

MANITOBA POSSIBLE FOUNDATION INC.

FINANCIAL STATEMENTS

MARCH 31, 2022

INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors of
Manitoba Possible Foundation Inc.:**

Opinion

We have audited the financial statements of Manitoba Possible Foundation Inc. (the Foundation), which comprise the statement of financial position as at March 31, 2022, and the statement of operations, statement of changes in net assets and 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, 2022, and its financial performance 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 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.

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.

Scarrow & Donald LLP

Chartered Professional Accountants
June 7, 2022
Winnipeg, Canada

MANITOBA POSSIBLE FOUNDATION INC.

STATEMENT OF FINANCIAL POSITION

		March 31	
		2022	2021
		<u> </u>	<u> </u>
ASSETS			
Current assets:			
Cash (Note 3)	\$	77,499	\$ 114,793
Accounts receivable		-	44,273
GST receivable		<u>1,246</u>	<u>1,065</u>
		78,745	160,131
Investments (Note 4)		11,217,161	10,952,154
Due from entities under common control (Note 5)		<u>-</u>	<u>1,021</u>
	\$	<u><u>11,295,906</u></u>	\$ <u><u>11,113,306</u></u>
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable	\$	9,560	\$ 15,667
Due to entities under common control (Note 5)		<u>72,801</u>	<u>100,217</u>
		82,361	115,884
Deferred contributions (Note 6)		<u>533,085</u>	<u>607,997</u>
		615,446	723,881
Net assets:			
Net assets restricted for endowment purposes (Note 7)		3,688,733	3,688,733
Unrestricted net assets		<u>6,991,727</u>	<u>6,700,692</u>
		<u>10,680,460</u>	<u>10,389,425</u>
	\$	<u><u>11,295,906</u></u>	\$ <u><u>11,113,306</u></u>

APPROVED BY THE BOARD:

_____ **Director**

_____ **Director**

MANITOBA POSSIBLE FOUNDATION INC.

STATEMENT OF OPERATIONS

	Year ended March 31	
	2022	2021
Revenue:		
Lottery endowment interest	\$ 289,412	\$ 162,906
Investment income (Notes 4 and 8)	<u>416,749</u>	<u>1,004,630</u>
	706,161	1,167,536
Expenditures:		
Campaign development and implementation	9,847	9,790
Additional program funding	<u>96,983</u>	<u>(154,614)</u>
Operating expenses	<u>106,830</u>	<u>(144,824)</u>
Net revenue	599,331	1,312,360
Grants and charitable funding	<u>308,296</u>	<u>189,269</u>
Difference between revenue and expenditures	\$ <u>291,035</u>	\$ <u>1,123,091</u>

MANITOBA POSSIBLE FOUNDATION INC.

STATEMENT OF CHANGES IN NET ASSETS

	Year ended March 31			
	2022			2021
	Net assets restricted for endowment purposes	Unrestricted net assets	Total	Total
Balance, beginning of year	\$ 3,688,733	\$ 6,700,692	\$ 10,389,425	\$ 9,226,334
Difference between revenue and expenditures	-	291,035	291,035	1,123,091
Balance, end of year	<u>\$ 3,688,733</u>	<u>\$ 6,991,727</u>	<u>\$ 10,680,460</u>	<u>\$ 10,349,425</u>

MANITOBA POSSIBLE FOUNDATION INC.

STATEMENT OF CASH FLOWS

	Year ended March 31	
	2022	2021
Cash from operating activities:		
Cash receipts from operating activities	\$ 1,736,826	\$ (233,532)
Cash paid to suppliers and employees	(521,219)	(25,366)
Interest paid	(1,321)	(5,122)
	1,214,286	(264,020)
Cash from investing activities:		
Net change in investments	(1,251,580)	196,955
Change in cash	(37,294)	(67,065)
Cash, beginning of year	114,793	181,858
Cash, end of year	<u>\$ 77,499</u>	<u>\$ 114,793</u>

MANITOBA POSSIBLE FOUNDATION INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2022

1. Purpose of the Foundation:

The Manitoba Possible Foundation Inc. is a provincial organization supporting fundraising activities for the charitable organizations that are intended to provide services and or support to persons in Manitoba with disabilities. The Foundation is incorporated under The Corporations Act of Manitoba as a not-for-profit organization and is a registered charity under the Income Tax Act.

2. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. An assumption underlying the preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations is that the entity will continue for the foreseeable future and will be able to realize its assets and discharge liabilities in the normal course of operations.

The financial statements include the following significant accounting policies:

a) Critical accounting estimates and judgments-

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period.

Accounting estimates are included in financial statements to approximate the effect of past business transactions or events, or to approximate the present status of an asset or liability. It is possible that changes in future economic conditions could require changes in the recognized amounts for accounting estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the period in which they became known.

Significant areas of estimation by management include the impairment of non-financial assets, the useful lives of capital assets and the fair value of financial instruments.

Management bases their judgments, estimates and assumptions on factors they believe to be reasonable in the circumstances, but which may be inherently uncertain and unpredictable.

b) Financial instruments-

Except for certain related party transactions, financial instruments are measured at fair value on initial recognition adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption. Transaction costs related to financial instruments that will be measured subsequently at fair value are recognized in net income for the period incurred.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2022

2. Accounting policies (continued):

b) Financial instruments (continued)-

In subsequent periods, investments in equity instruments that are quoted in an active market and certain derivative contracts are measured at fair value without any adjustment for transaction costs that may incur on sale or other disposal. The Foundation may elect to measure any financial instrument at fair value when the asset or liability is first recognized or for equity instruments that previously measured at fair value when the equity instrument ceases to be quoted in an active market. Other investments in equity instruments are measured at cost less any reduction for impairments. All other financial instruments are measured at amortized cost. Amortized cost is the amount at which the financial instrument is measured at initial recognition less principal repayments, plus or minus the cumulative of any difference between that initial amount and the maturity amount, and minus any reduction for impairment.

The Foundation measures cash, accounts receivable, due from entities under common control, accounts payable and due to entities under common control at amortized cost. The Foundation measures investments at fair value.

The Foundation assesses impairment of all its financial assets, except those measured at fair value. Management considers whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. Impairment is included in current earnings.

c) Revenue recognition-

The Foundation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets. Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2022

3. Cash:

The Foundation has available to it a line of credit for up to \$350,000 (2021 - \$350,000) of which \$nil (2021 - \$nil) had been drawn at year end. The line of credit is secured by a general security agreement, bears interest at prime plus 1% and is renewed annually.

4. Investments:

At March 31, 2022 investments, carried at fair value, based on quoted market prices include \$11,217,161 (2021 - \$10,952,154) invested in funds managed by Manulife. As at March 31, 2022 and 2021, the investments held with Manulife are comprised of the following funds:

	March 31	
	2022	2021
Canadian Equities	22.5%	20.0%
Canadian Bonds	22.5%	30.0%
Mortgages	15.0%	15.0%
Real Estate	10.0%	8.0%
U.S. Equities	0.0%	2.0%
International Equities	30.0%	25.0%
	<u>100.0%</u>	<u>100.0%</u>

5. Due (to) from entities under common control:

	March 31	
	2022	2021
Manitoba Possible Services Inc.	\$ (70,150)	\$ (100,217)
Manitoba Possible Inc.	<u>(2,651)</u>	<u>1,021</u>
Balance, end of year	<u>\$ (72,801)</u>	<u>\$ (99,196)</u>

The amounts due (to) from entities under common control are unsecured, bear interest at prime, with no fixed terms of repayment. Interest paid in the year was \$1,321 (2021 - \$5,122).

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2022

6. Deferred contributions:

In 1998, the Foundation received a bequest to be used as an endowment fund for research purposes. \$387,905 (2021 - \$385,583) of deferred contributions represents interest earned to date on the funds that have not been spent on research activities. \$nil (2021 - \$2,229) represents interest earned on the Oakley Fund that is restricted for children's programs in Brandon and Minnedosa. The remaining \$145,180 (2021 - \$220,185) represents interest earned on the Lottery endowments that is restricted for assistive technology.

	March 31	
	2022	2021
Balance, beginning of year	\$ 607,997	\$ 458,540
Investment income, net of payments, restricted for research purposes	2,322	30,092
Investment income, net of payments, restricted for assistive technology	(75,005)	117,136
Investment income, net of payments, restricted for children in Brandon and Minnedosa	<u>(2,229)</u>	<u>2,229</u>
Balance, end of year	<u>\$ 533,085</u>	<u>\$ 607,997</u>

7. Restrictions on net assets:

Of the net assets restricted for endowment purposes, \$2,995,904 (2021 - \$2,995,904) is subject to externally imposed restrictions stipulating that the resources be maintained permanently, with \$692,829 (2021 - \$692,829) being subject to internally imposed restrictions. Investment income on \$1,712,106 (2021 - \$1,712,106) is externally restricted for the provision of services to children with disabilities. Investment income on \$557,059 (2021 - \$557,059) is externally restricted for the provision of services to adults with disabilities. Investment income on \$626,739 (2021 - \$626,739) is externally restricted for Assistive Technology. Investment income on \$100,000 (2021 - \$100,000) is externally restricted for children's programs in the City of Brandon and Town of Minnedosa. Income on the Lakeside Fund is internally restricted for recreation and lifeskills.

	March 31	
	2022	2021
Restricted for Children's Programs - Easter Seals' Fund	\$ 1,706,444	\$ 1,706,444
- Other	5,662	5,662
Restricted for Adult Programs	557,059	557,059
Restricted for Assistive Technology	626,739	626,739
Restricted for children's programs in Brandon and Minnedosa - Oakley Fund	100,000	100,000
Lakeside Fund for recreation and lifeskills	200,000	200,000
Internally restricted	<u>492,829</u>	<u>492,829</u>
	<u>\$ 3,688,733</u>	<u>\$ 3,688,733</u>

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2022

8. Investment income:

	March 31	
	2022	2021
Income earned on unrestricted resources	\$ 406,485	\$ 975,762
Income earned on resources held for endowment-		
Restricted for:		
- Children's Programs	110,673	288,054
- Adult Programs	32,422	84,626
- Assistive Technology	51,171	136,903
- Research activities	10,522	29,592
- Children's programs in Brandon and Minnedosa - Oakley Fund	5,132	14,434
Internally restricted:		
- Lakeside Fund	<u>10,264</u>	<u>28,868</u>
Total investment income	626,669	1,558,239
Less amounts deferred-		
Restricted for:		
- Children's Programs	(110,673)	(288,054)
- Adult Programs	(32,422)	(84,626)
- Assistive Technology	(51,171)	(136,903)
- Research activities	(10,522)	(29,592)
- Children's programs in Brandon and Minnedosa - Oakley Fund	<u>(5,132)</u>	<u>(14,434)</u>
Total investment income recognized as revenue	<u>\$ 416,749</u>	<u>\$ 1,004,630</u>

Included in total investment income and deferred contributions is a decrease in market value of \$986,573 (2021 - an increase in market value of \$1,357,940).

9. Related parties:

Manitoba Possible Inc. has the right to appoint the Boards of the Foundation, Manitoba Possible Services Inc. and Manitoba Possible Ventures Inc.

The Foundation expenses include grants to Manitoba Possible Inc. of \$266,003 (2021 - \$131,180) for operations, \$15,210 (2021 - \$12,459) for specified commitments, \$18,883 (2021 - \$nil) for computer software, \$nil (2021 - \$12,740) for donor designations and \$8,200 (2021 - \$nil) for grants research.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount in of consideration established and agreed to by the parties.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2022

10. Risk management:

Management's risk management policies are typically performed as a part of the overall management of the Foundation's operations. Management is aware of risks related to these objectives through direct personal involvement with employees and outside parties. In the normal course of its business, the Foundation is exposed to a number of risks that can affect its operating performance. Management's close involvement in operations helps identify risks and variations from expectations. The Foundation has not designated transactions as hedging transactions to manage risk. As a part of the overall operation of the Foundation, management considers the avoidance of undue concentrations of risk. These risks include, and the actions taken to manage them are as follows:

Liquidity risk-

Liquidity risk is the risk that the Foundation cannot meet its financial obligations associated with financial liabilities in full. The Foundation's main sources of liquidity are its operations and external borrowings. The funds are primarily used to finance working capital and capital expenditure requirements and are adequate to meet the Foundation's financial obligations associated with financial liabilities.

Interest rate risk-

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as interest rate cash flow risk, or on the fair value of other financial assets or liabilities, known as interest rate price risk.

Credit risk-

Credit risk arises from the possibility that debtors may be unable to fulfill their commitments. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. The Foundation has credit policies to address credit risk on accounts receivable, which may include the analysis of the financial position of the debtor and review of credit limits. The Foundation also may review credit history before establishing credit and reviews credit performance. An allowance for doubtful accounts or other impairment provisions are established based upon factors surrounding credit risk, historical trends and other information. There is no allowance for doubtful accounts.

Currency risk-

Currency risk is the risk that the changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. The Foundation is exposed to currency risk as it relates to investments denominated in foreign currency. Changes in the applicable exchange may result in a decrease or increase in investment income or expense.

Other price risk-

Other price risk is the risk that changes in market prices, including commodity or equity prices, will have an effect on future cash flows associated with financial instruments. The Foundation's cash flows associated with investments are affected by changes in market prices.

11. COVID-19:

The outbreak of COVID-19, has resulted in governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, quarantine periods and social distancing, have caused an economic slowdown and material disruption to business. Subsequent to March 31, 2022 government has continued to react with interventions intended to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at the time. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial performance and financial position of the Foundation in future periods.