

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

Consolidated Financial Statements
December 31, 2020



Independent auditor's report

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

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, 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 Foundation's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2020;
- 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 significant accounting policies and other explanatory information.

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.

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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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.

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 20, 2021

The Children's Hospital Foundation of Manitoba, Inc.

Consolidated Statement of Financial Position

As at December 31, 2020

	2020 \$	2019 \$
Assets		
Current assets		
Cash	3,846,232	3,887,891
Short-term investments (note 4)	267,471	332,038
Accounts receivable	1,335,332	1,072,188
Prepaid expenses	121,862	101,115
Inventory	37,986	36,501
	<u>5,608,883</u>	<u>5,429,733</u>
Investments (note 4)	34,079,648	31,150,013
Capital assets (note 5)	<u>10,289,843</u>	<u>11,103,450</u>
	<u>49,978,374</u>	<u>47,683,196</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	1,334,001	1,656,808
Grants payable	6,386,216	5,464,921
	<u>7,720,217</u>	<u>7,121,729</u>
Fund Balances		
Unrestricted		
Operating Fund	3,362,815	1,498,738
Externally restricted		
Endowment Fund	5,507,392	5,098,426
Designated Fund	10,657,074	10,291,402
Internally restricted		
Child Health Research Fund (note 7)	9,950,440	9,950,440
Children's Hospital Fund	2,490,593	2,619,011
Funds Invested in Capital Assets (note 8)	10,289,843	11,103,450
	<u>42,258,157</u>	<u>40,561,467</u>
	<u>49,978,374</u>	<u>47,683,196</u>

Commitments (note 12)

Approved by the Board of Directors



Dean Schinkel

Chair



Zoe Richardson

Vice-Chair

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

The Children's Hospital Foundation of Manitoba, Inc.

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The Children's Hospital Foundation of Manitoba, Inc.

Consolidated Statement of Operations and Changes in Fund Balances

For the year ended December 31, 2020

							2020	2019
	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)		
Revenue								
Donations and fundraising revenue	4,852,175	62,681	4,044,962	-	-	-	8,959,818	9,369,555
Lottery proceeds	682,982	-	-	-	-	-	682,982	381,164
Other revenue (note 10)	373,849	-	-	1,067,116	-	-	1,440,965	1,001,008
Investment income (note 4)	2,660,006	462,846	-	817	-	-	3,123,669	3,672,614
	8,569,012	525,527	4,044,962	1,067,933	-	-	14,207,434	14,424,341
Expenses								
Administrative expenses	1,097,554	23,393	-	-	-	-	1,120,947	1,083,312
Fundraising								
Direct expenses	1,007,294	-	-	-	-	-	1,007,294	1,274,992
Indirect expenses	1,092,950	-	-	-	-	-	1,092,950	1,198,855
	3,197,798	23,393	-	-	-	-	3,221,191	3,557,159
Disbursements and granting activities								
Amortization	-	-	-	-	-	954,860	954,860	953,803
Disbursements	-	-	17,942	-	-	-	17,942	57,857
Grants to Children's Hospital	-	21,343	4,089,238	-	128,418	-	4,238,999	3,742,342
Grants in aid of research	2,840,754	18,247	150,818	1,067,933	-	-	4,077,752	5,120,803
Other grants	-	-	-	-	-	-	-	45,995
	2,840,754	39,590	4,257,998	1,067,933	128,418	954,860	9,289,553	9,920,800
	6,038,552	62,983	4,257,998	1,067,933	128,418	954,860	12,510,744	13,477,959
Excess (deficiency) of revenue over expenses	2,530,460	462,544	(213,036)	-	(128,418)	(954,860)	1,696,690	946,382
Fund balances – Beginning of year	1,498,738	5,098,426	10,291,402	9,950,440	2,619,011	11,103,450	40,561,467	39,615,085
Investment in capital assets	(141,253)	-	-	-	-	141,253	-	-
Interfund transfers (note 11)	(525,130)	(53,578)	578,708	-	-	-	-	-
Fund balances – End of year	3,362,815	5,507,392	10,657,074	9,950,440	2,490,593	10,289,843	42,258,157	40,561,467

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, 2020

	2020 \$	2019 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses	1,696,690	946,382
Items not affecting cash		
Amortization	954,860	953,803
Net change in realized and unrealized (gains) losses on investments	(3,099,487)	(3,120,148)
	(447,937)	(1,219,963)
Changes in non-cash working capital items	313,112	1,501,522
	(134,825)	281,559
Investing activities		
Redemption (purchase) of investments – net	234,419	(593,433)
Purchase of capital assets	(141,253)	(297,093)
	93,166	(890,526)
Decrease in cash during the year	(41,659)	(608,967)
Cash – Beginning of year	3,887,891	4,496,858
Cash – End of year	3,846,232	3,887,891

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, 2020

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, 2020

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, 2020

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).

Government grants

Government grants are recognized when there is reasonable assurance that the Company has complied with the conditions associated with the relevant government program and has been recognized in other revenue.

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.

The Children's Hospital Foundation of Manitoba, Inc.

Notes to Consolidated Financial Statements

December 31, 2020

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.

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

	2020 \$	2019 \$
Short-term		
Mutual funds	6,366	297,222
GICs	261,105	34,816
	<u>267,471</u>	<u>332,038</u>
Long-term		
Pooled funds	<u>34,079,648</u>	<u>31,150,013</u>

Included in investment income is the following:

	<u>2020</u>			<u>2019</u>	
	Operating Fund \$	Endowment Fund \$	Child Health Research Fund \$	Net \$	Net \$
Realized and unrealized gains on investments	2,636,271	-	817	2,637,088	3,120,148
Investment income	23,735	462,846	-	486,581	552,466
	<u>2,660,006</u>	<u>462,846</u>	<u>817</u>	<u>3,123,669</u>	<u>3,672,614</u>

The Children's Hospital Foundation of Manitoba, Inc.

Notes to Consolidated Financial Statements

December 31, 2020

5 Capital assets

			2020	2019
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Office and computer equipment	254,580	(183,440)	71,140	89,489
Office furniture	272,423	(98,075)	174,348	143,781
Leasehold improvements	342,087	(169,954)	172,133	167,968
Research equipment	4,002,827	(3,921,893)	80,934	78,314
Research computer equipment	479,008	(479,008)	-	-
Research facility improvements	1,421,443	(1,421,443)	-	4,522
Research building	20,702,195	(10,910,907)	9,791,288	10,619,376
	<u>27,474,563</u>	<u>(17,184,720)</u>	<u>10,289,843</u>	<u>11,103,450</u>

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, \$354,220 (2019 – \$202,195) is included within accounts payable and accrued liabilities.

7 Child Health Research Fund

				2020	2019
	Pediatric Research Fund \$	Research Facilities Building Fund \$	Research Facilities Equipment Fund \$	Total \$	Total \$
Revenue					
Funds received	1,067,933	-	-	1,067,933	1,001,825
Expenses					
Grants in aid of research	1,067,933	-	-	1,067,933	1,001,825
Deficiency of revenue over expenses	-	-	-	-	-
Fund balance – Beginning of year	9,444,724	505,716	-	9,950,440	10,044,724
Investment in capital assets	-	-	-	-	-
Interfund transfers	-	-	-	-	(94,284)
Fund balance – End of year	<u>9,444,724</u>	<u>505,716</u>	<u>-</u>	<u>9,950,440</u>	<u>9,950,440</u>

The Children's Hospital Foundation of Manitoba, Inc.

Notes to Consolidated Financial Statements

December 31, 2020

8 Funds Invested in Capital Assets

			2020	2019
	Research \$	Other \$	Total \$	Total \$
Fund balance – Beginning of year	11,034,073	69,377	11,103,450	11,760,160
Purchase of capital assets – net	129,400	11,853	141,253	297,093
	11,163,473	81,230	11,244,703	12,057,253
Amortization of capital assets – net	948,830	6,030	954,860	953,803
Fund balance – End of year	10,214,643	75,200	10,289,843	11,103,450

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.

	2020 \$	2019 \$
Indirect expenses	96,900	93,195
Grants in aid of research	-	10,000
	96,900	103,195

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.

The Children's Hospital Foundation of Manitoba, Inc.

Notes to Consolidated Financial Statements

December 31, 2020

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.

Liquidity risk

Liquidity risk is the risk that the Foundation cannot meet its financial obligations associated with financial liabilities in full. During the year, the outbreak of the novel strain of coronavirus, identified as COVID-19, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions and have started to roll out mass vaccination campaigns. Management expects the Foundation to be able to meet its financial obligations in the foreseeable future, but it is still difficult to predict the duration and potential impact of the pandemic.

During the year, the Foundation applied for wage subsidies in the amount of \$452,640 (of which \$134,465 was receivable at December 31, 2020) which have been recorded as other revenue.

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 Children's Hospital Foundation of Manitoba, Inc.

Notes to Consolidated Financial Statements

December 31, 2020

12 Commitments

There are commitments to fund program support to the Child Health Program and the Flouro Lab at the Children's Hospital as well as various external research grants through the Children's Hospital Research Institute. The commitments for the next three years are as follows:

	\$
2021	2,102,457
2022	442,500
2023	400,000
	<hr/>
	2,944,957
	<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 \$	Total Fund \$
2021	92,455	2,096,900	2,189,355
2022	42,532	1,518,548	1,561,080
2023	37,532	1,350,968	1,388,500
2024	30,032	979,968	1,010,000
2025	29,032	739,468	768,500
Thereafter	64,666	1,431,763	1,496,429
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	296,249	8,117,615	8,413,864
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