

HEALTH SCIENCES CENTRE FOUNDATION INC.

Financial Statements

For the year ended March 31, 2023

HEALTH SCIENCES CENTRE FOUNDATION INC.

Financial Statements

For the year ended March 31, 2023

Table of Contents

Independent Auditor's Report	2
Financial Statements	
Statement of Financial Position	4
Statement of Operations and Changes in Fund Balances	5
Statement of Cash Flows	6
Notes to Financial Statements	7



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Independent Auditor's Report

To the Board of Directors of Health Sciences Centre Foundation Inc.

Opinion

We have audited the financial statements of Health Sciences Centre Foundation Inc. ("Foundation"), which comprise the statement of financial position as at March 31, 2023, and the statement of operations and changes in fund balances, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of 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.

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 Financial Statements* section of our report. We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
June 14, 2023

HEALTH SCIENCES CENTRE FOUNDATION INC.
Statement of Financial Position

As at March 31

2023

2022

Assets

Cash and bank	\$ 20,144,614	\$ 9,550,647
Accounts receivable	353,277	153,652
Prepaid expenses	57,216	53,188
Investments (Note 3)	55,589,654	53,360,458
Capital assets (Note 5)	6,224,620	6,494,135
	<hr/>	<hr/>
	\$ 82,369,381	\$ 69,612,080

Liabilities and Fund Balances

Liabilities

Accounts payable and accrued liabilities	\$ 966,982	\$ 774,535
Grants payable	164,861	303,190
	<hr/>	<hr/>
	1,131,843	1,077,725

Fund Balances

General Fund	2,163,273	1,029,658
Restricted (Note 6)	48,095,314	39,801,548
Endowment	30,978,951	27,703,149
	<hr/>	<hr/>
	81,237,538	68,534,355
	<hr/>	<hr/>
	\$ 82,369,381	\$ 69,612,080

Approved by the Board of Directors:



HEALTH SCIENCES CENTRE FOUNDATION INC.

Statement of Operations and Changes in Fund Balances

For the year ended March 31, 2023

	General Fund	Restricted Fund	Endowment Fund	2023 Total	2022 Total
Revenue					
Donations	\$ 404,731	\$16,021,740	\$ 3,673,970	\$20,100,441	\$ 8,121,845
Events	794,866	395,790	-	1,190,656	779,374
Lotteries	8,435,387	-	-	8,435,387	9,398,718
Other revenue	96,080	-	-	96,080	205,650
Investment income (loss) (Note 7)	780,586	704,076	(398,168)	1,086,494	2,210,052
	10,511,650	17,121,606	3,275,802	30,909,058	20,715,639
Expenses					
Fundraising	1,530,796	-	-	1,530,796	928,762
Events	483,793	-	-	483,793	356,824
Lotteries	4,684,729	-	-	4,684,729	4,340,945
Administration	1,879,067	-	-	1,879,067	1,793,510
Amortization	118,027	193,948	-	311,975	303,813
	8,696,412	193,948	-	8,890,360	7,723,854
Excess of revenue over expenses before grants and distribution	1,815,238	16,927,658	3,275,802	22,018,698	12,991,785
Grants	(122,317)	(8,633,892)	-	(8,756,209)	(4,487,834)
Distribution to Children's Hospital Foundation of Manitoba	(559,306)	-	-	(559,306)	(757,407)
Excess of revenue over expenses for the year	1,133,615	8,293,766	3,275,802	12,703,183	7,746,544
Fund balances, beginning of year (Note 9)	1,029,658	39,801,548	27,703,149	68,534,355	60,787,811
Fund balances, end of year	\$ 2,163,273	\$48,095,314	\$30,978,951	\$81,237,538	\$68,534,355

HEALTH SCIENCES CENTRE FOUNDATION INC.

Statement of Cash Flows

For the year ended March 31	2023	2022
Operating Activities		
Excess of revenue over expenses for the year	\$ 12,703,183	\$ 7,746,544
Items not affecting cash		
Amortization	311,975	303,813
Net unrealized investment loss (gain)	548,658	(1,283,339)
Investment income reinvested	(777,854)	(1,245,898)
	12,785,962	5,521,120
Changes in non-cash working capital items		
Accounts receivable	(199,625)	70,311
Prepaid expenses	(4,028)	(2,443)
Accounts payable and accrued liabilities	192,447	36,087
Grants payable	(138,329)	6,890
	12,636,427	5,631,965
Investing Activities		
Purchase of investments	(2,000,000)	(3,875,000)
Redemption of investments	-	2,654,431
Acquisition of capital assets	(42,460)	(23,169)
	(2,042,460)	(1,243,738)
Cash flows from financing activities	-	-
Net increase in cash and bank	10,593,967	4,388,227
Cash and bank, beginning of year	9,550,647	5,162,420
Cash and bank, end of year	\$ 20,144,614	\$ 9,550,647

HEALTH SCIENCES CENTRE FOUNDATION INC.

Notes to Financial Statements

For the year ended March 31, 2023

1. Organization

Health Sciences Centre Foundation Inc.'s ("Foundation") mandate is to raise, invest and allocate funds in support of medical research and health care excellence. The Foundation was incorporated in 1976 under *The Corporations Act* in Manitoba.

The Foundation is a public foundation registered under the *Income Tax Act (Canada)* and, as such, is exempt from income taxes and able to issue donation receipts for income tax purposes.

2. Summary of Significant Accounting Policies

These financial statements are prepared in accordance with Part III of the *CPA Canada Handbook - Accounting Standards for Not-for-Profit Organizations* ("ASNPO") and includes the significant accounting policies summarized below.

a) Fund Accounting

For financial statement purposes, the accounts of the Foundation have been classified into funds. The Foundation ensures, as part of its fiduciary responsibilities, that all funds with a restricted purpose are expended for the purpose for which they were provided.

The General Fund accounts for the Foundation's general fundraising, granting and administrative activities. This fund reports unrestricted resources available for immediate use.

The Restricted Fund includes externally and internally restricted funds. Externally restricted funds represent donations whereby the donor has made a specific direction on the use of the funds. Internally restricted funds represent funds that have been restricted for specific purposes by the Board.

The Endowment Fund reports resources where external restrictions require that the principal must be maintained permanently and restricted investment income on endowment funds that have not been distributed at year end.

HEALTH SCIENCES CENTRE FOUNDATION INC.

Notes to Financial Statements

For the year ended March 31, 2023

2. Summary of Significant Accounting Policies (continued)

b) Revenue Recognition

The Foundation follows the restricted fund method of accounting for contributions, which consist of donations, bequests and grants. Contributions are recorded when received or receivable if the amount to be received can be reasonably estimated and collection is reasonable assured.

Unrestricted contributions are recognized as revenue of the General Fund. Restricted contributions are recognized as revenue of the appropriate Restricted Fund. Endowment contributions are recognized as revenue of the appropriate Endowment Fund. Pledges made to the Foundation are recognized as revenue in the year the funds are received.

Investment income (loss) is recognized as revenue when earned and consists of interest, dividends, income distributions from pooled funds, and realized and unrealized gains and losses, net of safekeeping and investment management and other investment expenses. Unrestricted investment income (loss) is recognized in the General Fund. Restricted and Endowment investment income (loss) is recognized in the appropriate Restricted or Endowment Fund.

Revenue from Events, other than donations, is recognized as revenue when earned. Donations received related to an event are recorded as revenue consistent with the recognition of donation revenue.

Revenue from Lotteries and Other Revenue is recognized when earned.

c) Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market are reported at fair value, with any unrealized gains and losses reported in operations. All other financial instruments, including real property, are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

HEALTH SCIENCES CENTRE FOUNDATION INC.

Notes to Financial Statements

For the year ended March 31, 2023

2. Summary of Significant Accounting Policies (continued)

d) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization expense is provided for on a straight-line basis as follows:

Betterments	5 to 10 years
Buildings	50 years
Donor wall	10 years
Furniture and fixtures	10 years

e) Grants

Grants to qualified recipients are reflected as an expense in the fiscal year in which the grants are approved and committed.

f) Use of Estimates

The preparation of financial statements in accordance with 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 financial statements and the reported amounts of revenue and expenses during the year. Significant estimates include the useful lives of capital assets. Actual amounts could differ materially from those estimates.

3. Investments

	2023		2022	
Fixed income	\$ 18,513,608	33%	\$ 18,380,935	34%
Canadian equity	9,107,807	16%	8,806,083	16%
Global equity	23,617,732	43%	21,754,760	41%
Global real estate	1,130,750	2%	2,076,007	4%
Infrastructure	1,213,187	2%	336,103	1%
Real property - Irrevocable interest	2,006,570	4%	2,006,570	4%
	\$ 55,589,654	100%	\$ 53,360,458	100%

During prior years, the Foundation received gifts and title to irrevocable interests in real property. These gifts were recorded in revenue when received under an established restricted fund. Upon receipt of the title, the asset will be classified as an asset held for sale and the Foundation will dispose of the asset in order to generate cash for the Restricted Fund.

HEALTH SCIENCES CENTRE FOUNDATION INC.

Notes to Financial Statements

For the year ended March 31, 2023

4. Pledges

Pledges made to the Foundation are scheduled to be collected during the following fiscal years:

2024	\$ 9,312,638
2025	4,558,053
2026	4,315,000
2027	2,515,000
2028 and thereafter	<u>2,510,000</u>
	<u>\$ 23,210,691</u>

5. Capital Assets

	2023		2022	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Betterments	\$ 3,012,832	\$ 2,953,960	\$ 58,872	\$ 50,365
Buildings	8,573,662	3,086,951	5,486,711	5,658,618
Donor wall	929,513	306,758	622,755	729,513
Furniture and fixtures	152,930	96,648	56,282	55,639
	<u>\$ 12,668,937</u>	<u>\$ 6,444,317</u>	<u>\$ 6,224,620</u>	<u>\$ 6,494,135</u>

The Foundation has a beneficial interest in certain capital assets as noted below which are not included in the Statement of Financial Position. Pursuant to an agreement dated March 19, 1985, the Foundation contributed \$4.9 million towards the construction of the seventh level of the MS Building of Health Sciences Centre which is commonly referred to as MS7. In the event Health Sciences Centre exercises its option to obtain occupancy of MS7, in accordance with the terms of this agreement, the consideration to be paid by Health Sciences Centre to the Foundation shall be the aggregate of:

- i) the original capital costs;
- ii) all furniture, fixtures, equipment and improvements relating to MS7 that cannot be usefully relocated; and
- iii) reasonable moving expenses.

HEALTH SCIENCES CENTRE FOUNDATION INC.

Notes to Financial Statements

For the year ended March 31, 2023

6. Restricted Fund

Restricted funds consist of the following:

	<u>2023</u>	<u>2022</u>
Externally Restricted	\$ 36,720,771	\$ 27,769,372
Internally Restricted	11,374,543	12,032,176
	<u>\$ 48,095,314</u>	<u>\$ 39,801,548</u>

7. Investment Income Earned on Endowment Fund

During the year, Endowment Fund investments earned investment income of \$219,846 (investment income of \$1,242,805 in 2022), which is presented as Restricted Fund investment income of \$618,014 (investment income \$730,330 in 2022), and Endowment Fund investment loss of \$398,168 (investment income \$512,475 in 2022).

8. Financial Instrument Risk Management

The Foundation, through its financial assets and liabilities, is exposed to various risks in the normal course of operations. The Foundation has implemented a Statement of Investment Policies and Procedures that establishes the asset allocation strategy, diversification requirements and acceptable investments for the Foundation. The Foundation's objective in risk management is to optimize the risk return trade-off, within set limits, by applying integrated risk management and control strategies, policies and procedures throughout the Foundation's activities. The following analysis provides a measurement of those risks at year end.

a) Credit Risk

Credit risk is the risk that the Foundation will incur a loss due to the failure by its debtors to meet their contractual obligations. Financial instruments that potentially subject the Foundation to significant concentrations of credit risk consist primarily of cash, accounts receivable, and investments. The maximum amount of credit risk relates to the carrying value of the financial assets.

b) Liquidity Risk

Liquidity risk is the risk that the Foundation will not be able to meet its obligations as they fall due. The Foundation manages its working capital to maintain adequate levels and ensure all its obligations can be met when they fall due.

HEALTH SCIENCES CENTRE FOUNDATION INC.

Notes to Financial Statements

For the year ended March 31, 2023

8. Financial Instrument Risk Management (continued)

c) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market conditions and interest rates. A portion of the Foundation's investments are held in fixed-income securities and accordingly the value of those securities will be impacted by changes in interest rates.

d) Price Risk

Price risk is the potential for price changes resulting from volatility in equity markets.

e) Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Foundation is exposed to foreign exchange risk since it holds a portion of its investments in U.S. and global securities.

9. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

Most notably, certain grants were presented as expenses of the General Fund rather than the Restricted Fund in the prior year in error. The change has been applied retrospectively in these financial statements with comparative amounts restated. As a result, the General Fund balance was increased by \$730,330 and the Restricted Fund balance has decreased by \$730,330 at March 31, 2022.