

**HEALTH SCIENCES CENTRE
FOUNDATION INC.**

Financial Statements
For the year ended March 31, 2021

HEALTH SCIENCES CENTRE FOUNDATION INC.

Financial Statements

For the year ended March 31, 2021

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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, 2021, 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, 2021, 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 16, 2021

HEALTH SCIENCES CENTRE FOUNDATION INC.

Statement of Financial Position


As at March 31, 2021

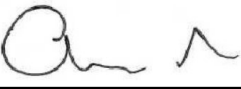
	Unrestricted Fund	Restricted Fund	2021 Total	2020 Total
Assets				
Current Assets				
Cash and bank	\$ 295,775	\$ 4,866,645	\$ 5,162,420	\$ 5,634,760
Investments (Note 3)	-	10,972,877	10,972,877	6,769,650
Due (to) from other funds	(424,632)	424,632	-	-
Accounts receivable	223,963	-	223,963	294,012
Prepaid expenses	50,745	-	50,745	40,890
	145,851	16,264,154	16,410,005	12,739,312
Investments (Note 3)	-	38,637,775	38,637,775	31,242,495
Capital assets (Note 5)	888,897	5,885,882	6,774,779	6,859,343
	\$ 1,034,748	\$ 60,787,811	\$ 61,822,559	\$ 50,841,150

Liabilities and Fund Balances

Current Liabilities				
Accounts payable and accrued liabilities	\$ 984,748	\$ -	\$ 984,748	\$ 673,413
Deferred revenue	50,000	-	50,000	7,500
	1,034,748	-	1,034,748	680,913
Fund Balances				
Unrestricted	-	-	-	-
Endowment	-	27,054,725	27,054,725	20,788,857
Restricted	-	21,286,183	21,286,183	17,867,372
JBRC Capital	-	12,446,903	12,446,903	11,504,008
	-	60,787,811	60,787,811	50,160,237
	\$ 1,034,748	\$ 60,787,811	\$ 61,822,559	\$ 50,841,150

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, 2021

	Unrestricted Fund		Restricted Fund		2021	2020
	2021	2020	2021	2020	Total	Total
Revenue						
Donations	\$ 757,324	\$ 931,519	\$ 743,816	\$ 851,265	\$ 1,501,140	\$ 1,782,784
Lotteries, net (Note 6)	2,272,634	1,610,741	2,520,736	1,150,000	4,793,370	2,760,741
Other revenue, net (Note 7)	258,449	216,719	122,538	61,521	380,987	278,240
Net realized investment income	44,053	275,655	589,514	580,419	633,567	856,074
Net unrealized investment gains (losses)	-	-	6,644,083	(2,813,921)	6,644,083	(2,813,921)
Major and planned gifts	148,395	144,833	4,861,039	6,940,419	5,009,434	7,085,252
Funding commitments	4,490	2	15,000	12,941	19,490	12,943
	3,485,345	3,179,469	15,496,726	6,782,644	18,982,071	9,962,113
Expenses						
Office administration	1,112,060	1,170,627	-	-	1,112,060	1,170,627
Donor development	354,687	398,199	-	-	354,687	398,199
Major and planned gifts	702,029	774,807	99,692	157,499	801,721	932,306
Marketing and communications	51,938	266,788	(1,675)	(7,660)	50,263	259,128
Amortization	113,742	13,742	190,071	190,071	303,813	203,813
	2,334,456	2,624,163	288,088	339,910	2,622,544	2,964,073
Excess of revenue over expenses before funding commitments	1,150,889	555,306	15,208,638	6,442,734	16,359,527	6,998,040
Funding commitments	(726,257)	(423,212)	(5,005,696)	(10,383,108)	(5,731,953)	(10,806,320)
Excess (deficiency) of revenue over expenses for the year	424,632	132,094	10,202,942	(3,940,374)	10,627,574	(3,808,280)
Fund balances, beginning of year	-	-	50,160,237	53,968,517	50,160,237	53,968,517
Interfund transfer (Note 2b)	(424,632)	(132,094)	424,632	132,094	-	-
Fund balances, end of year	\$ -	\$ -	\$ 60,787,811	\$ 50,160,237	\$ 60,787,811	\$ 50,160,237

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

HEALTH SCIENCES CENTRE FOUNDATION INC.

Statement of Cash Flows

For the year ended March 31	2021	2020
Cash Flows from Operating Activities		
Excess (deficiency) of revenue over expenses for the year	\$ 10,627,574	\$ (3,808,280)
Items not affecting cash		
Amortization	303,813	203,813
Net unrealized investment losses (gains)	(6,644,083)	2,813,921
	4,287,304	(790,546)
Changes in non-cash operating working capital items		
Accounts receivable	70,049	(176,084)
Prepaid expenses	(9,855)	(13,169)
Accounts payable and accrued liabilities	311,335	(37,227)
Deferred revenue	42,500	(17,500)
	4,701,333	(1,034,526)
Cash Flows from Investing and Financing Activities		
Net change in investments	(751,198)	128,993
Purchase of investments	(5,927,459)	(3,234,344)
Redemption of investments	1,724,233	7,730,545
Acquisition of capital assets	(219,249)	(700,267)
	(5,173,673)	3,924,927
Net increase (decrease) in cash and cash equivalents	(472,340)	2,890,401
Cash and cash equivalents, beginning of year	5,634,760	2,744,359
Cash and cash equivalents, end of year	\$ 5,162,420	\$ 5,634,760

HEALTH SCIENCES CENTRE FOUNDATION INC.

Notes to Financial Statements

For the year ended March 31, 2021

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, 2021, \$424,632 (\$132,094 in 2020) 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 that are directed and restricted for the John Buhler Research Centre for capital purchases and research expenses.

HEALTH SCIENCES CENTRE FOUNDATION INC.

Notes to Financial Statements

For the year ended March 31, 2021

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. Pledges received by the Foundation are not recognized as revenue in these financial statements.

Investment income on Restricted Fund resources are recognized as revenue of the corresponding restricted fund, in accordance with Board policy. Other investment income are recognized as revenue of the Unrestricted Fund when earned.

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
Betterments	5 to 10 years

HEALTH SCIENCES CENTRE FOUNDATION INC.

Notes to Financial Statements

For the year ended March 31, 2021

2. Summary of Significant Accounting Policies (continued)

f) Grants

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

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. Investments

	<u>2021</u>	<u>2020</u>
Short-term investments	\$ 10,972,877	\$ 6,769,650
Long-term Investments		
Investment in Pooled Funds & Exchange Traded Funds	33,401,933	26,412,813
HSCF Operations Grant Trust	3,229,272	2,820,110
Real Property		
Irrevocable interest in real property	2,006,570	2,006,570
Other	-	3,002
	38,637,775	31,242,495
	\$ 49,610,652	\$ 38,012,145

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 December 2021 to March 2026. These investments relate to fundraising for capital projects at Health Sciences Centre.

HEALTH SCIENCES CENTRE FOUNDATION INC.

Notes to Financial Statements

For the year ended March 31, 2021

3. Investments (continued)

b) Securities

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

	<u>2021</u>	<u>2020</u>
Fixed income, including cash and mortgages	\$ 6,855,990	\$ 7,620,604
Global real estate	1,240,437	1,232,297
Canadian equity	6,968,942	4,356,239
Global equity	18,336,564	13,203,673
	<u>\$ 33,401,933</u>	<u>\$ 26,412,813</u>

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, 2020, 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.

HEALTH SCIENCES CENTRE FOUNDATION INC.

Notes to Financial Statements

For the year ended March 31, 2021

4. Pledges

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

2022	\$ 1,382,986
2023	1,329,765
2024	1,015,625
2025	475,000
2026 and thereafter	<u>710,000</u>
	<u>\$ 4,913,376</u>

5. Capital Assets

	2021		2020	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Unrestricted Fund				
Computer equipment	\$ 76,924	\$ 76,924	\$ 76,924	\$ 76,924
Furniture and fixtures	231,609	162,228	231,609	148,486
Donor wall	919,516	100,000	700,267	-
	<u>\$ 1,228,049</u>	<u>\$ 339,152</u>	<u>\$ 1,008,800</u>	<u>\$ 225,410</u>
Net book value		<u>\$ 888,897</u>		<u>\$ 783,390</u>
	2021		2020	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Restricted Fund				
Buildings	\$ 8,573,661	\$ 2,743,571	\$ 8,573,661	\$ 2,572,098
Betterments	2,969,113	2,913,321	2,969,113	2,894,723
	<u>\$ 11,542,774</u>	<u>\$ 5,656,892</u>	<u>\$ 11,542,774</u>	<u>\$ 5,466,821</u>
Net book value		<u>\$ 5,885,882</u>		<u>\$ 6,075,953</u>
Total net book value for all Funds		<u>\$ 6,774,779</u>		<u>\$ 6,859,343</u>

HEALTH SCIENCES CENTRE FOUNDATION INC.

Notes to Financial Statements

For the year ended March 31, 2021

5. Capital Assets (continued)

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 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.

6. Lotteries

	<u>2021</u>	<u>2020</u>
Revenue	\$ 9,259,777	\$ 7,092,535
Expenses	(4,466,407)	(4,331,794)
	<u>\$ 4,793,370</u>	<u>\$ 2,760,741</u>

Lotteries include the HSC campus revenue from the 2020 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 2020 HSC Millionaire Lottery program run by the Health Sciences Centre Foundation Inc.

HEALTH SCIENCES CENTRE FOUNDATION INC.

Notes to Financial Statements

For the year ended March 31, 2021

7. Other Revenue

	<u>2021</u>	<u>2020</u>
Revenue	\$ 478,829	\$ 352,124
Expenses	<u>(97,842)</u>	<u>(73,884)</u>
	<u>\$ 380,987</u>	<u>\$ 278,240</u>

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

8. Related Party Transactions

The Foundation earned rental income from the Health Sciences Centre in the amount of \$55,368 (\$55,368 in 2020).

At March 31, 2021, the Foundation had a receivable from the Health Sciences Centre of \$Nil (\$6,352 in 2020) and a payable to the Health Sciences Centre of \$338,513 (\$58,853 in 2020).

During the year, \$314,950 (\$293,017 in 2020) in funds were distributed to the Health Sciences Centre and the University of Manitoba to finance research projects; \$197,000 (\$446,150 in 2020) in funds were distributed to the Centre for Surgical Innovation; \$Nil (\$5,000,000 in 2020) in funds were distributed to the Health Sciences Centre in support of the Diagnostic Centre of Excellence; \$Nil (\$2,500,000 in 2020) in funds were distributed to the Health Sciences Centre in support of the Wilf Taillieu Thoracic Surgery Clinic and Endoscopy Unit; and \$1,724,233 (\$Nil in 2020) in funds were distributed to the Health Sciences Centre in support of the HSC Transplant Wellness Centre.

During the year, the Foundation was able to make \$1,262,647 in investments to support patients and staff at the Health Sciences Centre from gifts to the Foundation's COVID-19 Crisis Response Fund.

HEALTH SCIENCES CENTRE FOUNDATION INC.

Notes to Financial Statements

For the year ended March 31, 2021

9. 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.

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.