

# Annual Report Summary

# 2016-2017



*Shriners Hospitals for Children® is honored to have so many people who believe in and contribute to our mission to provide the best possible care for our patients, conduct research that will ultimately lead to the ability to provide even better care, and share our expertise with the next generation of medical professionals, all regardless of the families' ability to pay.*

*We appreciate the dedication of our donors, staff and volunteers to our mission. We need and depend on that support to allow us to change lives every day.*



**Shriners Hospitals**  
for Children®

## Our Health Care System

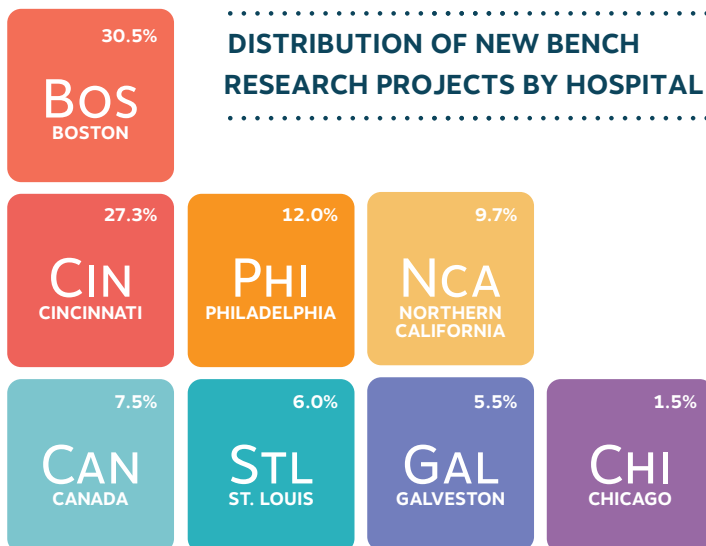
Shriners Hospitals for Children® has a three-part mission of providing care, conducting research and offering educational programs for medical professionals that combine to achieve a single goal: improve children's lives.

We are determined to provide the best, most comprehensive care possible to ensure that our young patients become as healthy, active and independent as possible. Shriners Hospitals for Children also conducts approximately 120 international outreach clinics annually. Along those lines, we are streamlining our efforts to have Rapid Response teams ("go-teams") to assist during local, national and international emergencies.

Everyone associated with Shriners Hospitals for Children – donors, medical staff, volunteers and Shriners – is part of a compassionate and generous health care system that has given hope and healing to more than 1.3 million children.

## Research

To advance the care and treatment of our young patients and improve their quality of life, Shriners Hospitals for Children® conducts vigorous research at all levels, from basic laboratory research to clinical research. A sampling of the research includes developing new drugs to stimulate bone formation for the treatment of bone disease; exploring the genetic factors involved in regeneration of nerve fibers after spinal cord injury; understanding how burn injury affects the body to bring new treatments closer to clinical use in children to improve their



recovery; and using living cells to regenerate cartilage and bone that has been damaged by arthritis of the joints.

Our research enterprise is extremely active and productive with more than 185 grant, fellowship and internship applications submitted annually. For 2016, 16 Lemieux medical student internships, 29 fellowships and 91 research projects were funded.

## System Highlights

Shriners Hospitals for Children® strives to fulfill our goal of being a leader in our areas of expertise, while adapting our care to reflect the ever-changing health care landscape. We do this through technological advancements and research. We would like to share a few highlights of the ways we have enhanced our patient care services this past year.

### Increasing the Availability of Low-Dose X-ray Technology

This Nobel Prize-winning technology is currently offered at seven hospitals and we hope to install EOS equipment at an additional eleven locations in the future. The EOS systems reduce radiation exposure by 89% and generate high-quality 3D views of our young patients' bone structures, allowing physicians to more easily analyze and determine the best course of treatment.

### Less Invasive Limb-Lengthening Procedure

We are also looking to expand the availability of a less painful limb-lengthening procedure. In this procedure, an internal magnetic lengthening rod is surgically implanted into the young patient's femur and, as the child grows, the rod is slowly expanded by holding a remote control over it. The procedure is currently offered at seven hospitals and we look forward to expanding this to our other locations.

### Using Technology to Treat Burn Injuries

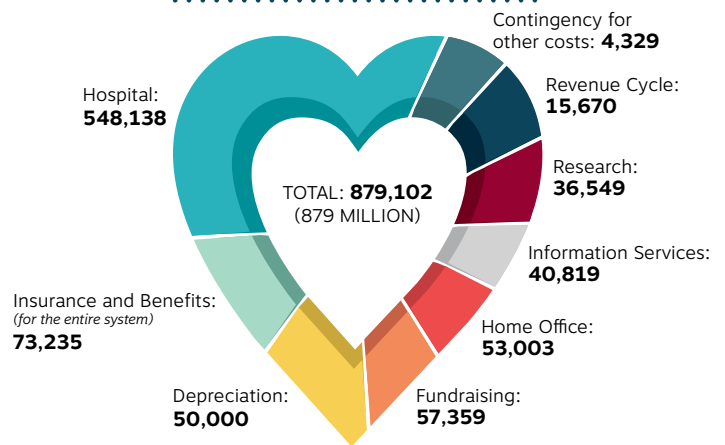
The introduction of the CO2 fractional laser has dramatically changed the treatment of scars and other skin conditions. While scars are an important part of the body's healing process, children can suffer from unsightly, thick and constricting scars. The use of the CO2 laser stimulates the wound healing process and controls scarring. We look to expand the availability of this technology in our four burn hospitals.

## Planning for the Future

Our organization works diligently to ensure that we have appropriate investment strategies in place to protect and increase the endowment fund and generate investment income. Our investment committee, along with donor relations and other staff, also strives to raise revenues from other sources and to ensure we are operating as efficiently as we can, so we can continue to provide life-changing care for our patients and families far into the future.

In 2017, our operating budget for this huge and generous effort is \$879.1 million.

## 2017 OPERATING BUDGET



## Building for Today and Tomorrow

In order to provide our patients and families with the best care possible, we want to be sure we are delivering that care in the best environment possible. Consequently, we are always updating our buildings and equipment to reflect the newest standards and care models.

### New Lexington Medical Center Opens

In April, 2017, Shriners Hospitals for Children — Lexington began a new chapter in its long history of caring for children, opening in a new location on the campus of the University of Kentucky: Shriners Hospitals for Children Medical Center. The new \$47 million facility is a state-of-the-art ambulatory care center, designed to better meet the orthopaedic needs of children and their families well into the future.

The new facility includes two ambulatory surgery suites, six pre/post-surgery rooms, post-anesthesia care units, four infusion rooms, a motion analysis center (one of only three in the state), 20 patient exam rooms, a rehabilitation gymnasium, therapy rooms and onsite radiology, including the first EOS imaging center in Kentucky.

### New Los Angeles Medical Center Set to Open Later this Summer

The new \$77 million, 75,000-square-foot, three-story, state-of-the-art medical center is expected to open in Pasadena later this summer. Located on

two acres, the new facility will have two ambulatory surgery rooms, six PACU suites, 20 outpatient clinic examination rooms, three fitting rooms for prosthetics and orthotics and a multiuse room for gait analysis, as well as onsite radiology featuring an EOS system, child life, pharmacy and care coordination departments.

The new medical center will offer treatment for a full range of pediatric orthopaedic conditions, cleft lip and palate, and reconstructive and plastic surgeries. The new facility will also provide orthotic and prosthetic services, ambulatory surgery, rehabilitation and primary care.



The children's interactive wall at Shriners Hospitals for Children Medical Center — Lexington



New Shriners Hospitals for Children — Los Angeles to open in Pasadena

# Financial Highlights

(in thousands)

Dec. 31 2016      Dec. 31 2015

## Assets

Cash and cash equivalents	\$ 27,348	14,121
Cash and cash equivalents held as collateral under securities-lending transactions	260,212	347,162
Patient accounts receivable, net of allowance for doubtful accounts	29,964	35,123
Other current assets	54,962	54,843
Patient transportation funds held by Shrine temples	62,821	56,985
Long-term investments	7,853,598	7,765,730
Estates in process	241,176	269,697
Land, buildings and equipment, net of accumulated depreciation	923,610	866,600
<b>Total assets</b>	<b>\$9,453,691</b>	<b>9,410,261</b>

## Liabilities and Net Assets

### Liabilities:

Accounts payable and accrued expenses	\$ 357,372	304,763
Liabilities under securities-lending transactions	260,212	347,162
Other liabilities	36,393	78,186
<b>Total liabilities</b>	<b>653,977</b>	<b>730,111</b>

**Net assets** (net of accumulative foreign currency adjustment of \$8,421 in 2016 and \$8,732 in 2015):

Unrestricted	7,425,173	7,282,673
Temporarily restricted	272,588	295,809
Permanently restricted	1,101,953	1,101,668
<b>Total net assets</b>	<b>8,799,714</b>	<b>8,680,150</b>
<b>Total liabilities and net assets</b>	<b>\$ 9,453,691</b>	<b>9,410,261</b>

## Total Revenues and Other Support

Investment income	\$ 186,534	212,724
Donation related revenue	308,433	272,680
Net patient service revenue	141,329	134,410
Other	27,961	24,438
<b>Total revenues and other support</b>	<b>664,257</b>	<b>644,252</b>

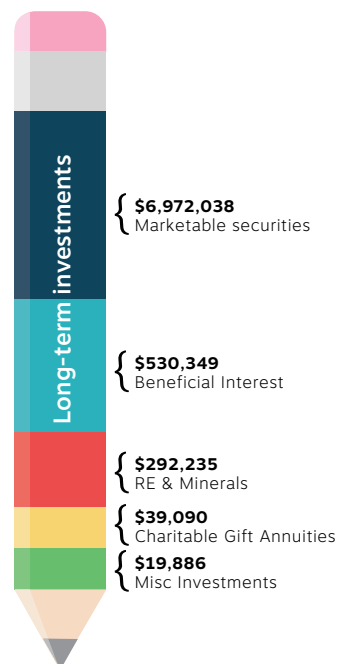
### Operating expenses:

Hospitals	643,768	601,558
Research	33,231	32,172
Revenue cycle	14,060	13,295
Information systems	35,276	32,938
Headquarters, administrative and board-related	62,222	52,989
Fundraising and special events	47,806	36,910
<b>Total operating expenses</b>	<b>836,363</b>	<b>769,862</b>
Decrease in net assets from operating and other activities	(172,106)	(125,610)

### Other changes in net assets:

Gain (loss) on investments	367,568	(311,550)
Change in wills and trusts	(22,495)	29,328
Change in patient transportation funds held by Shrine temples	5,836	(368)
Pension-related changes other than net periodic pension costs	(33,667)	6,419
Other, net	(25,572)	(10,175)
<b>Total non-operating gains (losses)</b>	<b>291,670</b>	<b>(286,346)</b>
<b>Increase (decrease) in net assets</b>	<b>\$ 119,564</b>	<b>(411,956)</b>

## LONG-TERM INVESTMENTS TOTAL: \$7,853,598



## INVESTMENT INCOME TOTAL: \$186,534

