



SHRINERS HOSPITALS FOR CHILDREN
Combined Financial Statements and Schedules
December 31, 2024
(With Independent Auditors' Report Thereon)

SHRINERS HOSPITALS FOR CHILDREN

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Independent Auditors' Report

The Board of Directors
Shriners Hospitals for Children:

Opinion

We have audited the combined financial statements of Shriners Hospitals for Children (the Organization), which comprise the combined statement of financial position as of December 31, 2024, and the related combined statements of operations and changes in net assets and cash flows for the year then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the combined financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

KPMG LLP

Tampa, Florida
April 18, 2025

SHRINERS HOSPITALS FOR CHILDREN

Combined Statement of Financial Position

December 31, 2024

(In thousands)

Assets

Cash and cash equivalents	\$	68,775
Cash and cash equivalents held as collateral under securities lending transactions		875,291
Patient accounts receivable		30,924
Receivables, net		26,300
Accrued interest and dividends		30,279
Inventories and deferred charges		55,909
Patient transportation funds held by Shrine temples		85,252
Investments:		
Marketable securities		9,188,743
Charitable gift annuities		63,593
Beneficial interest in trusts		632,361
Real estate and mineral interests		357,237
Miscellaneous investments		15,298
Estates in process		312,617
Land, buildings, and equipment, net of accumulated depreciation		800,342
Total assets	\$	<u>12,542,921</u>

Liabilities and Net Assets

Liabilities:		
Accounts payable and accrued expenses	\$	198,094
Pension and postretirement benefits		43,756
Liabilities under securities lending transactions		875,291
Other liabilities		<u>51,981</u>
Total liabilities		<u>1,169,122</u>
Net assets:		
Without donor restrictions (net of cumulative foreign currency translation adjustment of \$11,460 and \$9,650, respectively)		9,883,811
With donor restrictions		<u>1,489,988</u>
Total net assets		<u>11,373,799</u>
Total liabilities and net assets	\$	<u>12,542,921</u>

See accompanying notes to combined financial statements.

SHRINERS HOSPITALS FOR CHILDREN
Combined Statement of Operations and Changes in Net Assets
Year ended December 31, 2024
(In thousands)

	Without donor restrictions	With donor restrictions	Total
Operating revenues and other support:			
Net patient service revenue	\$ 169,693	—	169,693
Investment income:			
Interest	125,509	—	125,509
Dividends	78,886	—	78,886
Net realized gain from investments	817,578	1,342	818,920
Other investment income	46,137	—	46,137
Investment management fees	(16,328)	—	(16,328)
Amounts released from restrictions used for operations	129,381	(129,381)	—
Bequests – cash and financial assets	167,676	134,376	302,052
Bequests – nonfinancial assets	1,330	—	1,330
Donations – cash and financial assets	247,563	3,139	250,702
Fund raising and special events	104,879	—	104,879
Hospital assessments	763	—	763
Reimbursements from Canadian Provinces	23,435	—	23,435
Other governmental revenue	22,049	—	22,049
Other	6,340	—	6,340
Total revenues and other support	<u>1,924,891</u>	<u>9,476</u>	<u>1,934,367</u>
Operating expenses:			
Patient Care	854,837	—	854,837
Research	29,005	—	29,005
POPS	1,769	—	1,769
Administration	136,718	—	136,718
Fundraising	163,601	—	163,601
Total operating expenses	<u>1,185,930</u>	<u>—</u>	<u>1,185,930</u>
Increase in net assets from operating activities	<u>738,961</u>	<u>9,476</u>	<u>748,437</u>
Nonoperating gains (losses), net:			
Net unrealized (loss) gain on investments	(82,528)	52,205	(30,323)
Life memberships	73	—	73
Change in patient transportation funds held by Shrine temples	—	1,115	1,115
Pension-related changes other than service costs	6,801	—	6,801
Other, net	(18,297)	—	(18,297)
Foreign currency translation adjustments	1,810	—	1,810
Total nonoperating gains (losses), net	<u>(92,141)</u>	<u>53,320</u>	<u>(38,821)</u>
Increase in net assets	<u>646,820</u>	<u>62,796</u>	<u>709,616</u>
Net assets, beginning of year	<u>9,236,991</u>	<u>1,427,192</u>	<u>10,664,183</u>
Net assets, end of year	<u>\$ 9,883,811</u>	<u>1,489,988</u>	<u>11,373,799</u>

See accompanying notes to combined financial statements.

SHRINERS HOSPITALS FOR CHILDREN

Combined Statement of Cash Flows

Years ended December 31, 2024

(In thousands)

Cash flows from operating activities:	
Increase in net assets	\$ 709,616
Adjustments to reconcile increase in net assets to net cash used in operating activities:	
Depreciation	48,407
Loss on disposal of property and equipment	216
Realized and unrealized gains on investments, net	(788,597)
Gifts, bequests, and life memberships designated by the board or restricted by donor for long-term investment	(303,455)
Change in value of patient transportation funds held by Shrine temples	(1,115)
Pension related changes other than service costs	6,801
Changes in beneficial interest in trusts	(49,997)
Changes in estates in process	(21,579)
Changes in operating assets and liabilities:	
Patient accounts receivable	(4,597)
Receivables, net	(6,901)
Accrued interest and dividends	1,413
Inventories and deferred charges	621
Accounts payable and accrued expenses	51,569
Pension and postretirement benefits	(20,648)
Net cash used in operating activities	<u>(378,246)</u>
Cash flows from investing activities:	
Purchases of property and equipment	(128,986)
Proceeds from sale of investments	2,606,754
Purchases of investments	<u>(2,365,002)</u>
Net cash provided by investing activities	<u>112,766</u>
Cash flows from financing activities:	
Gifts and bequests	303,382
Life memberships	73
Borrowings from line of credit	25,000
Payments on the line of credit	(25,000)
Change in other liabilities	<u>(1,011)</u>
Net cash provided by financing activities	<u>302,444</u>
Net increase in cash and cash equivalents	36,964
Cash and cash equivalents at beginning of year	<u>31,811</u>
Cash and cash equivalents at end of year	<u>\$ 68,775</u>

See accompanying notes to combined financial statements.

SHRINERS HOSPITALS FOR CHILDREN

Notes to Combined Financial Statements

December 31, 2024

(In thousands)

(1) Summary of Significant Accounting Policies

(a) Combined Organizations

Shriners Hospitals for Children (herein SHC) provides quality, specialized medical care, in the areas of orthopedics, severe burns, and spinal cord injuries, through a network of 21 facilities located throughout the United States, Canada, and Mexico. Medical care is provided regardless of the patient or family's ability to pay. SHC also funds intensive programs in pediatric orthopedic and burns research. SHC relies principally on gifts and investment earnings to support their operations and research programs.

The combined financial statements of SHC include the following organizations:

- Shriners Hospitals for Children, a Colorado Corporation
- Shriners Hospitals for Children, a Canadian Corporation
- Shriners Hospitals for Children (Quebec) Inc, a Canadian Corporation
- The Shriners' Hospital for Children, a Massachusetts Corporation
- Shriners Hospitals for Children, a Mexican Association
- Shriners Hospitals for Children Ambulatory Clinic, a Mexican Association
- Shriners Hospitals for Children Pediatric Orthotic and Prosthetic LLCs (POPS)

Shriners Hospitals for Children, a Colorado Corporation and The Shriners' Hospital for Children, a Massachusetts Corporation, have been recognized as exempt from U.S. federal income tax on related income under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) of the Internal Revenue Code. The Canadian and Quebec Corporations and the Mexican and Tijuana Associations are also exempt from income tax on related income in accordance with the laws of their respective countries. Shriners Hospitals for Children POPS are wholly owned by SHC Colorado Corporation as limited liability companies that provide orthotic and prosthetic services and related functions.

(b) Use of Estimates

The preparation of the combined financial statements in accordance with U.S. generally accepted accounting principles requires management of SHC to make a number of estimates and assumptions that affect the reported amounts in the combined financial statements and accompanying notes to the combined financial statements. Actual results could differ from those estimates.

Significant estimates have been made by management with regard to investments, patient accounts receivable, and estates in process. These estimates are subject to fluctuation due to changes in payment trends and changes that occur in the valuation of assets associated with these estates and trusts and the timing of information received from trustees and executors of these estates and trusts. Actual results could differ materially from these estimates, making it reasonably possible that a material change in these estimates could occur in the near term.

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Notes to Combined Financial Statements

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(In thousands)

(c) Basis of Presentation

The combined financial statements are presented on the accrual basis of accounting. Contributions received and unconditional promises to give are measured at their fair values and are reported as increases in net assets. SHC reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified to net assets without donor restrictions and reported in the combined statements of operations and changes in net assets as amounts released from restrictions used for operations. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions.

- Net assets without donor restrictions consist of investments and otherwise unrestricted amounts that are available for use in carrying out the activities of SHC. The majority of net assets without donor restrictions as of December 31, 2024 represent board-designated endowment.
- Net assets with donor restrictions represent those amounts, which are not available until future periods or are donor restricted for specific purposes. SHC reports estates in process, charitable lead trusts, charitable remainder trusts, and patient transportation funds as increases in net assets with restrictions as these assets are not available for expenditure until future periods. SHC also reports gifts and bequests from donors who place restrictions on the use of the funds, which mandate that the original principal be invested in perpetuity as net assets with donor restrictions. This includes perpetual lead trusts.

Net assets with donor restrictions consists of the following as of December 31, 2024:

Subject to expenditure for a specific purpose:	
Hospitals	\$ 1,286,035
Research	7,932
Patient transportation fund	<u>85,252</u>
	1,379,219
Subject to the passage of time	<u>110,769</u>
Total net assets with donor restrictions	<u>\$ 1,489,988</u>

(d) Operating Measure

Changes in net assets from operating activities represent the revenues, gains, and other support designated to operate SHC, less expenses and other costs associated with SHC operating and research activities and costs to generate operating revenues.

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Notes to Combined Financial Statements

December 31, 2024

(In thousands)

(e) Liquidity

Assets are presented in the accompanying combined statements of financial position according to their nearness of conversion to cash, and liabilities according to the nearness of their maturity and resulting use of cash.

(f) Cash and Cash Equivalents

SHC considers all highly liquid investments made from operating cash accounts and with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents classified as marketable securities are excluded from cash and cash equivalents in the combined statements of cash flows as these funds are not used for operating needs.

(g) Securities Loaned

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 860, *Transfers and Servicing*, requires SHC to recognize cash received as collateral for assets transferred to brokers in security lending transactions along with the obligation to return the cash. SHC generally receives collateral in the form of cash and approved equities in an amount in excess of the fair value of securities loaned. SHC monitors the fair value of securities loaned on a monthly basis with additional collateral obtained as necessary. At December 31, 2024, SHC held \$875,291 of cash and marketable securities as collateral deposits. The collateral is included as both an asset and a liability in SHC's combined statements of financial position. The securities on loan had a fair value of \$830,295 at December 31, 2024.

(h) Inventories

Inventories of supplies are stated at the lower of cost (first-in, first-out method) or market.

(i) Investments

The following investments comprise SHC's Board-designated and Donor-restricted endowments: marketable securities, charitable gift annuities, beneficial interest in trusts, real estate and mineral interests and miscellaneous investments. It is SHC's Board of Directors (the Board) policy to maintain an investment portfolio to support the operating and research activities of SHC.

Marketable securities are measured at fair value based on quoted market prices at the reporting date for these or similar investments. There are, however, some investments included in marketable securities that are measured at their net asset value which approximates fair value. Investments in real estate and mineral interests, and miscellaneous investments are reported at fair market value at the date of contribution and subsequently measured at fair value based on various sources of information depending on the asset type. Investment income (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the combined statements of operations and changes in net assets as increases or decreases in net assets without donor restrictions unless the income is restricted by donor or law.

SHC has a beneficial interest in a variety of trust agreements. Many of these trusts are charitable lead trusts where SHC receives distributions from the trust, which in most cases are administered by a third

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December 31, 2024

(In thousands)

party. Perpetual lead trusts are recorded at the fair value of their underlying assets. All other charitable lead trusts are recorded at the present value of the estimated future distributions expected to be received by SHC, and are classified as net assets with donor restrictions, of both time and purpose.

Charitable remainder trusts and pooled income funds represent trust agreements where SHC maintains custody of the related assets and makes specified distributions to a designated beneficiary or beneficiaries over the term of the trust. Assets under both types of trusts are recorded at fair value. Annuity liabilities associated with charitable remainder trusts are determined based on the present value of the estimated future payments to be paid to the designated beneficiaries, based upon actuarial estimate. Deferred income is recognized on gifts to pooled income funds representing the discounted value of the assets for the estimated time period until the donor's death. The difference between the recorded assets and the annuity liabilities or deferred income associated with pooled income funds is classified as net assets with donor restrictions.

Subsequent adjustments to the carrying value of the respective assets and related liabilities or deferred income are recognized in the combined statements of operations and changes in net assets and are included in unrealized gains and losses in their respective net asset classification.

Included in other liabilities in the accompanying combined statements of financial position are annuity liabilities of \$28,694 and deferred income of \$15,085 at December 31, 2024.

(j) *Estates in Process*

SHC recognizes a receivable and revenue for its interest in estates in process based on the inventories of estate assets and conditions contained in the respective wills. Amounts expected to be received in future years are discounted to provide estimates in current year dollars. SHC records estates in process (when the court declares the related will valid) as either net assets with donor restrictions, as these assets will not be available for expenditures until future periods (typically one to five years), or these assets are restricted in perpetuity. As funds from an estate (other than restricted in perpetuity) are collected, net assets are released from net assets with donor restrictions, and reported in the combined statements of operations and changes in net assets as amounts released from restrictions used for operations.

(k) *Land, Buildings, and Equipment*

Land, land improvements, buildings, and equipment are stated at cost, if purchased, or at estimated fair value at date of receipt if acquired by gift. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets.

(l) *Impairment or Disposal of Long-Lived Assets*

SHC accounts for long-lived assets in accordance with the provisions of FASB ASC Section 360-10-35, *Property, Plant, and Equipment – Subsequent Measurement*, which requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

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Notes to Combined Financial Statements

December 31, 2024

(In thousands)

SHC reviews whether events and circumstances have occurred to indicate if the remaining estimated useful life of long-lived assets may warrant revision or that the remaining balance of an asset may not be recoverable. If such an event occurs, an assessment of possible impairment is based on whether the carrying amount of the asset exceeds the expected total undiscounted cash flows expected to result from the use of the assets and their eventual disposition. No impairments were recorded in 2024.

(m) Foreign Currency Translation

Revenues and expenses of the Canadian corporations and the Mexican Associations are translated using average exchange rates during the year, while monetary assets and liabilities are translated into U.S. dollars using current exchange rates at the end of the year.

Nonmonetary asset (land, buildings, and equipment) and liability items and related revenues, expenses, gains, and losses are remeasured using historical exchange rates. Resulting translation adjustments are accumulated in the combined statements of financial position caption "Cumulative foreign currency translation adjustment," as a component of net assets.

(n) Contributed Services

No amounts have been reflected in the combined financial statements for contributed services. SHC's programs pay for most services requiring specific expertise. However, many individuals (Shriners and non-Shriners) volunteer their time at SHC and perform a variety of tasks that assist SHC with specific programs and various committee assignments.

(o) Net Patient Service Revenue

SHC's revenues are derived from contracts with patients in which the performance obligation is to provide health care services to the patients and are reported at the amount expected to be received in exchange for providing patient care. These amounts are due from patients, third-party payors (including managed care payors and government programs) and others, and they include variable consideration for retroactive adjustments due to settlement of audits, reviews and investigations. Generally, SHC bills patients and third-party payors several days after services are performed or shortly after discharge. SHC identified performance obligations based on the nature of services provided and recognizes the revenue as the performance obligations are satisfied. Inpatient acute care services satisfied over time, generally from admission to time of discharge, are recognized based on actual charges incurred in relation to the total expected (or actual) charges, which depicts the transfer of health care services over the duration of the performance obligation. Revenue for performance obligations satisfied at a point in time, which is generally relating to patients receiving outpatient services, is recognized when services are provided and SHC does not believe the patient requires additional services.

The transaction price is determined based on gross charges for services provided, reduced by explicit price concessions to third-party payors, discounts provided to uninsured patients, and implicit price concessions. The payment arrangements with third-party payors for the services SHC provides typically specify payments to SHC at amounts different from the established rates. Payment arrangements include prospectively determined rates per discharged, reimbursed costs, discounted charges, and per diem payments. Generally, patients covered by third-party payors are responsible for related deductibles and coinsurance, which is referred to as the patient portion.

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Notes to Combined Financial Statements

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(In thousands)

SHC determines the estimates of explicit price concessions and discounts based on contractual agreements, SHC's Patient Discount Policy, as well as historical experience and other collection indicators. Consistent with SHC's mission, care is provided to patients regardless of their ability to pay. Therefore, SHC has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between the amounts billed to the patients and the amounts SHC expects to collect based on its collection history with those patients and current market conditions. SHC estimates explicit price concessions, discounts and implicit price concessions utilizing a portfolio approach as a practical expedient to account for patient contracts with similar characteristics as a collective group rather than individually. The financial statements effects of using this practical expedient are not materially different from an individual contract approach.

Laws and regulations governing the Medicaid and Medicare programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates associated with these programs will change by a material amount in the near term. As a result, provisions for third-party payor settlements and adjustments are estimated in the period the related services are provided and adjusted in future periods as additional information becomes available and as final settlements are determined or as years are no longer subject to audits, reviews and investigations.

For the year ended December 31, 2024, revenue from the Medicaid program accounted for approximately 64% and revenue from the Medicare program accounted for less than one percent of SHC's net patient service revenue. Patient service revenue (net of explicit and implicit price concessions) recognized for the year ended December 31, 2024 from the major payor sources is as follows:

Medicaid	\$	108,603
Commercial payers		<u>61,090</u>
Total net patient service revenue	\$	<u>169,693</u>

Patient accounts receivable included approximately \$25,162 or 81% from the Medicaid programs as of December 31, 2024. Patient accounts receivable also included less than one percent from Medicare programs. The credit risk for other concentrations of receivables is limited due to the large number of insurance companies and other payors that provide payments for services.

(p) Charity Care

SHC, through its overall charitable policies, provides funding for cash requirements of the hospitals not met through normal operations. In addition, SHC provides care to patients who meet certain criteria under the charity care policies established by SHC without charge to its patients or families. Partial

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(In thousands)

payments to which SHC is entitled from patients, third-party payors, Medicaid and others that meet SHC's charity care criteria are reported as net patient service revenue.

SHC provides necessary medical care regardless of the patient's ability to pay for services under its charity care policy. In addition, regulatory changes that may have the potential to alter charity classifications are monitored and incorporated into the policy, as necessary. SHC maintains records to identify and monitor the level of charity care. These records include the amount of charges foregone for services and supplies furnished under its charity care policy.

The following measures the level of charity care and other community benefits, by taking total patient care costs and offsetting those with revenues related to patient care, as defined, at estimated costs for the year ended December 31, 2024:

Traditional charity care	\$	851,074
Direct offsetting revenue		<u>(215,177)</u>
Net traditional charity care	\$	<u>635,897</u>

(q) Disproportionate Share Distributions

In some states in which SHC's hospitals operate the state program for healthcare administration distributes low-income pool and disproportionate share payments to SHC based on its indigent care service level. SHC's policy is to recognize these distributions as revenue when the amounts are due and collection is reasonably assured. The receipt of any additional distributions is contingent upon the continued support provided by the respective state's legislature. SHC recognized \$22,049 of disproportionate share distributions in other governmental revenue within the accompanying combined statements of operations and changes in net assets for the year ended December 31, 2024.

(r) Leases

SHC determines whether an arrangement is a lease at the inception of the arrangement based on the terms and conditions in the contract. Operating lease right-of-use (ROU) assets and lease liabilities are not separately disclosed on the combined statements of financial position. In the combined statements of operations and changes in net assets, lease expense for operating lease payments are recognized on a straight-line basis over the lease term. SHC does not have finance lease ROU assets.

ROU assets represent SHC's right to use an underlying asset for the lease term, and lease liabilities represent SHC's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. Lease agreements may include options to extend or terminate the lease. When it is reasonably certain that SHC will exercise an extension option, the terms of the extension are included in the recognized values of ROU assets and lease liabilities. As most of SHC's leases do not provide the lessor's implicit rate, SHC uses its incremental borrowing rate at the commencement date in determining the present value of lease payments. Leases with an initial term of

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Notes to Combined Financial Statements

December 31, 2024

(In thousands)

12 months or less are not recorded on the combined statements of financial position, and lease expense is recognized in accordance with the terms of the arrangement over the lease term.

SHC is the lessor of space within our facilities to other healthcare organizations, as well as, biological assets. In these circumstances, each of these leases were reviewed and are categorized as operating leases. There are no finance leases whereby SHC is the lessor. SHC has a related party operating lease with Shriners International with month by month lease term. SHC elected the practical expedient to not separate nonlease and associated lease components. The receipts from the operating leases are included within operating activities on the cash flow statement and recognized in other revenues in the combined statement of operations and changes in net assets. There is no impact to the combined statement of financial position.

(2) Investments

Marketable securities at December 31, 2024 consist of:

	Cost	Fair value
Short-term investments	\$ 150,786	150,786
Common and preferred stocks	3,328,143	4,406,263
U.S. government securities	1,557,963	1,468,018
Corporate bonds	531,070	533,557
Other fixed income	653,952	638,039
Commodities fund	917,025	1,043,398
Fund of funds	743,242	948,682
	<u>\$ 7,882,181</u>	<u>9,188,743</u>

Investment income and total return on all investments comprise the following components for the year ended December 31, 2024:

Interest	\$ 125,509
Dividends	78,886
Trust income	22,433
Rents and royalties	20,122
Other income	3,582
Less investment management fees	<u>(16,328)</u>
Total income from investments	234,204
Net realized gains from investments	818,920
Net unrealized gains (losses) from investments	<u>(30,323)</u>
Total return on investments	<u>\$ 1,022,801</u>

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Notes to Combined Financial Statements

December 31, 2024

(In thousands)

(3) Land, Buildings, and Equipment

Land, buildings, and equipment at December 31, 2024 consists of:

	<u>Amount</u>	<u>Estimated useful lives</u>
Land	\$ 108,933	—
Land improvements	8,189	5–20 years
Buildings	1,067,722	20–50 years
Leasehold improvements	15,443	5–10 years
Equipment	510,811	4–25 years
Right of Use (ROU) assets	9,409	3–99 years
	<u>1,720,507</u>	
Less accumulated depreciation and amortization	<u>(1,009,203)</u>	
	711,304	
Construction in progress	<u>89,038</u>	
Land, buildings, and equipment, net	<u>\$ 800,342</u>	

Depreciation expense amounted to \$48,407 for the year ended December 31, 2024.

(4) Construction and Other Major Capital Projects

Construction and other major capital projects committed by the Board as of December 31, 2024 is \$54,387. These funds were appropriated for construction and other major capital projects. Amount unexpended as of December 31, 2024, is \$38,281.

(5) Line of Credit

In 2011, SHC entered into an unsecured line-of-credit agreement, for up to \$150 million, with a financial institution for the purpose of aiding in operations and cash management. In 2016, the line-of-credit agreement was renewed at a limit of \$100 million, with an option to increase the limit to \$250 million, upon need. On the date of a principal draw, SHC may elect to incur interest at one of three interest rate options. No amount was outstanding at December 31, 2024.

(6) Transactions with Shriners International

SHC was founded by Shriners International. The International Headquarters building and equipment is owned by SHC. A portion of the building is occupied by Shriners International, which is allocated a share of the operating costs and depreciation of the building and equipment. The allocation of the costs is based

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(In thousands)

upon the portion of the building occupied by Shriners International in relation to the total occupied space in the building.

SHC and Shriners International also share other costs based on the estimated fair value received by each organization. Additionally, hospital assessments, donations, and other charitable receipts from Shrine temples are collected and remitted to SHC by Shriners International.

At December 31, 2024, an amount of \$724, was due from Shriners International and is included in receivables, net in the accompanying combined statements of financial position.

(7) Donor Relations, Fund-Raising Activities, and Special Events

SHC is financially supported through each Shriner's annual hospital assessment, income from investments, gifts and bequests from the general public and from Shriners, and certain fund-raising activities conducted by Shriners. Shrine temples and Shriners raise funds for both fraternal and charitable purposes. Shrine fund-raising activities consist of paper sale donations, football games, golf tournaments, and other miscellaneous activities. The name "Shriners Hospitals for Children" may be used in connection with a fund-raising activity by a Shrine temple or Shriner only with the written consent of Shriners International and SHC when the proceeds are to benefit SHC. Some of these funds are retained by individual Shrine temples for the support of their respective hospital patient transportation fund.

SHC also engages in other fund-raising activities to generate donations and to develop their donor base. These activities are conducted through an agreement with an unrelated third party.

Fund-raising and special events revenues and costs for the year ended December 31, 2024 consist of the following:

Revenues from Shrine temple sponsored events	\$	4,474
Direct mail revenue		95,793
Other revenue		<u>4,612</u>
	\$	<u><u>104,879</u></u>
 Fund-raising costs paid directly by Shrine temples in connection with fund-raising events	 \$	 546
Direct mail expense		56,715
Other costs		<u>11,641</u>
	\$	<u><u>68,902</u></u>

Revenues from Shrine temple sponsored events are reported net of direct cost of \$2,087 for 2024.

In addition to the fund-raising and special events expenses above, SHC incurred \$94,699 of donor relation expense for the year ended December 31, 2024. Such expenses are incurred to enhance donor

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relationships. Donations and bequests from such donors amounted to \$554,084 for the year ended December 31, 2024. Such development activities of SHC are overseen by the donor relations committee.

During the year ended December 31, 2008, SHC became the Host Organization and Title Sponsor of a PGA Tour golf tournament. Beginning in 2013, this tournament became part of the Fed-Ex tour. The term of this agreement commenced with the 2008 event and will conclude after the 2024 tournament. The 2024 event yielded \$2,898 in revenues. Expenses incurred on this event in 2024 is \$9,368, creating a cost of the project of \$6,470.

(8) Patient Transportation Funds Held by Shrine Temples

Shrine temples pay for substantially all of the costs of transporting patients to individual Shriners Hospitals from their temple hospital transportation funds. These costs are supported by funds authorized to be retained from fund-raising events held for the benefit of SHC, as well as local donations from Shriners and the general public. The activities of the Shrine temple patient transportation funds are reflected as a nonoperating change in patient transportation funds held by Shrine temples in the accompanying combined statements of operations and changes in net assets.

The activities of the patient transportation funds reflected for the year ended December 31, 2024 are as follows:

Balance, beginning of year	\$	84,137
Temple revenues restricted for patient transportation		11,121
Patient transportation costs		<u>(10,006)</u>
Change in patient transportation funds		<u>1,115</u>
Balance, end of year	\$	<u><u>85,252</u></u>

(9) Fair Value Measurements

FASB ASC Topic 820, *Fair Value Measurement*, defines fair value as the exit price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. FASB ASC Topic 820 requires investments to be grouped into three categories based on certain criteria as noted below:

Level 1: Fair value is determined by using quoted prices for identical assets or liabilities in active markets.

Level 2: Fair value is determined by using other than quoted prices that are observable for the asset or liability (e.g., quoted prices for identical assets or liabilities in inactive markets, quoted prices for similar assets or liabilities in active markets, observable inputs other than quoted prices, and inputs derived principally from or corroborated by observable market data by correlation or other means).

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Level 3: Fair value is determined by using inputs based on management assumptions that are not directly observable.

The tables below summarize SHC's significant financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2024:

		Fair value measurements at reporting date using		
		Level 1	Level 2	Level 3
Assets:				
Investments:				
Short-term investments	\$ 150,786	150,786	—	—
Common and preferred stocks	4,406,263	4,042,258	364,005	—
U.S. government securities	1,468,018	1,468,018	—	—
Corporate bonds	388,419	—	388,419	—
Other fixed income securities	281,417	60,184	220,988	245
Commodities fund	211,138	—	211,138	—
Charitable gift annuities	63,593	—	63,593	—
Beneficial interests in trusts	632,361	—	632,361	—
Real estate and mineral interests	357,237	—	—	357,237
Miscellaneous investments	15,298	—	15,298	—
	7,974,530	\$ 5,721,246	1,895,802	357,482
Recorded at net asset value	2,282,702			
Total	\$ 10,257,232			
Collateral under securities lending transactions				
	\$ 875,291	875,291	—	—
Liabilities:				
Annuity liabilities	\$ 28,694	—	28,694	—
Liabilities under securities lending transactions	875,291	875,291	—	—

SHC's Level 1 assets and liabilities include investments in cash, cash equivalents, common and preferred stocks, U.S. government securities and other fixed income securities and are valued at quoted market prices.

SHC's Level 2 assets include investments in foreign common and preferred stock, corporate debt securities, other fixed income securities, commodities fund, charitable gift annuities, beneficial interest in trusts, and miscellaneous investments with fair values modeled by external pricing vendors. Liabilities include annuity liabilities.

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SHC's Level 3 assets include real estate and mineral interests and investments in other fixed income securities.

The tables below summarize the changes in Level 3 assets for the year ended December 31, 2024:

	Fair value measurements using significant unobservable inputs (Level 3)		
	Other fixed income investments	Real estate and mineral interests	Total
Beginning balance	\$ 245	331,015	331,260
Total gains (realized/unrealized) included in increase in net assets without donor restrictions	—	27,533	27,533
Purchases	—	883	883
Sales	—	(2,194)	(2,194)
Transfers into/out of Level 3	—	—	—
Ending balance	\$ 245	357,237	357,482

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The fair values of the following investments have been estimated using the net asset value per share of the investments as of December 31, 2024.

	<u>Fair value</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
WTC CTF Opportunistic Fixed Income (a)	\$ 360,972	Monthly	30 days
Pyramis Fixed Income Funds (a)	145,138	Monthly	15 days
Windjammer Senior Equity Fund V, VI (b)	32,250	N/A	N/A
Schroders Emg Mkts Equity Alpha (p)	145,527	Monthly	60 days
Aetos Capital Hedge Funds (d)	212,030	Quarterly	90 days
HarbourVest Dover IX, X, XI (e)	74,135	N/A	N/A
CVI Carval Credit Value Fund IV, V (f)	77,601	N/A	N/A
Comvest Credit Partners IV, V, VI (g)	67,883	N/A	N/A
Private Advisors Small Co Funds VII, VIII, IX, X (h)	112,642	N/A	N/A
Securis Opportunities Fund (i)	5,494	Semi annually	180 days
Magnitude International (j)	203,852	Quarterly	65 days
Corbin Pinehurst Institutional (k)	191,073	Quarterly	100 days
Brookfield Capital Partners V, VI (l)	65,942	N/A	N/A
Apollo Investment Fund (m)	22,800	N/A	N/A
HarbourVest Co-Investment V, VI (n)	64,376	N/A	N/A
Cloverlay II, III (o)	39,404	N/A	N/A
Fidelity Slct Emg Mkts (q)	191,701	Monthly	5 days
Macquarie Emg Mkts Small Cap (r)	312	Monthly	15 days
Arsenal (c)	7,174	N/A	N/A
Harbourvest Venture (s)	9,406	N/A	N/A
Kennedy Lewis (f)	17,137	N/A	N/A
ThomaBravo (t)	23,613	N/A	N/A
Pinnacle (u)	190,707	Annually	180 days
Ares (v)	9,411	N/A	N/A
Antares (w)	11,610	N/A	N/A
Venture Core Fund Xi 50 South (x)	512	N/A	N/A
Total	<u>\$ 2,282,702</u>		

(a) The fund's investment objective is an unconstrained, nonbenchmark-oriented investment approach. Bloomberg Barclays Capital U.S. Aggregate Bond Index will be used as the primary reference benchmark.

(b) The fund is organized for the purpose of investing in making middle market buyout investments primarily in the U.S. and Canada.

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- (c) The fund is to make control investments through market immersion within sub-markets across high growth, technology-rich healthcare and industrial growth companies via a combination of platform and add-on acquisitions.
- (d) The fund's investment objective is to provide a return that exceeds the Hedge Fund Research, Inc. (HFRI) fund of funds composite.
- (e) Dover Street intends to provide investors access to a diversified portfolio of global secondary investments in buyout, growth equity, venture capital, and other private equity assets.
- (f) The fund is organized for the purpose of investing in distressed and special opportunity debt investments.
- (g) The objective of the partnership is to acquire and actively manage a portfolio of investments primarily consisting of direct commercial loans and other structured financings.
- (h) The fund is organized for the purpose of investing in private equity funds and coinvestments focused on growth equity, buyout, and turnaround strategies.
- (i) The fund invests substantially all of its assets in Securis Opportunities Master Fund, whose investment strategy is predominately to own insurance risks, diversified by type of risk and by geography.
- (j) The fund is a fund of hedge funds that will invest primarily in relative value, quantitative, equity volatility, fixed income arbitrage, commodities and trading strategies.
- (k) The fund is a fund of hedge funds that will invest in a diversified set of concentrated managers who hold a portfolio of best ideas in their niche area of focus.
- (l) The fund is organized for the purpose of investing in real asset related businesses.
- (m) The fund is organized for the purpose of investing in a diversified portfolio of companies with a focus on three primary areas: Opportunistic Buyouts, Distressed/Credit, and Corporate Carve-out opportunities.
- (n) The fund is organized for the purpose of investing in a diversified global portfolio of direct co-investments in buyout, growth equity, and other private market transactions.
- (o) The fund focuses on investing in opportunistic assets that are non-traditional assets from traditional private equity investments in tangible and intangible assets in spaces underserved by traditional private equity funds and investors.
- (p) The fund leverages a quantitative model to point deep research towards more attractive countries and then a large global network conducts on the ground, bottom-up, fundamental research to select the most attractive stocks, countries, and sectors.
- (q) The fund strategy combines the broad based coverage research and opportunistic research models to exploit inefficiencies at the stock level that occur around the globe.

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- (r) The fund strategy is an emerging market cap growth focused on identifying positive fundamental change that leads to improved earnings.
- (s) The fund is focused on primary partnership investments in US-based funds that pursue venture capital, growth equity, and other private equity transactions.
- (t) The fund will invest in middle and large market companies that are operating in fragmented sub-sectors within software and can benefit from accretive add-on acquisitions.
- (u) The fund aims to identify talented commodity traders who employ a variety of trading strategies to trade commodities and related derivatives to generate alpha in both rising and falling commodity markets. Redemption has a three-year lock from inception date.
- (v) The fund aims to make direct lending investments in sponsor-backed middle-market European companies and be invested in primarily first lien debt with opportunistic allocations to second lien, subordinated debt and equity co-investments.
- (w) The fund aims to build a diverse portfolio of sponsor-backed senior secured loans to primarily U.S. and Canadian borrowers.
- (x) The fund seeks to invest in a portfolio of venture capital funds and companies, while also providing geographic diversification.

SHC had unfunded capital commitments related to private equity investments of \$461,130 at December 31, 2024.

(10) Contributed Nonfinancial Assets

SHC receives contributions and bequests of nonfinancial assets from its donors. Such assets are recorded at fair value based on independent appraisals and current values for similar goods and services.

Contributions and bequests of nonfinancial assets included in the combined statements of operations and changes in net assets for the year ended December 31, 2024 are as follows:

Nonfinancial Asset	Amount	Utilization in activities	Donor restriction	Fair value techniques
Real estate	\$ 515	Monetized	No donor restriction.	Appraised values
Common Stock - Non Public	687	Monetized	No donor restriction.	Appraised values
Silver Bars	35	Monetized	No donor restriction.	Appraised values
Annuities and Insurance	43	Monetized	No donor restriction.	Present value of annuity payments
Mortgages	50	Monetized	No donor restriction.	Loan Balance
	<u>\$ 1,330</u>			

(11) Retirement Plans and Other Postretirement Benefits

The employees of the U.S. hospitals are included in the Shriners Hospitals for Children Employees' Retirement Plan and the Shriners Hospitals for Children Supplemental Retirement Plan (collectively,

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the Pension Plans). Benefits are based on years of service and the employees' compensation during the highest five consecutive years of employment. Contributions are made to the Pension Plans in accordance with ERISA requirements. In addition, SHC sponsors a postretirement life insurance plan (the Postretirement Plan). In March 2009, the Board voted to freeze entry of new participants into the Pension Plans effective March 31, 2009.

The actuarially computed net periodic benefit cost for the Pension Plans and the Postretirement Plan for the year ended December 31, 2024 included the following components:

	Pension plans	Postretirement plan
Service cost – benefits earned during the period	\$ 9,298	253
Interest cost on projected benefit obligation	35,554	753
Expected return on plan assets	(42,302)	—
Net amortization of prior service cost/(credit) for Pension Plans	820	—
Net periodic benefit cost	<u>\$ 3,370</u>	<u>1,006</u>

The following table sets forth the Pension Plans' and the Postretirement Plan's funded status and amounts recognized in the combined statements of financial position as of December 31, 2024 (using a measurement date of December 31):

	Pension plans	Postretirement plan
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 696,295	14,308
Service cost	9,298	253
Interest cost	35,554	753
Actuarial (gain)/loss	(28,198)	(1,415)
Benefits paid	(43,955)	(330)
Benefit obligation at end of year	<u>668,994</u>	<u>13,569</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	653,000	—
Actual return on plan assets	8,900	—
Employer contributions	16,567	330
Benefits paid	(39,660)	(330)
Fair value of plan assets at end of year	<u>638,807</u>	<u>—</u>
Funded status at end of year	<u>\$ (30,187)</u>	<u>(13,569)</u>

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The accumulated benefit obligation for the Pension Plans was \$627,591 at December 31, 2024. The accumulated benefit obligation differs from the benefit obligation above in that it includes no assumption about future compensation levels. It represents the actuarial present value of future payments to plan participants using current and past compensation levels.

Weighted average assumptions used to determine projected benefit obligations at December 31, 2024 are as follows:

	Pension plans	Postretirement plan
Discount rate	5.70 %	5.90 %
Rate of compensation increase	3.50	N/A

Weighted average assumptions used to determine the net periodic benefit costs of the Pension Plans and the Postretirement Plan at December 31, 2024 are as follows:

	Pension plans	Postretirement plan
Discount rate	5.19 %	5.29 %
Expected long-term rate of return on plan assets	5.80	N/A
Rate of compensation increase	3.50	N/A

The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

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The following are deferred pension costs, which have not yet been recognized in periodic pension expense but instead are accrued as of December 31, 2024. Unrecognized actuarial losses represent unexpected changes in the projected benefit obligation and plan assets over time, primarily due to changes in assumed discount rates and investment experience. Unrecognized prior service cost is the impact of changes in plan benefits applied retrospectively to employee service previously rendered. Deferred pension costs are amortized into annual pension expense over the average remaining assumed service period for active employees.

	Pension plans	Postretirement plan
	Amounts recognized in net assets without donor restrictions	Amounts recognized in net assets without donor restrictions
Actuarial loss	\$ 23,375	(6,388)
Prior service cost	491	—
Total	<u>\$ 23,866</u>	<u>(6,388)</u>

(a) Plan Assets

The weighted average allocation of the Pension Plans' assets at December 31, 2024 was as follows:

Asset category	Percentage
Short-term investments	2 %
Common stock	8
U.S. government securities	33
Common collective trusts	35
Mutual funds	22
Total assets	<u>100 %</u>

SHC's investment policies and strategies for pension benefits do not use target allocations for the individual asset categories. SHC's investment goals are to maximize returns subject to specific risk management policies.

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The table below summarizes the Pension Plans' significant financial assets measured at fair value on a recurring basis as of December 31, 2024:

		Fair value measurements at reporting date using	
		Level 1	Level 2
Assets:			
Short-term investments	\$ 14,578	14,578	—
Common stock	51,197	51,197	—
U.S. government securities	211,139	211,139	—
Common collective trusts	222,057	—	222,057
Mutual funds	139,836	—	139,836
Total	\$ 638,807	276,914	361,893

SHC's Level 1 assets include investments in short-term investments, common stock, and U.S. government securities are valued at quoted market prices.

SHC's Level 2 assets include investments in common collective trusts and mutual funds with fair values modeled by external pricing vendors.

SHC's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 securities during the year.

(b) Contributions

Annual contributions are determined based upon calculations prepared by the plans' actuary. Expected contributions to the Pension Plans and the Postretirement Plan are \$20,831 and \$709 respectively, in 2025.

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(In thousands)

(c) Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid out of the plans:

		<u>Pension plans</u>	<u>Postretirement plan</u>
Fiscal year(s):			
2025	\$	45,104	709
2026		45,003	720
2027		46,944	733
2028		48,315	748
2029		52,632	765
2030–2034		264,009	4,173

SHC also has a retirement savings plan for all eligible employees. Under this plan, SHC matches 50% of the first 6% of voluntary contributions made from eligible compensation by employees. Matching contributions by SHC to the retirement savings plan is \$14,595 in 2024.

Canadian and Mexican hospital employees are included in government retirement programs of their respective countries.

(12) Estimated Malpractice Costs and Other Contingencies

SHC is self-insured for claims attributed to malpractice and workers' compensation from providing professional and patient care services. Claims alleging malpractice have been asserted against SHC and are currently in various stages of litigation. Additional claims may be asserted against SHC arising from services provided to patients through December 31, 2024. Liabilities for malpractice and workers' compensation claims are established based on specific identification and historical experience using actuarial methodologies. It is the opinion of management that estimated malpractice and workers' compensation claims accrued should be adequate to provide for potential losses resulting from both reported claims and claims incurred but not reported. Such amounts are recorded in accounts payable and accrued expenses on the accompanying combined statements of financial position.

SHC is also a party to various other claims and legal actions arising in the ordinary course of business. Management does not believe that the ultimate outcome of such claims and legal actions will have a material adverse effect on the financial position or activities of SHC.

(13) Endowment Funds

FASB ASC Subtopic 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*, as amended, provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). FASB ASC Subtopic 958-205 also requires enhanced disclosures about an organization's endowment funds, whether or not the organization is subject to an enacted version of

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(In thousands)

UPMIFA. These disclosures shall enable users of the combined financial statements to understand the net asset classification, net asset composition, changes in net asset composition, spending policy, and related investment policy of its endowment funds (both donor restricted and board designated).

SHC's endowment consists of marketable securities, charitable gift annuities, beneficial interest in trusts, real estate and mineral interests, and miscellaneous investments. The endowment consists of both donor-restricted funds, as well as funds designated by the Board of Trustees to function as endowments.

The Board has interpreted the wishes of donors and Colorado and Massachusetts state law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, SHC classifies as net assets with donor restrictions (a) the original value of gifts donated, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the endowment. Gifts given with a restriction of time or purpose are also added to the endowment as net assets with donor restrictions. Upon the passage of time or completion of purpose, these funds are released to net assets without restrictions. Funds designated by the Board as endowment funds are included as unrestricted endowment funds.

Investment Return Objectives, Risk Parameters, and Strategies. SHC has adopted investment and spending policies, approved by the Investment Committee, for endowment assets that attempt to provide a predictable stream of funding to support the hospital system, while also maintaining the purchasing power of those endowment assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income, as well as capital appreciation, which exceeds the budgeted annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and fixed-income securities that is intended to result in a rate of return that has sufficient liquidity to provide a high level of cash distribution, while growing the funds, if possible. Therefore, SHC expects its endowment assets, over time, to produce an average rate of return of approximately 7.25% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy. The Board does not have a formal endowment spending policy. Generally, all investment return (excluding capital appreciation) is utilized in funding SHC's programs. In making this funding decision, the Board considers the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, some of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Board's goal is for its endowment funds to grow annually to maintain the purchasing power of the endowment assets, as well as, to provide additional real growth through new gifts and investment return.

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Endowment asset composition by type of fund, as of December 31, 2024, is as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total endowment assets</u>
Board-designated endowment funds	\$ 9,624,815	—	9,624,815
Donor-restricted endowment funds	—	632,417	632,417
	<u>\$ 9,624,815</u>	<u>632,417</u>	<u>10,257,232</u>

Changes in endowment assets for the year ended December 31, 2024 is as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total endowment net assets</u>
Balance, beginning of year	\$ 9,082,610	577,411	9,660,021
Investment income	234,204	—	234,204
Net appreciation	735,049	53,548	788,597
Reclassifications	(1,458)	1,458	—
Withdrawals	(425,590)	—	(425,590)
Balance, end of year	<u>\$ 9,624,815</u>	<u>632,417</u>	<u>10,257,232</u>

(14) Functional Expenses

SHC's expenses are primarily related to providing the highest quality care to children with neuromusculoskeletal conditions, burn injuries, and other special healthcare needs within a compassionate, family centered and collaborative care environment. SHC receives approximately half of its resources from the general public, approximately 25% from investment earnings, and the remainder from healthcare payors and other means. SHC's accounting policies conform to U.S. generally accepted accounting principles applicable to not-for-profit organizations, as well as requirements for healthcare organizations.

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Expenses related to providing these services for the year ended December 31, 2024 are reflected in the table below (in thousands).

	Patient Care Related	POPS Related	Research Related	Administration	Fundraising	Total
Advertising and promotion	\$ 2,187	—	—	14	95	2,296
Benefits	69,824	—	456	23,077	—	93,357
Contributions	3,924	—	25	—	5	3,954
Depreciation	44,025	—	—	4,382	—	48,407
Dues and registrations	2,443	7	94	143	82	2,769
Food supplies	939	—	29	7	59	1,034
Insurance	7,924	—	—	383	—	8,307
Medical supplies	118,238	—	2,460	—	1	120,699
Miscellaneous	4,043	197	99	3,461	310	8,110
Occupancy	34,816	—	592	2,356	8	37,772
Office expense	7,275	121	714	27,104	411	35,625
Other fees for service	145,168	11	15,847	22,596	138,812	322,434
Patient costs	2,461	—	53	—	—	2,514
Payroll taxes	22,361	94	317	5,990	—	28,762
Postage	1,194	—	21	294	215	1,724
PGA Event	—	—	—	—	9,367	9,367
Salaries	381,762	1,323	7,880	44,899	13,420	449,284
Travel	6,253	16	418	2,012	816	9,515
Total operating expenses	\$ 854,837	1,769	29,005	136,718	163,601	1,185,930

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of SHC. These expenses require allocation on a reasonable basis that is consistently applied. Administration expenses are those supporting activities that are not directly identifiable with one or more program or fundraising activity. SHC reviews all departments and allocates each department to either program services, administration, or fundraising based on departmental function.

(15) Liquidity and Availability

SHC has financial assets that could be available within one year of the balance sheets date to meet cash needs for general expenditures. These financial assets consist of cash, accounts receivable, short-term investments and certain non-current investments. While not classified as a current asset, SHC has non-current investments that are available to meet any current needs that may arise. None of the financial assets quantified in the table below are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheets date. The accounts receivable are expected to be collected within one year. SHC structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As more fully described in Note 5, SHC also has a committed line of credit in the amount of \$150 million, which it could draw upon in the event of

SHRINERS HOSPITALS FOR CHILDREN

Notes to Combined Financial Statements

December 31, 2024

(In thousands)

an unanticipated liquidity need. The available liquidity for the year ended December 31, 2024 is as follows (in thousands):

Cash and cash equivalents	\$	68,775
Receivables and accrued interest and dividends		87,503
Short-term investments		150,786
Non-current investments available within one year		<u>6,755,255</u>
Total	\$	<u>7,062,319</u>

(16) Leases

As of December 31, 2024, the SHC is a party to four (4) operating leases and no financing leases as the lessee. The operating leases represent space rental of square footage utilized by SHC healthcare models within other healthcare facilities. The discount rate used for leases is incremental line of credit (LOC) borrowing rate SHC would incur based on their LOC agreement which is based on libor and banking fee. The options to renew the leases were considered on a case to case basis when assessing the value of the right-of-use assets as to whether SHC will assert its option to renew the leases or not.

Lessee

(a) Lease Cost

The operating lease cost for leases recorded with a corresponding ROU and Lease liability as of December 31, 2024 is \$2,826. The lease cost for short term and variable leases as of December 31, 2024 is \$4,613.

(b) Lease Position

Lease-related assets and liabilities are recorded in land, buildings, and equipment, net and other liabilities, respectively, on the accompanying combined statement of financial position at December 31, 2024 are as follows:

Operating leases:		
Operating lease ROU assets	\$	9,409
Operating lease liabilities		7,756

SHRINERS HOSPITALS FOR CHILDREN

Notes to Combined Financial Statements

December 31, 2024

(In thousands)

(c) *Lease Terms and Discount Rates*

SHC utilizes its incremental borrowing rate in determining the present value of lease payments unless the implicit rate is readily determinable. Lease terms and discount rates for December 31, 2024 are as follows:

Weighted-average remaining lease term:	
Operating leases	33 years
Weighted-average discount rate:	
Operating leases	0.5995 %

(d) *Maturities*

The maturities of lease liabilities at December 31, 2024 are as follows:

	<u>Lease liability</u>
2025	\$ 976
2026	833
2027	846
2028	858
2029	654
Thereafter	<u>17,704</u>
Total future undiscounted lease payments	21,871
Less interest	<u>(14,106)</u>
Present value of lease liabilities	<u>\$ 7,765</u>

SHRINERS HOSPITALS FOR CHILDREN

Notes to Combined Financial Statements

December 31, 2024

(In thousands)

Lessor

The operating lease income as of December 31, 2024 was \$4,811 and is included in other revenue within the accompanying combined statements of operations and changes in net assets. The maturities and future minimum lease income for operating leases with remaining non-cancellable terms in excess of one year at December 31, 2024, are as follows:

	<u>Lease income</u>
2025	\$ 4,876
2026	2,557
2027	2,361
2028	2,359
2029	2,260
Thereafter	<u>16,265</u>
Total future undiscounted lease receipts	\$ <u><u>30,678</u></u>

(17) Subsequent Events

SHC has evaluated events and transactions occurring subsequent to December 31, 2024 as of April 18, 2025, which is the date the combined financial statements were available to be issued.

SHRINERS HOSPITALS FOR CHILDREN
Combining Statement of Financial Position
December 31, 2024
(In thousands)

Assets	Boston	Chicago	Ohio	Erie	Texas	Greenville	Honolulu	Lexington ASC	Pasadena ASC	Northern California	Philadelphia	Portland	Salt Lake City Clinic	Shreveport Clinic	Spokane	Springfield Clinic	St. Louis	Tampa	Twin Cities	Remaining SHC locations	2024	
Cash and cash equivalents	\$ 132	429	7	48	16	3	17	7	1	115	430	300	2	7	619	24	21	—	—	66,597	68,775	
Cash and cash equivalents held as collateral under securities lending transactions	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	875,291	875,291	
Patient accounts receivable	1,819	2,075	1,100	89	4,436	1,725	796	313	521	6,295	1,486	4,489	87	232	1,452	319	883	—	136	2,871	30,524	
Receivables, net	21	132	46	1	48	(1)	3	6	—	77	18	141	(21)	—	—	—	22	11	89	25,707	26,300	
Accrued interest and dividends	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	30,279	30,279	
Inventories and deferred charges	669	1,154	656	250	1,168	558	665	268	720	2,710	1,133	1,800	505	215	1,157	156	1,256	—	165	40,704	85,909	
Patient transportation funds held by Shrine temples	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	85,252	85,252	
Investments:																						
Marketable securities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	9,188,743	9,188,743	
Charitable gift annuities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	63,593	63,593	
Beneficial interest in trusts	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	632,361	632,361	
Real estate and mineral interests	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	357,237	357,237	
Miscellaneous investments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	15,298	15,298	
Estates in process	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	312,617	312,617	
Land, buildings, and equipment, net of accumulated depreciation	39,599	21,690	3,795	7,480	87,990	12,843	109,573	44,121	70,399	57,118	21,436	46,600	10,697	4,843	17,240	7,315	34,528	—	5,673	197,422	800,342	
Total assets	\$ 42,240	25,480	5,604	7,848	93,658	15,128	111,054	44,715	71,641	66,315	24,503	53,330	11,270	5,297	20,468	7,814	36,710	11	6,063	11,893,772	12,542,921	
Liabilities and Net Assets																						
Liabilities:																						
Accounts payable and accrued expenses	\$ 4,763	7,236	3,454	491	10,945	2,998	3,311	2,023	3,036	19,225	8,639	5,848	2,317	1,627	2,522	1,237	3,427	—	634	114,361	198,094	
Pension and postretirement benefits	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	43,756	43,756	
Liabilities under securities lending transactions	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	875,291	875,291	
Other liabilities	—	—	217	—	—	—	—	3,424	—	—	—	—	—	—	—	—	—	—	4,415	43,925	51,981	
Total liabilities	4,763	7,236	3,671	491	10,945	2,998	3,311	5,447	3,036	19,225	8,639	5,848	2,317	1,627	2,522	1,237	3,427	—	5,049	1,077,333	1,169,122	
Net assets:																						
Without donor restrictions (net of cumulative foreign currency translation adjustment)	37,477	18,244	1,933	7,357	82,713	12,130	107,743	39,268	66,605	47,090	15,864	47,482	8,953	3,670	17,946	6,577	33,283	11	1,014	9,326,451	9,883,811	
With donor restrictions	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,489,968	1,489,968
Total net assets	37,477	18,244	1,933	7,357	82,713	12,130	107,743	39,268	66,605	47,090	15,864	47,482	8,953	3,670	17,946	6,577	33,283	11	1,014	10,816,439	11,373,799	
Total liabilities and net assets	\$ 42,240	25,480	5,604	7,848	93,658	15,128	111,054	44,715	71,641	66,315	24,503	53,330	11,270	5,297	20,468	7,814	36,710	11	6,063	11,893,772	12,542,921	

See accompanying independent auditors' report.

SHRINERS HOSPITALS FOR CHILDREN

Combining Statement of Operations and Changes in Net Assets including with Donor Restrictions

Year ended December 31, 2024

(in thousands)

	Boston	Chicago	Ohio	Erie Clinic	Texas	Greenville	Honolulu	Lexington ASC	Pasadena ASC	Northern California	Philadelphia	Portland	Salt Lake City Clinic	Shreveport Clinic	Spokane	Springfield Clinic	St. Louis	Tampa Clinic	Twin Cities Clinic	Remaining SHC locations	2024
Operating revenues and other support:																					
Net patient service revenue	\$ 4,733	14,799	3,243	1,015	7,969	11,466	6,026	3,797	2,286	34,053	12,320	27,565	1,833	2,097	12,473	1,422	7,221	23	680	14,672	169,693
Investment income:																					
Interest	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	125,509	125,509
Dividends	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	78,886	78,886
Net realized gain from investments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	818,920	818,920
Other investment income	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	46,137	46,137
Investment management fees	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(16,328)	(16,328)
Amounts released from restrictions used for operations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	302,052	302,052
Bequests – cash and financial assets	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,330	1,330
Bequests – nonfinancial assets	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Donations – cash and financial assets	4,939	6,756	4,422	3,332	8,155	8,350	1,320	3,676	3,726	7,886	8,304	7,830	4,156	3,636	3,522	2,895	9,460	—	4,058	154,279	250,702
Fund raising and special events	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	104,879	104,879
Hospital assessments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	763	763
Reimbursements from Canadian Provinces	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	23,435	23,435
Other governmental revenue	(208)	2,975	(919)	—	—	6,239	1,209	—	—	912	848	2,810	102	—	3,278	8	4,803	—	(11)	—	22,049
Other	1,945	8	(120)	315	(42)	1	—	1,988	16	231	260	(33)	—	26	(2)	30	6	—	624	1,087	6,340
Total revenues and other support	11,412	24,538	6,626	4,662	16,082	26,056	8,555	9,461	6,028	43,082	21,732	38,172	6,091	5,759	19,271	4,355	21,490	23	5,351	1,655,621	1,934,367
Operating expenses:																					
Patient Care	38,435	61,199	36,329	8,088	64,302	33,577	31,060	20,770	26,289	118,895	66,548	54,285	15,820	14,341	32,590	14,808	28,732	(12)	8,198	180,583	854,837
Research	4,151	1,143	477	21	856	139	—	362	—	6,806	1,747	1,416	(2)	25	3	1	1,469	—	16	10,375	29,005
PPDS	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,769	1,769
Administration	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	136,718	136,718
Fundraising	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	163,601	163,601
Total operating expenses	42,586	62,342	36,806	8,109	65,158	33,716	31,060	21,132	26,289	125,701	68,295	55,701	15,818	14,366	32,593	14,809	30,201	(12)	8,214	493,046	1,185,930
(Decrease) increase in net assets from operating activities	(31,174)	(37,804)	(30,180)	(3,447)	(49,076)	(7,660)	(22,505)	(11,671)	(20,261)	(82,619)	(46,563)	(17,529)	(9,727)	(8,607)	(13,322)	(10,454)	(8,711)	35	(2,863)	1,162,575	748,437
Nonoperating gains (losses), net:																					
Net unrealized (loss) on investments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(30,323)	(30,323)
Life memberships	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	73	73
Change in patient transportation funds held by Shrine temples	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,115	1,115
Pension-related changes other than service costs	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	6,801	6,801
Other, net	29,306	35,880	28,867	2,496	72,173	7,619	81,146	10,811	18,837	77,820	45,555	16,020	8,113	7,168	19,227	8,895	6,595	9	2,376	(497,210)	(18,297)
Foreign currency translation adjustments	(17)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,827	1,810
Total nonoperating gains (losses), net	29,289	35,880	28,867	2,496	72,173	7,619	81,146	10,811	18,837	77,820	45,555	16,020	8,113	7,168	19,227	8,895	6,595	9	2,376	(517,717)	(38,821)
(Decrease) increase in net assets without donor restrictions	\$ (1,885)	(1,924)	(1,313)	(951)	23,097	(41)	58,641	(860)	(1,424)	(4,799)	(1,008)	(1,509)	(1,614)	(1,439)	5,905	(1,559)	(2,116)	44	(487)	644,858	709,616

See accompanying independent auditors' report.

SHRINERS HOSPITALS FOR CHILDREN

Combining Statement of Financial Position

December 31, 2024

(In thousands)

Assets	Colorado	Other						Total	2024
	Corp	Boston	Springfield Clinic	Mexico	Quebec	Tijuana	Canada	other	
Cash and cash equivalents	\$ 59,625	132	24	1,182	4,008	205	3,599	9,150	68,775
Cash and cash equivalents held as collateral under securities lending transactions	875,291	—	—	—	—	—	—	—	875,291
Patient accounts receivable	28,236	1,819	319	—	591	—	(41)	2,688	30,924
Receivables, net	25,719	21	—	(2)	455	(214)	321	581	26,300
Accrued interest and dividends	30,201	—	—	—	—	—	78	78	30,279
Inventories and deferred charges	52,666	669	156	1,450	984	—	(16)	3,243	55,909
Patient transportation funds held by Shrine temples	85,252	—	—	—	—	—	—	—	85,252
Investments:									
Marketable securities	9,185,394	—	—	—	—	—	3,349	3,349	9,188,743
Charitable gift annuities	63,593	—	—	—	—	—	—	—	63,593
Beneficial interest in trusts	632,361	—	—	—	—	—	—	—	632,361
Real estate and mineral interests	357,237	—	—	—	—	—	—	—	357,237
Miscellaneous investments	15,298	—	—	—	—	—	—	—	15,298
Estates in process	312,617	—	—	—	—	—	—	—	312,617
Land, buildings, and equipment, net of accumulated depreciation	611,404	39,599	7,315	53,243	—	84	88,697	188,938	800,342
Total assets	\$ 12,334,894	42,240	7,814	55,873	6,038	75	95,987	208,027	12,542,921
Liabilities and Net Assets									
Liabilities:									
Accounts payable and accrued expenses	\$ 105,595	4,763	1,237	4,710	10,093	231	71,465	92,499	198,094
Pension and postretirement benefits	43,756	—	—	—	—	—	—	—	43,756
Liabilities under securities lending transactions	875,291	—	—	—	—	—	—	—	875,291
Other liabilities	51,859	—	—	122	—	—	—	122	51,981
Total liabilities	1,076,501	4,763	1,237	4,832	10,093	231	71,465	92,621	1,169,122
Net assets:									
Without donor restrictions (net of cumulative foreign currency translation adjustment)	9,768,405	37,477	6,577	51,041	(4,055)	(156)	24,522	115,406	9,883,811
With donor restrictions	1,489,988	—	—	—	—	—	—	—	1,489,988
Total net assets	11,258,393	37,477	6,577	51,041	(4,055)	(156)	24,522	115,406	11,373,799
Total liabilities and net assets	\$ 12,334,894	42,240	7,814	55,873	6,038	75	95,987	208,027	12,542,921

See accompanying independent auditors' report.

SHRINERS HOSPITALS FOR CHILDREN

Combining Statement of Operations and Changes in Net Assets including with Donor Restrictions

Year ended December 31, 2024

(In thousands)

	Colorado Corp	Boston	Springfield Clinic	Other			Tijuana	Canada	Total other	2024
Operating revenues and other support:										
Net patient service revenue	\$ 163,538	4,733	1,422	—	—	—	—	—	6,155	169,693
Investment income:										
Interest	125,264	—	—	—	—	—	—	245	245	125,509
Dividends	78,886	—	—	—	—	—	—	—	—	78,886
Net realized gain from investments	818,931	—	—	—	—	—	—	(11)	(11)	818,920
Other investment income	46,011	—	—	—	—	—	—	126	126	46,137
Investment management fees	(16,328)	—	—	—	—	—	—	—	—	(16,328)
Amounts released from restrictions used for operations										—
Bequests – cash and financial assets	298,137	—	—	—	—	—	—	3,915	3,915	302,052
Bequests – nonfinancial assets	1,330	—	—	—	—	—	—	—	—	1,330
Donations – cash and financial assets	235,893	4,939	2,895	611	1,383	80	4,901	14,809	14,809	250,702
Fund raising and special events	104,879	—	—	—	—	—	—	—	—	104,879
Hospital assessments	730	—	—	—	—	—	33	33	33	763
Reimbursements from Canadian Provinces	—	—	—	—	23,435	—	—	—	23,435	23,435
Other governmental revenue	22,246	(205)	8	—	—	—	—	—	(197)	22,049
Other	4,099	1,945	30	70	165	11	20	2,241	2,241	6,340
Total revenues and other support	1,883,616	11,412	4,355	681	24,983	91	9,229	50,751	50,751	1,934,367
Operating expenses:										
Patient Care	733,123	38,435	14,808	30,532	31,981	2,339	3,619	121,714	121,714	854,837
Research	21,780	4,151	1	141	2,932	—	—	7,225	7,225	29,005
POPS	1,769	—	—	—	—	—	—	—	—	1,769
Administration	136,718	—	—	—	—	—	—	—	—	136,718
Fundraising	163,599	—	—	—	—	—	2	2	2	163,601
Total operating expenses	1,056,989	42,586	14,809	30,673	34,913	2,339	3,621	128,941	128,941	1,185,930
Increase (decrease) in net assets from operating activities	826,627	(31,174)	(10,454)	(29,992)	(9,930)	(2,248)	5,608	(78,190)	(78,190)	748,437
Nonoperating gains (losses), net:										
Net unrealized (loss) on investments	(30,533)	—	—	—	—	—	210	210	210	(30,323)
Life memberships	73	—	—	—	—	—	—	—	—	73
Change in Patient Transportation funds held by Shrine temples	1,115	—	—	—	—	—	—	—	—	1,115
Pension-related changes other than service costs	6,801	—	—	—	—	—	—	—	—	6,801
Other, net	(86,344)	29,306	8,895	28,326	10,256	1,902	(10,638)	68,047	68,047	(18,297)
Foreign currency translation adjustments	(19)	(17)	—	1,933	42	(102)	(27)	1,829	1,829	1,810
Total nonoperating (losses) gains, net	(108,907)	29,289	8,895	30,259	10,298	1,800	(10,455)	70,086	70,086	(38,821)
Increase (decrease) in net assets without donor restrictions	\$ 717,720	(1,885)	(1,559)	267	368	(448)	(4,847)	(8,104)	(8,104)	709,616

See accompanying independent auditors' report.