

**HEALTH SCIENCES CENTRE  
FOUNDATION INC.**

**Financial Statements  
For the year ended March 31, 2020**

# HEALTH SCIENCES CENTRE FOUNDATION INC.

## Financial Statements

For the year ended March 31, 2020

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## Independent Auditor's Report

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**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, 2020, 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, 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.

### **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  
September 15, 2020

# HEALTH SCIENCES CENTRE FOUNDATION INC.

## Statement of Financial Position

As at March 31, 2020

|                                   | Unrestricted<br>Fund | Restricted<br>Funds | 2020<br>Total | 2019<br>Total |
|-----------------------------------|----------------------|---------------------|---------------|---------------|
| (Note 3)                          |                      |                     |               |               |
| <b>Assets</b>                     |                      |                     |               |               |
| <b>Current Assets</b>             |                      |                     |               |               |
| Cash and bank (bank indebtedness) | \$ (298,933)         | \$ 5,933,693        | \$ 5,634,760  | \$ 2,744,359  |
| Investments (Note 4)              | -                    | 6,769,650           | 6,769,650     | 12,265,850    |
| Due (to) from other funds         | (132,094)            | 132,094             | -             | -             |
| Accounts receivable (Note 9)      | 287,660              | 6,352               | 294,012       | 117,928       |
| Prepaid expenses                  | 40,890               | -                   | 40,890        | 27,721        |
|                                   | (102,477)            | 12,841,789          | 12,739,312    | 15,155,858    |
| Investments (Note 4)              | -                    | 31,242,495          | 31,242,495    | 33,185,410    |
| Capital assets (Note 6)           | 783,390              | 6,075,953           | 6,859,343     | 6,362,889     |
|                                   | \$ 680,913           | \$50,160,237        | \$50,841,150  | \$54,704,157  |

### Liabilities and Fund Balances

#### Current Liabilities

|   |            |      |            |            |
|---|------------|------|------------|------------|
| Accounts payable and accrued liabilities (Note 9) | \$ 673,413 | \$ - | \$ 673,413 | \$ 710,640 |
| Deferred revenue                                  | 7,500      | -    | 7,500      | 25,000     |
|   | 680,913    | -    | 680,913    | 735,640    |

#### Fund Balances

|              |            |              |              |              |
|--------------|------------|--------------|--------------|--------------|
| Unrestricted | -          | -            | -            | -            |
| Endowment    | -          | 20,788,857   | 20,788,857   | 18,774,148   |
| Restricted   | -          | 17,867,372   | 17,867,372   | 22,978,909   |
| JBRC Capital | -          | 11,504,008   | 11,504,008   | 12,215,460   |
|              | -          | 50,160,237   | 50,160,237   | 53,968,517   |
|              | \$ 680,913 | \$50,160,237 | \$50,841,150 | \$54,704,157 |

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, 2020

|   | <u>Unrestricted Fund</u> |                  | <u>Restricted Fund</u> |                      | <b>2020<br/>Total</b> | 2019<br>Total        |
|---|--------------------------|------------------|------------------------|----------------------|-----------------------|----------------------|
|   | 2020                     | 2019             | 2020                   | 2019                 |                       |                      |
|   |                          |                  |                        |                      |                       | (Note 3)             |
| <b>Revenue</b>  |                          |                  |                        |                      |                       |                      |
| Donations   | \$ 931,519               | \$ 727,783       | \$ 851,265             | \$ 261,526           | \$ 1,782,784          | \$ 989,309           |
| Lotteries, net (Note 7)   | 1,610,741                | 1,625,234        | 1,150,000              | 700,000              | 2,760,741             | 2,325,234            |
| Other revenue, net (Note 8)   | 216,719                  | 364,021          | 61,521                 | (65,590)             | 278,240               | 298,431              |
| Net realized investment income  | 275,655                  | 113,881          | 580,419                | 710,201              | 856,074               | 824,082              |
| Net unrealized investment gains (losses)                              | -                        | -                | (2,813,921)            | 799,516              | (2,813,921)           | 799,516              |
| Major and planned gifts   | 144,833                  | 41,634           | 6,940,419              | 12,594,167           | 7,085,252             | 12,635,801           |
| Funding commitments   | 2                        | 16,371           | 12,941                 | 29,392               | 12,943                | 45,763               |
|   | <b>3,179,469</b>         | <b>2,888,924</b> | <b>6,782,644</b>       | <b>15,029,212</b>    | <b>9,962,113</b>      | <b>17,918,136</b>    |
| <b>Expenses</b>   |                          |                  |                        |                      |                       |                      |
| Office administration   | 1,170,627                | 968,554          | -                      | -                    | 1,170,627             | 968,554              |
| Donor development   | 398,199                  | 315,270          | -                      | -                    | 398,199               | 315,270              |
| Major and planned gifts   | 774,807                  | 505,092          | 157,499                | 151,836              | 932,306               | 656,928              |
| Marketing and communications  | 266,788                  | 157,436          | (7,660)                | (2,695)              | 259,128               | 154,741              |
| Amortization  | 13,742                   | 13,742           | 190,071                | 171,473              | 203,813               | 185,215              |
|   | <b>2,624,163</b>         | <b>1,960,094</b> | <b>339,910</b>         | <b>320,614</b>       | <b>2,964,073</b>      | <b>2,280,708</b>     |
| <b>Excess of revenue over expenses before<br/>funding commitments</b> | <b>555,306</b>           | <b>928,830</b>   | <b>6,442,734</b>       | <b>14,708,598</b>    | <b>6,998,040</b>      | <b>15,637,428</b>    |
| <b>Funding commitments</b>  | <b>(423,212)</b>         | <b>(475,546)</b> | <b>(10,383,108)</b>    | <b>(1,942,795)</b>   | <b>(10,806,320)</b>   | <b>(2,418,341)</b>   |
| <b>Excess (deficiency) of revenue over expenses for the year</b>      | <b>132,094</b>           | <b>453,284</b>   | <b>(3,940,374)</b>     | <b>12,765,803</b>    | <b>(3,808,280)</b>    | <b>13,219,087</b>    |
| <b>Fund balances, beginning of year</b>                               | <b>-</b>                 | <b>-</b>         | <b>53,968,517</b>      | <b>40,749,430</b>    | <b>53,968,517</b>     | <b>40,749,430</b>    |
| <b>Interfund transfer (Note 2b)</b>                                   | <b>(132,094)</b>         | <b>(453,284)</b> | <b>132,094</b>         | <b>453,284</b>       | <b>-</b>              | <b>-</b>             |
| <b>Fund balances, end of year</b>                                     | <b>\$ -</b>              | <b>\$ -</b>      | <b>\$ 50,160,237</b>   | <b>\$ 53,968,517</b> | <b>\$ 50,160,237</b>  | <b>\$ 53,968,517</b> |

## HEALTH SCIENCES CENTRE FOUNDATION INC.

### Statement of Cash Flows

| For the year ended March 31                                      | 2020                | 2019                |
|--|---------------------|---------------------|
|  |                     | (Note 3)            |
| <b>Cash Flows from Operating Activities</b>                      |                     |                     |
| Excess (deficiency) of revenue over expenses for the year        | \$ (3,808,280)      | \$ 13,219,087       |
| Items not affecting cash   |                     |                     |
| Amortization   | 203,813             | 185,215             |
| Net unrealized investment gains                                  | 2,813,921           | (799,516)           |
|  | (790,546)           | 12,604,786          |
| Changes in non-cash operating working capital items              |                     |                     |
| Accounts receivable  | (176,084)           | 35,261              |
| Prepaid expenses   | (13,169)            | 164                 |
| Accounts payable and accrued liabilities                         | (37,227)            | 87,684              |
| Deferred revenue   | (17,500)            | 20,000              |
|  | (1,034,526)         | 12,747,895          |
| <b>Cash Flows from Investing and Financing Activities</b>        |                     |                     |
| Net change in investments  | 128,993             | (829,130)           |
| Purchase of investments  | (3,234,344)         | (11,558,470)        |
| Redemption of investments  | 7,730,545           | -                   |
| Acquisition of capital assets                                    | (700,267)           | (92,987)            |
|  | 3,924,927           | (12,480,587)        |
| <b>Net increase in cash and cash equivalents during the year</b> | <b>2,890,401</b>    | <b>267,308</b>      |
| <b>Cash and cash equivalents, beginning of year</b>              | <b>2,744,359</b>    | <b>2,477,051</b>    |
| <b>Cash and cash equivalents, end of year</b>                    | <b>\$ 5,634,760</b> | <b>\$ 2,744,359</b> |

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# HEALTH SCIENCES CENTRE FOUNDATION INC.

## Notes to Financial Statements

For the year ended March 31, 2020

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### 1. Organization

Health Sciences Centre Foundation Inc. ("Foundation") was incorporated in 1976 under The Corporations Act of Manitoba. The Foundation's mandate is to raise, invest and allocate funds in support of medical research and health care excellence. The Foundation is a registered charity for purpose of the Income Tax Act and accordingly is exempt from income taxes.

### 2. Summary of Significant Accounting Policies

#### a) Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

#### b) Fund Accounting

The Unrestricted Fund reports revenue from the Foundation's general fundraising activities together with all administrative expenses. Investment income earned in this fund is unrestricted. Each year, funds are transferred between the Unrestricted and Restricted Funds so that the fund balance in the Unrestricted Fund is nil at the statement of financial position date. For the year ended March 31, 2020, \$132,094 (\$453,284 in 2019) was transferred from the Unrestricted Fund to the Restricted Fund.

Included in Restricted Funds are amounts related to the following specific funds:

- i) The Endowment Fund, which includes endowment, bequest and gift planning contributions donated to the Foundation, are directed for a specific use together with expenses for a significant portion of research grants. Unless specified by the donor, investment income earned on the Endowment Fund is reinvested in the Endowment Fund.
- ii) The Restricted Fund, which represents funds donated to the Foundation, are directed for a specific use together with the funds internally restricted by the Foundation's Board of Directors.
- iii) The JBRC Capital Fund, which represents funds donated to the Foundation, are directed and restricted for the John Buhler Research Centre for capital purchases and research expenses.



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# HEALTH SCIENCES CENTRE FOUNDATION INC.

## Notes to Financial Statements

For the year ended March 31, 2020

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### 2. Summary of Significant Accounting Policies (continued)

c) Revenue Recognition

The Foundation follows the restricted fund method of accounting for contributions.

Restricted contributions are recognized as revenue of the appropriate restricted fund. Unrestricted contributions are recognized as revenue of the Unrestricted Fund. Contributions are recognized in the year the contribution is made. Rental revenue is recognized as revenue in the period it is earned. Fundraising revenue is recognized in the period fundraising events are held. All other revenue is recognized when received or receivable.

d) 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.

e) Capital Assets

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

|                        |          |
|------------------------|----------|
| Computer equipment     | 4 years  |
| Furniture and fixtures | 10 years |
| Donor wall             | 10 years |
| Buildings              | 50 years |
| Tenant improvements    | 10 years |
| Leasehold improvements | 5 years  |

f) Grants

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

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# HEALTH SCIENCES CENTRE FOUNDATION INC.

## Notes to Financial Statements

For the year ended March 31, 2020

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### 2. Summary of Significant Accounting Policies (continued)

#### g) Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations 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. Change in Accounting Policy for the Treatment of Pledges Receivable

During the year, the Foundation changed its accounting policy for the treatment of pledges receivable to record pledges as revenue when collected in order to provide more reliable and relevant information to users of its financial statements. Comparative amounts presented in these financial statements have been retroactively restated as follows:

|   | As Previously<br>Reported | Adjustment     | Restated   |
|---|---------------------------|----------------|------------|
| <u>Statement of Financial Position</u>                      |                           |                |            |
| Pledges receivable  | \$ 1,947,109              | \$ (1,947,109) | \$ -       |
| Fund balances as at March 31, 2019                          | 55,915,626                | (1,947,109)    | 53,968,517 |
| Fund balances as at March 31, 2018                          | 43,052,009                | (2,302,579)    | 40,749,430 |
| <u>Statement of Operations and Changes in Fund Balances</u> |                           |                |            |
| Revenue   |                           |                |            |
| Major and planned gifts                                     | 12,280,331                | 355,470        | 12,635,801 |
| Excess of revenue over expenses                             | 12,863,617                | 355,470        | 13,219,087 |

# HEALTH SCIENCES CENTRE FOUNDATION INC.

## Notes to Financial Statements

For the year ended March 31, 2020

### 4. Investments

|  | 2020                 | 2019          |
|--|----------------------|---------------|
| Short-term investments                             | <b>\$ 6,769,650</b>  | \$ 12,265,850 |
| Long-term Investments                              |                      |               |
| Investment in Pooled Funds & Exchange Traded Funds | <b>26,412,813</b>    | 27,233,528    |
| HSCF Operations Grant Trust                        | <b>2,820,110</b>     | 3,146,550     |
| Real Property                                      |                      |               |
| Irrevocable interest in real property              | <b>2,006,570</b>     | 2,006,570     |
| Other  | <b>3,002</b>         | 798,762       |
|  | <b>31,242,495</b>    | 33,185,410    |
|  | <b>\$ 38,012,145</b> | \$ 45,451,260 |

#### a) Short-term Investments

Short-term investments consist of deposits in a cash management account yielding a higher rate of return as well as investments in Banker's Acceptance Notes and Guaranteed Income Certificates with maturity dates ranging from July 2020 to March 2024. These investments relate to fundraising for capital projects at Health Sciences Centre.

#### b) Securities

Investments in securities are recorded at fair value in these financial statements as follows at March 31:

|  | 2020                 | 2019          |
|--|----------------------|---------------|
| Fixed income, including cash and mortgages | <b>\$ 7,620,604</b>  | \$ 6,361,129  |
| Global real estate                         | <b>1,232,297</b>     | 520,774       |
| Canadian equity                            | <b>4,356,239</b>     | 4,164,152     |
| Global equity                              | <b>13,203,673</b>    | 16,187,473    |
|  | <b>\$ 26,412,813</b> | \$ 27,233,528 |

The COVID-19 pandemic has had a significant effect on the financial markets. The Foundation's investments in securities measured at fair value are reported in these financial statements at their fair value on March 31, 2020. These investments are experiencing fluctuations in value. The extent of any future impact on the Foundation's investments as a result of the COVID-19 pandemic is unknown.

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# HEALTH SCIENCES CENTRE FOUNDATION INC.

## Notes to Financial Statements

For the year ended March 31, 2020

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#### 4. Investments (continued)

c) HSCF Operations Grant Trust

The Foundation is the sole beneficiary of the HSCF Operations Grant Trust established by the Province of Manitoba in 2001 to fund operating costs of the Foundation's interest in the John Buhler Research Centre. The funds are held in trust with the University of Manitoba ("University") and are included in its investments. As disclosed in the University's audited financial statements for the year ended March 31, 2019, which is the most current available, investments consist of cash and money market funds, Canadian equities, US equities, bonds and fixed income securities, as well as pooled international equities and real estate funds. The University, through the work of its investment committees and Treasury office, has an investment policy statement in place governing asset mix, permitted investments, diversification, and minimum credit quality.

d) Real Property

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. The asset is recorded as a long-term asset as the date of the transfer of the entire interest is not known. Upon receipt of the entire interest, 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.

#### 5. Pledges Receivable

The Foundation has received pledges from donors that are not recorded in these financial statements as at March 31, 2020. Total pledges made to the Foundation will be collected during the following fiscal years:

|      |                     |
|------|---------------------|
| 2021 | \$ 1,091,140        |
| 2022 | 1,028,000           |
| 2023 | 895,000             |
| 2024 | 585,494             |
| 2025 | 210,000             |
| 2026 | <u>97,925</u>       |
|      | <u>\$ 3,907,559</u> |

# HEALTH SCIENCES CENTRE FOUNDATION INC.

## Notes to Financial Statements

For the year ended March 31, 2020

### 6. Capital Assets

|                                      | 2020                 |                          | 2019                 |                          |
|--------------------------------------|----------------------|--------------------------|----------------------|--------------------------|
|                                      | Cost                 | Accumulated Amortization | Cost                 | Accumulated Amortization |
| <b>Unrestricted Fund</b>             |                      |                          |                      |                          |
| Computer equipment                   | \$ 76,924            | \$ 76,924                | \$ 76,924            | \$ 76,924                |
| Furniture and fixtures               | 94,188               | 94,188                   | 94,188               | 94,188                   |
| Furniture and fixtures<br>New office | 137,421              | 54,298                   | 137,421              | 40,556                   |
| Donor wall                           | 700,267              | -                        | -                    | -                        |
|                                      | <b>\$ 1,008,800</b>  | <b>\$ 225,410</b>        | <b>\$ 308,533</b>    | <b>\$ 211,668</b>        |
| Net book value                       |                      | <b>\$ 783,390</b>        |                      | <b>\$ 96,865</b>         |
| <b>Restricted Funds</b>              |                      |                          |                      |                          |
| Buildings                            | \$ 8,573,661         | \$ 2,572,098             | \$ 8,573,661         | \$ 2,400,625             |
| Tenant improvements                  | 2,769,113            | 2,694,723                | 2,769,113            | 2,676,125                |
| Leasehold improvements               | 200,000              | 200,000                  | 200,000              | 200,000                  |
|                                      | <b>\$ 11,542,774</b> | <b>\$ 5,466,821</b>      | <b>\$ 11,542,774</b> | <b>\$ 5,276,750</b>      |
| Net book value                       |                      | <b>\$ 6,075,953</b>      |                      | <b>\$ 6,266,024</b>      |
| Total net book value for all Funds   |                      | <b>\$ 6,859,343</b>      |                      | <b>\$ 6,362,889</b>      |

The donor wall construction is in progress at March 31, 2020.

The Foundation has a beneficial interest in certain capital assets as noted below which are not included in the Statement of Financial Position.

# HEALTH SCIENCES CENTRE FOUNDATION INC.

## Notes to Financial Statements

For the year ended March 31, 2020

### 6. Capital Assets (continued)

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 that 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.

### 7. Lotteries

|          | <u>2020</u>         | <u>2019</u>         |
|----------|---------------------|---------------------|
| Revenue  | \$ 7,092,535        | \$ 6,297,244        |
| Expenses | (4,331,794)         | (3,972,010)         |
|          | <u>\$ 2,760,741</u> | <u>\$ 2,325,234</u> |

Lotteries include the HSC campus revenue from the 2019 Tri-Hospital Dream Lottery program run in partnership with St. Boniface Hospital Foundation and the Children's Hospital Foundation of Manitoba, and the revenue and expenses of the 2019 HSC Millionaire Lottery program run by the HSC Foundation.

### 8. Other Revenue

|          | <u>2020</u>       | <u>2019</u>       |
|----------|-------------------|-------------------|
| Revenue  | \$ 352,124        | \$ 364,326        |
| Expenses | (73,884)          | (65,895)          |
|          | <u>\$ 278,240</u> | <u>\$ 298,431</u> |

Other revenue includes JBRC rental revenue, a component of investment income related to the Sustainability and HSCF Bannatype Legacy Circle Endowment Funds, and administrative fees (one half of one percent charged to the fund at the end of the fiscal year).

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# HEALTH SCIENCES CENTRE FOUNDATION INC.

## Notes to Financial Statements

For the year ended March 31, 2020

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### 9. Related Party Transactions

The Foundation earned rental income from the Health Sciences Centre in the amount of \$55,368 (\$55,368 in 2019).

At March 31, 2020, the Foundation had a receivable from the Health Sciences Centre of \$6,352 (\$17,915 in 2019) and a payable to the Health Sciences Centre of \$58,853 (\$385,338 in 2019).

During the year, \$293,017 (\$325,169 in 2019) in funds were distributed to the Health Sciences Centre, CancerCare Manitoba and the University of Manitoba to finance research projects; \$446,150 (\$518,744 in 2019) in funds were distributed to the Kleysen Institute for Advanced Medicine and the Centre for Surgical Innovation on the second floor; \$nil (\$87,896 in 2019) in funds were distributed to the Health Sciences Centre in support of the Plastic Surgery Clinic; \$5,000,000 (\$nil in 2019) in funds were distributed to the Health Sciences Centre in support of the Diagnostic Centre of Excellence; and \$2,500,000 (\$nil in 2019) in funds were distributed to the Health Sciences Centre in support of the Wilf Taillieu Thoracic Surgery Clinic and Endoscopy Unit.

### 10. 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 maintains adequate levels of working capital to ensure all its obligations can be met when they fall due.

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# HEALTH SCIENCES CENTRE FOUNDATION INC.

## Notes to Financial Statements

For the year ended March 31, 2020

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### 10. 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.

### 11. Uncertainty Due to COVID-19 Issue

On March 13, 2020, the World Health Organization declared COVID-19 a global pandemic. This has had adverse impacts in Canada and on the global economy. As this continues, there could be further impact on the Foundation, its donors and its community of service. Management is actively monitoring the effect on the Foundation's financial condition, liquidity, operations, suppliers, industry and workforce. Given the daily evolution of the pandemic and global responses to curb its spread, the Foundation is not able to estimate fully the effects at this time.