

HEALTH SCIENCES CENTRE FOUNDATION INC.

Financial Statements
For the year ended March 31, 2024

HEALTH SCIENCES CENTRE FOUNDATION INC.

Financial Statements
For the year ended March 31, 2024

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



Tel.: 204 956 7200
Fax.: 833 888 1678
www.bdo.ca

BDO Canada LLP
201 Portage Avenue, 26th Floor
Winnipeg MB R3B 3K6 Canada

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, 2024, 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, 2024, 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 17, 2024

HEALTH SCIENCES CENTRE FOUNDATION INC. Statement of Financial Position

As at March 31 **2024** **2023**

Assets

Cash and cash equivalents	\$ 40,958,500	\$ 28,899,992
Accounts receivable	202,049	353,277
Due from HSCF Property Inc. (Note 3)	746,708	-
Prepaid expenses	61,010	57,216
Investments (Note 4)	52,521,396	46,834,276
Investment in HSCF Property Inc. (Note 3)	4,797,202	-
Capital assets (Note 6)	6,009,320	6,224,620
	\$105,296,185	\$ 82,369,381

Liabilities and Fund Balances

Liabilities

Accounts payable and accrued liabilities	\$ 1,423,814	\$ 966,982
Grants payable	188,155	164,861
	1,611,969	1,131,843

Fund Balances

General	9,604,576	2,163,273
Restricted (Note 7)	59,395,321	48,095,314
Endowment	34,684,319	30,978,951
	103,684,216	81,237,538
	\$105,296,185	\$ 82,369,381

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, 2024

	General Fund	Restricted Fund	Endowment Fund	2024 Total	2023 Total
Revenue					
Donations	\$ 387,854	\$14,203,528	\$ 655,924	\$15,247,306	\$20,100,441
Events	833,431	227,070	-	1,060,501	1,190,656
Lotteries	9,855,421	-	-	9,855,421	8,435,387
Other revenue	93,136	-	-	93,136	96,080
Investment income (Note 8)	1,713,239	2,646,989	3,049,444	7,409,672	1,086,494
HSCF Property Inc. income (Note 3)	4,797,202	-	-	4,797,202	-
	17,680,283	17,077,587	3,705,368	38,463,238	30,909,058
Expenses					
Fundraising	1,498,331	-	-	1,498,331	1,530,796
Events	570,799	-	-	570,799	483,793
Lotteries	5,349,524	-	-	5,349,524	4,684,729
Administration	1,988,342	-	-	1,988,342	1,879,067
Amortization	121,759	198,440	-	320,199	311,975
	9,528,755	198,440	-	9,727,195	8,890,360
Excess of revenue over expenses before grants and distribution	8,151,528	16,879,147	3,705,368	28,736,043	22,018,698
Grants and distribution					
Grants	(59,681)	(5,579,140)	-	(5,638,821)	(8,756,209)
Distribution to Children's Hospital Foundation of Manitoba	(650,544)	-	-	(650,544)	(559,306)
	(710,225)	(5,579,140)	-	(6,289,365)	(9,315,515)
Excess of revenue over expenses for the year	7,441,303	11,300,007	3,705,368	22,446,678	12,703,183
Fund balances, beginning of year	2,163,273	48,095,314	30,978,951	81,237,538	68,534,355
Fund balances, end of year	\$ 9,604,576	\$59,395,321	\$34,684,319	\$103,684,216	\$81,237,538

HEALTH SCIENCES CENTRE FOUNDATION INC. Statement of Cash Flows

For the year ended March 31	2024	2023
Cash provided by (applied to):		
Operating Activities		
Excess of revenue over expenses for the year	\$ 22,446,678	\$ 12,703,183
Items not affecting cash		
HSCF Property Inc. income	(4,797,202)	-
Amortization	320,199	311,975
Net unrealized investment loss (gain)	(4,574,456)	548,658
Investment income reinvested	(1,112,664)	(714,440)
	12,282,555	12,849,376
Changes in non-cash working capital items		
Accounts receivable	151,228	(199,625)
Prepaid expenses	(3,794)	(4,028)
Accounts payable and accrued liabilities	456,832	192,447
Grants payable	23,294	(138,329)
	12,910,115	12,699,841
Investing Activities		
Advances to HSCF Property Inc.	(746,708)	-
Purchase of investments	-	(2,000,000)
Acquisition of capital assets	(104,899)	(42,460)
	(851,607)	(2,042,460)
Financing Activities		
	-	-
Net increase in cash and cash equivalents	12,058,508	10,657,381
Cash and cash equivalents, beginning of year	28,899,992	18,242,611
Cash and cash equivalents, end of year	\$ 40,958,500	\$ 28,899,992
Represented by		
Operating accounts	\$ 32,052,978	\$ 20,144,614
Savings (Note 4)	8,905,522	8,755,378
	\$ 40,958,500	\$ 28,899,992

HEALTH SCIENCES CENTRE FOUNDATION INC.

Notes to Financial Statements

For the year ended March 31, 2024

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) Basis of Accounting for Controlled Entity

The Foundation has not consolidated the financial statements of its controlled for-profit entity, HSCF Property Inc. The summary financial statements are disclosed in Note 3.

b) 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, 2024

2. Summary of Significant Accounting Policies (continued)

c) 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.

d) Financial Instruments

Arm's length financial instruments are recorded at fair value at initial recognition. Related party financial instruments quoted in an active market or those with observable inputs significant to the determination of fair value or derivative contracts are recorded at fair value at initial recognition. All other related party financial instruments are recorded at cost at initial recognition.

In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any change in fair value reported in income. All other financial instruments are reported at cost or amortized cost less impairment. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.

Financial assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in net income.

HEALTH SCIENCES CENTRE FOUNDATION INC.

Notes to Financial Statements

For the year ended March 31, 2024

2. Summary of Significant Accounting Policies (continued)

e) 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

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 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. Investment in For-profit Controlled Entity and Related Party Transactions

On July 26, 2023, the Board of Directors incorporated HSCF Property Inc. (the "Company"), a for-profit entity which owns and operates the property known as 790 Sherbrook Street. The Foundation controls the Company because it appoints the Board of Directors. The Company is incorporated under *The Corporations Act* in the Province of Manitoba.

On December 13, 2023 the Company acquired the assets of 790 Sherbrook Street.

The Foundation has advanced funds to the Company to assist with the acquisition of the assets. The balance due was \$746,708 at March 31, 2024 which is interest-free, is unsecured and bears no specific terms of repayment.

HEALTH SCIENCES CENTRE FOUNDATION INC.

Notes to Financial Statements

For the year ended March 31, 2024

3. Investment in Controlled Entity and Related Party Transactions (continued)

A reconciliation of the investment in controlled entity balance as presented in the Foundation's Statement of Financial Position is as follows:

	2024
Carrying value, beginning of year	\$ -
Net income for the year	4,797,202
Carrying value, end of year	\$ 4,797,202

The Company has not been consolidated in the Foundation's financial statements. Summary financial statements of the Company for the year ended March 31, 2024 are as follows:

<u>Balance Sheet</u>	
Assets	\$ 39,272,530
Liabilities	\$ 34,475,328
Retained earnings	4,797,202
	\$ 39,272,530
 <u>Statement of Operations</u>	
Revenue	\$ 1,927,373
Expenses	737,156
Net operating income before other income	1,190,217
Other income	3,606,985
Net income for the year	\$ 4,797,202
 <u>Statement of Cash Flows</u>	
Cash provided by (applied to):	
Operating activities	\$ 720,904
Investing activities	(37,976,596)
Financing activities	38,000,000
Net increase in cash and bank for the year	\$ 744,308

HEALTH SCIENCES CENTRE FOUNDATION INC.

Notes to Financial Statements

For the year ended March 31, 2024

4. Investments

	2024		2023	
Fixed income	\$ 10,156,890	19%	\$ 9,758,230	21%
Canadian equity	9,997,639	19%	9,107,807	20%
Global equity	28,029,367	54%	23,617,732	50%
Global real estate	1,101,942	2%	1,130,750	2%
Infrastructure	1,228,988	2%	1,213,187	3%
Real property - Irrevocable interest	2,006,570	4%	2,006,570	4%
	\$ 52,521,396	100%	\$ 46,834,276	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.

During the year, the Foundation reclassified cash and cash equivalents that were previously presented as fixed income investments to cash and bank. As a result, comparative amounts presented in these financial statements were reclassified to conform to the current year's presentation resulting in an increase to cash and equivalents of \$8,755,378 and a decrease to fixed income investments of \$8,755,378 at March 31, 2023.

5. Pledges

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

2025	\$ 4,919,397
2026	3,822,500
2027	2,780,000
2028	2,019,286
2029 and thereafter	860,714
	\$ 14,401,897

HEALTH SCIENCES CENTRE FOUNDATION INC. Notes to Financial Statements

For the year ended March 31, 2024

6. Capital Assets

	2024			2023
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Betterments	\$ 3,012,832	\$ 2,980,493	\$ 32,339	\$ 58,872
Buildings	8,573,662	3,258,858	5,314,804	5,486,711
Donor wall	1,034,414	416,057	618,357	622,755
Furniture and fixtures	152,930	109,110	43,820	56,282
	\$ 12,773,838	\$ 6,764,518	\$ 6,009,320	\$ 6,224,620

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.

7. Restricted Fund

Restricted funds consist of the following:

	2024	2023
Externally restricted	\$ 47,238,489	\$ 36,720,771
Internally restricted	12,156,832	11,374,543
	\$ 59,395,321	\$ 48,095,314

8. Investment Income Earned on Endowment Fund

During the year, Endowment Fund investments earned investment income of \$3,948,151 (\$219,846 in 2023), which is presented as Restricted Fund investment income of \$898,706 (\$618,014 in 2023), and Endowment Fund investment income of \$3,049,444 (investment loss \$398,168 in 2023).

HEALTH SCIENCES CENTRE FOUNDATION INC.

Notes to Financial Statements

For the year ended March 31, 2024

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 and bank, accounts receivable, and investments. The Foundation is subject to concentration risk through cash and bank held in excess of insured limits from time to time. The Foundation is not exposed to significant credit risk relating to accounts receivable as the amounts due are spread among a broad base of entities and payment in full is typically collected when it is due. The Foundation follows its Statement of Investment Policies and Procedures to manage credit risk for its 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. Financial instruments that potentially subject the Foundation to significant concentrations of liquidity risk consist primarily of accounts payable. 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. The Foundation follows its Statement of Investment Policies and Procedures to manage credit risk for its investments.

d) Price Risk

Price risk is the potential for price changes resulting from volatility in equity markets. The Foundation follows its Statement of Investment Policies and Procedures to manage credit risk for its investments.