The Sunshine Foundation of Canada

[operating as Shine Foundation]

Financial statements

December 31, 2023

Building a better working world

Independent auditor's report

To the Board of Directors of
The Sunshine Foundation of Canada

Qualified opinion

We have audited the financial statements of **The Sunshine Foundation of Canada** [operating as Shine Foundation] [the "Foundation"], which comprise the statement of financial position as at December 31, 2023, and the statement of operations and changes in fund balances and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, 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 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

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In common with many charitable organizations, the Foundation derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Foundation, and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenditures for the year, and cash and fund balances, end of year.

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.

Ernst & Young LLP

London, Canada
March 26, 2024

Chartered Professional Accountants
Licensed Public Accountants

The Sunshine Foundation of Canada
[operating as Shine Foundation]

Statement of financial position

As at December 31

	2023	2022
	$	$
Assets		
Current		
Cash	**519,921**	886,579
Investments *[note 3]*	**316,183**	805,000
Accounts receivable *[note 4]*	**78,444**	124,700
Prepaid expenses	**36,930**	43,471
Total current assets	**951,478**	1,859,750
Investments *[note 3]*	**3,029,809**	2,946,205
Capital assets, net *[note 5]*	**27,483**	32,261
	4,008,770	4,838,216
Liabilities and fund balances		
Current		
Accounts payable and accrued liabilities	**37,166**	39,052
Total current liabilities	**37,166**	39,052
Lease commitments *[note 7]*		
Fund balances *[note 6]*		
Operating Fund	**1,053,451**	1,946,868
Endowment Fund	**2,918,153**	2,852,296
Total fund balances	**3,971,604**	4,799,164
	4,008,770	4,838,216

See accompanying notes

Approved by the Board:

Director

Director

The Sunshine Foundation of Canada
[operating as Shine Foundation]

Statement of operations and changes in fund balances

Year ended December 31

	2023			2022		
	Operating Fund	**Endowment Fund**	**Total**	**Operating Fund**	**Endowment Fund**	**Total**
	$	$	$	$	$	$
Revenue						
Donations *[note 8]*	**1,266,843**	**—**	**1,266,843**	1,399,833	—	1,399,833
Investment income (loss), net *[note 3]*	**38,245**	**202,118**	**240,363**	11,861	(311,292)	(299,431)
	1,305,088	**202,118**	**1,507,206**	1,411,694	(311,292)	1,100,402
Expenditures						
Fundraising expenses *[note 9]*	**958,008**	**—**	**958,008**	683,235	—	683,235
Programs *[note 9]*	**1,213,562**	**—**	**1,213,562**	1,049,776	—	1,049,776
Administration *[note 9]*	**163,196**	**—**	**163,196**	149,149	—	149,149
	2,334,766	**—**	**2,334,766**	1,882,160	—	1,882,160
Excess (deficiency) of revenue over expenditures for the year	**(1,029,678)**	**202,118**	**(827,560)**	(470,466)	(311,292)	(781,758)
Fund balances, beginning of year	**1,946,868**	**2,852,296**	**4,799,164**	2,286,087	3,294,835	5,580,922
Inter-fund transfer *[note 6]*	**136,261**	**(136,261)**	**—**	131,247	(131,247)	—
Fund balances, end of year	**1,053,451**	**2,918,153**	**3,971,604**	1,946,868	2,852,296	4,799,164

See accompanying notes

The Sunshine Foundation of Canada

[operating as Shine Foundation]

Statement of cash flows

Year ended December 31

	2023	2022
	$	$
Operating activities		
Deficiency of revenue over expenditures for the year	**(827,560)**	(781,758)
Add (deduct) items not involving cash		
Amortization of capital assets	**15,661**	16,639
Loss on disposal of capital assets	**—**	7,185
Unrealized loss (gain) on investments, net	**(77,986)**	438,725
Foreign exchange	**(1,589)**	—
Gain on sale of investments	**(46,207)**	(74,537)
	(937,681)	(393,746)
Net change in non-cash working capital balances related to operations *[note 10]*	**50,911**	19,601
Cash used in operating activities	**(886,770)**	(374,145)
Investing activities		
Purchase of capital assets	**(10,883)**	(15,058)
Purchase of investments	**(275,555)**	(374,007)
Proceeds from sale of investments	**317,733**	435,357
Purchase of guaranteed investment certificates	**(316,183)**	(805,000)
Proceeds on disposal of guaranteed investment certificates	**805,000**	—
Cash provided by (used in) investing activities	**520,112**	(758,708)
Net decrease in cash during the year	**(366,658)**	(1,132,853)
Cash, beginning of year	**886,579**	2,019,432
Cash, end of year	**519,921**	886,579

See accompanying notes

Notes to financial statements

December 31, 2023

1. Nature of operations

The Sunshine Foundation of Canada [operating as Shine Foundation] [the "Foundation"] provides life changing experiences to young people living with severe physical disabilities.

The Foundation is incorporated under the *Canada Corporations Act* as a not-for-profit organization and has been continued under the *Canada Not-for-Profit Corporations Act*. It is a registered charity under the *Income Tax Act* (Canada). As such, the Foundation is exempt from income taxes and is allowed to issue donation receipts for income tax purposes.

2. Summary of significant accounting policies

These financial statements are prepared in accordance with Part III of the *CPA Canada Handbook – Accounting*, "Accounting Standards for Not-for-Profit Organizations", which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies summarized below.

Fund accounting

In order to ensure compliance with limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of "fund accounting." Under these principles, resources are classified for accounting and reporting purposes into funds that are consistent with specified activities or objectives. The Foundation uses two fund groups: Operating Fund and Endowment Fund.

The Endowment Fund is externally restricted and was established, consistent with the mission of the Foundation, to provide life changing experiences to young people living with severe physical disabilities. The Endowment Fund reports amounts that are required to be maintained by the Foundation on a permanent basis. Investment income, which consists of interest, dividends, income distributions from pooled funds, and realized and unrealized gains or losses earned from investments, is reported in the Endowment fund.

The Endowment Fund includes the County Heritage/Stevenson Hunt Golf Classic Endowment Fund, the Mio/Manz Sunshine Endowment Fund and the Bill White Memorial Dream Endowment Fund. According to the agreements with these funds, a fixed percentage of the opening balance of the market value of invested assets is transferred to the Operating Fund at each year-end.

The Operating Fund accounts for the Foundation's operational revenue and program and administrative expenditures. Unrestricted donations are reported in the Operating Fund. Expenditures of the Operating Fund are financed primarily by donor contributions directed to general operations.

Capital assets

Capital assets are recorded at cost less accumulated amortization. Donated capital assets are recorded at their estimated fair value at the date of donation. Amortization is provided using the declining balance method at the following rates:

Office furniture and fixtures	10%
Computer systems	20%

Impairment of long-lived assets

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Impairment is assessed by comparing the carrying amount of an asset to be held and used with the total of the undiscounted cash flows expected from its use and disposition. If the asset is impaired, the impairment loss to be recognized is measured as the amount by which the carrying amount of the asset exceeds its fair value, generally determined on a discounted cash flow basis. Any impairment results in a write-down of the asset and a charge to income during the year. An impairment loss is not reversed if the fair value of the related asset subsequently increases.

Financial instruments

The Foundation initially records a financial instrument that was originated, issued or assumed in an arm’s length transaction at fair value.

Related party financial instruments that have repayment terms are initially recorded at cost, representing the undiscounted cash flows of that instrument, excluding interest and dividend payments. Related party financial instruments that do not have repayment terms are recorded at cost, determined using the consideration transferred or received by the Foundation; consideration with repayment terms is measured as described above while consideration without repayment terms is recorded at the carrying or exchange amount, depending on the circumstances.

The Foundation recognizes its transaction costs in net loss in the period incurred. However, arm’s length financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption; these transaction costs, as well as any financing fees, are amortized on a straight-line basis.

Subsequently, the Foundation measures financial instruments as follows:

- Investments in marketable securities quoted in an active market are recorded at fair value;
- All other financial assets, including cash and accounts receivable, at amortized cost; and
- All financial liabilities, including accounts payable and accrued liabilities, at amortized cost.

Financial assets measured at cost and amortized cost 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 following:

[i] For an arm's length financial asset, the present value of the cash flows expected to be generated by holding the asset, discounted using a current market rate of interest appropriate to that asset, and for a related party debt instrument, the undiscounted cash flows expected to be generated by holding the asset, excluding interest and dividend payments;

[ii] The amount that could be realized by selling the asset as at the statement of financial position date; and

[iii] The amount the Foundation expects to realize by exercising its right to any collateral held to secure repayment of the asset, net of all costs necessary to exercise those rights.

Forgiveness of all or part of a related party financial asset can only occur after assessing for and recognizing any impairment. This forgiveness is then recognized in equity when the transaction that resulted in the origination or acquisition of the financial asset was not in the normal course of operations or in net income when the transaction was in the normal course of operations, or when it is impracticable to determine whether or not the forgiven related party financial asset was originated or was acquired in the normal course of operations.

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.

Revenue recognition and deferred revenue

Donations are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment donations are recognized as direct increases in the Endowment Fund balance.

Donations designated by a donor for specific activities that will occur in a subsequent year are deferred. Deferred donations are recognized as revenue of the Operating Fund in the year in which expenditures are incurred for the designated activity.

Donations without designation are recognized as revenue of the Operating Fund in the year received.

Expenditures

The direct expenses related to the Foundation's activities are allocated to each function in the statement of operations and changes in fund balances. The Foundation also incurs general support expenses that are common to the administration of the Foundation and each of its functions. These expenses are allocated to functions as identified in note 9.

The allocated expenses include those related to personnel, facility resources, insurance and amortization. These expenses are allocated proportionately based on personnel hours incurred.

Investments and investment income

Equity investments consist of marketable securities. Fixed income investments consist of fixed income securities. All equity and fixed income investments quoted in an active market are recorded at market value.

Marketable securities and fixed income securities that are publicly traded are valued based on the latest bid prices. Transactions are recorded on a trade date basis, and transaction costs are expensed as incurred.

Investment income, which consists of dividends, interest income, and realized and unrealized gains and losses on cash and securities, is recorded as revenue in the statement of operations and changes in fund balances.

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 the disclosure of contingent assets and liabilities as at the date of the financial statements, and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates. Areas requiring estimates and assumptions include the useful lives of capital assets.

Donated services and materials

Volunteers contribute many hours per year to assist the Foundation in carrying out its activities. Because of the difficulty in determining fair value, contributed services are not recognized in the financial statements. Contributed materials are recognized in the financial statements when the value can be reasonably estimated.

3. Investments

Investments consist of the following:

	2023 $	2022 $
Short-term investments		
Guaranteed investment certificates	**316,183**	805,000
Long-term investments		
Fixed income investments	**1,340,751**	1,258,582
Equity investments	**1,689,058**	1,687,623
	3,029,809	2,946,205

Guaranteed investment certificates mature in June 2024 and earn interest at the Royal Bank of Canada prime rate [7.20%] minus 2.25%.

The Foundation's fixed income investment comprises a fixed income fund in which the underlying investments have an average interest rate of 4.2% and an average maturity of 10.2 years. Investment management fees on any mutual or segregated funds are not separated from interest and dividend income.

Notes to financial statements

December 31, 2023

Net investment income (loss) for the year ending December 31, 2023 consists of the following:

	2023 $	2022 $
Interest income	**92,221**	52,703
Dividend income	**44,878**	41,900
Realized gains, net	**46,207**	74,537
Unrealized gain (loss)	**77,986**	(438,725)
	261,292	(269,582)
Less investment management fees	**20,929**	29,846
Net investment income (loss)	**240,363**	(299,431)

4. Accounts receivable

Accounts receivable consist of the following:

	2023 $	2022 $
Contributions receivable	**31,499**	83,090
Interest receivable on guaranteed investment certificates	**8,319**	11,859
GST/HST rebate receivable	**38,626**	29,751
	78,444	124,700

5. Capital assets

Capital assets consist of the following:

	2023		
	Cost	**Accumulated amortization**	**Net book value**
	$	$	$
Office furniture and fixtures	**111,299**	**96,642**	**14,657**
Computer systems	**232,762**	**219,936**	**12,826**
	344,061	**316,578**	**27,483**

	2022		
	Cost	**Accumulated amortization**	**Net book value**
	$	$	$
Office furniture and fixtures	111,299	91,356	19,943
Computer systems	221,879	209,561	12,318
	333,178	300,917	32,261

6. Operating Fund and Endowment Fund

The Operating Fund and Endowment Fund consist of the following:

	2023	**2022**
	$	$
Operating Fund		
Life Changing Experiences Program	**400,000**	400,000
Reserve	**316,183**	305,000
Undesignated	**337,268**	1,231,868
Capital assets	**—**	10,000
	1,053,451	1,946,868
Endowment Fund		
County Heritage/Stevenson Hunt Golf Classic Endowment Fund	**1,775,883**	1,717,770
Mio/Manz Sunshine Endowment Fund	**971,014**	951,211
Bill White Memorial Dream Endowment Fund	**171,256**	183,315
	2,918,153	2,852,296

Operating Fund

The Foundation's Life Changing Experiences Program for a particular year is funded by surpluses earned in prior years. During the annual budgeting process, the Foundation allocates a portion of the previous year's Operating Fund surplus to be spent on the Life Changing Experiences Program in the upcoming year.

The Reserve represents an amount that is internally restricted to provide funds to ensure operations continue uninterrupted in the event of unanticipated significant negative change in the Foundation's core revenue. The Foundation maintains a reserve that, together with the surplus allocated to the Life Changing Experiences Program, represents three to six months of the budgeted expenses for the upcoming fiscal year.

The Foundation's capital asset acquisitions are funded by surpluses earned in prior years. During the annual budgeting process, the Foundation allocates a portion of previous year's Operating Fund surplus to be spent on capital assets in the upcoming year.

The undesignated portion of the Operating Fund comprises of a surplus invested in capital assets and prepaid expenses, and investment income earned by the endowment funds in excess of the specified minimum capital level that has been transferred to the Operating Fund and will be used for life changing experiences fulfillment in future years after the income has been realized.

Endowment Fund

The three externally restricted endowment funds were established, consistent with the mission of the Foundation, to provide life changing experiences to young people living with severe physical disabilities. Investment income, including unrealized gains and losses, is included in the Endowment Fund until it is transferred to the Operating Fund in accordance with the disbursement policy agreed upon with the third-party donor to be used for life changing experiences fulfillment in a future year.

During the year ended December 31, 2023, $136,261 of investment income earned by the Endowment Fund was transferred to the Operating Fund [2022 – $131,247].

7. Commitments

The Foundation currently leases its premises and certain equipment. The future minimum annual lease commitments under the existing leases are as follows:

	$
2024	54,245
2025	56,956
2026	59,398
2027	58,335
2028	207

Notes to financial statements

December 31, 2023

8. Donations

In accordance with the disclosure requirements set out by the Alcohol and Gaming Commission of Ontario, the Operating Fund donations include gross gaming revenue from the following sources:

	2023	2022
	$	$
Break Open Tickets gross revenue	**175,513**	196,475
Break Open Tickets net proceeds	**91,075**	61,364

These net proceeds are used to the fund Life Changing Experiences Program in the Province of Ontario.

9. Allocation of expenses

General support and administration costs have been allocated and included in the following categories of expenditures:

	2023	2022
	$	$
Fundraising	**647,328**	323,511
Programs	**527,896**	421,603
Administration	**124,838**	117,092
	1,300,062	862,206

10. Statement of cash flows

The net change in non-cash working capital balances related to operations consists of the following:

	2023	2022
	$	$
Decrease (increase) in current assets		
Accounts receivable	**46,256**	20,015
Prepaid expenses	**6,541**	(14,069)
	52,797	5,946
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	**(1,886)**	13,655
	50,911	19,601

11. Financial instruments and risk management

The Foundation is exposed to various financial risks through transactions in financial instruments.

Currency risk

The Foundation is exposed to currency risk with respect to its US dollar cash holdings and investments denominated in foreign currencies, including the underlying investments of its pooled funds denominated in foreign currencies, because the fair value and future cash flows will fluctuate due to the changes in the relative value of foreign currencies against the Canadian dollar. The Foundation has not entered into hedging transactions to mitigate this risk. As at December 31, 2023, amounts denominated in US dollars are as follows:

	2023 US$	**2022** US$
Cash	**31,247**	55,451
Investments	**345,142**	331,957

Credit risk

The Foundation is exposed to credit risk in connection with its accounts receivable and fixed income investments because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation. The maximum credit risk is limited to the balance of the accounts receivable and fixed income investments.

Interest rate risk

The Foundation is exposed to interest rate risk with respect to its fixed income investments and a pooled fund that holds fixed income securities because the fair value will fluctuate due to changes in market interest rates.

Other price risk

The Foundation is exposed to other price risk through changes in market prices [other than changes arising from interest rate risk or currency risk] in connection with its investments in equity securities and pooled funds.

Liquidity risk

The Foundation is exposed to the risk that it will encounter difficulty in meeting obligations associated with its financial liabilities. The Foundation has a planning and budgeting process in place to help determine the funds required to support the Foundation's normal operating requirements on an ongoing basis. The Foundation also manages its liquidity risk by forecasting cash flows from operations and anticipated investing, capital and financing activities to ensure it has sufficient available funds to meet current and foreseeable financial requirements.

12. Credit facility

The Royal Bank of Canada has provided the Foundation with access to an operating line of credit facility with a maximum available balance of $175,000. The facility bears interest at the bank's prime lending rate [7.20%] plus 1.40%. As at December 31, 2023, no amount has been drawn on this credit facility [2022 – nil].

As collateral for the credit facility, the Foundation has provided the bank with a general security agreement constituting a first ranking security interest in all property of the Foundation.