

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

Consolidated Financial Statements
March 31, 2023



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 March 31, 2023 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 March 31, 2023;
- 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
June 15, 2023

The Children's Hospital Foundation of Manitoba, Inc.

Consolidated Statement of Financial Position

As at March 31, 2023

	2023 \$	2022 \$ (note 2)
Assets		
Current assets		
Cash	2,153,106	5,931,894
Short-term investments (note 4)	5,100,618	227,270
Accounts receivable	502,047	292,139
Prepaid expenses	241,069	260,503
Inventory	5,739	12,942
	<u>8,002,579</u>	<u>6,724,748</u>
Investments (note 4)	36,667,975	36,216,006
Capital assets (note 5)	<u>8,750,893</u>	<u>9,561,498</u>
	<u>53,421,447</u>	<u>52,502,252</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	1,186,593	1,646,388
Grants payable	4,712,964	5,835,813
Deferred revenue	130,367	89,593
	<u>6,029,924</u>	<u>7,571,794</u>
Fund Balances		
Unrestricted		
Operating Fund	3,430,578	3,905,141
Externally restricted		
Endowment Fund	6,068,994	6,005,007
Designated Fund	16,869,695	13,157,084
Internally restricted		
Child Health Research Fund (note 7)	9,905,728	9,936,958
Children's Hospital Fund	2,365,635	2,364,770
Funds Invested in Capital Assets (note 8)	8,750,893	9,561,498
	<u>47,391,523</u>	<u>44,930,458</u>
	<u>53,421,447</u>	<u>52,502,252</u>
Commitments (note 12)		
Approved by the Board of Directors		
		
_____ Zoë Richardson	_____ Michael Holmes	_____ Vice-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

							Year ended March 31, 2023	15-month period ended March 31, 2022 (note 2)
	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 \$
Revenue								
Donations and fundraising revenue	5,802,376	58,595	5,012,176	-	-	-	10,873,147	12,837,431
Lottery proceeds	559,304	-	-	-	-	-	559,304	757,574
Other revenue (note 10)	1,303,305	-	-	-	-	-	1,303,305	1,342,730
Investment income (note 4)	717,125	137,410	-	-	-	-	854,535	2,403,948
	8,382,110	196,005	5,012,176	-	-	-	13,590,291	17,341,683
Expenses								
Administrative expenses (note 6)	1,180,680	-	-	-	-	-	1,180,680	1,476,629
Fundraising								
Direct expenses	687,238	-	-	-	-	-	687,238	1,029,395
Indirect expenses	2,065,710	-	-	-	-	-	2,065,710	1,454,163
	3,933,628	-	-	-	-	-	3,933,628	3,960,187
Disbursements and granting activities								
Amortization	-	-	-	-	-	997,144	997,144	1,229,418
Disbursements	-	-	28,271	-	-	-	28,271	-
Grants to Children's Hospital (note 6)	(198,417)	-	1,125,018	-	(865)	-	925,736	4,165,511
Grants in aid of research (note 6)	4,396,192	-	848,255	-	-	-	5,244,447	5,314,266
	4,197,775	-	2,001,544	-	(865)	997,144	7,195,598	10,709,195
Excess (deficiency) of revenue over expenses	250,707	196,005	3,010,632	-	865	(997,144)	2,461,065	2,672,301
Fund balances – Beginning of year	3,905,141	6,005,007	13,157,084	9,936,958	2,364,770	9,561,498	44,930,458	42,258,157
Investment in capital assets	(186,539)	-	-	-	-	186,539	-	-
Interfund transfers (note 11)	(538,731)	(132,018)	701,979	(31,230)	-	-	-	-
Fund balances – End of year	3,430,578	6,068,994	16,869,695	9,905,728	2,365,635	8,750,893	47,391,523	44,930,458

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

	Year ended March 31, 2023 \$	15-month period ended March 31, 2022 \$ (note 2)
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses	2,461,065	2,672,301
Items not affecting cash		
Amortization	997,144	1,229,418
Change in realized and unrealized gains on investments – net	(645,309)	(2,382,660)
	<hr/>	<hr/>
	2,812,900	1,519,059
Change in non-cash working capital items	(1,725,141)	781,173
	<hr/>	<hr/>
	1,087,759	2,300,232
Investing activities		
(Purchase) redemption of investments	(4,680,008)	286,503
Purchase of capital assets	(186,539)	(501,073)
	<hr/>	<hr/>
	(4,866,547)	(214,570)
(Decrease) increase in cash during the year	<hr/>	<hr/>
	(3,778,788)	2,085,662
Cash – Beginning of year	<hr/>	<hr/>
	5,931,894	3,846,232
Cash – End of year	<hr/>	<hr/>
	2,153,106	5,931,894

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

March 31, 2023

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 (Canada) 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. (the Institute) and Children's Hospital Book Market, Inc. (the Book Market), both of which are organizations under the Foundation's common control.

In March 2021, the Foundation's Board of Directors approved a change to the Foundation's year-end from December 31 to March 31. The current fiscal period includes the 12 months ended March 31, 2023, with comparative financial statements for the 15-month period ended March 31, 2022.

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 Children's Hospital Foundation of Manitoba, Inc.

Notes to Consolidated Financial Statements

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- 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 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 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

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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 to certain funds at the discretion of the Board of Directors (the Board).

Government grants

Government grants are recognized when there is reasonable assurance that the Foundation has complied with the conditions associated with the relevant government program and are 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 the terms of reference for each of the funds and is approved by the Board where applicable.

Allocation of expenses

Certain administrative expenses are allocated to fundraising activities and disbursements and granting activities based on 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 as at the date of the consolidated financial statements and the reported amounts of revenue 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

March 31, 2023

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 and changes in fund balances 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 and 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

	Year ended March 31, 2023 \$	15-month period ended March 31, 2022 \$ (note 2)
Short-term		
Mutual funds	-	199,219
GICs	5,100,618	28,051
	<u>5,100,618</u>	<u>227,270</u>
Long-term		
Pooled funds	<u>36,667,975</u>	<u>36,216,006</u>

The Children's Hospital Foundation of Manitoba, Inc.

Notes to Consolidated Financial Statements

March 31, 2023

Included in investment income is the following:

			Year ended March 31, 2023	15-month period ended March 31, 2022 (note 2)
	Operating Fund \$	Endowment Fund \$	Net \$	Net \$
Realized and unrealized gains on investments	517,705	137,410	655,115	1,777,391
Investment income	199,420	-	199,420	626,557
	<u>717,125</u>	<u>137,410</u>	<u>854,535</u>	<u>2,403,948</u>

5 Capital assets

			Year ended March 31, 2023	15-month period ended March 31, 2022 (note 2)
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Office and computer equipment	402,588	304,948	97,640	79,597
Office furniture	487,679	185,358	302,321	280,624
Leasehold improvements	666,435	274,252	392,183	393,861
Research equipment	4,002,827	3,972,168	30,659	51,238
Research building	20,702,195	12,774,105	7,928,090	8,756,178
	<u>26,261,724</u>	<u>17,510,831</u>	<u>8,750,893</u>	<u>9,561,498</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, \$nil (2022 – \$40,000) is included in accounts payable and accrued liabilities.

During the year, a reversal of \$398,417 was recorded through direct and indirect fundraising expenses to reflect the recovery of a tax ruling by Manitoba Finance.

The Children's Hospital Foundation of Manitoba, Inc.

Notes to Consolidated Financial Statements

March 31, 2023

7 Child Health Research Fund

				Year ended March 31, 2023	15-month period ended March 31, 2022 (note 2)
	Pediatric Research Fund \$	Research Facilities Building Fund \$	Research Facilities Equipment Fund \$	Total \$	Total \$
Revenue					
Funds received	-	-	-	-	-
Expenses					
Grants in aid of research	-	-	-	-	-
Excess of revenue over expenses	-	-	-	-	-
Fund balance – Beginning of year	9,444,724	492,234	-	9,936,958	9,950,440
Interfund transfers	-	(31,230)	-	(31,230)	(13,482)
Fund balance – End of year	<u>9,444,724</u>	<u>461,004</u>	<u>-</u>	<u>9,905,728</u>	<u>9,936,958</u>

The Children's Hospital Foundation of Manitoba, Inc.

Notes to Consolidated Financial Statements

March 31, 2023

8 Funds Invested in Capital Assets

			Year ended March 31, 2023	15-month period ended March 31, 2022 (note 2)
	Research \$	Other \$	Total \$	Total \$
Fund balance – Beginning of year	9,125,156	436,342	9,561,498	10,289,843
Purchase of capital assets – net	150,677	35,862	186,539	501,073
	9,275,833	472,204	9,748,037	10,790,916
Amortization of capital assets – net	997,144	-	997,144	1,229,418
Fund balance – End of year	8,278,689	472,204	8,750,893	9,561,498

9 Allocation of expenses

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

	Year ended March 31, 2023 \$	15-month period ended March 31, 2022 \$ (note 2)
Indirect expenses	132,196	123,702

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 that 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

March 31, 2023

Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate fluctuations on the Foundation's cash flows, financial position and revenue. 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 investments 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 are 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. The Foundation expects to be able to meet its financial obligations in the foreseeable future.

During the year, the Foundation applied for and received wage subsidies in the amount of \$nil (2022 – \$381,739), which have been recorded as other revenue.

11 Interfund transfers

During the year, certain amounts were reallocated between the funds to more appropriately reflect the terms of reference for each of these funds.

12 Commitments

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

	\$
2024	1,135,750
2025	800,750
2026	732,000
	<hr/>
	2,668,500
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The Children's Hospital Foundation of Manitoba, Inc.

Notes to Consolidated Financial Statements

March 31, 2023

13 Pledges

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

	Unrestricted Fund \$	Designated Fund \$	Total Fund \$
2024	17,517	899,871	917,388
2025	52,034	536,635	588,669
2026	11,200	236,635	247,835
2027	3,650	31,635	35,285
Thereafter	-	61,536	61,536
	<hr/> 84,401	<hr/> 1,766,312	<hr/> 1,850,713 <hr/>