

Financial Statements of

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

And Independent Auditor's Report thereon

Year ended December 31, 2023



## **KPMG LLP**

Vaughan Metropolitan Centre  
100 New Park Place, Suite 1400  
Vaughan, ON L4K 0J3  
Canada  
Telephone 905 265 5900  
Fax 905 265 6390

# **INDEPENDENT AUDITOR'S 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, 2023
- 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, 2023, 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's 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.

## ***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 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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- 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 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 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.

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, Licensed Public Accountants

Vaughan, Canada

June 11, 2024

# CANADA'S CHILDREN'S HOSPITAL FOUNDATIONS

## Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (notes 2 and 3)	\$ 7,850,513	\$ 6,966,721
Contributions receivable (note 3)	11,939,409	9,987,960
Interest and other receivables	49,859	31,513
Due from Children's Miracle Network Hospitals (note 4)	605,743	650,377
Prepaid expenses	47,816	34,855
	<u>20,493,340</u>	<u>17,671,426</u>
Capital assets (note 5)	21,163	30,708
Intangible assets (note 6)	114,415	198,981
	<u>\$ 20,628,918</u>	<u>\$ 17,901,115</u>

## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (notes 4 and 7)	\$ 664,685	\$ 685,880
Deferred membership fees	1,032,745	961,592
Member escrows (note 3)	16,881,358	15,184,989
	<u>18,578,788</u>	<u>16,832,461</u>
Net assets:		
Unrestricted	—	183,297
Invested in capital and intangible assets	135,578	229,689
Internally restricted (note 8)	1,914,552	655,668
	<u>2,050,130</u>	<u>1,068,654</u>
Commitments (note 9)		
	<u>\$ 20,628,918</u>	<u>\$ 17,901,115</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, 2023, with comparative information for 2022

	2023	2022
Revenue:		
Membership fees	\$ 5,652,803	\$ 4,917,801
Activation and sponsorship	431,000	481,089
Other income	109,844	53,292
Investment income	60,851	9,502
	<u>6,254,498</u>	<u>5,461,684</u>
Expenses:		
Salaries and benefits (note 11)	3,003,058	3,433,838
Licensing fees (note 4)	722,938	693,561
Marketing	478,347	861,421
Office and general administration	466,881	375,959
Event costs	267,595	105,720
Professional fees (note 4)	168,557	288,106
Amortization of intangible assets	84,566	84,567
Donation fees	66,140	93,772
Amortization of capital assets	14,940	16,413
	<u>5,273,022</u>	<u>5,953,357</u>
Excess (deficiency) of revenue over expenses	<u>\$ 981,476</u>	<u>\$ (491,673)</u>

See accompanying notes to financial statement

# CANADA'S CHILDREN'S HOSPITAL FOUNDATIONS

## Statement of Changes in Net Assets

Year ended December 31, 2023, with comparative information for 2022

				2023	2022
	Unrestricted	Invested in capital and intangible assets	Internally restricted (note 8)	Total	Total
Balance, beginning of year	\$ 183,297	\$ 229,689	\$ 655,668	\$ 1,068,654	\$ 1,560,327
Excess (deficiency) of revenue over expenses	1,080,982	(99,506)	–	981,476	(491,673)
Invested in capital assets	(5,395)	5,395	–	–	–
Interfund transfers (note 8)	(1,258,884)	–	1,258,884	–	–
<b>Balance, end of year</b>	<b>\$ –</b>	<b>\$ 135,578</b>	<b>\$ 1,914,552</b>	<b>\$ 2,050,130</b>	<b>\$ 1,068,654</b>

See accompanying notes to financial statements.

# CANADA'S CHILDREN'S HOSPITAL FOUNDATIONS

## Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ 981,476	\$ (491,673)
Items not involving cash:		
Amortization of intangible assets	84,566	84,567
Amortization of capital assets	14,940	16,413
Change in non-cash operating working capital:		
Contributions receivable	(1,951,449)	(705,752)
Interest and other receivable	(18,346)	19,582
Due from Children's Miracle Network Hospitals	44,634	53,072
Prepaid expenses	(12,961)	136,194
Accounts payable and accrued liabilities	(21,195)	381,135
Deferred membership fees	71,153	265,079
Member escrows	1,696,369	1,926,191
	<u>889,187</u>	<u>1,684,808</u>
Investing activities:		
Capital assets additions	(5,395)	(25,946)
Net sale of short-term investment	–	950,850
	<u>(5,395)</u>	<u>924,904</u>
Increase cash and cash equivalents	883,792	2,609,712
Cash and cash equivalents, beginning of year	6,966,721	4,357,009
<u>Cash and cash equivalents, end of year</u>	<u>\$ 7,850,513</u>	<u>\$ 6,966,721</u>

See accompanying notes to financial statements.



# CANADA'S CHILDREN'S HOSPITAL FOUNDATIONS

Notes to Financial Statements

Year ended December 31, 2023

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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"). The Board of Directors (the "Board") of the Organization includes certain 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 3) 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 unrestricted guaranteed investment certificates and is recognized with the passage of time as the income is earned. Investment income earned on restricted guaranteed investment certificates is recognized as member escrows payable.

# CANADA'S CHILDREN'S HOSPITAL FOUNDATIONS

Notes to Financial Statements (continued)

Year ended December 31, 2023

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## 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 nil were recorded as revenue (2022 - nil).

### (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. Repair 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 Organization'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:

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Computers	3 years
Furniture and fixtures	5 years

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# CANADA'S CHILDREN'S HOSPITAL FOUNDATIONS

Notes to Financial Statements (continued)

Year ended December 31, 2023

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## 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:

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Computer software	5 years
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Intangible assets are subject to amortization and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Intangible assets acquired during the year but not placed into use are not amortized until they are placed into service.

### (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.

# CANADA'S CHILDREN'S HOSPITAL FOUNDATIONS

Notes to Financial Statements (continued)

Year ended December 31, 2023

## 1. Significant accounting policies (continued):

### (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 have been translated using exchange rates prevailing on the transaction date.

### (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:

Cash and cash equivalents consist of cash on hand and balances with banks in the amount of \$7,202,992 (2022 - \$6,309,684) and a guaranteed investment certificate in the amount of \$647,521 (2022 - \$657,037) with a maturity date of March 4, 2024 and an interest rate of 5.86% (2022 - maturity date of February 27, 2023 and interest of 4.7%). Cash and cash equivalents includes \$4,307,876 (2022 - \$4,530,587) in cash restricted for member escrows payable (note 3) and \$1,914,552 (2022 - \$655,668) in cash restricted for the working capital, strategic and stabilization reserves (note 8).

## 3. Member escrows:

Member escrows represents contributions received or receivable from Partners as at year end, pertaining to fiscal 2023 activities, payable to Members as at year end. As at year end, the amounts payable to Members were funded as follows:

	2023	2022
Cash and cash equivalents	\$ 4,307,876	\$ 4,530,587
Contributions receivable	11,939,409	9,987,960
Due from Children's Miracle Network Hospitals (note 4)	634,073	666,442
Balance, end of year	\$ 16,881,358	\$ 15,184,989

# CANADA'S CHILDREN'S HOSPITAL FOUNDATIONS

Notes to Financial Statements (continued)

Year ended December 31, 2023

### 3. Member escrows (continued):

Contributions receivable in the amount of \$11,939,409 (2022 - \$9,987,960) and due from Children's Miracle Network Hospitals ("CMNH") in the amount of \$634,073 (2022 - \$666,442) were received subsequent to year end. Cash and cash equivalents of \$4,307,876 (2022 - \$4,530,587) includes \$17,207 (2022 - \$1,008) interest income which is payable to Members.

The Organization disbursed \$42,146,946 (2022 - \$45,111,206) to Members in relation to 2023 activities, which includes the year end balance of member escrows payable in the amount of \$16,881,358 (2022 - \$15,184,989).

### 4. Children's miracle network hospitals:

In 2017, the Organization entered into a Master Agreement (the "Agreement") with CMNH, whereby CCHF is required to pay an annual licensing fee to CMNH. License fees for the year ended December 31, 2023 amounted to \$538,642 U.S. Dollars (2022 - \$530,682). An annual increase to the license fees of 1.5% commenced on January 1, 2019 and is applied until the end of the term of the Agreement on June 30, 2024. 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. In 2023 and 2022 these metrics were not met. CCHF and CMNH 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. Dollar. The payment will be adjusted by an amount equal to 50% of the amount attributable to such variance over the base of 10%. The fees were not adjusted in the current year due to changes in the foreign exchange.

	2023	2022
Due from CMNH	\$ 634,073	\$ 666,442
Due to CMNH	(28,330)	(16,065)
Balance, end of year	\$ 605,743	\$ 650,377

Due from CMNH is comprised of contribution payments from Partners, made to CMNH and receivable by the Organization.

Included in accounts payable and accrued liabilities is \$180,148 (2022 - nil) payable to CMNH in relation to the annual licensing fees.

Included in professional fees is \$22,202 (2022 - \$20,027) for consulting services provided by CMNH.

# CANADA'S CHILDREN'S HOSPITAL FOUNDATIONS

Notes to Financial Statements (continued)

Year ended December 31, 2023

## 5. Capital assets:

			2023	2022
	Cost	Accumulated amortization	Net book value	Net book value
Computers	\$ 72,376	\$ 52,038	\$ 20,338	\$ 28,647
Furniture and fixtures	6,185	5,360	825	2,061
	<u>\$ 78,561</u>	<u>\$ 57,398</u>	<u>\$ 21,163</u>	<u>\$ 30,708</u>

## 6. Intangible assets:

			2023	2022
	Cost	Accumulated amortization	Net book value	Net book value
Computer software	\$ 422,833	\$ 308,418	\$ 114,415	\$ 198,981

## 7. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$81,231 (2022 - \$62,207) which includes amounts payable for harmonized sales tax and payroll related taxes.

## 8. Internally restricted net assets:

Internally restricted net assets represent amounts that have been designated by the Board for specific initiatives. The amount of internally restricted net assets balance is set in proportion to risk and economic conditions to ensure CCHF's mission and strategic plans are accomplished. Internally restricted net assets are not available for use by CCHF for any purpose other than those outlined below, without prior approval by the Board.

	2023	2022
Working capital reserve (a)	\$ 664,552	\$ 655,668
Strategic reserve (b)	800,000	-
Stabilization reserve (c)	450,000	-
	<u>\$ 1,914,552</u>	<u>\$ 655,668</u>

# CANADA'S CHILDREN'S HOSPITAL FOUNDATIONS

Notes to Financial Statements (continued)

Year ended December 31, 2023

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## 8. Internally restricted net assets (continued):

### (a) Working capital reserve:

In 2023, the Board renamed the internally restricted reserve to working capital reserve. The purpose of the working capital reserve is to address short-term liquidity needs and to provide CCHF with the assurance that funds are available when needed due to timing of cashflows. The minimum target is one month of operating expenses and is striving for two months maximum level. The Board allocates funds at the end of each fiscal year based on the available surplus.

In 2023, the Board approved the transfer of \$8,884 (2022 - nil) from unrestricted net assets to the working capital reserve.

### (b) Strategic reserve:

In 2017, the Board established the strategic reserve to address both its short and long-term needs oriented towards growth consistent with strategic objectives. The purpose of the strategic reserve is to provide CCHF with the assurance that funds are available when needed for new initiatives and pilot projects. The Board allocates funds at the end of each fiscal year based on the available surplus.

In 2023, the Board approved the transfer of \$800,000 (2022 - nil) from unrestricted net assets to the strategic reserve.

### (c) Stabilization reserve:

In 2023, the Board established the stabilization reserve to address emergencies and contingencies arising from risk assessment. The purpose of the stabilization reserve is to provide CCHF with the assurance that funds are available when needed due to unforeseen one-time emergencies and contingencies as well as rightsizing initiatives. The Board allocates funds at the end of each fiscal year based on the available surplus.

In 2023, the Board approved the transfer of \$450,000 (2022 - nil) from unrestricted net assets to the stabilization reserve.

# CANADA'S CHILDREN'S HOSPITAL FOUNDATIONS

Notes to Financial Statements (continued)

Year ended December 31, 2023

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## 9. Commitments:

CCHF is committed under an operating lease for premises which expire on December 31, 2024, unless extended at the option of CCHF. The future minimum lease payments are due follows:

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2024	\$ 139,440
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## 10. Financial risks:

Risk management relates to the understanding and active management of risks associated with all areas of the Organization and the associated operating environment. 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.

There have been no changes to the risk exposures from 2022.

## 11. One-time benefits:

Included in salaries and benefits are one-time benefits of \$161,719 (2022 - \$243,448).