

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

Consolidated Financial Statements
December 31, 2008

April 8, 2009

Auditors' Report

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

We have audited the consolidated statement of financial position of **The Children's Hospital Foundation of Manitoba, Inc.** (the "Foundation") as at December 31, 2008 and the consolidated statement 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 consolidated financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2008 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

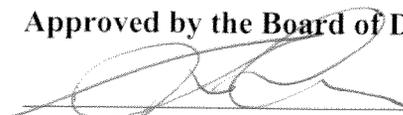
The Children's Hospital Foundation of Manitoba, Inc.

Consolidated Statement of Financial Position

As at December 31, 2008

	2008 \$	2007 \$
Assets		
Current assets		
Cash	1,683,018	2,135,329
Accounts receivable	1,019,811	724,476
Prepaid expenses	82,594	79,364
Inventory	39,434	31,785
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Investments (note 3)	2,824,857	2,970,954
Capital assets (note 4)	22,933,172	28,967,053
	13,766,438	10,496,190
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	39,524,467	42,434,197
Liabilities		
Current liabilities		
Research grants payable	2,274,292	1,935,808
Accounts payable and accrued liabilities	2,248,145	1,283,919
Deferred revenue	22,000	-
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	4,544,437	3,219,727
Fund Balances		
Unrestricted		
Operating Fund	5,127,915	6,709,652
Externally restricted		
Endowment Fund	1,312,080	1,543,258
Capital Campaign Fund	24,450	-
Designated Fund	438,059	429,487
Internally restricted		
Child Health Research Fund (note 5)	12,260,439	17,839,501
Children's Hospital Fund	1,609,734	1,678,182
Children's Sports Legacy Fund	440,915	518,200
Funds Invested in Capital Assets (note 6)	13,766,438	10,496,190
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	34,980,030	39,214,470
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	39,524,467	42,434,197
Grant commitments (note 11)		

Approved by the Board of Directors


Director


Director

The Children's Hospital Foundation of Manitoba, Inc.

Consolidated Statement of Operations and Changes in Fund Balances

For the year ended December 31, 2008

	Externally restricted				Internally restricted				2008	2007
	Unrestricted	Externally restricted			Internally restricted				Total	Total
	Operating Fund	Endowment Fund	Capital Campaign Fund	Designated Fund	Child Health Research Fund	Children's Hospital Fund	Children's Sports Legacy Fund	Funds Invested in Capital Assets		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue										
Bookmarket	310,757	-	-	-	-	-	-	-	310,757	270,244
Guild donations	71,637	-	-	-	-	-	-	-	71,637	66,388
Making Miracles	2,656,577	-	-	316,223	-	-	-	-	2,972,800	3,093,077
Major gifts	209,358	-	-	1,000,000	-	-	-	-	1,209,358	143,623
Bequest revenue	1,752,288	-	-	-	-	-	-	-	1,752,288	1,422,535
Annual appeal	296,987	-	-	-	-	-	-	-	296,987	314,448
Memorial donations	54,905	-	-	-	-	-	-	-	54,905	74,020
Fundraising	24,822	-	-	-	-	-	-	-	24,822	29,704
Funds received	-	4,378	100,000	126,500	1,519,780	-	-	-	1,750,658	739,837
Investment income (loss)	(1,529,848)	(232,610)	-	-	(1,710,832)	(89,347)	(77,285)	-	(3,639,922)	319,535
	3,847,483	(228,232)	100,000	1,442,723	(191,052)	(89,347)	(77,285)	-	4,804,290	6,473,411
Expenses										
Fundraising										
Direct expenses (note 7)	612,950	-	-	-	-	-	-	-	612,950	687,298
Indirect expenses	632,097	-	-	-	-	-	-	-	632,097	517,351
Disbursements and granting activities										
Administrative expenses	584,173	-	-	-	-	-	-	-	584,173	599,826
Amortization	-	-	-	-	-	-	-	657,986	657,986	657,131
Disbursements	-	2,946	75,550	117,928	3,919,642	139,819	-	(3,928,234)	327,651	187,692
Grants to Children's Hospital	-	-	-	1,316,223	-	939,282	-	-	2,255,505	1,129,231
Grants in aid of research	-	-	-	-	3,968,368	-	-	-	3,968,368	3,565,977
	1,829,220	2,946	75,550	1,434,151	7,888,010	1,079,101	-	(3,270,248)	9,038,730	7,344,506
Excess (deficiency) of revenue over expenses	2,018,263	(231,178)	24,450	8,572	(8,079,062)	(1,168,448)	(77,285)	3,270,248	(4,234,440)	(871,095)
Fund balances - Beginning of year	6,709,652	1,543,258	-	429,487	17,839,501	1,678,182	518,200	10,496,190	39,214,470	40,085,565
Interfund transfers (note 10)	(3,600,000)	-	-	-	2,500,000	1,100,000	-	-	-	-
Fund balances - End of year	5,127,915	1,312,080	24,450	438,059	12,260,439	1,609,734	440,915	13,766,438	34,980,030	39,214,470

The Children's Hospital Foundation of Manitoba, Inc.

Notes to Consolidated Financial Statements

December 31, 2008

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

Changes in accounting policies

The following accounting standard changes referenced by the Canadian Institute of Chartered Accountants ("CICA") handbook sections are effective for the Foundation's fiscal year beginning January 1, 2008:

Assessing going concerns

The Accounting Standards Board ("AcSB") amended CICA Handbook Section 1400, "*General Standards of Financial Statement Presentation*", to include requirements for management to assess an entity's ability to continue as a going concern and to disclose material uncertainties related to events and conditions that may cast significant doubt on an entity's ability to continue as a going concern. The Foundation adopted the new standard effective January 1, 2008. The adoption of this section did not impact the financial statements for the year ended December 31, 2008. Management noted no issues with the Foundation's ability to continue as a going concern.

Capital disclosures

The AcSB issued CICA 1535, "*Capital Disclosures*", which the Foundation has applied for its fiscal year beginning January 1, 2008. CICA 1535 requires an entity to disclose qualitative information about its objectives, policies and processes for managing capital. This standard impacts the Foundation's disclosures, but does not affect its results or consolidated financial position.

Inventories

The AcSB issued CICA 3031, "*Inventories*", which the Foundation has applied for its fiscal year beginning on January 1, 2008. CICA 3031 requires the measurement of inventories at the lower of cost and net realizable value, with guidance on the determination of costs. CICA 3031 also requires the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories. The section further requires disclosure of the accounting policies used, carrying amounts, amounts recognized as an expense, write-downs, and the amount of any reversal of write-downs recognized as a reduction in expenses. Management noted no effect on the financial statement disclosures for the current fiscal year.

The Children's Hospital Foundation of Manitoba, Inc.

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December 31, 2008

Financial instruments

CICA published several new Handbook Sections regarding the recognition and measurement of financial instruments and related disclosures. These recommendations are found in Section 3862, “*Financial Instruments - Disclosures*” and Section 3863, “*Financial Instruments - Presentation*”. Not-for-profit organizations have the option to choose not to apply these Handbook Sections and to instead apply Section 3861, “*Financial Instruments - Disclosures and Presentation*”. The Foundation has elected this option and therefore there is no impact of these accounting changes to the Foundation’s financial statements.

Future accounting changes

Not-for-profit organizations

In September 2008, the CICA issued a series of amendments to existing standards for not-for-profit organizations (“NPOs”) and a new Section 4470, “*Disclosures of Allocated Expenses by Not-for-Profit Organizations*”. Section 4470 requires NPOs that make allocations of general support and fundraising costs to other functions to disclose the policies adopted for the allocation of expenses among functions, the nature of the expenses being allocated, the basis on which such allocations have been made, and the functions to which they have been allocated.

Amendments have been made to Section 4400, “*Financial Statement Presentation by Not-for-Profit Organizations*”, and EIC-123, “*Reporting Revenue Gross as a Principal Versus Net as an Agent*”, to clarify that revenues and expenses must be recognized on a gross basis when an NPO is acting as a principal in the subject transactions and may only be reported on a net basis when acting as an agent. Section 4400 has also been amended to clarify the different treatment accorded internal and external restrictions on net assets. In addition, NPOs are no longer required to report net assets invested in capital assets as a separate component of net assets. The AcSB concluded that an amount shown as net assets invested in capital assets is consistent with, and should be treated in the same manner as other net asset amounts internally restricted by NPOs.

Other changes add improved guidance related to the application of the GAAP hierarchy and capital assets standards, and require NPOs to apply the same standards as profit-oriented enterprises with respect to interim financial statements and statements of cash flows. The changes are intended to improve financial reporting by NPOs and make NPO standards consistent with those of profit-oriented enterprises when they address the same issues.

The amendments and new Section 4470 are effective for fiscal years beginning on or after January 1, 2009, and require retroactive application to prior period financial statements. Management is currently assessing the impact of the amendments and Section 4470 on the Foundation’s financial statements.

The Children's Hospital Foundation of Manitoba, Inc.

Notes to Consolidated Financial Statements

December 31, 2008

Significant accounting policies are as follows:

Basis of presentation

These consolidated financial statements, which are prepared on the basis of Canadian generally accepted accounting principles ("GAAP"), include the assets and liabilities and results of operations of the Foundation and its wholly own subsidiary Manitoba Institute of Child Health, Inc.

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. Contributions to the Endowment Fund are invested by the Foundation in accordance with its Statement of Investment Policies, whereby, the capital of the Fund will be maintained, and the annual income earned will be allocated and added to the capital to support the desired research, equipment and program funding, based on the restrictions imposed by contributors of the endowment.

The *Capital Campaign Fund* is "The Be My Hero Capital Campaign" which is to provide additional medical research capacity by further developing the two floors owned by the Foundation at the John Buhler Research Center. The campaign goal is to raise \$20 million to support building construction, research program development and the endowment of a Chair for the Institute's Director of Research position.

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 Hospital Foundation of Manitoba, Inc.

Notes to Consolidated Financial Statements

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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 *Funds Invested in Capital Assets* reports the Foundation's investment of resources in long-term capital assets.

Inventory

Inventory is valued at the lower of invoice cost and net realizable value. During the year, the Foundation expensed \$18,024 in inventory which is included in the statement of operations.

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.

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

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 is recognized at the time of sale.

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.

Research grants

The entire amount of research grants to qualified recipients is reflected as an expense in the fiscal year in which the grants are approved and committed.

The Children's Hospital Foundation of Manitoba, Inc.

Notes to Consolidated Financial Statements

December 31, 2008

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.

Financial instruments

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

a) Held for trading ("HFT")

Investments are designated as 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, 2008, which approximates the last bid price.

b) Loans and receivables

Accounts receivable, net of allowance for doubtful accounts, are designated as loans and 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 accounts payable and accrued liabilities 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.

There have been no changes during the year to designations made in the prior year. The Foundation does not hold any available for sale or held to maturity financial instruments or derivatives at December 31, 2008.

The Children's Hospital Foundation of Manitoba, Inc.

Notes to Consolidated Financial Statements

December 31, 2008

3 Investments

	2008 \$	2007 \$
Pooled funds	18,451,820	24,197,443
Bonds and term investments	4,021,288	4,177,370
Other investments	460,064	592,240
	<u>22,933,172</u>	<u>28,967,053</u>

4 Capital assets

	<u>2008</u>		<u>2007</u>	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Office and computer equipment	38,454	30,283	8,171	10,456
Office furniture	65,799	61,621	4,178	5,014
Leasehold improvements	101,824	98,257	3,567	4,860
Research equipment	2,651,367	2,399,695	251,672	385,023
Research computer equipment	279,909	268,292	11,617	34,480
Research leasehold improvements	5,213,242	345,057	4,868,185	1,045,535
Research building	9,794,372	1,175,324	8,619,048	9,010,822
	<u>18,144,967</u>	<u>4,378,529</u>	<u>13,766,438</u>	<u>10,496,190</u>

The Children's Hospital Foundation of Manitoba, Inc.

Notes to Consolidated Financial Statements

December 31, 2008

5 Child Health Research Fund

	2008			2007	
	Pediatric Research Fund \$	Research Facilities Building Fund \$	Research Facilities Equipment Fund \$	Total \$	Total \$
Revenue					
Funds received	1,519,780	-	-	1,519,780	-
Investment income (loss)	(1,710,832)	-	-	(1,710,832)	212,919
	(191,052)	-	-	(191,052)	212,919
Expenses					
Disbursements	-	3,919,642	-	3,919,642	819,860
Grants in aid of research	3,968,368	-	-	3,968,368	3,251,924
	3,968,368	3,919,642	-	7,888,010	4,071,784
Excess expenses over revenue	(4,159,420)	(3,919,642)	-	(8,079,062)	(3,858,865)
Fund balance - Beginning of year	10,941,389	5,121,258	1,776,854	17,839,501	20,198,366
Interfund transfers	2,500,000	-	-	2,500,000	1,500,000
Fund balance - End of year	9,281,969	1,201,616	1,776,854	12,260,439	17,839,501

6 Funds invested in capital assets

	2008			2007	
	Research \$	Other \$	Total \$	Total \$	
Fund balance - beginning of year	10,475,859	20,331	10,496,190	10,324,331	
Purchase of capital assets	3,919,642	8,592	3,928,234	828,990	
	14,395,501	28,923	14,424,424	11,153,321	
Amortization of capital assets	644,981	13,005	657,986	657,131	
Fund balance - end of year	13,750,520	15,918	13,766,438	10,496,190	

The Children's Hospital Foundation of Manitoba, Inc.

Notes to Consolidated Financial Statements

December 31, 2008

7 Direct expenses

	2008 \$	2007 \$
Making Miracles	467,289	517,859
Annual Appeal	68,707	89,390
Bookmarket	76,954	80,049
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	612,950	687,298
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8 Risk management

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

a) Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. The Foundation, in the normal course of operations, 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.

c) Market risk

Market risk is the potential for financial loss to the Foundation from changes in the values of its financial instruments due to changes in interest rates, currency exchange rates or equity prices. The investments of the Foundation are subject to normal market fluctuations and to the risk inherent in investment in capital markets.

d) Liquidity risk

Liquidity risk is the risk that the Foundation cannot meet its financial obligations associated with financial liabilities in full. The Foundation expects to be able to meet its financial obligations in the foreseeable future.

The Children's Hospital Foundation of Manitoba, Inc.

Notes to Consolidated Financial Statements

December 31, 2008

9 Capital management

The Foundation views its capital as the combination of its restricted and unrestricted funds. The Foundation's objective when managing its capital is to safeguard the Foundation's ability to continue as a going concern so that it can provide the appropriate level of benefits and services to its beneficiaries. The Foundation has internal control processes and investment policies in place to ensure that restrictions are met prior to the utilization of these funds.

10 Interfund transfers

During the year \$1,100,000 was transferred from the Operating Fund to the Children's Hospital Fund related to financial support budgeted for Child Health Advisory Committee and specific disbursements; \$2,500,000 was transferred from the Operating Fund to the Child Health Research Fund to cover the excess of disbursements over fundraising.

11 Grant commitments

The Foundation has committed to fund \$927,634 in 2009 for program support to the Child Health Program through the Children's Hospital.

12 Comparative figures

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

13 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.

