

SHRINERS HOSPITALS FOR CHILDREN

FINANCIAL STATEMENTS

DECEMBER 31, 2023

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**SHRINERS HOSPITALS FOR CHILDREN
FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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INDEPENDENT AUDITOR'S REPORT

To the Directors of
Shriners Hospitals for Children

Qualified Opinion

We have audited the financial statements of Shriners Hospitals for Children (the Foundation), which comprise the statement of financial position as at December 31, 2023, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, Shriners Hospitals for Children derives revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to donation and fundraising revenues, deficiency of revenues over expenditures and cash flows from operations for the years ended December 31, 2023 and 2022, current assets as at December 31, 2023 and 2022, and net assets as at January 1 and December 31 for both the 2023 and 2022 years. Our audit opinion on the financial statements for the year ended December 31, 2022 was modified accordingly because of the possible effects of this limitation in scope.

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 qualified audit 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.

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- 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.

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**SHRINERS HOSPITALS FOR CHILDREN
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023**

	2023 \$	2022 \$
ASSETS		
Current		
Cash	3,990,441	8,483,829
Marketable securities, at fair values (Note 3)	6,897,648	11,766,367
Accounts receivable (Note 4)	448,005	346,858
Loans receivable - related Organizations (Note 5)	12,755,063	10,332,648
Prepaid and deposits	53,937	42,337
	24,145,094	30,972,039
Capital assets (Note 6)	97,725,319	100,085,153
	121,870,413	131,057,192
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 7)	388,522	431,910
Deferred contributions (Note 8)	91,056,906	93,761,913
	91,445,428	94,193,823
NET ASSETS		
Unrestricted	30,424,985	36,863,369
	121,870,413	131,057,192

Approved by,

_____, Director

_____, Director

The accompanying notes are an integral part of these financial statements.

SHRINERS HOSPITALS FOR CHILDREN
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2023

	2023	2022
	\$	\$
Contributions		
Allocations from ^{24 (1)} (Note 10)	334,384	93,251
Allocations from other foundations	-	437,840
Annual dues	47,658	46,258
Bequests	1,204,073	8,193,381
Capital campaign donations	-	50,100
Donations	3,010,293	2,832,323
Donations - deferred contributions (Note 8)	2,930,731	2,926,969
Government assistance	23,375	30,598
Rental income (Note 10)	9,047,216	8,834,147
	16,597,730	23,444,867
Fundraising activities (Note 9)		
Revenues	469,273	439,733
Expenditures	(235,653)	(266,653)
	233,620	173,080
Investment income		
Unrealized gain (loss) on marketable securities	130,753	(262,166)
Gain on disposal of marketable securities and foreign exchange	6,974	2,783
Interest and investment income	686,768	348,025
	824,495	88,642
	17,655,845	23,706,589
Expenditures		
Amortization of capital assets	3,709,789	3,779,412
Bank and interest charges	20,805	15,855
Donor development costs	523,451	390,081
Insurance	106,943	92,697
Professional fees	183,185	122,782
	4,544,173	4,400,827
Excess of revenues over expenditures from operations	13,111,672	19,305,762
Allocations to Shriners Hospital for Children (Québec) Inc. (note 10)	(19,550,056)	(18,448,700)
(Deficiency) excess of revenues over expenditures	(6,438,384)	857,062

The accompanying notes are an integral part of these financial statements.

SHRINERS HOSPITALS FOR CHILDREN
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2023

	2023 \$	2022 \$
Balance, beginning of year	36,863,369	36,006,307
(Deficiency) excess of revenues over expenditures	(6,438,384)	857,062
Balance, end of year	30,424,985	36,863,369

The accompanying notes are an integral part of these financial statements.

SHRINERS HOSPITALS FOR CHILDREN
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023

	2023 \$	2022 \$
Operating activities		
(Deficiency) excess of revenues over expenditures	(6,438,384)	857,062
Non-cash items:		
Amortization of capital assets	3,709,789	3,779,412
Gain on disposal of marketable securities	(6,974)	(2,783)
Unrealized (gain) loss on marketable securities	(130,753)	262,166
Donations in kind	(158,402)	(208,470)
Donations - deferred contributions	(2,930,731)	(2,926,969)
	(5,955,455)	1,760,418
Net change in non-cash items related to operating activities:		
Accounts receivable	(101,147)	12,643
Prepaid and deposits	(11,600)	(7,650)
Accounts payable and accrued liabilities	(43,388)	7,618
Deferred contributions	225,724	223,415
	(5,885,866)	1,996,444
Investing activities		
Acquisition of marketable securities	(10,771)	(124,500)
Net acquisition of capital assets	(1,349,955)	(493,373)
Net proceeds from disposal of marketable securities	5,175,619	4,856,391
	3,814,893	4,238,518
Financing activity		
Increase in loans receivable - related Organizations	(2,422,415)	(2,221,490)
(Decrease) increase in cash and cash equivalents	(4,493,388)	4,013,472
Cash and cash equivalents, beginning of year	8,483,829	4,470,357
Cash and cash equivalents, end of year	3,990,441	8,483,829

Cash and cash equivalents consist of cash.

The accompanying notes are an integral part of these financial statements.

SHRINERS HOSPITALS FOR CHILDREN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

I. Statutes of incorporation and nature of activities

Shriners Hospitals for Children is a federal not-for-profit organization whose mission is to maintain the assets and to generate funds that are allocated to the Shriners Hospitals for Children (Québec) Inc. or other not-for-profit organizations. The Foundation was incorporated on February 18, 1922 as a not-for-profit organization under Part II of the Canada Corporations Act, and since July 6, 2015 became regulated under the Canada Not-for-Profit Corporations act. The Foundation is a charitable organization within the meaning of the Income Tax Act and as such is exempt from income taxes.

2. Significant accounting policies

The Foundation applies the Canadian accounting standards for not-for-profit organizations.

Revenue recognition

The Foundation follows the deferral method of accounting for contributions.

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. Unrestricted contributions consist of bequests, donations, allocations from ^{24 (1)} and allocations from other foundations.

Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Restricted contributions consist of the Capital Campaign and ^{24 (1)} projects. Restricted contributions for the construction of the capital assets are deferred and recognized as revenue on the same basis as the amortization expenditure related to the capital assets.

Annual dues are recorded as revenue on an annual basis when received.

Golf tournament revenues are recognized in the year the event takes place and when collection is reasonably assured.

Investment income from equity investments is recognized as revenue when earned.

Rental income is recognized on a straight-line basis over the terms of the lease.

Cash and cash equivalents

The Foundation's policy is to disclose bank balances under cash and cash equivalents.

SHRINERS HOSPITALS FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

2. Significant accounting policies (continued)

Capital assets

Capital assets are accounted for at cost. Amortization is calculated on their respective estimated useful lives using the straight-line method over the following periods:

	Periods
Building	40 years
Equipment	10 years

Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

Contributed services

The Foundation receives services from volunteers. Due to the difficulty of determining the fair value of such contributed services, they are not recognized in these financial statements.

Foreign currency transactions

The Foundation uses the temporal method to translate its foreign currency transactions.

Monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date. Other assets and liabilities are translated at the exchange rate in effect at the transaction date. Items appearing in the current year's income statement, except for depreciation translated at historic rate, are translated at average year rates. Exchange gains and losses are included in the Statement of Operations.

**SHRINERS HOSPITALS FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

2. Significant accounting policies (continued)

Financial instruments

Arm's length financial instruments are recorded at fair value at initial recognition.

Related party financial instruments quoted in an active market or those with observable inputs significant to the determination of fair value or derivative contracts are recorded at fair value at initial recognition. All other related party financial instruments are recorded at cost at initial recognition.

In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any change in fair value reported in income. All other financial instruments are reported at cost or amortized cost less impairment. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.

Financial assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in the Statement of Operations.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the amounts recognized as revenues and expenditures for the periods covered. Actual results may differ from these estimates. The critical estimates relate to the provision for doubtful accounts, the impairment of financial assets, the useful lives of capital assets subject to amortization and the measurement of investment tax credits.

SHRINERS HOSPITALS FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

3. Marketable securities

	2023		2022	
	Cost	Fair market Value	Cost	Fair Market Value
	\$	\$	\$	\$
Equities	1,808,414	2,420,697	1,717,091	2,183,981
Mutual funds	4,446,677	4,476,951	9,579,349	9,582,386
	6,255,091	6,897,648	11,296,440	11,766,367

During the year, the Foundation received \$158,403 (2022, \$208,470) of investments that were donated as gifts in kind and recorded as bequests in the Statement of Operations. The contributions were measured based on the market value of the investments at the time the donations were made.

4. Accounts receivable

	2023	2022
	\$	\$
Donations receivable	339,841	341,804
Accrued interest	108,164	5,054
	448,005	346,858

5. Loans receivable - related Organizations

	2023	2022
	\$	\$
Loan receivable from ^{24 (1)}		
^{24 (1)}	12,090,168	8,835,781
Loan receivable from ^{24 (1)}	664,895	1,496,867
	12,755,063	10,332,648

^{24 (1)} is related by virtue of significant influence. The loan is non-interest bearing, unsecured and has no specific terms of repayment.

The loan receivable from ^{24 (1)} is non-interest bearing, unsecured and has no specific terms of repayment.

SHRINERS HOSPITALS FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
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6. Capital assets

	2023			2022
	Cost	Accumulated	Net	Net
	\$	amortization	book value	book value
		\$	\$	\$
Land	997,957	-	997,957	997,957
Building	116,152,019	24,206,053	91,945,966	95,067,912
Equipment	18,298,188	13,533,064	4,765,124	3,999,651
Construction in process	16,272	-	16,272	19,633
	135,464,436	37,739,117	97,725,319	100,085,153

7. Accounts payable and accrued liabilities

	2023	2022
	\$	\$
Accounts payable and accrued liabilities	133,248	230,959
Sales taxes	255,274	200,951
	388,522	431,910

8. Deferred contributions

Deferred contributions relate to funds restricted for the construction of the hospital and the purchase of equipment. The construction was completed in October 2015. Deferred contributions are amortized over the remaining useful life of the building and the equipment.

	2023	2022
	\$	\$
Balance, beginning of year	93,761,913	96,465,468
Less: Amount recognized as revenues during the year	(2,930,731)	(2,926,969)
Plus: Amounts deferred during the year	225,724	223,414
Balance, end of year	91,056,906	93,761,913

**SHRINERS HOSPITALS FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

9. Fundraising activities

	Revenue \$	Expenditures \$	2023 Net \$	2022 Net \$
Golf tournament	469,273	164,123	305,150	223,472
General fundraising expenditures	-	71,530	(71,530)	(50,392)
	469,273	235,653	233,620	173,080

10. Related party transactions

The following table summarizes the Foundation's related party transactions for the year:

	2023 \$	2022 \$
Allocations from ²⁴ (1)	334,384	93,251
Rental income from Shriners Hospital for Children (Québec) Inc.	9,047,216	8,834,147
Allocations paid to Shriners Hospital for Children (Québec) Inc.	(19,550,056)	(18,448,700)

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Receivables and payables were measured at cost, determined using their undiscounted cash flows. No differences resulted from these transactions.

11. Financial instruments

Financial risks

The significant risks arising from financial instruments to which the Foundation is exposed as at December 31, 2023 are detailed below. There have been no substantive changes in the Foundation's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Market risk

Market risk is the risk that the fair value or future cash flows of the Foundation's financial instruments will fluctuate because of changes in market prices. Some of the Foundation's financial instruments expose it to this risk, which comprises currency risk, interest rate risk and other price risk.

**SHRINERS HOSPITALS FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

11. Financial instruments (continued)

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Foundation is mainly exposed to other price risk through its investments in quoted shares and mutual funds for which the value fluctuates with the quoted market price.