

**The Children's Hospital Foundation  
of Manitoba, Inc.**

Financial Statements  
**December 31, 2007**

**DRAFT**

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT  
NOT TO BE FURTHER COMMUNICATED**

DATE

## **Auditors' Report**

### **To the Members of The Children's Hospital Foundation of Manitoba, Inc.**

We have audited the statement of financial position of **The Children's Hospital Foundation of Manitoba, Inc.** (the "Foundation") as at December 31, 2007 and the statements of operations and changes in fund balances for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the Foundation derives revenue from donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to donations, excess of expenditures over revenue, assets and fund balances.

In our opinion, except for the effect of adjustments, if any, which might have been necessary had we been able to satisfy ourselves concerning the completeness of the donations referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

## **Chartered Accountants**

PricewaterhouseCoopers refers to the Canadian firm of PricewaterhouseCoopers LLP and the other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

# The Children's Hospital Foundation of Manitoba, Inc.

Statement of Financial Position

As at December 31, 2007

	2007 \$	2006 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	2,135,329	1,357,787
Accounts receivable	724,476	1,129,453
Prepaid expenses	79,364	113,978
Inventory	31,785	27,772
	<u>2,970,954</u>	<u>2,628,990</u>
<b>Investments</b> (note 3)	28,967,053	28,798,872
<b>Capital assets</b> (note 4)	<u>10,496,190</u>	<u>10,324,331</u>
	<u>42,434,197</u>	<u>41,752,193</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Research grants payable	1,935,808	1,096,373
Trade accounts payable	1,283,919	705,286
Deferred revenue	-	24,680
	<u>3,219,727</u>	<u>1,826,339</u>
<b>Fund Balances</b>		
<b>Unrestricted</b>		
Operating Fund	6,709,652	5,604,377
<b>Externally restricted</b>		
Endowment Fund	1,543,258	1,484,568
<b>Internally restricted</b>		
Child Health Research Fund (note 5)	17,839,501	20,198,366
Children's Hospital Fund	1,678,182	1,398,090
Designated Fund	429,487	403,649
Children's Sports Legacy Fund	518,200	512,473
Capital Fund (note 6)	<u>10,496,190</u>	<u>10,324,331</u>
	<u>39,214,470</u>	<u>39,925,854</u>
	<u>42,434,197</u>	<u>41,752,193</u>

**Grant commitments** (note 10)

**Approved by the Board of Directors**

\_\_\_\_\_ Director

\_\_\_\_\_ Director

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT  
NOT TO BE FURTHER COMMUNICATED**

# The Children's Hospital Foundation of Manitoba, Inc.

## Statement of Operations and Changes in Fund Balances

For the year ended December 31, 2007

							2007	2006
	Unrestricted	Externally restricted				Internally restricted		
	Operating Fund	Endowment Fund	Child Health Research Fund	Children's Hospital Fund	Designated Funds	Children's Sports Legacy Fund	Capital Fund	Total
	\$	\$	\$	\$	\$	\$	\$	\$
			(Note 5)				(Note 6)	
<b>Revenue</b>								
Bookmarket	270,244	-	-	-	-	-	-	270,244
Guild donations	66,388	-	-	-	-	-	-	66,388
Making miracles	3,093,077	-	-	-	-	-	-	3,093,077
Major gifts	143,623	-	-	-	-	-	-	143,623
Bequest revenue	1,422,535	-	-	-	-	-	-	1,422,535
Annual appeal	314,448	-	-	-	-	-	-	314,448
Memorial donations	74,020	-	-	-	-	-	-	74,020
Fundraising	29,704	-	-	-	-	-	-	29,704
Funds received	279,224	41,406	-	-	105,154	-	-	425,784
Investment income (note 3)	56,776	17,284	212,919	12,906	13,923	5,727	-	319,535
	<u>5,750,039</u>	<u>58,690</u>	<u>212,919</u>	<u>12,906</u>	<u>119,077</u>	<u>5,727</u>	<u>-</u>	<u>6,159,358</u>
<b>Expenses</b>								
<b>Fundraising</b>								
Direct expenses (note 7)	687,298	-	-	-	-	-	-	687,298
Indirect expenses	517,351	-	-	-	-	-	-	517,351
<b>Disbursements and granting activities</b>								
Administrative expenses	599,826	-	-	-	-	-	-	599,826
Amortization	-	-	-	-	-	-	657,131	657,131
Disbursements	-	-	819,860	103,583	93,239	-	(828,990)	187,692
Grants to Children's Hospital	-	-	-	716,144	413,087	-	-	1,129,231
Grants in aid of research	-	-	3,251,924	-	-	-	-	3,251,924
	<u>1,804,475</u>	<u>-</u>	<u>4,071,784</u>	<u>819,727</u>	<u>506,326</u>	<u>-</u>	<u>(171,859)</u>	<u>7,030,453</u>
<b>Excess (deficiency) of revenue over expenses</b>	3,945,564	58,690	(3,858,865)	(806,821)	(387,249)	5,727	171,859	(871,095)
<b>Fund balance - Beginning of year</b>	5,604,377	1,484,568	20,198,366	1,398,090	403,649	512,473	10,324,331	39,925,854
<b>Capital contribution (note 4)</b>	-	-	-	-	-	-	-	-
<b>Change in accounting policy (note 2)</b>	159,711	-	-	-	-	-	-	159,711
<b>Interfund transfers (note 9)</b>	(3,000,000)	-	1,500,000	1,086,913	413,087	-	-	-
<b>Fund balance - End of year</b>	<u>6,709,652</u>	<u>1,543,258</u>	<u>17,839,501</u>	<u>1,678,182</u>	<u>429,487</u>	<u>518,200</u>	<u>10,496,190</u>	<u>39,214,470</u>
								<u>39,925,854</u>

# The Children's Hospital Foundation of Manitoba, Inc.

Notes to Financial Statements

December 31, 2007

---

## 1 Purpose of the organization

The Children's Hospital Foundation of Manitoba, Inc. (the "Foundation") is an independent agency whose purpose is to raise and distribute funds for the advancement of knowledge and care in the fields of child health and child health research and thereby contribute to the improved health of children everywhere.

The Foundation is a registered charity under the Income Tax Act and accordingly is exempt from income taxes.

## 2 Significant accounting policies

### Change in accounting policy

The summary of accounting policies used to prepare the financial statements is presented below. These accounting policies have been applied on a consistent basis, except for the adoption of the Canadian Institute of Chartered Accountants ("CICA") Handbook Sections 3855 - *Financial Instruments - Recognition and Measurement* and CICA 3861 - *Financial Instruments - Disclosure and Presentation*. These standards for recognizing and measuring financial assets and financial liabilities including financial derivatives were effective January 1, 2007. The Foundation adopted the standards at the beginning of the year and in accordance with the transitional provisions, the prior period balances have not been restated. The effect of the adoption of the standards is disclosed below.

#### *CICA 3855 Financial instruments - recognition and measurement*

This pronouncement establishes standards for recognizing and measuring financial assets, financial liabilities, derivatives and non-financial derivatives. It requires that: a) all financial assets and liabilities be measured initially at fair value, b) all financial assets be subsequently measured at either amortized cost or fair value depending on the type of instrument and any optional designations made by the Foundation, c) all financial liabilities be subsequently measured at amortized cost or at fair value depending on the optional designations made by the Foundation and d) all derivative financial instruments are measured at fair value, even when they are part of a hedging relationship.

Under Section 3855, financial instruments must be classified as held for trading ("HFT"), held to maturity ("HTM"), available for sale ("AFS"), loans and receivables, or other financial liabilities. Changes in fair value for HFT financial instruments are recorded in the current year's operations. Changes in fair value of AFS financial assets are recorded directly to the fund balance until sold or impaired at which time the realized gain or loss would be recorded in the current year's operations. HTM, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest rate method.

#### *CICA 3861 Financial instruments - disclosure and presentation*

This pronouncement replaces handbook section 3860. It establishes standards for presentation of financial instruments and non-financial derivatives and identifies the information that should be disclosed.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT  
NOT TO BE FURTHER COMMUNICATED**

(1)

# The Children's Hospital Foundation of Manitoba, Inc.

Notes to Financial Statements

December 31, 2007

---

On adoption of the new standards, the Foundation designated its financial instruments as follows:

**a) Held for trading (“HFT”)**

Cash and investments are designated at HFT. Investment income arising from these financial assets is recognized in operations in the year it is earned. Investments are recorded at fair value being the quoted market value on December 31, 2007, which approximates the last bid price.

The January 1, 2007 adjustment of \$159,711 to recognize the increase in fair value for the HFT investments has been recorded to the opening unrestricted fund balance as approved by the Board of Directors.

**b) Loans and receivables**

Accounts receivable, net of allowance for doubtful accounts, are designated as receivables and are measured at amortized cost. Revenue arising from these items is recognized in operations in the year it arises.

**c) Other financial liabilities**

Research grants payable and trade accounts payable are designated as other financial liabilities, and are measured at amortized cost. Expenses arising from these items are recognized in operations in the year they arise.

The Foundation does not hold any AFS or HTM financial instruments or derivatives at December 31, 2007.

**Significant accounting policies are as follows:**

***Fund accounting***

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

The *Operating Fund* accounts for the Foundation's fundraising and administrative activities. This fund reports unrestricted resources.

The *Endowment Fund* reports resources contributed as endowment capital. Income earned on resources of the Endowment Fund is used for various purposes based on the restrictions imposed by contributors of the endowment.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT  
NOT TO BE FURTHER COMMUNICATED**

(2)

# The Children's Hospital Foundation of Manitoba, Inc.

Notes to Financial Statements

December 31, 2007

---

The *Child Health Research Fund* is comprised of several subsidiary funds established for the purpose of supporting pediatric research:

- The *Pediatric Research Funds* are to be used for pediatric research purposes.
- The *Research Facilities Building Fund* was established for the construction and maintenance of the Foundation's interest in the John Buhler Research Centre.
- The *Research Facilities Equipment Fund* was established to support the purchase and maintenance of research equipment needs of the Foundation's interest in the John Buhler Research Centre.

The *Children's Hospital Fund* was established with funds from the Children's Hospital to be used for future program needs and purchases of equipment for the hospital.

The *Designated Fund* is to be used for the purchase of equipment as well as to provide funds for pediatric education and research.

The *Children's Sports Legacy Fund* was established with funds received from the Save the Jets Campaign. The funds are to be directed to research in sports and recreational medicine.

The *Capital Fund* reports the Foundation's investment of resources in long-term capital assets.

## **Capital assets**

Purchased capital assets are recorded at original cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis over the useful lives of the assets as follows:

Office and research equipment	5 years
Computer equipment	3 years
Office furniture	10 years
Leasehold improvements	10 years
Research building	25 years

## **Investments**

Investments consist of Guaranteed Investment Certificates ("GICs"), Bankers Acceptances, bonds, mutual funds and pooled funds with unrealized gains and losses, dividends and interest included in investment income of the appropriate fund. Purchases and sales of investments are recognized using trade date accounting. Management fees attributable to the investments are included in administrative expenses.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT  
NOT TO BE FURTHER COMMUNICATED**

(3)

**The Children's Hospital Foundation of Manitoba, Inc.**

Notes to Financial Statements

**December 31, 2007**

---

***Revenue recognition***

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions are recognized as revenue of the appropriate restricted fund when received.

Revenue from the sale of goods and services is recognized when the goods are sold.

***Deferred revenue***

Deferred revenue represents unearned revenue associated with contributions received with respect to events that have not yet occurred and any other events where payments are received in advance of revenue recognition.

***Grants***

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

***Contributed services***

The Foundation receives the help of unpaid volunteers to deliver services. Because of the difficulty in determining their fair value, these services are not reflected in the accompanying statement of operations and changes in fund balances.

***Interfund transfers***

The transfer of funds between unrestricted and internally restricted funds is based on management's estimates and is approved by the Board of Directors.

***Use of estimates***

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT  
NOT TO BE FURTHER COMMUNICATED**

(4)



# The Children's Hospital Foundation of Manitoba, Inc.

Notes to Financial Statements

December 31, 2007

## 3 Investments

	2007 \$	2006 \$
Pooled funds, at market value	24,197,443	26,965,400
Bonds and short-term deposits, at market value (2006 market value - \$1,453,408)	4,177,370	1,406,475
Other investments, at market value (2006 market value - \$603,618)	592,240	426,997
	<u>28,967,053</u>	<u>28,798,872</u>

The bonds and short-term deposits and other investments were carried at the lower of cost and quoted market value in 2006.

## 4 Capital assets

	2007		2006	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Office and computer equipment	29,863	19,407	10,456	11,785
Office furniture	65,799	60,785	5,014	9,594
Leasehold improvements	101,824	96,964	4,860	15,246
Research equipment	2,642,177	2,257,154	385,023	290,293
Research computers	463,363	428,883	34,480	63,677
Research leasehold improvements	1,306,843	261,308	1,045,535	531,138
Research building	9,794,372	783,550	9,010,822	9,402,598
	<u>14,404,241</u>	<u>3,908,051</u>	<u>10,496,190</u>	<u>10,324,331</u>

Research building - the Foundation has a beneficial interest in two floors of the John Buhler Research Centre ("JBRC") located at 715 McDermot Avenue. These assets were previously held by the Foundations for Health Inc. ("FFHI"); in 2006, a venture was formed by the Foundation and the Health Science Centre Foundation, Inc. to conduct a joint fundraising effort. The FFHI was wound up and as a result, the Foundation recognized its \$9,794,372 beneficial interest in JBRC in these financial statements. The amount of the beneficial interest received has been recorded as a capital contribution to the Capital Fund and the related assets have been included in the capital assets of the Capital Fund.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT  
NOT TO BE FURTHER COMMUNICATED**

(5)

# The Children's Hospital Foundation of Manitoba, Inc.

Notes to Financial Statements

December 31, 2007

## 5 Child Health Research Fund

	2007			2006	
	Pediatric Research Fund \$	Research Facilities Building Fund \$	Research Facilities Equipment Fund \$	Total \$	Total \$
<b>Revenue</b>					
Investment income	143,714	-	69,205	212,919	1,931,051
<b>Expenses</b>					
Disbursements	-	-	819,860	819,860	536,321
Grants in aid of research	3,251,924	-	-	3,251,924	2,321,397
	3,251,924	-	819,860	4,071,784	2,857,718
<b>Excess expenses over revenue</b>	(3,108,210)	-	(750,655)	(3,858,865)	(926,667)
<b>Fund balance - Beginning of year</b>	12,549,599	5,121,258	2,527,509	20,198,366	19,525,033
<b>Interfund transfers</b>	1,500,000	-	-	1,500,000	1,600,000
<b>Fund balance - End of year</b>	10,941,389	5,121,258	1,776,854	17,839,501	20,198,366

## 6 Capital Fund

	2007			2006	
	Research equipment \$	Other \$	Total \$	Total \$	
Fund balance - beginning of year	10,287,706	36,625	10,324,331	630,990	
Purchase of capital assets	819,860	9,130	828,990	555,057	
Capital contribution (note 4)	-	-	-	9,794,372	
Amortization of capital assets	(631,707)	(25,424)	(657,131)	(656,088)	
<b>Fund balance - end of year</b>	10,475,859	20,331	10,496,190	10,324,331	

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT  
NOT TO BE FURTHER COMMUNICATED**

(6)

# The Children's Hospital Foundation of Manitoba, Inc.

Notes to Financial Statements

December 31, 2007

## 7 Direct expenses

	2007 \$	2006 \$
Making Miracles	517,859	438,629
Lottery	-	738,097
Direct Mail	89,390	109,625
Bookmarket	80,049	68,330
	687,298	1,354,681

## 8 Risk exposures

The Foundation manages risk exposures by applying policies approved by the Board of Directors.

### a) Credit risk

The Foundation, in the normal course of business, is exposed to credit risk from its donors. However, the broad donor base minimizes the credit risk.

### b) Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Foundation's cash flows, financial position and revenues. Certain of the Foundation's investments are subject to changes in interest rates and equity markets.

## 9 Interfund transfers

During the year, \$413,087 (2006 - \$379,514) of funds were transferred from the Operating Fund to the Designated Fund to cover specific disbursements undertaken on behalf of the Children's Hospital; \$1,086,913 (2006 - \$1,020,486) was transferred from the Operating Fund to the Children's Hospital Fund related to financial support budgeted for CHAC and specific disbursements; and \$1,500,000 (2006 - \$1,600,000) was transferred from the Operating Fund to the Child Health Research Fund to cover the excess of disbursements over fundraising.

## 10 Grant commitments

The Foundation has committed to fund \$939,282 in 2008 for program support to the Child Health Program through Children's Hospital.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT  
NOT TO BE FURTHER COMMUNICATED**

(7)

**The Children's Hospital Foundation of Manitoba, Inc.**

Notes to Financial Statements

**December 31, 2007**

---

**11 Comparative figures**

Certain figures from the prior year have been reclassified to conform with the current year's presentation.

**12 Statement of cash flows**

As the changes in cash are evident from the financial statements presented, a statement of cash flows has not been prepared.

**DRAFT**

