – Beginning of year	11,685,555	74,605	11,760,160	12,702,224
Purchase of capital assets – net	297,093	-	297,093	52,800
	11,982,648	74,605	12,057,253	12,755,024
Amortization of capital assets – net	948,575	5,228	953,803	994,864
Fund balance – End of year	11,034,073	69,377	11,103,450	11,760,160

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

## Notes to Consolidated Financial Statements

December 31, 2019

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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.

	2019 \$	2018 \$
Indirect expenses	93,195	113,428
Grants in aid of research	10,000	40,000
	<hr/> 103,195	<hr/> 153,428

### 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 35% 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, 2019

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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.

The Board has approved transfers of \$94,284 to the Operating Fund from the Children's Hospital Research Fund and \$134,665 to the Designated Fund from the Children's Hospital Fund. These transfers relate to budgeted financial support and specific disbursements.

### 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:

	\$
2020	4,642,105
2021	1,111,563
2022	<u>300,000</u>
	<u>6,053,668</u>

### 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 \$	Total Fund \$
2020	2,477,640	597,029	3,074,669
2021	1,402,736	-	1,402,736
2022	1,295,786	-	1,295,786
2023	1,194,952	-	1,194,952
2024	940,952	-	940,952
Thereafter	1,495,238	-	1,495,238
	<u>8,807,304</u>	<u>597,029</u>	<u>9,404,333</u>

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

## Notes to Consolidated Financial Statements

**December 31, 2019**

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### **14 Comparative figures**

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

### **15 Subsequent event**

Subsequent to December 31, 2019, financial markets have been negatively impacted by a novel strain of coronavirus (COVID-19), which was declared a pandemic by the World Health Organization (WHO) on March 11, 2020. The continued spread of the coronavirus (COVID-19) and the actions being taken to limit its spread may adversely impact our operations, including among others, limiting our ability to realize pledges, generate donations and fundraising revenue and disruption to the underlying programs and research that the Foundation funds. This has resulted in significant economic uncertainty and consequently, it is difficult to reliably measure the potential impact of this uncertainty on our future financial results.