

SHRINERS HOSPITALS FOR CHILDREN
FINANCIAL STATEMENTS
DECEMBER 31, 2022

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Tél./Tel: 514-875-2865
Télec./Fax : 514-866-0247
www.bdo.ca

BDO Canada s.r.l./S.E.N.C.R.L./LLP
Place du Canada
1010, rue De La Gauchetière Ouest, 3^e étage
Montreal QC H3B 2S1 Canada

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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, 2022, 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, 2022, 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 expenses, and cash flows from operations for the years ended December 31, 2022 and 2021, current assets as at December 31, 2022 and 2021, and net assets as at January 1 and December 31 for both the 2022 and 2021 years. Our audit opinion on the financial statements for the year ended December 31, 2021 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.

Other Matter

The financial statements of Shriners Hospitals for Children for the year ended December 31, 2021 were audited by the firm FL Fuller Landau LLP whose practice now operates under BDO Canada LLP and who expressed a qualified opinion on June 29, 2022.



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.

BDO Canada s.r.l./S.E.N.C.R.L./LLP

Montreal, June 29, 2023

**SHRINERS HOSPITALS FOR CHILDREN
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022**

	2022	2021
	\$	\$
ASSETS		
Current		
Cash	8,483,829	4,470,357
Marketable securities, at fair values (Note 3)	11,766,367	16,549,172
Accounts receivable (Note 4)	346,858	359,501
Loans receivable - related Organizations (Note 5)	10,332,648	8,111,158
Prepaid and deposits	42,337	34,687
Capital assets (Note 6)	30,972,039	29,524,875
	100,085,153	103,371,192
	131,057,192	132,896,067
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 7)	431,910	424,292
Deferred contributions (Note 8)	93,761,913	96,465,468
	94,193,823	96,889,760
NET ASSETS		
Unrestricted	36,863,369	36,006,307
	131,057,192	132,896,067

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, 2022

	2022	2021
	\$	\$
Contributions		
Allocations from Shriners Headquarters	93,251	190,943
Allocations from other foundations	437,840	-
Annual dues	46,258	49,895
Bequests	8,193,381	3,538,351
Capital campaign donations	50,100	143,967
Donations	2,832,323	2,495,824
Donations - deferred contributions	2,926,969	2,904,628
Government assistance	30,598	-
Rental income	8,834,147	8,194,941
	23,444,867	17,518,549
Fundraising activities (Note 9)		
Revenues	439,733	894,415
Expenses	(266,653)	(246,948)
	173,080	647,467
Investment income		
Unrealized (loss) gain on marketable securities	(262,166)	433,049
Gain (loss) on disposal of marketable securities and foreign exchange	2,783	(262)
Interest and investment income	348,025	102,958
	88,642	535,745
	23,706,589	18,701,761
Expenses		
Amortization of capital assets	3,779,412	3,736,789
Bank and interest charges	15,855	19,781
Donor development costs	390,081	453,432
Insurance	92,697	71,132
Professional fees	122,782	130,380
	4,400,827	4,411,514
Excess of revenues over expenses from operations	19,305,762	14,290,247
Allocations to Shriners Hospital for Children (Québec) Inc.	(18,448,700)	(17,730,132)
Excess (deficiency) of revenues over expenses	857,062	(3,439,885)

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, 2022

	2022	2021
	\$	\$
Balance, beginning of year	36,006,307	39,446,192
Excess (deficiency) of revenues over expenses	857,062	(3,439,885)
Balance, end of year	36,863,369	36,006,307

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

SHRINERS HOSPITALS FOR CHILDREN
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022

	2022	2021
	\$	\$
Operating activities		
Excess (deficiency) of revenues over expenses	857,062	(3,439,885)
Non-cash items:		
Amortization of capital assets	3,779,412	3,736,789
(Gain) loss on disposal of marketable securities	(2,783)	262
Unrealized loss (gain) on marketable securities	262,166	(433,049)
Donations in kind	(208,470)	(231,089)
Donations - deferred contributions	(2,926,969)	(2,904,628)
	1,760,418	(3,271,600)
Net change in non-cash items related to operating activities	236,026	189,835
Investing activities		
Acquisition of marketable securities	(124,500)	-
Net acquisition of capital assets	(493,373)	(1,209,883)
Net proceeds from disposal of marketable securities	4,856,391	4,007,527
	4,238,518	2,797,644
Financing activity		
(Decrease) increase in loans receivable - related Organizations	(2,221,490)	142,168
Increase (decrease) in cash and cash equivalents	4,013,472	(141,953)
Cash and cash equivalents, beginning of year	4,470,357	4,612,310
Cash and cash equivalents, end of year	8,483,829	4,470,357
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, 2022

1. 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 Shriners Headquarters and allocations from other foundations.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Restricted contributions consist of the Capital Campaign, Gaitlab, McGill Research Chair and Shriners Headquarter projects. Restricted contributions for the construction of the capital assets are deferred and recognized as revenue on the same basis as the amortization expense related to the capital assets.

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

Golf tournament revenues and Wonder Race 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
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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, 2022

2. Significant accounting policies (continued)

Financial instruments

Initial measurement

The Foundation initially measures its financial assets and liabilities originated or exchanged in arm's length transactions at fair value. Financial assets and liabilities originated and exchanged in related party transactions, except for those that involve parties whose sole relationship with the Foundation is in the capacity of management, are initially measured at cost.

The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms. The cost of a financial asset or liability in a related party transaction that has repayment terms is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor. When the financial instrument does not have repayment terms, its cost is determined using the consideration transferred or received by the Foundation in the transaction.

Subsequent measurement

The Foundation subsequently measures all its financial assets and liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value and investments in mutual funds for which the Foundation chose to designate to be measured at fair value. Changes in fair value are recognized in the Statement of Operations.

Financial assets and liabilities measured at amortized cost using the straight-line method include cash, accounts receivable, and accounts payable and accrued liabilities.

Loans receivable - related Organizations are recognized at cost.

Financial assets measured at fair value include marketable securities.

Impairment

For financial assets measured at cost or amortized cost, the Corporation determines whether there are indications of possible impairment. When there are, and the Foundation determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in the statement of operations. If the indicators of impairment have decreased or no longer exist, the previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may be no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of Operations.

SHRINERS HOSPITALS FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
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2. Significant accounting policies (continued)

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 expenses for the periods covered. Actual results may differ from these estimates. The critical estimates relate to the provision for doubtful accounts, the net realizable value of inventory, the measurement of work in progress, the impairment of financial assets, the useful lives of property, plant and equipment and intangible assets subject to amortization, the likelihood of realizing future income tax assets and the measurement of investment tax credits.

Government assistance

Government assistance in the form of subsidies are accrued when collection is reasonably assured and when there is also reasonable assurance that they will be realized. The subsidies are recorded in the Statement of Operations.

3. Marketable securities

	2022		2021	
	Cost	Fair market Value	Cost	Fair Market Value
	\$	\$	\$	\$
Equities	1,717,091	2,183,981	1,500,681	2,097,981
Mutual funds	9,579,349	9,582,386	14,409,552	14,451,191
	11,296,440	11,766,367	15,910,233	16,549,172

During the year, the Foundation received \$208,470 (2021, \$231,089) 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

	2022	2021
	\$	\$
Donations receivable	341,804	355,684
Accrued interest	5,054	3,817
	346,858	359,501

**SHRINERS HOSPITALS FOR CHILDREN
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5. Loans receivable - related Organizations

	2022	2021
	\$	\$
Loan receivable from Shriners Hospital for Children (Québec) Inc.	8,835,781	6,913,838
Loan receivable from Shriners Headquarters	1,496,867	1,197,320
	10,332,648	8,111,158

Shriners Hospital for Children (Québec) 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 Shriners Headquarters is non-interest bearing, unsecured and has no specific terms of repayment.

6. Capital assets

	2022		2021	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	997,957	-	997,957	997,957
Building	116,152,019	21,084,107	95,067,912	97,974,506
Equipment	16,944,872	12,945,221	3,999,651	4,374,751
Construction in process	19,633	-	19,633	23,978
	134,114,481	34,029,328	100,085,153	103,371,192

7. Accounts payable and accrued liabilities

	2022	2021
	\$	\$
Accounts payable and accrued liabilities	230,959	211,588
Sales taxes	200,951	212,704
	431,910	424,292

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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.

	2022	2021
	\$	\$
Balance, beginning of year	96,465,468	99,370,096
Less: Amount recognized as revenues during the year	(2,926,969)	(2,904,628)
Plus: Amounts deferred during the year	223,414	-
Balance, end of year	93,761,913	96,465,468

9. Fundraising activities

	Revenue	Expenses	2022 Net	2021 Net
	\$	\$	\$	\$
Golf tournament	439,733	216,261	223,472	622,915
Wonder race	-	-	-	79,975
General fundraising expenses	-	50,392	(50,392)	(55,423)
	439,733	266,653	173,080	647,467

10. Related party transactions

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

	2022	2021
	\$	\$
Allocations from Shriners Headquarters	93,252	190,942
Rental income from Shriners Hospital for Children (Québec) Inc.	8,834,147	8,194,941
Allocations paid to Shriners Hospital for Children (Québec) Inc.	(18,448,700)	(17,730,132)

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.

SHRINERS HOSPITALS FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
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11. Financial instruments

Financial risks

The significant risks arising from financial instruments to which the Foundation is exposed as at December 31, 2022 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.

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.