

HEALTH SCIENCES CENTRE FOUNDATION INC.

Financial Statements

For the year ended March 31, 2025

HEALTH SCIENCES CENTRE FOUNDATION INC.

Financial Statements

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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, 2025, 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, 2025, 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 18, 2025

HEALTH SCIENCES CENTRE FOUNDATION INC.

Statement of Financial Position

As at March 31

2025

2024

Assets

Cash and cash equivalents	\$ 38,343,110	\$ 40,958,500
Accounts receivable	205,260	202,049
Due from HSCF Property Inc. (Note 3)	1,218,132	746,708
Prepaid expenses	53,161	61,010
Investments (Note 4)	62,314,820	52,521,396
Investment in HSCF Property Inc. (Note 3)	3,103,222	4,797,202
Capital assets (Note 6)	5,698,961	6,009,320
	\$110,936,666	\$105,296,185

Liabilities and Fund Balances

Liabilities

Accounts payable and accrued liabilities	\$ 999,932	\$ 1,423,814
Grants payable	147,396	188,155
	1,147,328	1,611,969

Fund Balances

General (Note 7)	21,358,680	19,131,521
Restricted	53,758,937	53,218,198
Endowment	34,671,721	31,334,497
	109,789,338	103,684,216

\$110,936,666 \$105,296,185

Approved by the Board of Directors:



The image shows two handwritten signatures in blue ink over two horizontal lines. The first signature is a large, stylized cursive script. The second signature is a smaller, more compact cursive script.

HEALTH SCIENCES CENTRE FOUNDATION INC.

Statement of Operations and Changes in Fund Balances

For the year ended March 31, 2025

	General Fund	Restricted Fund	Endowment Fund	2025 Total	2024 Total
Revenue					
Donations	\$ 209,358	\$ 9,277,225	\$ 871,296	\$10,357,879	\$15,247,306
Events	867,901	592,230	-	1,460,131	1,060,501
Lotteries	10,569,948	-	-	10,569,948	9,855,421
Investment income (Note 8)	2,247,475	2,111,350	2,465,928	6,824,753	7,409,672
Other revenue (Note 3)	1,314,061	-	-	1,314,061	93,136
HSCF Property Inc. income (loss) (Note 3)	(1,693,980)	-	-	(1,693,980)	4,797,202
	13,514,763	11,980,805	3,337,224	28,832,792	38,463,238
Expenses					
Fundraising	1,586,893	-	-	1,586,893	1,498,331
Events	509,642	-	-	509,642	570,799
Lotteries	6,007,936	-	-	6,007,936	5,349,524
Administration	2,340,957	-	-	2,340,957	1,988,342
Amortization	129,708	180,651	-	310,359	320,199
	10,575,136	180,651	-	10,755,787	9,727,195
Excess of revenue over expenses before grants and distribution	2,939,627	11,800,154	3,337,224	18,077,005	28,736,043
Grants and Distribution					
Grants	(32,249)	(11,259,415)	-	(11,291,664)	(5,638,821)
Distribution to Children's Hospital Foundation of Manitoba	(680,219)	-	-	(680,219)	(650,544)
	(712,468)	(11,259,415)	-	(11,971,883)	(6,289,365)
Excess of revenue over expenses for the year	2,227,159	540,739	3,337,224	6,105,122	22,446,678
Fund balances, beginning of year (Note 10)	19,131,521	53,218,198	31,334,497	103,684,216	81,237,538
Fund balances, end of year	\$21,358,680	\$53,758,937	\$34,671,721	\$109,789,338	\$103,684,216

HEALTH SCIENCES CENTRE FOUNDATION INC.

Statement of Cash Flows

For the year ended March 31	2025	2024
Cash provided by (applied to):		
Operating Activities		
Excess of revenue over expenses for the year	\$ 6,105,122	\$ 22,446,678
Items not affecting cash		
HSCF Property Inc. loss (income)	1,693,980	(4,797,202)
Amortization	310,359	320,199
Net unrealized investment loss	(3,668,771)	(4,574,456)
Investment income reinvested	(1,354,191)	(1,112,664)
	<u>3,086,499</u>	<u>12,282,555</u>
Changes in non-cash working capital items		
Accounts receivable	(3,211)	151,228
Prepaid expenses	7,849	(3,794)
Accounts payable and accrued liabilities	(423,882)	456,832
Grants payable	(40,759)	23,294
	<u>2,626,496</u>	<u>12,910,115</u>
Investing Activities		
Advances to HSCF Property Inc.	(471,424)	(746,708)
Purchase of investments	(4,770,462)	-
Acquisition of capital assets	-	(104,899)
	<u>(5,241,886)</u>	<u>(851,607)</u>
Financing Activities		
	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(2,615,390)	12,058,508
Cash and cash equivalents, beginning of year	40,958,500	28,899,992
Cash and cash equivalents, end of year	\$ 38,343,110	\$ 40,958,500

HEALTH SCIENCES CENTRE FOUNDATION INC.

Notes to Financial Statements

For the year ended March 31, 2025

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. but rather accounts for the investment using the equity method. 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 and internally restricted fund balances which represent funds that have been restricted for specific purposes by the Board.

The Restricted Fund includes externally restricted funds. Externally restricted funds represent donations whereby the donor has made a specific direction on the use of the funds.

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, 2025

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, 2025

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 HSCF Property Inc. 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 The Manitoba Clinic at 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.

During the year, the Foundation charged fees to the Company for asset management services in the amount of \$1,215,000 (2024 - nil) which is included in Other Revenue on the Statement of Operations and Changes in Fund Balances. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the entities. In the prior year, the Foundation advanced funds to the Company to assist with the acquisition of the assets. At March 31, 2025, the balance due from the Company was \$1,218,132 (2024 - \$746,708) 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, 2025

3. Investment in HSCF Property Inc. 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:

	2025	2024
Carrying value, beginning of year	\$ 4,797,202	\$ -
Net income (loss) for the year	(1,693,980)	4,797,202
Carrying value, end of year	\$ 3,103,222	\$ 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, 2025 are as follows:

	2025	2024
<u>Balance Sheet</u>		
Assets	\$ 39,758,364	\$ 39,272,530
Liabilities	\$ 36,655,143	\$ 34,475,328
Retained earnings	3,103,221	4,797,202
	\$ 39,758,364	\$ 39,272,530
<u>Statement of Operations</u>		
Revenue	\$ 7,014,447	\$ 1,927,373
Expenses	2,483,999	737,156
Net operating income before other income	4,530,448	1,190,217
Other income (expenses)	(6,224,428)	3,606,985
Net income (loss) for the year	\$ (1,693,980)	\$ 4,797,202
<u>Statement of Cash Flows</u>		
Cash provided by (applied to):		
Operating activities	\$ 1,438,368	\$ 720,904
Investing activities	-	(37,976,596)
Financing activities	(299,520)	38,000,000
Net increase in cash and bank for the year	\$ 1,138,848	\$ 744,308

HEALTH SCIENCES CENTRE FOUNDATION INC.

Notes to Financial Statements

For the year ended March 31, 2025

4. Investments

	2025		2024	
Fixed income	\$ 12,682,997	20%	\$ 10,156,890	19%
Canadian equity	12,070,299	19%	9,997,639	19%
Global equity	32,622,807	52%	28,029,367	54%
Global real estate	1,236,500	3%	1,101,942	2%
Infrastructure	1,695,647	3%	1,228,988	2%
Real property - Irrevocable interest	2,006,570	3%	2,006,570	4%
	\$ 62,314,820	100%	\$ 52,521,396	100%

During prior years, the Foundation received gifts and title to irrevocable interests in real property. These gifts were recorded in revenue at their fair value when received under an established restricted fund and are carried at historical cost less any impairment. 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.

5. Pledges

Pledges made to the Foundation are scheduled to be collected during the following fiscal years and will be recognized as revenue in the year the funds are received:

2026	\$ 4,629,777
2027	3,247,443
2028	2,576,500
2029	1,051,500
Thereafter	125,000
	\$ 11,630,220

HEALTH SCIENCES CENTRE FOUNDATION INC.

Notes to Financial Statements

For the year ended March 31, 2025

6. Capital Assets

	2025		2024	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Betterments	\$ 3,012,832	\$ 2,989,235	\$ 23,597	\$ 32,339
Buildings	8,573,662	3,430,766	5,142,896	5,314,804
Donor wall	1,034,414	533,305	501,109	618,357
Furniture and fixtures	152,930	121,571	31,359	43,820
	\$ 12,773,838	\$ 7,074,877	\$ 5,698,961	\$ 6,009,320

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. General Fund

The General Fund balance consists of the following:

	2025	2024
Unrestricted	\$ 7,259,020	\$ 9,604,576
Internally restricted	14,099,660	9,526,945
	\$ 21,358,680	\$ 19,131,521

During the year, the Foundation transferred \$4,000,000 (2024 - nil) from unrestricted fund balance to internally restricted fund balance.

HEALTH SCIENCES CENTRE FOUNDATION INC.

Notes to Financial Statements

For the year ended March 31, 2025

8. Investment Income Earned on Endowment Fund

During the year, Endowment Fund investments earned investment income of \$3,323,933 (\$3,948,151 in 2024), which is presented as Restricted Fund investment income of \$858,005 (\$898,706 in 2024), and Endowment Fund investment income of \$2,465,928 (\$3,049,444 in 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. There has been no change in exposure to credit risk since the prior year.

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. There has been no change in exposure to liquidity risk since the prior year.

HEALTH SCIENCES CENTRE FOUNDATION INC.

Notes to Financial Statements

For the year ended March 31, 2025

9. 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. The Foundation follows its Statement of Investment Policies and Procedures to manage interest rate risk for its investments. There has been no change in exposure to interest rate risk since the prior year.

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 price risk for its investments. There has been no change in exposure to price risk since the prior year.

10. Comparative Figures

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

During the year, the Foundation changed its accounting policy to present internally restricted fund balances as part of the General Fund rather than the Restricted Fund. The change in accounting policy has been applied retrospectively in these financial statements with comparative amounts restated. As a result, the General Fund balance increased by \$9,526,945 and the Restricted Fund balance decreased by \$9,526,945 at March 31, 2024.

During the year, the Foundation determined that the Endowment Fund balance was overstated for unspent externally restricted investment income earned on endowment fund investments that had been presented as Endowment Fund in the prior years. The correction has been applied retrospectively in these financial statements with comparative amounts restated. As a result, the Restricted Fund balance increased by \$3,349,822 and the Endowment Fund balance decreased by \$3,349,822 at March 31, 2024.