

STARS®

GOVERNANCE AND
FINANCIAL REPORT 2010

It's about the Patient



Boards of Directors

As of May 31, 2011

(S) Shock Trauma Air Rescue Society

(F) Shock Trauma Air Rescue Service Foundation

Hugh Bolton, FCA (S) (1) (4)
EPCOR Utilities Inc., Edmonton

Allan R. Buchignani (S),
Board Chair, STARS Society
Corporate Director, Calgary

Neil Camarta (S, F) (3) (5)
Corporate Director, Calgary

Lyle Carlstrom (S, F) (4)
Kay McVey Smith & Carlstrom LLP,
Grande Prairie

Christopher (Chip) Doig, MD MSc
FRCPC (S) (2) (3)
Faculty of Medicine, University of
Calgary, Calgary

Matt Fox (S) (2) (4)
Nexen Inc., Calgary

Randy Garvey (F) (1)
Canadian Western Bank, Edmonton

R.T. Noel Gibney, MB, FRCP (S) (3)
Faculty of Medicine and Dentistry,
University of Alberta, Edmonton

Brian Hahn (S) (4)
ATCO Gas, Edmonton

Andre Harpe (S) (3)
Wiesco Acres Ltd., Valhalla

Brian Hesje (S) (1)
Fountain Tire, Edmonton

Dr. Grant Innes (S) (3)
Alberta Health Services, Calgary

Rod Kennedy (S, F) (5)
RBC Dominion Securities Inc.,
Red Deer

Fauzia Lalani (F) (2) (3)
Corporate Director, Calgary

Greg Melchin, FCA (S) (1)
Corporate Director, Calgary

David Mowat (F), Board Chair,
STARS Foundation
ATB Financial, Edmonton

Elaine Noel-Bentley (F) (2) (5)
Corporate Director, Calgary

Dr. Mike Percy (S, F) (2) (4)
Alberta School of Business,
Edmonton

D. Gregory Powell, O.C.,
MD FRCPC (S, F)
President & CEO,
STARS & STARS Foundation
University of Calgary, Calgary

Douglas Ramsay (S) (5)
Calfrac Well Services Ltd., Calgary

Paul Smith (S, F) (5)
Talisman Energy Inc., Calgary

Rory Tyler (F) (2) (4)
Korn/Ferry International, Calgary

Brian Vaasjo (F) (1)
Capital Power Corporation,
Edmonton

(Numbers denote
committee membership)

Committees:

(1) Audit and Finance Committee

(2) Human Resources and
Compensation Committee

(3) Safety and Risk
Management Committee

(4) Governance and
Nominating Committee

(5) Investment Committee

Volunteer, non-director committee members:

Art Hironaka, FCA (1) (5)
Michael Trattner (5)

Board Chairs and the Chief
Executive Officer are
ex-officio members of all
Standing Committees.

Honourary Members:

Stan G.P. Grad, Art Hironaka,
J.D. Hole, James Alexander Lang,
Lorraine Myers, John Panton
and Robert G. Peters

Executive Team

Dr. Greg Powell, President & Chief Executive Officer

Sharaz Khan, Vice-President, Information
Management & Chief Information Officer

Ken King, Vice-President, Emergency Communications
& Quality Management

Mike Lamacchia, Vice-President, Clinical Operations
& Education

Phil Levson, Vice-President, STARS Foundation

Dr. Dennis Nesdoly, Chief Medical Officer

Linda Powell, Vice-President, Governance
& External Affairs/Communications

Jeffrey Quick, Vice-President, Finance and
Administration & Chief Financial Officer

Bill Werny, Vice-President, Strategic Initiatives
& General Manager Edmonton

STARS Governance

Statement of Governance Practices

STARS is committed to the principles of strong governance. It strives to lead in the area of voluntary and non-profit sector governance with a commitment to stewardship of the STARS organization through effective and best practices.

Effective governance requires sound, ethical and legal processes and direction consistent with the organization's vision and mission, and adequate controls to ensure appropriate oversight of the organization's resources. For non-profit, charitable organizations, this includes appropriate guidance and protection of the benefits and services provided to the community and sound stewardship of the resources, whether funding, volunteer time, financial or other expertise, or other skills committed to the organization.

The STARS and STARS Foundation Boards of Directors recognize their governance responsibilities to all stakeholders including our patients, provincial governments, health regions, emergency service providers, corporate and community donors, volunteers, employees and the general public.

STARS is committed to the ongoing evaluation and application of best practices in governance to promote a healthy, productive, transparent, accountable and effective organization. We regularly assess emerging best practices and annually review our governance and financial disclosure practices to ensure we meet or exceed the requirements for non-profit organizations.

Code of Conduct and Code of Ethics:

The STARS Code of Conduct and Code of Ethics is approved by the Boards of Directors of STARS and the STARS Foundation. An Accountability and Compliance Hot-line (commonly called a "whistleblower" line) is in place, and a Communications Policy provides guidance for external and internal communications. These policies and supporting information are found on STARS website at www.stars.ca. Employees are required to promptly report breaches of the Code of Conduct and Code of Ethics.

Our governance best practices include a separation of duties between the Boards and Management and between the Board Chairs and Chief Executive Officer, regularly scheduled in-camera sessions for our Board and Board Committee meetings, in-camera sessions with our auditor with Audit & Finance Committee members present only, and a formalized annual workplan calendar for Board and Board Committee meetings. Each of the Audit & Finance and Investment Committees of the Boards meet between four and six times yearly. The Boards carry out an annual review of the effectiveness of board governance practices, which includes overall board assessment and self-assessment. Director attendance at board and committee meetings is tracked and reviewed. Succession planning processes are in place for our Chief Executive Officer, Board Chairs and members of the Boards of Directors. The Boards annually review board terms and the skills, qualifications and characteristics required for future directors and a comprehensive orientation program is carried out for all new directors. Risk assessment is inherent and integrated into board strategic planning and management planning and execution practices.

Charitable Status and Organizational Structure

The Shock Trauma Air Rescue Society ("STARS Society"), the Shock Trauma Air Rescue Service Foundation ("STARS Foundation") and the Shock Trauma Air Rescue Society (Canada) ("STARS Canada") are each non-profit and registered charitable organizations ("Organizations"), under the Income Tax Act (Canada). STARS Foundation is also designated as a public foundation. STARS Canada is not active at this time. STARS Aviation Canada Inc. ("STARS Aviation") is a wholly owned subsidiary of the STARS Society which retains ownership of helicopters and operating licenses to meet Transport Canada requirements. STARS Education and Response Technologies Inc. is also a wholly owned subsidiary of the STARS Society and is not active at this time. Collectively, this group is known as STARS. On December 21, 2010, a name change from Alberta Shock Trauma Air Rescue Service Foundation to Shock Trauma Air Rescue Service Foundation was registered pursuant to the Companies Act. On January 13, 2011, a name change from Alberta Shock Trauma Air Rescue Society to Shock Trauma Air Rescue Society was registered pursuant to the Alberta Societies Act. The name changes were approved by the respective Board of Directors on December 8, 2010.

Boards of Directors – Volunteer Governance

As charitable and non-profit entities, STARS Society, STARS Foundation and STARS Canada have no shareholders and are each governed by volunteer boards of directors. STARS Aviation and STARS Education and Response Technologies Inc. are governed by shareholder resolutions of STARS Society. The members of the respective Boards and Board Standing Committees do not receive any remuneration, consideration, or fees for undertaking the responsibilities, risks and the significant time commitment involved in being a volunteer director.

A Governance and Nominating Standing Committee stewards the governance process and culture. Formalized “Guidelines for Governance” and Terms of Reference for the standing board committees are regularly reviewed and revised as required.

Mandate of the Boards of Directors

The fundamental responsibility of the Boards of Directors is to oversee the management of the organization, with a view to maximizing benefit and value to the community in carrying out the Vision, Mission and Strategic Objectives and to assure the ongoing continuity and strength of its programs. The Boards’ responsibilities include, among others, the appointment of the Chief Executive Officer and other officers, review of senior management compensation, monitoring the performance of the Chief Executive Officer and reviewing and approving the strategic direction for the Organizations. The Boards have established administrative procedures which prescribe the rules governing the approval of transactions carried out in the course of the Organizations’ operations, the delegation of authority and the execution of documents on behalf of the Organizations.

The Boards, including committees or an individual director, may engage an outside advisor at the expense of the Organizations to assist them in the execution of their directors’ responsibilities. From time to time, the Organizations may use professional services from a business affiliated with a Director, recognizing the expertise the business brings to STARS. At this time, the engagement of such services has not affected the independence of any members of the Boards.

The Boards and the Standing Board Committees meet independently of management on a regular basis.

Board Responsibilities

Strategic Planning

STARS’ Boards of Directors have the responsibility for setting and monitoring overall strategic direction with management. In assuming this responsibility, the Boards of Directors undertake an annual strategic planning session with the senior management team to review and approve the direction of the Organizations. Senior management regularly prepares reports that are reviewed and discussed with the Boards. Strategic plans are reviewed and budgets are approved by the Boards prior to implementation. Key objectives of the strategy are incorporated into the annual budget processes.

Communications

STARS is committed to ongoing transparent communications with its stakeholders. Key communications issues are reported to the Boards of Directors. STARS issues regular newsletters and communicates ongoing and annual activities through the STARS Annual Report, STARS website and other electronic communication tools and through our medical and community outreach programs. Information is released to the public on a regular basis on issues of impact to our stakeholders.

Safety and Risk Management

The Boards work with management to ensure that a system is in place to identify the principal risks to the Organizations and that appropriate procedures are in place to monitor and mitigate the risks. STARS is committed to the health and safety of STARS personnel and volunteers, takes appropriate remedial and preventative actions as required, and supports wellness initiatives.

Succession Planning

The Boards ensure that a process is established that adequately provides for succession planning, both within the Boards, for the Chief Executive Officer and for senior members of management.

Composition of the Boards of Directors

The Board of STARS Society had 17 Directors as of December 31, 2010 and the Board of STARS Foundation had 12 Directors. As of December 31, 2010, the membership of the Foundation Board included an overlap of six members of the Society Board. The Chief Executive Officer is a Director and member of senior management and is an ex-officio member of all of the Boards' Joint Standing Committees.

As STARS currently provides services in Alberta and eastern British Columbia and will provide services commencing in 2012 in Saskatchewan, deliberation of Board composition takes into account required governance competencies and skill and specific expertise skill sets and also recognition of the geographic breadth of the services. STARS Aviation and STARS Education and Response Technologies Inc. each has a sole Director and each is governed by its sole shareholder, the STARS Society. STARS Education and Response Technologies Inc. is not active at this time.

A Board of three volunteer Directors governs STARS Canada, two Directors being independent and non-related and one Director being the Chief Executive Officer and related. STARS Canada is not active at this time.

Board Committees

Standing Committees

The Boards of Directors of the STARS Society and the STARS Foundation have five Joint Standing Committees to assist the Boards in fulfilling their mandates.

The Board annually reviews and appoints members to the Joint Standing Committees with mandates as outlined in the Board-approved Terms of Reference for the Committees. All committees make recommendations to the respective Boards for approval and do not act independently unless specifically authorized to do so by the Board(s) of Directors and as limited by legislation, as applicable.

Five Joint Standing Committees assist the Boards in their stewardship role: the Governance and Nominating Committee, the Audit & Finance Committee, the Investment Committee, the Human Resources and Compensation Committee, and the Safety and Risk Management Committee. The majority of members of all Standing Committees are non-management directors and unrelated. The Investment Committee currently has two external, non-related, non-Director members. The Board Chairs and the Chief Executive Officer are ex-officio members of the Standing Committees. Appropriate skills and expertise are considered in the formation of each respective Committee. Committee membership is reviewed annually.

Governance and Nominating Committee

The Governance and Nominating Committee monitors and manages Board governance practices and is responsible for: proposing all nominees to the Boards and the Committees; monitoring Board and Board Committee effectiveness and performance according to the goals and objectives of the Organizations; overseeing orientation of new board members and ongoing education of incumbent members.

Audit and Finance Committee

The Audit and Finance Committee monitors the financial accountability, risk and integrity of the Organizations, ensuring that appropriate internal control and reporting systems are in place. The Committee reviews the annual financial audit and quarterly financial statements and reports its findings and recommendations to the Boards. The Committee reviews the terms of engagement, including fees, of the external auditors and recommends the appointment of the external auditors to the Boards for recommendation to the members on an annual basis. The Committee regularly meets independently of management and of the external auditors. One member of the Committee must have a financial designation as is required by the terms of reference for that committee.

Investment Committee

The Investment Committee is responsible for monitoring investment returns, reviewing the investment strategies and making recommendations to the Boards on investment policy and overall strategy.

Safety and Risk Management Committee

The Safety and Risk Management Committee assists the Boards in carrying out their responsibilities by monitoring and discussing principal risks identified by management and faced by the Organizations. The Committee annually reviews insurance coverage as recommended by management and actively discusses the safety culture of the organization.

Human Resources and Compensation Committee

The Human Resources and Compensation Committee is responsible for monitoring compensation and human resource policies, for developing and monitoring a succession plan for the Chief Executive Officer of the Organizations, for the annual performance review and compensation recommendations for the Chief Executive Officer and for reviewing recommendations for senior management compensation.

Executive Compensation

The Human Resources and Compensation Committee annually reviews senior management compensation. The remuneration for the Chief Executive Officer is regularly evaluated by the Human Resources and Compensation Committee utilizing periodic regular market assessments and various industry and professional benchmarks, including those for charitable and non-profit organizations, and by periodic independent consultation. The Committee's conclusions for compensation for the Chief Executive Officer are reviewed with the Boards of Directors and are recommended to the Boards of Directors for approval.

Privacy

We are committed to maintaining the accuracy, confidentiality and security of the personal and health information under our custody, control or management. We have adopted privacy policies and practices to address the privacy concerns of the various groups of individuals with whom we interact. Our External Privacy Policy is available at www.stars.ca or by contacting our Chief Privacy Officer. If you have any questions about our privacy policy or practices, please contact:

Chief Privacy Officer

STARS
1441 Aviation Park NE, Box 570, Calgary, AB T2E 8M7
Phone: 403.295.1811
Fax: 403.295.2426
e-mail: privacy@stars.ca

Accountability and Compliance Hotline 1.877.392.6595

STARS endeavours to maintain the highest standards of accountability and transparency in all activities in ensuring appropriate governance and management of the Organizations. STARS has implemented a confidential Accountability and Compliance Hotline to handle concerns regarding STARS accounting, internal controls, human resources, privacy and the integrity of management.

Message from President & CEO

STARS is a well-recognized leader in critical patient care, rapid transportation, and emergency medical training and education. Our unique model of community, corporate and government support allows us to continue with excellence and innovation in patient care. STARS continues to meet the future head on, working collaboratively with partners in emergency, medical and rescue services. The economy and changes in the health system present both opportunities and challenges.

STARS is a key component of the health care system and our involvement continues to unfold in a very positive way. Our driving force and key focus is always the care of critically ill and injured patients. Programs and departmental activities maintain, support and broaden that focus.

The organization reviews its strategic direction on an ongoing basis. Annually, each department and operational area determines goals and establishes performance metrics, tied to our balanced scorecard, and reports to our Executive Team on a quarterly basis. Inherent in this process is a careful review of the risks facing the organization and determination of risk mitigation strategies. The resulting plans are implemented and monitored.

While the clinical challenges of providing emergency care to critically ill and injured patients continue to be the highest risk statistically, the current global economy requires us to pay special attention to our financial picture.

In summary, we continue to be a patient-centric organization, located in three geographic bases, and focused on the pillars of finding the patient, medical care and transport, clinical provider of education and research, and community support.

The renewed commitment of long-term, stable funding from Alberta Health Services continues to represent approximately 25 per cent of STARS' total mission-related costs. In addition to this important funding provided by Alberta Health Services, we rely on corporate and community support for the remaining 75 per cent of mission operations funding.

In 2010, STARS celebrated 25 years of providing helicopter emergency medical services to the citizens of Alberta and eastern British Columbia. The Next 25 Years ("TNT") begins with a relationship with our neighbouring province to the east, with the signing of a 10-year agreement between the Government of Saskatchewan and STARS in April 2011 for STARS to provide helicopter emergency medical services program for the citizens and communities of Saskatchewan. The program's design is being supported by corporate donations, and Crescent Point Energy Corp. is the lead founding donor with a \$5 million contribution. Support from the corporate community has been strong and other founding donors joining Crescent Point Energy now include PotashCorp, Mosaic Company, Enbridge, Husky Oil and Rawlco. Both corporate and community support will be important components of the STARS program in Saskatchewan.

A summary of STARS strategic directions are outlined below:

Strategic Directions

- Provide critical care to the populations we serve, collaboratively working with members of the chain of survival from five geographic bases in Calgary, Edmonton, Grande Prairie, Regina and Saskatoon, while effectively leveraging economies of scale;
- Continue to deliver on our responsibility for coordination of care and transport for rural critically ill and injured ("Red") patients in Alberta (Rural Red Patient Matters Affiliation Agreement signed April 2010), with continued focus on a "one call does it all" concept;
- Add two more BK117's and three new advanced technology helicopters to our fleet, based in strategic locations;
- Continue to enhance and deliver an academic curriculum for the training of critical care providers;
- Continue to meet the needs of our industry partners by expanding our emergency call taking Geographic Information mapping System ("GIS") in the STARS Emergency Link Centre;
- Participate in the management of helipads in collaboration with Alberta Health Services and Saskatchewan Health;
- Continue to develop the information technology, communications and fundraising infrastructure to support and sustain the plan; and
- Continue to explore challenges and opportunities in areas where patient care may benefit from the STARS program.

Over the past three years, average net revenues were \$28.9 million from all sources — operations, fundraising and investments. Over the same period, average expenditures were \$29.7 million. Average net revenues over average expenditures were \$(0.8) million over the past three years.

Risk & Opportunity Analysis

Overall, our sustainability as a “going concern” is not in question. The following risks regarding budgetary pressures merit specific mention.

Expense Risks

Annual market adjustment rate:

Expenditures, as described in our financial statements are likely to increase at the annual market adjustment rate.

Operating costs of new helicopters:

Aviation costs are a blend of ongoing scheduled and unscheduled maintenance. The initial start-up costs of the AW139 helicopters, on a one-time basis, are projected to occur in 2011 through 2013. We will likely be unable to reduce aviation costs further, given the age of the current fleet and the arrival of new helicopters requiring training for pilots and engineers, and maintenance equipment.

Revenue Risks

Agreements with provincial government:

A new agreement with Alberta Health Services was signed effective April 1, 2010. This agreement provides a baseline amount of partial funding for mission operations of \$5.488 million per year. Additionally, Alberta Health Services has agreed to reimburse STARS for mission related fuel expenditures.

STARS is a charitable, not-for-profit entity that receives the majority of required funding from communities, individuals and industry.

We are optimistic that the collaborative model of partial funding from government and partial funding from the STARS Foundation will remain intact. With the additional commitments agreed upon in the Rural Red Patient Matters Affiliation Agreement, STARS will continue to monitor revenue and cost risks.

The combination of Alberta Health Services working in partnership with STARS and the community serves to strengthen the links in Alberta’s health safety net for critical patient care.

THE STARS CENTRE and STARS Emergency Link Centre (“STARS ELC”) costs are stable, and the centres are positioned to generate revenue. In 2010, STARS signed a new agreement with Medical Education Technologies, Inc. (“METI”) to provide human patient simulation support in Canada and this activity continues as a growing revenue source.

The overall economic recovery has the potential to increase several of the major revenue streams important to the ongoing financial sustainability of STARS. Additionally, we have developed a number of new fundraising programs for 2011: Red Ring for Life, STARS CEO Survivor, and Fund a Flight which are projected to increase revenues well into the future. The economic growth in the province of Saskatchewan has resulted in significant start up fundraising for STARS of approximately \$38.5 million.

The annual STARS Lottery provides significant revenue but could potentially experience difficulty selling out, reducing expected revenue in a difficult economic environment. However, the 2011 lottery sold out, as it has since inception 18 years ago. We believe this history of sell out is reflective of the strong support for the purpose and mission of the organization by individual supporters in the community. The risk of missed revenue from this funding initiative is felt to be low.

Other revenue sources such as site registration, corporate donations and event proceeds are projected to increase with the anticipated economic recovery. Actual donations and fundraising revenues increased by \$1.7M in 2010 over 2009 levels highlighting recovering fundraising programs.

Capital procurement risk:

During 2010, STARS Aviation Canada Inc., a subsidiary of Shock Trauma Air Rescue Society, traded its AW139 helicopter to AgustaWestland for an AW139 capable of flight into known ice conditions. This will result in two identical AW139 aircraft with de-icing capabilities. The second aircraft is due to arrive in late 2012. STARS has entered into an agreement with Air Concepts International Inc. and HeliMods Pty Ltd. for the delivery of two AW139 medical interiors. The Vision Critical Campaign raised the majority of the funds to meet the payment schedule for both helicopters. Additional fundraising is required to address the costs of the medical interiors,

currency fluctuations and new aircraft pilot training, which has created the potential for approximately a \$7 million shortfall by the end of 2012. We are developing mitigation strategies which include targeted fundraising for the medical interiors. Potential certification delays of the AW139 due to external factors will increase the time window to manage these costs, and we believe the liabilities can be managed without significant difficulty through fundraising and bridge financing.

There are a number of used BK117 helicopters available for purchase that are suitable for refurbishment to STARS specifications for the Saskatchewan bases. Plans include the purchase of a third AW139. Funding for the helicopters is being provided by corporate donors and the Government of Saskatchewan.

Workforce demographic risk:

The shortage of appropriately trained and qualified physicians, nurses and paramedics with critical care skills is growing nationwide. STARS is addressing the potential shortfall with educational programs, in particular the STARS Critical Care and Transport Medicine Academy. This innovative, multi-disciplinary education program provides us with the opportunity to enhance our unique critical care delivery model and to attract highly motivated medical crews. The STARS Critical Care and Transport Medicine Academy has completed pilot programs for medical personnel. The risk of STARS being unable to provide adequately trained numbers of professional medical personnel is well mitigated through this undertaking.

Regulatory Risk

Over the past two years, there have been significant changes in the governance structure of the health care system in Alberta. Of particular note, the urban and rural ground ambulance systems have been brought under the Alberta Health Services structure. This change is accompanied by new and revised legislation and regulations governing ground and air ambulance services.

The risk that new regulations may change dispatch functions, physician involvement or level of service provided to patients is low. The current direction supports an improved EMS system and is constantly evolving to meet the needs of the patient. We recognize the increased risk with greater patient volume for rural Red patient referrals covering Alberta and eastern British Columbia. Expansion of STARS services to Saskatchewan also presents new regulations, but capacity to provide this care exists without the need for significant expansion of STARS infrastructure.

Opportunities

The recent economic turbulence and health care restructuring also creates opportunities to enhance patient care delivery.

Currently, STARS provides communications and/or direct patient care for approximately 80 per cent of critically ill and injured rural patients in Alberta. Extending this capability to 100 per cent through a one-number system is an opportunity to improve outcomes and avoid downstream costs within the health care system.

As understanding and clarity in the health care community gains momentum around saving downstream health care costs through rapid sophisticated intervention, we have the opportunity to collaboratively study and realize those system savings. The new AW139 helicopters will enhance range of access. Future hoist capabilities will enhance the rescue function. It is anticipated that a collaborative service agreement with Alberta Emergency Management Agency signed in 2009 will provide the opportunity for further integration in the emergency preparedness and search and rescue mode.

The analysis and discussion presented here will be revisited and revised on a frequent basis as internal and external variables change.

May 5, 2011

Management's Report

The accompanying combined financial statements of STARS as at December 31, 2010 and all other financial and operating information contained in this Annual Financial Report are the responsibility of management. The combined financial statements have been prepared in accordance with accounting policies detailed in the notes to the combined financial statements and in accordance with generally accepted accounting principles in Canada.

The Organization's systems of internal controls have been designed and maintained to provide reasonable assurance that assets are properly safeguarded and that the financial records are sufficiently well maintained to provide relevant, timely and reliable information to management. Management believes the systems of internal controls were operating effectively in 2010.

External auditors, appointed by the Boards of Directors, have independently examined the combined financial statements. They have performed such tests as they deemed necessary to enable them to express an opinion on these combined financial statements.

The Audit and Finance Committee has reviewed these combined financial statements with management and the external auditors.

The respective Boards of Directors have approved these combined financial statements on the recommendation of the Audit and Finance Committee.



D. Gregory Powell, O.C., MD FRCPC
President & Chief Executive Officer



Jeffrey Quick, C.A.
Vice President, Finance & Administration;
Chief Financial Officer

May 5, 2011

Report of Independent Auditors

To the Boards of Directors of

Shock Trauma Air Rescue Society (formerly Alberta Shock Trauma Air Rescue Society) and Shock Trauma Air Rescue Service Foundation (formerly Alberta Shock Trauma Air Rescue Service Foundation) (collectively STARS)

We have audited the accompanying combined financial statements of Shock Trauma Air Rescue Society and Shock Trauma Air Rescue Service Foundation, which comprise the combined statement of financial position as at December 31, 2010 and 2009 and the combined statements of fundraising, operations and change in fund balance and cash flows for the years then ended, and the related notes including a summary of significant accounting policies.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements present fairly, in all material respects, the financial position of STARS as at December 31, 2010 and December 31, 2009 and the combined results of its operations and fundraising and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Combined Statement of Financial Position

(thousands of dollars)

December 31	2010	2009
Assets		
Current		
Cash	\$ 5,246	\$ 2,726
Receivables	2,983	1,044
Deferred expenses	237	461
Prepaid expenses	349	319
Helicopter parts and store inventories	731	785
	9,546	5,335
Investments (Note 7)	14,358	16,812
Commitment to purchase helicopter (Note 3)	180	166
Deposit on advanced technology helicopters	4,348	2,618
Property and equipment (Note 10)	27,009	30,405
	\$ 55,441	\$ 55,336
Liabilities		
Current		
Payables and accruals	\$ 2,464	\$ 1,652
Deferred revenue	861	292
Foreign exchange contract (Note 3)	180	166
Current portion of long-term debt (Note 12)	33	162
	3,538	2,272
Long-term debt (Note 12)	63	3,581
Deferred contributions (Notes 5 & 16)	19,140	17,966
	22,741	23,819
Net Assets		
Capital Preservation Fund (Note 6)	32,680	31,497
Endowment Fund - externally restricted	20	20
	32,700	31,517
	\$ 55,441	\$ 55,336

Commitments and contingencies (Notes 3, 5 and 13)

On behalf of the Board



Allan R. Buchignani
Director, STARS



David Mowat
Director, STARS Foundation

See accompanying notes to the financial statements

Combined Statement of Fundraising, Operations, and Change in Fund Balance

(thousands of dollars)

Year ended December 31	2010	2009
Fundraising Activities:		
Fundraising revenue		
Amortization of deferred contributions (Note 5)	\$ 498	\$ 381
Donations and fundraising revenue	11,243	9,471
Donations and fundraising expenditures	2,082	2,114
	<u>9,659</u>	<u>7,738</u>
Lottery revenue	17,235	16,747
Lottery expenditures	6,842	6,726
	<u>10,393</u>	<u>10,021</u>
Calendar revenue	3,214	3,204
Calendar expenditures	2,081	1,932
	<u>1,133</u>	<u>1,272</u>
Investment and other income (Note 8)	(44)	385
Total net fundraising revenue before other expenditures	21,141	19,416
Other expenditures		
Administration	2,262	1,839
Excess of revenue over expenditures from fundraising	\$ 18,879	\$ 17,577
Operating Activities		
Operating revenue		
Government contributions	\$ 6,079	\$ 4,639
Site Registration recoveries	2,466	1,955
Fee for services (Note 4)	1,949	2,534
	<u>10,494</u>	<u>9,128</u>
Operating expenditures		
Aviation	10,611	9,546
Medical service	4,122	4,091
STARS Emergency Link Centre	3,609	3,586
THE STARS CENTRE	2,265	2,166
Administration	5,104	4,785
Amortization	2,727	2,984
	<u>28,438</u>	<u>27,158</u>
Deficiency of revenue over expenditures from operations	(17,944)	(18,030)
Combined excess (deficiency) of revenue over expenditures before the following	935	(453)
(Loss) on disposal of property and equipment	(630)	-
Combined excess (deficiency) of revenue over expenditures after loss	305	(453)
Capital Preservation Fund, beginning balance	31,497	30,836
Unrealized gain on investments (Note 6)	878	1,114
Capital Preservation Fund, end of year	\$ 32,680	\$ 31,497

See accompanying notes to the combined financial statements

Combined Statement of Cash Flows

(thousands of dollars)

Year ended December 31	2010	2009
Increase (decrease) in cash		
Operations / Fundraising		
Combined (deficiency) of revenue over expenditures	\$ 305	\$ (453)
Items not requiring cash outlay:		
Amortization of property and equipment	2,727	2,984
Amortization of deferred contributions (Note 5)	(498)	(381)
Amortization of bond discount	-	3
Loss on sale of investments (Note 6)	248	201
Exchange loss on investments	143	-
Loss on disposal of property and equipment (Note 15)	630	-
Changes in non-cash operating working capital (Note 14)	(310)	(556)
	3,245	1,798
Financing		
Repayment of long-term debt and credit facilities	(3,648)	(159)
Deferred contributions	1,672	1,061
	(1,976)	902
Investing		
Proceeds on sale of investments	10,791	7,795
Purchase of investments	(7,851)	(9,288)
Deposits on advanced technology helicopters	(1,730)	(358)
Proceeds from sale of property and equipment	16,205	-
Purchase of property and equipment	(16,164)	(674)
	1,251	(2,525)
Net increase (decrease) in cash	2,520	175
Cash, beginning of year	2,726	2,551
Cash, end of year	\$ 5,246	\$ 2,726

See accompanying notes to the financial statements

Notes to the Combined Financial Statements

(thousands of dollars)

December 31, 2010

1. General

These combined financial statements represent the financial position and the combined operations as at, and for the year ended, December 31, 2010 of the Shock Trauma Air Rescue Service Foundation (“Foundation”), the Shock Trauma Air Rescue Society (“Society”), and STARS Aviation Canada Inc. (“Aviation”). Collectively, these entities are referred to as “STARS”, “Shock Trauma Air Rescue Service” or the “Organization”. Each entity has a separate Board of Directors, although some Directors are common to more than one Board. Transactions and balances between the entities have been eliminated in arriving at the combined financial statements.

Society and Foundation are non-profit and non-taxable registered charities pursuant to Section 149 of the Income Tax Act (Canada). Aviation is a private corporation incorporated under the Canada Business Corporations Act. Society has an economic interest in Foundation because Foundation is primarily responsible for the fundraising activities carried out in support of the Society’s services and activities.

STARS works collaboratively with emergency services, the community, government, and regional health authorities to support and carry out its vision of saving lives through partnership, innovation and leadership. The current service area for STARS is the Province of Alberta and parts of the Province of British Columbia, where it provides an emergency medical transport system to critically ill and injured patients, with emergency medical communications, education and research, and fundraising and community partnerships also being significant pillars of the STARS program.

On April 6, 2011, STARS signed a Rural Red Patient Matters Services Agreement with the Government of Saskatchewan for STARS to establish two bases, one in each of Regina and Saskatoon. The agreement is for five years with an automatic renewal for five years and provides for a shared funding model between government, corporations and communities.

STARS signed a Rural Red Patient Matters Affiliation Agreement with Alberta Health Services that commenced on April 1, 2010 for five years with automatic renewal for five years, providing annual funding of \$5,488 for mission operations. Under the previous agreement with Alberta Health Services, funding received in 2009 was \$4,289.

2. Summary of significant accounting policies

a. Revenue recognition

STARS follows the deferral method of accounting for donation contributions, including government contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred, unless related to capital assets, in which case they are deferred and amortized to revenue in the same manner as the related asset. Unrestricted contributions are recognized when received or receivable if the amount to be received can reasonably be estimated and collection is reasonably assured.

Revenue received in advance of the period to which it relates is recorded as deferred revenue.

Site Registration and other fees for service are recognized as revenue when the service has been performed.

Lottery and calendar revenues are recognized at the time tickets and calendars are sold.

Fundraising event revenue is initially deferred and recognized as revenue when the event occurs.

Realized interest and investment revenue is recognized as it is earned in the statement of fundraising, operations and change in fund balance. Unrealized gains and losses on investments are recognized directly in Net Assets.

Endowment contributions are recognized as an increase in net assets when received. Earnings resulting from endowment assets may be spent in accordance with the objectives of STARS.

Donations in kind of investments, if any, are recorded at market value on the date of donation.

b. Expense recognition

STARS follows the recommendation in CICA Handbook Section 1000, Financial Statement Concepts, which clarifies that items that do not meet the definition of an asset or liability may not be recognized on the balance sheet. As a result, costs incurred for lottery and annual event marketing material not meeting the definition of an asset are expensed in the year incurred. Only refundable Lottery deposits paid prior to the tickets being available for sale and refundable fundraising deposits paid prior to the event are recorded as deferred expenses on the balance sheet.

c. Description of net assets

Internally restricted net assets:

The Capital Preservation Fund is an internally restricted fund established by the Boards of Directors and exists to fund future purchases of new and replacement helicopters, buildings and equipment. Operating and fundraising surpluses and deficits, including unrealized gains and losses on available for sale investments, are allocated to this fund through resolutions of the Boards of Directors.

Externally restricted net assets:

The Endowment Fund is a fund where the principal assets are to be maintained in perpetuity. There is no restriction on the earnings from these assets provided the revenue is expended in accordance with the objectives of STARS.

d. Investments

Investments are accounted for as available for sale. These investments are recorded at fair value with all unrealized gains and losses recognized directly in the Capital Preservation Fund. Realized gains and losses on the sale of investments and impairments are recognized on the combined statement of fundraising, operations and change in fund.

e. Property and equipment

STARS provides for amortization of the original cost net of salvage value over the estimated useful life of its assets on a straight-line basis as follows:

Helicopters	20 years
Night vision goggles	3 years
Medical equipment	2 to 5 years
Office equipment	5 years
Equipment under capital lease	5 years
Computer equipment and software	2 to 3 years
Leasehold improvements	Lesser of term of lease or 5 years
Buildings	20 years
Automobiles	5 years

f. Impairment of long-lived assets

On a periodic basis, management assesses the carrying value of long-lived assets for indicators of impairment. When an indicator of impairment is present, STARS tests for impairment by comparing the carrying value of the asset to its net recoverable amount. If the carrying amount is greater than net recoverable amount, the asset is written down to its estimated fair value.

g. Donations of services and materials

Donations in kind are recorded at fair market value only when fair market value can be reasonably estimated and when the donated materials or services would normally otherwise be purchased and paid for by STARS. The value of donations in kind recorded in 2010 was \$742 (2009 - \$480).

Volunteers contribute substantial donated time and services throughout the year to STARS but because of the difficulty of determining fair market value of these donated services, the value is not recorded in these financial statements.

h. Use of estimates

The preparation of the combined financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the combined financial statements and the reported amounts of sales and expenses during the reporting periods. Management believes the most significant

estimates and assumptions are associated with the valuation of accounts receivable, inventories, amortization, fair value of hedges and future tax assets (liabilities). If the underlying estimates and assumptions, upon which the combined financial statements are based, change in future periods, actual amounts may differ materially from those included in the accompanying combined financial statements.

i. Cash

Cash consists of balances with banks net of outstanding cheques.

j. Inventories

Inventories are valued at the lower of cost and current replacement cost or net realizable value. Cost is determined on a weighted average basis for store merchandise and on a specific item basis for aircraft parts. The amount of inventory recognized as expense in 2010 was \$1,540 (2009 - \$1,325).

k. Income taxes - Aviation

As a private corporation Aviation determines its income tax provision using the liability method of tax allocation. Future income taxes are recognized when there are differences between the carrying amount of existing assets and liabilities in the financial statements and their respective tax bases. Future tax assets and liabilities are measured using substantively enacted tax rates in effect in the period in which those temporary differences are expected to be recovered or settled. Changes to these balances are recognized in income in the period in which they occur. Unless it is more likely than not that future income tax assets will be realized, a valuation allowance is taken against the assets.

l. Foreign currency

Transactions denominated in foreign currencies are translated into Canadian dollars at the approximate rate of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the year end exchange rate. Foreign exchange gains and losses are included in the combined statement of fundraising, operations and change in fund balance, other than those related to available for sale financial assets and designated hedges.

m. Financial instruments

Financial assets and financial liabilities are initially recognized at fair value with their subsequent measurement being dependent on their classification. The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and STARS designation of such instruments. The standards require that all financial assets be classified as either held for trading ("HFT"), available for sale ("AFS"), held to maturity ("HTM"), or loans and receivables ("LR") and all financial liabilities be classified as either HFT or other financial liabilities ("OFL").

The following is a summary of the classifications STARS has applied to each of its significant categories of financial instruments:

Cash	HFT
Receivables	LR
Foreign exchange contract	HFT
Investments	AFS
Commitment to purchase helicopter	OFL
Payables and accruals	OFL
Long-term debt	OFL

Realized gains and losses and impairments are recognized in the statement of fundraising, operations and change in fund balance. Financial instruments that are classified as HFT or AFS are measured at the end of each reporting period at fair value with the resulting unrealized gain or loss, including unrealized foreign exchange gains and losses, recognized in the statement of fundraising, operations and change in fund balance for HFT financial instruments and directly in the Capital Preservation Fund for AFS financial assets. All other financial instruments are accounted for at amortized cost with unrealized foreign exchange gains and losses recognized in the statement of fundraising, operations and change in fund balance.

STARS has elected not to adopt the CICA issued Handbook Sections 3862 *Financial Instruments - Disclosures and 3863 Financial Instruments - Presentation* as permitted by the Accounting Standards Board.

n. Hedges

On November 1, 2010, Society designated the foreign exchange contract (see Note 3) as a fair value hedge of its firm commitment to purchase an AgustaWestland helicopter (see Note 10). The foreign exchange contract is measured at fair value, based on observable market data, at the end of each period and the resulting gain or loss is recognized in the consolidated statement of operations and change in fund balance. A corresponding adjustment is made to the carrying value of the firm commitment with the resulting gain or loss also recognized in the consolidated statement of operations and change in fund balance. The net result, assuming the hedge remains effective, is that the gains and losses offset one another.

3. Hedging

Society entered into a foreign currency forward contract on November 1, 2010 to sell CAD \$5,968 in exchange for US \$5,700 on December 3, 2012. The fair value of the contract equates to a liability of CAD \$180. The contract was entered into by Society in an effort to manage its foreign currency risk on the purchase of the second AgustaWestland helicopter. The contract is designated as a hedge for accounting purposes (see Note 2(n)).

The required accounting treatment results in the recording of the commitment asset and foreign exchange liability of CAD \$180 on the balance sheet, which is the change in the fair value of the effective portion of the foreign exchange contract since being designated as a hedge.

4. Fee for services

	2010	2009
Human patient simulator	\$ 561	\$ 492
Patient referral coordination	70	548
Emergency contact centre	163	-
Edmonton rent	393	390
Administration	56	6
Other	13	275
Standby support missions	693	823
	\$ 1,949	\$ 2,534

5. Deferred contributions

	2010	2009
Balance, beginning of year	\$ 17,966	\$ 17,286
Restricted contributions received	1,672	1,061
Amortization of amounts related to operating expenditures	(247)	-
Amortization of amounts related to property & equipment	(251)	(381)
Balance, end of year	\$ 19,140	\$ 17,966

Contributions are deferred when a donor restricts the usage of their contribution to a specific purpose. The majority relate to amounts received for the advanced technology helicopters and medical equipment.

6. Capital preservation fund

	Fundraising	Unrealized Gain (Loss) on Available for Sale (AFS) Investments	2010 Total	2009 Total
Balance, beginning of year	\$ 33,310	\$ (1,813)	\$ 31,497	\$ 30,836
Excess (deficiency) of revenue over expenditures	305	-	305	(453)
Realized gain on AFS investments	-	248	248	201
Unrealized gain on AFS investments	-	630	630	913
Balance, end of year	\$ 33,615	\$ (935)	\$ 32,680	\$ 31,497

7. Investments

	2010	2009
Equity and bond funds	\$ 8,385	\$ 8,040
Cash and cash equivalents	303	1,163
Government treasury bills	-	4,998
Canadian dollar bonds and notes	699	2,611
US dollar bonds and notes	4,971	-
Total investments	\$ 14,358	\$ 16,812

The equity and bond funds are professionally managed under pooled portfolio management service agreements. The Canadian and US dollar bonds are low risk, fixed term investments.

8. Investment & other income

	2010	2009
Interest & investment income	\$ 332	\$ 572
Loss on sale of investments	(248)	(201)
Exchange loss on investments	(143)	-
Other income	15	14
Total investment and other income	\$ (44)	\$ 385

9. Income taxes

Aviation has tax values in excess of book values for property and equipment of \$4,945 for which no tax benefit has been recognized. Aviation paid no income taxes in 2010 or 2009.

10. Property and Equipment

	Cost	Accumulated Amortization	2010 Net Book Value	2009 Net Book Value
Helicopters	\$ 35,788	10,467	25,321	\$ 24,228
Night vision goggles	332	315	17	43
Medical equipment	2,177	1,727	450	482
Office equipment	845	691	154	249
Equipment under capital lease	161	65	96	129
Computer equipment and software	3,338	3,152	186	405
Leasehold improvements	1,296	939	357	489
Buildings	277	116	161	4,222
Automobiles	963	696	267	158
	\$ 45,177	18,168	27,009	\$ 30,405

Helicopters include \$15,702 (2009 - \$13,227) related to assets not in use and thus not subject to amortization.

11. Capital disclosure

STARS defines its capital as the amounts included in its net asset and long-term debt balances.

STARS' objective when managing its capital is to safeguard its ability to continue as a going concern to provide appropriate benefits and services to its beneficiaries and its stakeholders.

The long-term debt was used to fund the purchase of the building that is used to house the Edmonton base. The building was sold in 2010 and proceeds of the sale were used to extinguish the debt.

A portion of STARS' capital is restricted in that the organization is required to meet certain requirements in order to utilize its externally restricted fund balance, as described in Note 2(c). The organization has internal control processes to ensure that the restrictions are met prior to the utilization of these resources and has been in compliance with these restrictions throughout the year.

12. Long-term debt and credit facilities

	2010	2009
Term loan, bearing interest at 5.77%, repayable in monthly installments of \$18 including interest, secured by a mortgage on the building and an assignment of leases/rents, maturing October 2011.	\$ -	\$ 2,399
Term loan, bearing interest at 5.52%, repayable in monthly installments of \$9 including interest, secured by a charge against certain investments, maturing October 2011.	-	1,219
Capital lease obligation bearing interest at 9.44%, repayable in quarterly installments of \$10.	96	125
	\$ 96	3,743
Current portion	\$ 33	\$ 162
Long-term debt	\$ 63	\$ 3,581

Principal repayments due are estimated as follows:

2011	\$ 32
2012	35
2013	29
	\$ 96

In 2010, Society paid interest of \$204 (2009 - \$209) on long term debt.

The Organization has a line of credit available of up to \$1,000 bearing interest at prime plus 1%. As at December 31, 2010 and 2009, no amount was drawn on this line of credit.

13. Lease obligations and commitments

The Calgary base lease matures on December 31, 2012. The Edmonton base matures on December 31, 2015. The Grande Prairie base lease matures on August 31, 2020. The Foundation leases four community fundraising offices, which all mature in 2011. Future minimum lease payments are as follows:

Year	Office Lease
2011	\$ 1,046
2012	1,010
2013	455
2014	455
2015	455
Beyond	1,202
	\$ 4,623

On August 13, 2010, Aviation entered into a contract with Agusta Aerospace Corporation to purchase a second helicopter for US \$14,218. The helicopter is scheduled to be delivered in December 2012.

Society has entered into a contract with Air Concepts International Inc. and Helimods Pty Ltd. to acquire two (2) medical interiors configured for the advanced technology AW139 helicopters for the sum of US \$3,024. Deposits of US \$756 were made in 2010 with future payment based on contractual project milestones.

With the helicopter and medical interior contractual commitments in United States dollars, STARS executed an economic hedge for US \$10,700 in October 2010. A portion of the economic hedge was achieved by Society entering into a foreign currency forward contract in the amount of US \$5,700 (Note 3) and the balance by converting CDN \$ to US \$5,000.

Society has entered into contracts with AgustaWestland to provide AW139 pilot training for US \$226. Deposits of US \$113 were made in 2010 with the balances payable in 2011 as training progresses.

14. Supplemental cash flow information

	2010	2009
Changes in non-cash operating working capital:		
Receivables	\$ (1,939)	\$ 682
Deferred expenses	224	137
Prepaid expenses	(30)	(95)
Helicopter parts and store inventories	54	54
Payables and accruals	812	(1,168)
Deferred revenue	569	(166)
	\$ (310)	\$ (556)

15. Loss on disposal of property and equipment

During 2010 STARS disposed of the following property and equipment resulting in (gains) or losses as follows:

Gain on sale of Edmonton hangar and office facility	\$ (832)
Loss on sale of helicopter	530
Loss on disposal of medical interior development	855
Loss on sale of Grande Prairie condominium unit and disposal of other equipment	77
Net loss on disposal of assets	\$ 630

STARS Edmonton hangar and office facility (base) is located at the City Centre Airport. The City of Edmonton is in the process of decommissioning this airport location and therefore purchased the hangar and office space from Society as part of this process. The proceeds from the sale of the building were \$4,500 resulting in a gain of \$832. STARS will lease the hangar and office facility until December 2015 and will continue to operate from this base until an alternate location is established.

STARS AW139 helicopter was traded for a new AW139 capable of flight into known ice conditions. The trade in value of \$11,495 resulted in a loss of \$530 on the helicopter and a reduction of \$855 in the value of the unusable elements of the AW139 prototype medical interior.

STARS Grande Prairie base moved to a larger facility in 2010. Minor leasehold improvements and equipment from the existing facility were written off. Additionally, STARS disposed of a condominium used for crew quarters as the new facility contains crew quarters. The aggregate loss related to Grande Prairie amounted to \$77.

16. Segmented information

During 2010 Society entered into an agreement with a major oil and gas producer to undertake development of STARS services in the Province of Saskatchewan. The agreement provides Society with \$4,000 in donations over three years and \$1,000 in sponsorship revenue over an as yet undefined period of time, for a total of \$5,000.

Society received \$1,000 in 2010 as part of this agreement and recognized \$37 as revenue against expenditures incurred for wages, benefits, travel and accommodation associated with development of services in Saskatchewan. Included in Society's deferred contributions is the remaining \$963, which will be brought into income as further expenditures are incurred.

17. Financial instrument risk

Fair values

Financial instruments consist of cash, receivables, foreign exchange contract, investments, payables and accruals, commitment to purchase helicopters, and long-term debt. The fair values of the financial instruments, excluding long term debt, approximate their carrying values due to the short time to maturity. The fair value of long term debt is not materially different from its carrying amount. Investments are carried at fair value.

Price risk

The foreign exchange contract entered into by STARS is subject to price risk because changes in the Canadian to US dollar exchange rate affect the market value of the contract. This is not a risk to STARS since the purpose of the contract is to fix the purchase price of the advanced technology helicopter and there is no intention to sell the contract.

The investments are subject to price risk because changing interest rates impact the market value of the fixed rate investments, general economic conditions affect the market value of equity investments and currency exchange rate changes impact the market value of the investments denominated in currencies other than the Canadian dollar. This risk is mitigated through the use of an investment manager for the long term portfolio investments and by investing other funds in short term fixed rate products with high credit ratings.

Credit risk

STARS does not believe it is exposed to significant credit risk on any of its financial assets. STARS manages credit risk by maintaining bank accounts with reputable financial institutions, only investing in securities that are liquid, highly rated, traded in active markets and ensuring that its accounts receivable are from reputable, credit worthy organizations.

Liquidity risk

STARS is exposed to a liquidity risk resulting from the foreign exchange contract and from its investments. STARS manages foreign exchange contract risk by placing the contract with a large reputable Canadian financial institution and monitoring the ability of the financial institution to complete the transaction at the date the contract matures. To manage the investment risk, STARS uses an investment manager for the investments it plans to hold for a long period of time. These investments are subject to liquidity risk if STARS is required to sell at a time that the market for the investments is unfavourable.

18. Additional information to comply with the disclosure requirement of the Alberta Charitable Fundraising Act

Gross contributions, including capital campaign receipts, governed by the Alberta Charitable Fundraising Act totalled \$15,138 (2009 - \$13,477). In addition, \$17,235 (2009 - \$16,947) of gross proceeds were realized from lottery sales and other gaming activities governed by the Alberta Gaming and Liquor Act. All expenses incurred for the purposes of soliciting contributions under the Charitable Fundraising Act were \$6,424 (2009 - \$5,887). Of these expenditures \$2,947 (2009 - \$2,691) were paid as remuneration to employees whose principal duties involve fundraising. Also included in expenditures for soliciting contributions were \$273 (2009 - \$291) paid as remuneration to third party fundraising businesses, including any expenses or fees paid by the Foundation on behalf of the fundraising businesses or as reimbursements to the fundraising businesses.

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