

Financial Statements of

**JIM PATTISON CHILDREN'S
HOSPITAL FOUNDATION INC.**

Year ended July 31, 2019



INDEPENDENT AUDITORS' REPORT

To the Board of the Jim Pattison Children's Hospital Foundation Inc.:

Opinion

We have audited the financial statements of Jim Pattison Children's Hospital Foundation Inc. (the Foundation), which comprise:

- the statement of financial position as at July 31, 2019
- the statement of operations for the year then ended
- the statement of fund balances 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 Foundation as at July 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 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.



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.

- 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 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 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.
- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

Saskatoon, Canada
November 4, 2019

JIM PATTISON CHILDREN'S HOSPITAL FOUNDATION INC.

Statement of Financial Position

July 31, 2019, with comparative information for 2018

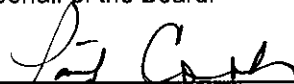
	2019	2018
Assets		
Current assets:		
Cash	\$ 6,534,194	\$ 6,012,659
Accounts receivable	25,754	16,327
Investments (note 5)	66,046,064	47,557,291
Gift shop inventory	51,887	-
Prepaid expenses	40,836	52,237
	<u>72,698,735</u>	<u>53,638,514</u>
Capital assets (note 4)	9,355	3,774
Investments (note 5)	19,371,356	25,989,913
	<u>\$ 92,079,446</u>	<u>\$ 79,632,201</u>

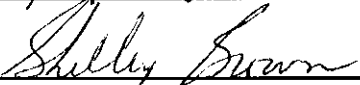
Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 6,839,672	\$ 660,077
Deferred revenue	176,895	222,109
	<u>7,016,567</u>	<u>882,186</u>
Fund balances:		
General	3,065,657	1,333,156
Designated (note 7)	73,937,759	69,815,886
Endowment (note 8)	8,059,463	7,600,973
	<u>85,062,879</u>	<u>78,750,015</u>
Commitments (note 12)		
	<u>\$ 92,079,446</u>	<u>\$ 79,632,201</u>

See accompanying notes to financial statements.

On behalf of the Board:


 _____ Director


 _____ Director

JIM PATTISON CHILDREN'S HOSPITAL FOUNDATION INC.

Statement of Operations

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

	General	Designated (note 7)	Endowment (note 8)	2019 Total	2018 Total
Revenue:					
Fundraising	\$ 3,247,766	\$ 26,311,730	\$ -	\$ 29,559,496	\$ 8,543,453
Donations	581,716	239,798	-	821,514	920,969
Investment income	70,679	2,255,935	458,490	2,785,104	1,527,338
	3,900,161	28,807,463	458,490	33,166,114	10,991,760
Expenses:					
Fundraising (note 10)	639,730	880,709	-	1,520,439	1,367,481
Administration	464,480	-	-	464,480	316,837
Salaries and employee benefits	395,914	-	-	395,914	359,228
Professional fees	47,621	-	-	47,621	33,172
Gift shop - expenses	23,787	-	-	23,787	-
Amortization	6,998	-	-	6,998	2,268
	1,578,530	880,709	-	2,459,239	2,078,986
Excess of revenue over expenses before undernoted	2,321,631	27,926,754	458,490	30,706,875	8,912,774
Contributions made	589,130	23,804,881	-	24,394,011	8,739,686
Excess of revenue over expenses	\$ 1,732,501	\$ 4,121,873	\$ 458,490	\$ 6,312,864	\$ 173,088

See accompanying notes to financial statements.

JIM PATTISON CHILDREN'S HOSPITAL FOUNDATION INC.

Statement of Fund Balances

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

	General	Designated (note 7)	Endowment (note 8)	2019	2018
Fund balances, beginning of year	\$ 1,333,156	\$ 69,815,886	\$ 7,600,973	\$ 78,750,015	\$ 78,576,927
Excess of revenue over expenses	1,732,501	4,121,873	458,490	6,312,864	173,088
Fund balances, end of year	\$ 3,065,657	\$ 73,937,759	\$ 8,059,463	\$ 85,062,879	\$ 78,750,015

See accompanying notes to financial statements.

JIM PATTISON CHILDREN'S HOSPITAL FOUNDATION INC.

Statement of Cash Flows

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

	2019	2018
Cash flows from (used in):		
Operations:		
Excess of revenue over expenses	\$ 6,312,864	\$ 173,088
Item not involving cash:		
Amortization	6,998	2,268
Interest revenue reinvested	(2,651,830)	(1,424,289)
Change in non-cash operating working capital:		
Accounts receivable	(9,427)	25,660
Gift shop inventory	(51,887)	-
Prepaid expenses	11,401	(30,683)
Accounts payable and accrued liabilities	6,179,595	552,515
Deferred revenue	(45,214)	151,923
	9,752,500	(549,518)
Investing:		
Purchase of investments	(70,936,750)	(55,224,531)
Proceeds on disposal of investments	61,688,014	59,091,844
Purchase of equipment	(12,579)	-
Unrealized (gain) loss on investments	30,350	-
	(9,230,965)	3,867,313
Increase in cash	521,535	3,317,795
Cash, beginning of year	6,012,659	2,694,864
Cash, end of year	\$ 6,534,194	\$ 6,012,659

See accompanying notes to financial statements.

JIM PATTISON CHILDREN'S HOSPITAL FOUNDATION INC.

Notes to Financial Statements

Year ended July 31, 2019

1. Nature of Operations:

Jim Pattison Children's Hospital Foundation Inc. (the "Foundation") was incorporated as the Children's Hospital Foundation of Saskatchewan Inc. on May 23, 1992 under the Saskatchewan Non-Profit Corporations Act. The name was amended to Jim Pattison Children's Hospital Foundation Inc. on June 23, 2017. The Foundation is a registered charity under the Income Tax Act.

The Foundation's purpose is to raise funds for the enhancement of child and maternal healthcare and the Jim Pattison Children's Hospital ("JPCH"). The Foundation is a proud member of Canada's Children's Hospital Foundation (formerly "The Children's Miracle Network"), serving children's hospitals across Canada, partnering with their National Sponsors to raise funds for the new JPCH.

In the event of liquidation, all remaining assets are to be distributed to a registered charity having similar objectives.

2. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit organizations in Part III of the CPA Canada Handbook. The significant accounting policies used in the preparation of these financial statements are summarized below.

(a) Basis of presentation:

The Foundation maintains its accounts in accordance with the principles of restricted fund accounting. Resources are classified for accounting and reporting purposes into either the general fund, designated fund or endowment fund according to the activity or objective specified.

General fund:

The general fund accounts for the Foundation's operating activities. Resources of the general fund are to be used to support the current needs for enhancement of child and maternal healthcare in Saskatchewan.

Designated funds:

The Foundation includes in the designated fund, externally restricted donations and contributions specifically designated for the JPCH, health care projects, and other pediatric related grants.

JIM PATTISON CHILDREN'S HOSPITAL FOUNDATION INC.

Notes to Financial Statements (continued)

Year ended July 31, 2019

2. Significant accounting policies (continued):

Endowment funds:

The Foundation has established endowments from the Jim Pattison Foundation. The principal of the gift is held in accordance with the terms of the endowment agreement, with investment earnings allocated for the specific purpose for which the endowment was established.

(b) Cash and cash equivalents:

Cash and cash equivalents consist of cash and investments with financial institutions with initial maturity of less than 90 days.

(c) Financial instruments:

Financial instruments are initially recognized at fair value and their subsequent measurement is dependent on their classification below.

The Foundation has elected to measure investments at fair value. Investment management fees are expensed as incurred.

Accounts receivable, accounts payable and accrued liabilities are recorded at amortized cost. The fair value of such financial instruments approximate their carrying value due to the short-term period to maturity of the instruments.

Financial assets carried at amortized cost 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, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial assets. 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 the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(d) Capital assets:

Capital assets are recorded at acquisition cost less accumulated amortization. The assets are amortized on a diminishing-balance basis at the following rates:

JIM PATTISON CHILDREN'S HOSPITAL FOUNDATION INC.

Notes to Financial Statements (continued)

Year ended July 31, 2019

2. Significant accounting policies (continued):

Office furniture and equipment	20%
Computer equipment	30 - 45%

Donated capital assets are recorded at their fair value at the date of contribution if fair value can be reasonably determined.

(e) Donated materials and services:

Volunteers contribute a substantial number of hours each year to assist the Foundation in carrying out its activities. Because of the difficulty in determining their fair value, contributed materials and services are not recognized in these financial statements except for capital assets as described in note 2 (d).

(f) Revenue:

Unrestricted fundraising and donation contributions are recognized as revenue in the general fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted fundraising and donation contributions related to general operations are recorded as deferred revenue and recognized as revenue of the general fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund in the year received.

Investment income, which consists of interest, dividends and changes to fair value of investments (realized and unrealized), are recorded in the statement of operations when earned.

(g) Allocation of expenses:

The Foundation allocates certain salary and employee benefit costs to fundraising expenses. These costs are allocated based on estimated hours spent by employees on fundraising activities.

JIM PATTISON CHILDREN'S HOSPITAL FOUNDATION INC.

Notes to Financial Statements (continued)

Year ended July 31, 2019

2. Significant accounting policies (continued):

(h) Use of estimates:

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations 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 amount of revenue and expenses during the reporting period. Significant items subject to such estimates and assumptions include the fair value of investments, the collectibility of accounts receivable, and the estimated useful lives of capital assets. Actual results could differ from these estimates.

3. Tax status:

The Foundation has been granted tax-exempt status as a registered charity under paragraph 149(1)(f) of the *Income Tax Act*. In order to maintain registered status, a public foundation must fulfill certain annual expenditure requirements.

4. Capital assets:

			2019		2018	
	Cost	Accumulated amortization	Net book value	Net book value		
Office furniture and equipment	\$ 6,894	\$ 5,739	\$ 1,155	\$ 1,444		
Computer equipment	35,483	27,283	8,200	2,330		
	\$ 42,377	\$ 33,022	\$ 9,355	\$ 3,774		

JIM PATTISON CHILDREN'S HOSPITAL FOUNDATION INC.

Notes to Financial Statements (continued)

Year ended July 31, 2019

5. Investments:

	2019	2018
Guaranteed investment certificates	\$ 66,046,064	\$ 56,930,603
Balanced funds	19,370,823	16,616,068
Life insurance surrender value	533	533
	85,417,420	73,547,204
Less short-term	(66,046,064)	(47,557,291)
Total	\$ 19,371,356	\$ 25,989,913

The Foundation's guaranteed investment certificates earn interest at rates ranging from 1.75% to 3% and have maturity dates ranging from August 3, 2019 to July 31, 2020.

6. Accounts payable and accrued liabilities:

	2019	2018
Contributions payable	\$ 6,438,642	\$ 594,786
Trade payables	70,119	65,291
Accrued contributions	330,911	-
	\$ 6,839,672	\$ 660,077

7. Designated funds:

	Beginning of year	Net revenue	Disbursements	End of year
Pediatric Health Care Projects	\$ 368,612	\$ 242,968	\$ (193,659)	\$ 417,921
Pediatric Research Chair	600,000	100,000	-	700,000
Jim Pattison Children's Hospital	60,847,274	26,083,786	(23,582,297)	63,348,763
Research and fellowship	8,000,000	1,500,000	(28,925)	9,471,075
	\$ 69,815,886	\$ 27,926,754	\$ (23,804,881)	\$ 73,937,759

JIM PATTISON CHILDREN'S HOSPITAL FOUNDATION INC.

Notes to Financial Statements (continued)

Year ended July 31, 2019

8. Endowment funds:

	Beginning of year	Net revenue	Disbursements	End of year
Operating Cost Funding	\$ 5,060,781	\$ 305,352	\$ -	\$ 5,366,133
Pediatric Research Fund	2,540,192	153,138	-	2,693,330
	\$ 7,600,973	\$ 458,490	\$ -	\$ 8,059,463

9. Gifts:

The Jim Pattison Foundation:

The Foundation entered into a long-term agreement to receive a gift in the amount of \$50 million from The Jim Pattison Foundation (the "Donor"). In recognition of the gift, the Donor received naming rights for the new maternal and pediatric hospital named JPCH. The gift includes ongoing, sustainable funding for the new hospital including pediatric and maternal-newborn equipment and fellowships, pediatric endowment research funds, in-kind advertising, and endowments for JPCH. The majority of the gift will be used to help meet research and programming needs upon completion of the capital campaign. Of the \$50 million, \$10 million was received in August 2017, \$10 million was received in August 2018, and \$10 million was received in July 2019.

10. Allocation of fundraising expenses:

	2019	2018
Direct expenses	\$ 690,558	\$ 626,999
Allocated salaries and employee benefits expenses	829,881	740,482
	\$ 1,520,439	\$ 1,367,481

JIM PATTISON CHILDREN'S HOSPITAL FOUNDATION INC.

Notes to Financial Statements (continued)

Year ended July 31, 2019

11. Financial instruments and risk management:

The Foundation manages its investment portfolio to earn investment income and invests according to the Foundation's investment policy and the Board's direction. The Foundation is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purposes.

Due to the low risk nature of the Foundation's investments, it is management's opinion that the Foundation is not exposed to significant interest, market or credit risk arising from these financial instruments.

Additionally, the Foundation believes it is not exposed to significant liquidity risk as all investments are held in instruments that are highly liquid and can be disposed of to settle commitments.

12. Commitments:

a) The Foundation initially committed to raise \$50 million for the construction of the JPCH. Contributions of \$7.0 million in 2018 and \$23.8 million in 2019 (note 7) were made from the designated fund. The remaining \$19.2 million will be contributed within the next fiscal year.

Subsequently, the Foundation was asked and committed to raise an additional \$25 million for the construction of the JPCH to be paid over the next two fiscal years.

b) Lease commitments - Estimated future minimum lease payments under operating leases for the rental of office space for the next two years are as follows:

2020	\$	67,740
2021		5,645

The Foundation renewed the terms of its initial office lease agreement, extending the lease period from September 1, 2017 to August 31, 2020. Minimum future lease payments for office space consist of base rental charges. Occupancy costs and applicable taxes, currently estimated at \$22,000 per annum, will be in addition to the base rental charges indicated above.

Office lease payments are paid to a Company related to a Director of the Foundation. These transactions are measured at the exchange amount and are in the normal course of business.

During the year, the Foundation received donation funding to pay for the base rental charges.

JIM PATTISON CHILDREN'S HOSPITAL FOUNDATION INC.

Notes to Financial Statements (continued)

Year ended July 31, 2019

13. Subsequent event:

On September 20, 2019, the Foundation announced the "Touchdown for Kids Millionaire Lottery" in partnership with the Saskatchewan Roughrider Foundation. In addition, the JPCH officially opened to the public on September 29, 2019.