

Financial Statements of

**CANADA'S CHILDREN'S
HOSPITAL FOUNDATIONS**

And Independent Auditors' Report thereon

Year ended December 31, 2019



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Canada's Children's Hospital Foundations

Opinion

We have audited the financial statements of Canada's Children's Hospital Foundations (the Entity), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its results of 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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity 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 the 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' 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 auditors' 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 the 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.



Page 3

- 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

June 24, 2020

CANADA'S CHILDREN'S HOSPITAL FOUNDATIONS

Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents (note 2)	\$ 4,304,053	\$ 6,299,987
Short-term investments (note 3)	2,123,500	920,835
Contributions receivable (note 4)	11,380,907	6,508,826
Interest and other receivables (note 3)	24,474	10,090
Due from Children's Miracle Network Hospitals (note 5)	754,123	1,454,473
Prepaid expenses	38,641	24,526
	<u>18,625,698</u>	<u>15,218,737</u>
Capital assets (note 6)	53,126	46,470
Intangible assets (note 7)	303,441	–
	<u>\$ 18,982,265</u>	<u>\$ 15,265,207</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (notes 5 and 8)	\$ 315,374	\$ 259,348
Deferred revenue (note 9)	1,154,451	742,309
Member escrows (note 4)	15,779,456	12,715,269
	<u>17,249,281</u>	<u>13,716,926</u>
Deferred capital contributions (note 10)	7,350	9,450
	<u>17,256,631</u>	<u>13,726,376</u>
Net assets:		
Internally restricted (note 11)	655,668	757,095
Invested in capital assets	349,217	46,470
Unrestricted	720,749	735,266
	<u>1,725,634</u>	<u>1,538,831</u>
Commitments (note 12)		
Subsequent events (note 14)		
	<u>\$ 18,982,265</u>	<u>\$ 15,265,207</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

CANADA'S CHILDREN'S HOSPITAL FOUNDATIONS

Statement of Operations

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Membership fees	\$ 4,617,803	\$ 4,617,805
Activation and sponsorship	538,963	381,938
Investment income	173,891	125,594
Donations in kind	56,518	53,163
Amortization of deferred capital contributions (note 10)	2,100	1,050
	<u>5,389,275</u>	<u>5,179,550</u>
Expenses:		
Salaries and benefits	2,127,914	1,642,373
Marketing	940,796	1,157,329
Licensing fees (note 5)	671,253	680,949
Office and general administration	661,950	286,519
Event costs	464,600	317,430
Professional fees (note 5)	262,625	161,522
Donation fees	48,942	163,530
Amortization	24,392	22,012
	<u>5,202,472</u>	<u>4,431,664</u>
Excess of revenue over expenses	<u>\$ 186,803</u>	<u>\$ 747,886</u>

See accompanying notes to financial statements.

CANADA'S CHILDREN'S HOSPITAL FOUNDATIONS

Statement of Changes in Net Assets

Year ended December 31, 2019, with comparative information for 2018

				2019	2018
	Invested in capital assets and intangible assets	Internally restricted	Unrestricted	Total	Total
Balance, beginning of year	\$ 46,470	\$ 757,095	\$ 735,266	\$ 1,538,831	\$ 790,945
Excess (deficiency) of revenue over expenses	(22,292)	–	209,095	186,803	747,886
Investment in capital assets and intangible assets	325,039	–	(325,039)	–	–
Interfund transfer (note 11)	–	(101,427)	101,427	–	–
Balance, end of year	\$ 349,217	\$ 655,668	\$ 720,749	\$ 1,725,634	\$ 1,538,831

See accompanying notes to financial statements.

CANADA'S CHILDREN'S HOSPITAL FOUNDATIONS

Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 186,803	\$ 747,886
Items not involving cash:		
Amortization of capital assets	24,392	22,012
Amortization of deferred capital contributions	(2,100)	(1,050)
Contribution of capital assets	–	10,500
Change in non-cash operating working capital:		
Contributions receivable	(4,872,081)	(3,418,074)
Short-term investments	(1,202,665)	(920,835)
Interest and other receivables	(14,384)	83,437
Due from Children's Miracle Network Hospitals	700,350	308,108
Prepaid expenses	(14,115)	1,505
Accounts payable and accrued liabilities	56,026	(253,984)
Deferred revenue	412,142	(271,270)
Member escrows	3,064,187	3,368,835
	(1,661,445)	(322,930)
Investing activities:		
Capital assets additions	(31,048)	(33,205)
Intangible assets additions	(303,441)	–
	(334,489)	(33,205)
Decrease in cash and cash equivalents	(1,995,934)	(356,135)
Cash and cash equivalents, beginning of year	6,299,987	6,656,122
Cash and cash equivalents, end of year	\$ 4,304,053	\$ 6,299,987

See accompanying notes to financial statements.

CANADA'S CHILDREN'S HOSPITAL FOUNDATIONS

Notes to Financial Statements

Year ended December 31, 2019

Canada's Children's Hospital Foundations ("CCHF" or the "Organization") is a not-for-profit corporation incorporated on February 24, 2017 without share capital under the Canada Not-For-Profit Corporations Act. CCHF's purpose is to advance children's health in Canada by receiving and providing funds to public hospital foundations and other organizations engaged in support of children's health which are qualified donees within the meaning of Income Tax Act (Canada) and being a national voice for children's health in Canada. CCHF works with corporate partners ("Partners") to undertake fundraising activities, and distribute the contributions collected to the member hospital foundations ("Members").

As a registered not-for-profit organization under the Income Tax Act (Canada), CCHF is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) are met.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants of Canada Handbook.

(a) Revenue recognition:

The Organization follows the deferral method of accounting for contributions. Unrestricted contributions, which include activation and sponsorship, are recognized when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Membership fees are reported as revenue in the year to which they relate.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate of the related capital assets.

Contributions from Partners (note 4) collected for the purpose of disbursement to Members are not revenue of CCHF and accordingly, are not recorded in the statement of operations.

Investment income relates to interest earned on guaranteed investment certificates and is recognized with the passage of time as the income is earned.

CANADA'S CHILDREN'S HOSPITAL FOUNDATIONS

Notes to Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(b) Contributed materials and services:

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Contributed materials, being items used in operating activities, are recognized as revenue when received, and when fair value can be reasonably estimated, when the materials are used in the normal course of the Organization's operations and would otherwise have been purchased. During the year, contributed materials in the amount of \$56,518 (2018 - \$53,163) were recorded as revenue.

(c) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short-term deposits which are highly liquid with original maturities of less than three months at the date of acquisition. These financial assets are convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

(d) Capital assets:

Capital assets purchased are recorded at cost. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Institute's ability to provide services, its carrying amount is written down to its residual value. Amortization of capital assets is calculated on a straight-line basis over the estimated useful lives as follows:

Computers	3 years
Furniture and fixtures	5 years

CANADA'S CHILDREN'S HOSPITAL FOUNDATIONS

Notes to Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(e) Intangible assets:

Intangible assets consist of computer software. An intangible asset with a definite life is amortized over its useful life. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Computer software	5 years
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The intangible asset is subject to amortization and is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and are subsequently measured at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has not elected to carry any such financial instruments at fair value.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, CCHF determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount CCHF expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

CCHF does not enter into any derivative financial instruments for speculative purposes.

(g) Foreign currency translation:

Assets and liabilities denominated in foreign currencies have been translated into Canadian dollars at exchange rates prevailing at the year-end date. Revenue and expenses and allocations have been translated using exchange rates prevailing on the transaction date.

CANADA'S CHILDREN'S HOSPITAL FOUNDATIONS

Notes to Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(h) Use of estimates:

The preparation of the financial statements 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. Actual results could differ from those estimates.

2. Cash and cash equivalents:

Included in cash and cash equivalents is \$3,200,000 (2018 - \$4,500,000) invested in Canadian Dollar guaranteed investment certificates with a maturity date of February 13, 2020 and yielding interest rates from 2.07% to 2.13% (2018 - 2.35% to 2.36%).

3. Short-term investments:

Included in short-term investments is \$1,250,000 U.S. Dollars (2018 - \$675,000 U.S. Dollars) invested in U.S. Dollar guaranteed investment certificates with a maturity dates ranging from January 15, 2020 to September 8, 2020 and yielding interest rates from 1.78% to 2.75% (2018 - 2.35% to 2.80%). Additionally, included in short-term investments is \$500,000 (2018 - nil) invested in Canadian Dollar guaranteed investment certificates with a maturity date of September 8, 2020 and yielding an interest rate of 2.02% (2018 - nil).

Interest receivable consists of \$23,550 (2018 - \$10,090) which is related to guaranteed investment certificates included in cash and cash equivalents and short-term investments.

Guaranteed investment certificates are subject to interest rate risk as the value of the investment will generally increase if interest rates falls and decrease if the interest rates rise. There is no interest rate risk when a guaranteed investment certificate is held to maturity.

4. Contributions receivable:

Contributions receivable are comprised of contributions due from Partners pertaining to fiscal 2019 activities. Included in member escrows of \$15,779,456 (2018 - \$12,715,269) are 2019 fiscal quarter four contributions, either received or receivable from Partners, disbursed in 2020.

CANADA'S CHILDREN'S HOSPITAL FOUNDATIONS

Notes to Financial Statements (continued)

Year ended December 31, 2019

5. Children's Miracle Network Hospitals:

Effective July 1, 2017, the Organization entered into a Master Agreement (the "Agreement") with Children's Miracle Network Hospitals ("CMNH"), whereby CCHF is required to pay a licensing fee to CMNH. Fiscal 2019 license fees were \$507,500 U.S. Dollars (2018 - \$500,000 U.S. Dollars). An annual increase of 1.5% commenced January 1, 2019 and will be applied, until the end of the term of the Agreement, which is December 31, 2021. The Organization is required to make an additional 3.5% payment to CMNH if various performance metrics are met, as set out in the Agreement. The parties have agreed that future payments will be adjusted if the exchange rate varies by more than 10% from an exchange rate of 1 Canadian Dollar to 0.75 U.S. Dollars. The payment will be adjusted by an amount equal to 50% of the amount attributable to such variance over the base of 10%.

As at December 31, 2019, there is a balance of \$754,123 (2018 - \$1,454,473) due from CMNH. This is comprised of contribution payments from Partners, made to CMNH of \$816,231 (2018 - \$1,454,473). These contributions are to be disbursed by CCHF to the Members. Additionally, there is a balance of \$62,108 (2018 - nil) due to CMNH.

Included in professional fees is \$46,572 (2018 - \$45,503) for consulting services provided by CMNH.

Included in accounts payable is nil (2018 - \$23,874) payable to CMNH.

6. Capital assets:

			2019	2018
	Cost	Accumulated amortization	Net book value	Net book value
Computers	\$ 84,917	\$ 46,336	\$ 38,581	\$ 24,576
Furniture and fixtures	71,793	57,248	14,545	21,894
	\$ 156,710	\$ 103,584	\$ 53,126	\$ 46,470

CANADA'S CHILDREN'S HOSPITAL FOUNDATIONS

Notes to Financial Statements (continued)

Year ended December 31, 2019

7. Intangible assets:

			2019	2018
	Cost	Accumulated amortization	Net book value	Net book value
Computer software	\$ 303,441	\$ –	\$ 303,441	\$ –

During the year, CCHF incurred \$303,441 for the development of computer software. The computer software were ready and available for use in late December 2019. The intangible assets will be amortized over its estimated useful life.

8. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$52,248 (2018 - \$71,375) which includes amounts payable for harmonized sales tax and payroll related taxes.

9. Deferred revenue:

	2019	2018
Membership fees	\$ 1,154,451	\$ 726,988
Sponsorship	–	15,321
	\$ 1,154,451	\$ 742,309

10. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount of contributed capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations. The change in the deferred contributions balance are as follows:

	2019	2018
Balance, beginning of year	\$ 9,450	\$ –
Additions	–	10,500
Amortization as revenue	(2,100)	(1,050)
Balance, end of year	\$ 7,350	\$ 9,450

CANADA'S CHILDREN'S HOSPITAL FOUNDATIONS

Notes to Financial Statements (continued)

Year ended December 31, 2019

11. Internally restricted net assets:

The internally restricted net assets represent amounts that have been designated by the Board of Directors for specific initiatives. The amount of internally restricted net assets balance is set in proportion to risk and economic conditions and manages fund restrictions to ensure CCHF mission and strategic plans are accomplished.

Internally restricted net assets are not available for use by CCHF for any purpose other than those outlined above, without prior approval by the Board of Directors. The internally restricted net assets consist of the following:

	2019	2018
Approved strategic plan initiatives	\$ –	\$ 351,427
Operating reserve	655,668	405,668
	<u>\$ 655,668</u>	<u>\$ 757,095</u>

During the year, the Organization spent \$351,427 (2018 - \$198,573) on approved strategic plan initiatives, and transferred \$351,427 to unrestricted net assets to cover for the costs incurred. The Organization transferred \$250,000 (2018 - \$200,000) from unrestricted net assets to the operating reserve.

12. Commitments:

CCHF has future premise lease commitments as follows:

2020	\$ 168,000
2021	28,000
	<u>\$ 196,000</u>

13. Financial risks:

Unless otherwise noted, it is management's opinion that CCHF is not exposed to significant liquidity, currency, market or credit risk arising from financial instruments.

CANADA'S CHILDREN'S HOSPITAL FOUNDATIONS

Notes to Financial Statements (continued)

Year ended December 31, 2019

14. Subsequent events:

Subsequent to year-end, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. It is currently not known how long or to what extent the pandemic will impact the Organization's operations. An estimate of the financial effect is not practicable at this time.