

Financial Statements of

**STARLIGHT CHILDREN'S
FOUNDATION CANADA**

**FONDATION POUR L'ENFANCE
STARLIGHT CANADA**

Year ended December 31, 2023

STARLIGHT CHILDREN'S FOUNDATION CANADA FONDATION POUR L'ENFANCE STARLIGHT CANADA

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KPMG LLP

Tour KPMG
600 de Maisonneuve Blvd West, Suite 1500
Montréal, QC H3A 0A3
Canada
Telephone 514 840 2100
Fax 514 840 2187

INDEPENDENT AUDITOR'S REPORT

To the Directors of Starlight Children's Foundation Canada / Fondation pour l'enfance Starlight Canada

Qualified Opinion

We have audited the financial statements of Starlight Children Foundation Canada / Fondation pour l'enfance Starlight (the "Foundation"), which comprise:

- the statement of financial position as at December 31, 2023
- the statement of changes in net assets for the year then ended
- the statement of operations 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, except for the possible effects of the matter described in the "**Basis for Qualified Opinion**" section of our auditor's report, the accompanying financial statements, present fairly, in all material respects, the financial position of the Foundation 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 Qualified Opinion

In common with many non-for-profit organizations, the Foundation derives revenues from donations and fundraising events, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, 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:

- the current assets reported in the statements of financial position as at December 31, 2023 and 2022



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- donations and fundraising events revenues and excess of revenues over expenses reported in the statements of operations for the years ended December 31, 2023 and 2022
- The unrestricted net assets, at the beginning and end of the year, reported in the statements of changes in net assets for the years ended December 31, 2023 and 2022
- The excess of revenues over expenses reported in the statement of cash flows for the years ended December 31, 2023 and 2022,

Our opinion on the financial statements for the year ended December 31, 2022 was qualified 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 auditor's 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 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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.



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- 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.

*KPMG LLP**

Montréal, Canada

May 30, 2024

STARLIGHT CHILDREN'S FOUNDATION CANADA FONDATION POUR L'ENFANCE STARLIGHT CANADA

Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
Assets		
Current assets:		
Cash	\$ 717,738	\$ 1,310,228
Short-term investments (note 2)	801,779	437,456
Pledges and sundry receivables (note 3)	267,950	469,180
Materials to be distributed	845,616	208,513
Prepaid expenses	100,147	149,762
	2,733,230	2,575,139
Long-term investments (note 2)	199,520	–
Property and equipment (note 4)	3,574,002	3,421,226
	\$ 6,506,752	\$ 5,996,365

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 374,019	\$ 394,417
Deferred revenue and contributions (note 5)	825,447	144,869
Current portion of long-term debt (note 6)	198,517	195,772
	1,397,983	735,058
Long-term debt (note 6)	2,034,390	2,233,173
Deferred capital contributions (note 7)	21,504	26,880
	3,453,877	2,995,111
Net assets:		
Unrestricted	3,052,875	3,001,254
Commitments (note 8)		
	\$ 6,506,752	\$ 5,996,365

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

STARLIGHT CHILDREN'S FOUNDATION CANADA FONDATION POUR L'ENFANCE STARLIGHT CANADA

Statement of Changes in Net Assets

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

	2023	2022
Balance, beginning of year	\$ 3,001,254	\$ 2,933,965
Excess of revenues over expenses	51,621	67,289
Balance, end of year	\$ 3,052,875	\$ 3,001,254

See accompanying notes to financial statements.

STARLIGHT CHILDREN'S FOUNDATION CANADA FONDATION POUR L'ENFANCE STARLIGHT CANADA

Statement of Operations

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

	2023	2022
Revenues:		
Fundraising events	\$ 3,125,725	\$ 2,070,671
Donations	3,689,489	6,072,289
In-kind donations (including amortization of deferred capital contributions of \$5,376 (2022 - \$6,720))	3,424,710	1,829,008
Investment income	67,253	27,893
	<u>10,307,177</u>	<u>9,999,861</u>
Expenses (note 9):		
Program (including amortization of property and equipment of \$200,306 (2022 - \$156,678) and loss on disposal of property and equipment of \$12,955 (2022 - \$2,688))	8,406,438	8,655,669
Fundraising	1,569,014	962,272
General and administrative (including amortization of property and equipment of \$12,033 (2022 - \$17,670))	280,104	314,631
	<u>10,255,556</u>	<u>9,932,572</u>
Excess of revenues over expenses	\$ 51,621	\$ 67,289

See accompanying notes to financial statements.

STARLIGHT CHILDREN'S FOUNDATION CANADA

FONDATION POUR L'ENFANCE STARLIGHT

CANADA

Statement of Cash Flows

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

	2023	2022
Cash provided by (used in):		
Operating:		
Excess of revenues over expenses	\$ 51,621	\$ 67,289
Amortization of property and equipment	212,339	174,348
Amortization of deferred contributions	(5,376)	(6,720)
Loss on disposal of property and equipment	12,955	2,688
Unrealized gain on investments	(12,798)	(6,503)
	258,741	231,102
Net change in non-cash operating working capital items (note 11)	273,922	(330,521)
	532,663	(99,419)
Financing:		
Repayment of long-term debt	(196,038)	(234,201)
Investing:		
Acquisition of property and equipment	(381,515)	(241,050)
Proceeds from disposal of property and equipment	3,445	119,961
Increase in investments, net	(551,045)	(293,010)
	(929,115)	(414,099)
Net decrease in cash	(592,490)	(747,719)
Cash, beginning of year	1,310,228	2,057,947
Cash, end of year	\$ 717,738	\$ 1,310,228
Supplemental information related to cash flows:		
Acquisition of property and equipment through long-term debt financing	\$ -	\$ 380,001
Donations in kind included in materials to be distributed	804,266	88,457

See accompanying notes to financial statements.

STARLIGHT CHILDREN'S FOUNDATION CANADA FONDATION POUR L'ENFANCE STARLIGHT CANADA

Notes to Financial Statements

Year ended December 31, 2023

The Foundation was incorporated under the *Canada Not-for-profit Corporations Act* and is a registered charity under the *Income Tax Act*. The Foundation enhances the lives of critically, chronically and seriously ill children and their families through wish granting and other entertainment-related activities.

1. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

The Foundation also applies the Canadian standards for private enterprises to the extent that these standards address topics not addressed in Canadian accounting standards for not-for-profit organizations.

These financial statements include:

(a) Use of estimates:

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(b) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, bank balances less outstanding cheques and investments with a maturity period of three months or less when purchased.

(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, including donations, are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Revenues from fundraising events are recognized in the period when the event occurred.

Donations mostly originate from individuals and corporations.

STARLIGHT CHILDREN'S FOUNDATION CANADA FONDATION POUR L'ENFANCE STARLIGHT CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(d) Pledges receivable:

Because of the uncertainty surrounding the collectability of pledges, the Foundation recognizes only those pledges for which amounts have been received at the date of completion of the financial statements.

(e) Contributed materials:

The Foundation obtains equipment, airline tickets, donated toys and other gifts free of charge from various contributors. These materials would normally have to be purchased from regular suppliers. They are recorded at the estimated fair value at the time of the donation.

The fair value of these materials for the period is estimated at \$4,228,976 (2022 - \$1,917,465). They have been recorded as follows:

- \$804,266 (2022 - \$88,457) have been recorded both as contributed materials to be distributed and deferred contributions in the statement of financial position. They will be recorded both as revenue and expenses in the statement of operations when the Foundation distributes the related assets.
- \$3,424,710 (2022 - \$1,829,008) have been recorded both as revenues and expenses in the statement of operations.

Contributed materials to be distributed at year-end include donated toys and games collected for distribution through the Foundation's programs. The Foundation reviews the carrying value of its contributed materials to be distributed for possible impairment whenever events or circumstances indicate that the fair value may have declined since it was originally acquired. An impairment loss is recognized when the fair value (current replacement cost) is lower than the carrying amount, in which case a write-down is recorded to reduce the related asset to its estimated current replacement cost. No impairment losses were recognized during the period ended December 31, 2023 (2022 - nil). Contributed materials in property and equipment are amortized on the same basis as useful life of the related assets.

STARLIGHT CHILDREN'S FOUNDATION CANADA

FONDATION POUR L'ENFANCE STARLIGHT CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(f) Allocation of expenses:

Certain general operating expenses of the Foundation are allocated between three functions: program, fundraising and administration. The allocation is used consistently from year to year. These general operating expenses are allocated on the following basis:

- (i) Wages and benefits are allocated based on the percentage of time that each employee is directly involved in a function.
- (ii) Occupancy costs, insurance and office expenses are allocated based on the proportion of square footage.

(g) Property and equipment:

Property and equipment are accounted for at cost. Amortization is calculated using the following methods, rates and period:

Asset	Method	Rates/period
Building	Declining balance method	5%
Furniture and equipment	Declining balance method	30%
Computer	Declining balance method	30%
Vehicles	Declining balance method	20%
Boats	Straight-line method	9 years

(h) Long-lived assets:

When the long-lived assets, which comprise property and equipment, no longer have any long-term service potential to the Foundation, the excess of their net carrying amount over any residual value is recognized as an expense in the statement of revenues and expenses. A write-down should not be subsequently reversed.

(i) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. The Foundation has elected to measure investments at fair value, based on year-end quoted market prices. Unrealized gain or loss on these investments are recognized in the period incurred in investment income in the statement of operations.

STARLIGHT CHILDREN'S FOUNDATION CANADA FONDATION POUR L'ENFANCE STARLIGHT CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(i) Financial instruments (continued):

Short-term investments include investments with an initial maturity date of less than 12 months and portfolio investments in public company shares to be held on a short-term basis.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

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, the Foundation 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 the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

2. Investments:

	2023	2022
Guaranteed investment certificates	\$ 755,101	\$ 369,608
High interest monetary funds	175,808	-
Public company shares	70,390	67,848
	1,001,299	437,456
Short-term investments	(801,779)	(437,456)
Long-term investments	\$ 199,520	\$ -

The guaranteed investment certificates bear interest at rates ranging from 4.74% to 5.67% (2022 - 0.25% to 2.00%) per annum and mature at dates ranging from January 26, 2024 to June 7, 2028 (2022 - January 26, 2023 to April 14, 2023).

STARLIGHT CHILDREN'S FOUNDATION CANADA FONDATION POUR L'ENFANCE STARLIGHT CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2023

2. Investments (continued):

The high interest monetary fund bears interest at 5.14% (2022 - nil).

3. Pledges and sundry receivables:

	2023	2022
Pledges receivable	\$ 115,546	\$ 178,112
Government remittances receivable	133,201	272,862
Sundry receivables	19,203	18,206
	\$ 267,950	\$ 469,180

4. Property and equipment:

	2023		2022	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 1,853,398	\$ –	\$ 1,853,398	\$ 1,853,398
Building	869,711	163,867	705,844	688,831
Furniture and equipment	44,830	13,327	31,503	12,357
Computer	123,447	94,405	29,042	28,874
Vehicles:				
Automobiles	388,050	112,362	275,688	139,802
UTVs	240,427	65,287	175,140	116,404
Boats:				
Pontoons	581,552	168,165	413,387	476,560
Hovercrafts	135,000	45,000	90,000	105,000
	\$ 4,236,415	\$ 662,413	\$ 3,574,002	\$ 3,421,226

As part of its programs, the Foundation offers adapted Utility Terrain Vehicles (UTVs), pontoons and hovercraft rides.

STARLIGHT CHILDREN'S FOUNDATION CANADA FONDATION POUR L'ENFANCE STARLIGHT CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2023

5. Deferred revenue and contributions:

Deferred revenue represents amounts received that relate to fundraising activities that will occur in the following year, and deferred contributions relate to contributed materials which will be distributed in the subsequent period. Changes in deferred revenue and contributions are as follows:

	2023	2022
Balance, beginning of year	\$ 144,869	\$ 392,435
Recognized as donations during the year	(98,564)	(188,705)
Received in the year, relating to subsequent years	34,544	45,386
Contributed materials received during the year to be distributed	744,598	71,000
Written off during the year	-	(175,247)
Balance, end of year	\$ 825,447	\$ 144,869

6. Long-term debt:

	2023	2022
Mortgage payable bearing interest at 3.99% per annum, repayable in monthly capital instalments of \$10,229 plus interest, amortized over 20 years, matures on August 26, 2024, secured by an immovable hypothec on the land and the building in the amount of \$2,455,000. During the year, interest on the long-term debt amounted to approximately \$80,000 (2022 - \$84,000). ⁽ⁱⁱ⁾	\$ 1,923,083	\$ 2,045,833
Term loan bearing interest at 3.74%, repayable in monthly capital instalments of \$979 plus interest with a final payment of \$71,500 due on September 26, 2025, secured by a movable hypothec on all property in the amount of \$200,000. During the year, interest on the long-term debt amounted to approximately \$3,400 (2022 - \$4,100). ^{(i) (ii)}	91,062	102,812
Balance carried forward	2,014,145	2,148,645

STARLIGHT CHILDREN'S FOUNDATION CANADA FONDATION POUR L'ENFANCE STARLIGHT CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2023

6. Long-term debt (continued):

	2023	2022
Balance brought forward	\$ 2,014,145	\$ 2,148,645
Financing loan bearing interest at 4.39%, repayable in monthly capital and interest instalments of \$6,029, which matures on April 28, 2027, secured by a pontoon with a net book value of \$306,112 as at December 31, 2023. During the year, interest on the long-term debt amounted to approximately \$11,000 (2022 - \$10,000). ⁽ⁱ⁾	218,762	280,300
	2,232,907	2,428,945
Current portion of the long-term debt	198,517	195,772
	\$ 2,034,390	\$ 2,233,173

(i) As part of one of its programs, the Foundation offers adapted boating to its families. The term loan is used to finance the boat that the Foundation uses to carry out this activity.

(ii) Under the terms of both loans, the Foundation is required to comply with one financial covenant. As at December 31, 2023, the Foundation was in compliance with this financial covenant. Subsequent to year-end, the Foundation started the renegotiation of the renewal of its mortgage with its lender and obtained a confirmation from them that a renewal, for at least a 12-month term, will occur in September 2024.

The Foundation's banking facility makes available business credit cards for an aggregate available credit in the amount of \$200,000 (2022 - \$200,000), repayable on demand and bearing interest at 19.15% per annum. The Foundation signed a movable hypothec on its investments as security for the facility.

Principal payments due over the next five years and thereafter are as follows, assuming the renewal of the debt with the same terms:

2024	\$ 198,517
2025	268,967
2026	192,630
2027	140,710
2028 and thereafter	1,432,083

STARLIGHT CHILDREN'S FOUNDATION CANADA FONDATION POUR L'ENFANCE STARLIGHT CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2023

7. Deferred capital contributions:

Deferred capital contributions related to property and equipment represent the unamortized amount of in-kind donations of property and equipment. The amortization of capital contributions is recorded as revenue in the statement of operations.

Changes in deferred contributions are as follows:

	2023	2022
Balance, beginning of year	\$ 26,880	\$ 33,600
Recognized as revenue in the year	(5,376)	(6,720)
Balance, end of year	\$ 21,504	\$ 26,880

8. Commitments:

The commitment of the Foundation for the premise lease agreement (exclusive of other occupancy charges) and other contractual program obligations will aggregate approximately \$218,000:

2024	\$ 60,000
2025	62,000
2026	64,000
2027	32,000

9. Allocation of expenses:

The general operating expenses are allocated approximately as follows:

	Wages and benefits		Insurance		Occupancy and office	
	2023	2022	2023	2022	2023	2022
Program	\$1,421,000	\$1,290,000	\$ 65,000	\$ 54,000	\$ 572,000	\$ 445,000
Fundraising	273,000	292,000	6,000	6,000	56,000	55,000
General and administrative	175,000	200,000	4,000	3,000	34,000	31,000

STARLIGHT CHILDREN'S FOUNDATION CANADA FONDATION POUR L'ENFANCE STARLIGHT CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2023

10. Financial instruments:

The significant risks arising from financial instruments to which the Foundation is exposed as at December 31, 2023 are detailed below. There has been no change to the risk exposures from 2022.

(a) Interest rate risk:

The Foundation is exposed to interest rate risk on its fixed interest and variable-interest financial instruments. Fixed-interest instruments subject the Foundation to a fair value risk while the variable-interest instruments subject it to a cash flow risk.

(b) Credit risk:

Credit risk refers to the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Foundation is exposed to credit risk with regard to uncertainty as to timing and collectability of pledges and sundry receivables. The uncertainty associated with pledges due more than a year from the year-end date precludes their recognition until collection. Historically, the Foundation collects virtually all of its pledges receivable.

(c) Liquidity risk:

Liquidity risk refers to the risk the Foundation will have difficulty to raise the funds required to have sufficient liquid financial resources to fulfill its mission, to meet its obligations associated with financial liabilities and continue operating despite adverse events with financial consequences. This need for sufficient liquidity is considered in the preparation of the annual budget, in the monitoring of cash flows and in the comparison of actual operating results with budget. As at December 31, 2023, the Foundation has met its objective of having significant liquidity to meet its current obligations.

STARLIGHT CHILDREN'S FOUNDATION CANADA FONDATION POUR L'ENFANCE STARLIGHT CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2023

11. Supplemental cash flow information:

	2023	2022
Net change in non-cash operating working capital items:		
Pledges and sundry receivables	\$ 201,230	\$ (62,217)
Materials to be distributed	167,163	(32,155)
Prepaid expenses	49,615	19,273
Accounts payable and accrued liabilities	(20,398)	(96,313)
Deferred revenue and contributions	(123,688)	(159,109)
	\$ 273,922	\$ (330,521)