

# RESPONDING TO THE CALL



2013/14 FINANCIAL REPORT



**STARS**<sup>®</sup>

## Message from the President & CEO

When I reflect back on 2013-14, I see an incredible year of development and accomplishment for STARS.

Take our fleet, which now stands at 11 operational aircraft. After years of planning and preparing for our new AW139 helicopter, it's incredibly rewarding to see it take to the skies. We're already seeing that it's making a difference in the way we take care of our patients.

For example, look at impact it's made in our missions to Medicine Hat in Alberta. In 2013, before the AW139s were operational, we responded there four times. After the AW139s went operational in the first half of 2014, we flew there 13 times. That's more than three times as often as before, with half a year still to go.

I'm so happy this aircraft is helping STARS further realize our mission and making a tangible difference in so many lives.

In Saskatchewan, we flew more than 850 missions last year – that's at least two people every day who needed STARS' assistance. In hundreds of communities across the province, patients who were gravely ill or injured received an enhanced level of medical care more quickly than was available to them just a few years ago.

Finally, in Manitoba, we continue to focus on working collaboratively with our partners in government and the health-care system to integrate the STARS program effectively into that province. Recent successes, like the second annual Rescue on the Island event, in which leaders from the community were flown

to a remote island and made to raise as much money as they could using only their cell phones, have demonstrated the enthusiasm of so many in Manitoba who are pulling for our success.

For STARS as a whole, there are simply too many accomplishments this year to list them all, but there are a few notable ones to highlight.

One significant accomplishment was naming Dr. JN Armstrong to the role of STARS' Chief Medical Officer. STARS is a physician-driven organization, and the role of physicians in our medical model cannot be understated. JN's background as both a STARS helicopter pilot and a well-respected anesthesiologist made him the ideal candidate to keep watch over our clinical operations.

Other clinical accomplishments from this year include being the first helicopter EMS provider in Canada to stock blood at our bases, deploying video laryngoscopes to our medical crews, and having our CAMTS accreditation confirmed for another three year period.

Every day, STARS' employees arrive at our six bases across western Canada and prepare for the day ahead. Some will pilot our helicopters; others will care for the patients entrusted to us. Others yet will answer the emergency calls, fundraise for our operations, and turn wrenches to keep us flying. Every member of our team will work hard to ensure we are there in your communities when we are needed.

I thank you for your support in ensuring we are always ready to respond to that call.



**Andrea Robertson**  
President and CEO  
STARS and STARS Foundation

## STARS' strategic directions for 2013-2018:

- **World-class critical care.** This goal is not only focused on continuous improvement of the clinical care we provide to our patients, it's also focused on demonstrating our clinical expertise and the value STARS brings to the health-care system.
- **People first.** This goal is focused on creating an environment that enables team members to flourish in a distinct culture that inspires commitment, leadership, innovation and quality of work.
- **Grow safety culture.** Continued focus on safety in the coming years is critical to the organization's sustainability. This goal is focused on making sure safety remains in our line of sight.
- **Optimization (stabilization).** This goal is focused on updating systems, policies and practices to reflect a multi-provincial, six base organization, with an employee team that has almost doubled in the past two years.
- **Innovate for sustainability.** This goal is focused on ensuring we are nimble and adaptable to the changing dynamic of government funding and partnerships. It is also aimed at ensuring our value proposition and competitive advantage is strong and visible to all of our stakeholders.
- **STARS Foundation – the next generation.** Our challenge now is to make sure our fundraising arm is positioned to meet our funding needs into the future. This goal is about re-imagining the STARS Foundation without losing the grassroots relevance that has been so vital to our success.

Though our strategic plan spans 2013 through 2018, we have seen significant accomplishments this year which contribute toward these goals. The 2013-14 community report, separate from this document, lists many of these achievements.

Inherent in our planning process is a careful review of the risks facing the organization and determination of risk mitigation strategies.

While the challenges of providing helicopter ambulance services to critically ill and injured patients continues to be the highest risk statistically, the current global economy, coupled with our unique funding model, requires us to pay special attention to our financial picture.

## 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 adjustments (inflation)

Expenditures, as described in our financial statements, are likely to increase at the annual market adjustments (inflation).

## Aviation costs

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, began with pilot training in 2011 and are projected to occur through to 2014.

STARS continues to integrate the AW139 into operations at our Calgary, Edmonton, and Saskatoon bases. We will monitor costs and utilization of this aircraft on an ongoing basis for evaluation purposes.

Costs are expected to slowly start increasing on the BK117 helicopter fleet. The BK117 has been a great performer for STARS over the last two decades. Due to the age of the aircraft, more scheduled and unscheduled maintenance will be required.

## Revenue risks

### Agreements with provincial governments

#### *Alberta*

An agreement with Alberta Health Services was signed effective April 1, 2010. In 2013-14, this agreement provided a baseline amount of partial funding for mission operations of \$5.68 million, plus reimbursement of AB mission fuel and landing fees, representing approximately 24 per cent of funding for our Alberta program. The remaining funding comes from community fundraising initiatives.

For the 2013-14 year, STARS received an additional \$3 million in government funding. This is for one year only and the funding is specifically earmarked for increased operating costs related to the AW139 helicopter.

#### *Saskatchewan*

STARS signed an agreement with the Government of Saskatchewan in April 2011. The agreement is for five years with an automatic renewal for five years and also provides for a shared funding model between government, corporations and communities. In fiscal year 2013-14, the provincial government provided STARS with \$11 million, representing approximately 53 per cent of our operating budget in the province. Government funding levels for 2014-15 will remain roughly the same.

#### *Manitoba*

STARS signed a 10-year agreement with the Government of Manitoba in February 2012 for STARS to establish a base in Winnipeg. In 2013-14, the Government of Manitoba provided STARS with approximately \$7.7 million in funding. This represented close to 100 per cent of the annual budget for the year.

## **New initiatives**

STARS has entered into a venture with the Saskatchewan government called the Collaborative Emergency Centres program. In this program, overnight shifts at rural emergency centers are staffed by a local nurse and paramedic, who triage and treat patients as they arrive. In cases where they require the assistance of a physician, they call the STARS Emergency Link Centre, which connects them with an on-call STARS transport physician. The STARS physician then works with the local team to determine the best treatment option for the patient – or can arrange emergency transport by ground, helicopter, or airplane ambulance if required.

The CEC program currently operates in three Saskatchewan communities – Maidstone, Shaunavon, and Canora – with approximately 70 to 90 calls handled each month by the STARS Emergency Link Centre.

## **Revenue generation**

Fee-for-service programs offered through the STARS Emergency Link Centre are positioned to continue generating revenue going forward. A record number of industry sites, approximately 70,000 per year, are registered through the Industry Site Registration Program. The Industry Emergency Contact Centre is another program STARS has developed to support industry clients with their emergency response needs. Together these programs are projected to generate \$4.5 million in the coming year.

## **Philanthropy**

Despite an unpredictable global economy, STARS continues to reach significant fundraising milestones.

In Alberta, the annual STARS & Spurs gala, hosted by the Petroleum Services Association of Canada, raised \$1.38 million, marking its 20<sup>th</sup> anniversary with more than \$10 million raised for STARS over the years.

The annual STARS Lottery in Alberta once again sold out as it has since inception, bringing in total revenue in excess of \$10.6 million. There is always the possibility the lottery could experience difficulty selling out, thereby reducing anticipated revenue. However, we believe the history of sell-out is reflective of the strong community support for the mission of the organization. The risk of missed revenue from this funding initiative is felt to be low.

In Saskatchewan, corporate donations continued to be strong in 2012. The second annual STARS Lottery in Saskatchewan resulted in total revenue in excess of \$1.6 million. Going forward, fundraising initiatives, including individual donations and special events, are projected to increase.

The STARS Foundation is in its infancy stage in Manitoba. There has been some success to date with events and some philanthropic gifts from corporations and individuals. The inaugural CEO Rescue on the Island event, modeled after a similar initiative in Alberta, was held in September 2013 and raised more than \$320,000.

### **Capital procurement**

All three AW139 helicopters have been received and are in operational use as of October 2014. They are deployed in Calgary, Edmonton, and Saskatoon.

The Vision Critical Campaign raised the majority of the funds to meet the payment schedule for two of the Alberta-based AW139s. The remaining shortfall was funded \$3 million from excess operating cash and \$4 million in term debt. Ongoing pay down of the \$4 million term loan will occur over the next four years.

In 2011, STARS purchased three pre-owned BK117 helicopters that were suitable for refurbishment to STARS' specifications for the Saskatchewan and Manitoba bases. Two of these aircraft were in-service as of 2012 and the third entered operations in 2013. The BK117 fleet currently stands at eight aircraft, with this aircraft type deployed to all six STARS bases.

### **Workforce demographic**

The shortage of appropriately trained and qualified pilots and aircraft engineers is one of the largest workforce challenges for STARS, although to date this hasn't been a significant issue due to robust recruitment and retention strategies. The risk is further mitigated through unique scheduling models allowing for 'pool pilots' who can shift from base-to-base to cover shifts where needed.

Although the shortage of trained health-care professionals – registered nurses, paramedics, physicians – continues to grow nationwide, this is not expected to significantly impact STARS. The intensive education programs offered internally to the air medical crew and the unique critical care delivery model have allowed us to continue to attract highly skilled and motivated clinical teams.

### **Regulatory risk**

There are differing health legislation and compliance requirements in each province STARS operates in which has potential to impact our operations. A compliance review was conducted, including an audit of all applicable health legislation. STARS is working on this with each provincial College of Physicians and Surgeons, College of Paramedics, and Registered Nursing Associations.

## Opportunities

As STARS is now operating in eastern British Columbia, Alberta, Saskatchewan and Manitoba, there are new opportunities to enhance the quality of care provided, as well as access for people living in rural and remote areas.

There are opportunities to support interprovincial health-care collaboration, specifically as it relates to multi-province licensing for nurses and paramedics, and ensuring patients are transported to the appropriate tertiary care centre regardless of provincial boundary. Protocols are under development which would allow the most appropriate STARS base to respond.

Additionally, with a team of almost 100 Transport Physicians across three provinces, the potential for increasing the quality and effectiveness of the patient care provided through physician collaboration has never been greater.

STARS is often approached by provincial governments and private industry as a possible solution to health care access challenges, as seen with our involvement in the CECs program in Saskatchewan (see *New initiatives*, above). All of these opportunities need to be carefully evaluated before moving forward. The team is developing criteria to ensure the opportunities we do move forward with are appropriately aligned and enhance our core business of providing care to patients who are critically ill and injured.

# Management's Report

March 31, 2014

The accompanying combined financial statements of STARS as at March 31, 2014 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 the 2013-14 fiscal year.

External auditors, appointed by the Board of Directors, have independently examined the 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.



**Andrea Robertson**  
President and CEO  
STARS and STARS Foundation



**Jeff Quick, CA**  
CFO and Executive VP, Foundation  
STARS and STARS Foundation

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**Shock Trauma Air Rescue Service  
Combined Financial Statements**

**March 31, 2014**

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June 19, 2014

## **Independent Auditor's Report**

**To the Board of Directors of  
Shock Trauma Air Rescue Society  
Shock Trauma Air Rescue Service Foundation  
(collectively STARS)**

We have audited the accompanying combined financial statements of Shock Trauma Air Rescue Service, which comprise the combined statement of financial position as at March 31, 2014 and the combined statements of fundraising, operations and change in fund balance and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the combined financial statements**

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of 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.

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**Opinion**

In our opinion, the combined financial statements present fairly, in all material respects, the financial position of Shock Trauma Air Rescue Service as at March 31, 2014 and the results of its fundraising and operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*PricewaterhouseCoopers LLP*

**Chartered Accountants**

# Shock Trauma Air Rescue Service


## Combined Statement of Financial Position

(thousands of dollars)

As at March 31	2014	2013
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 24,204	25,243
Receivables	6,707	5,019
Deferred expenses	99	2
Prepaid expenses	1,337	1,657
Helicopter parts and store inventory	2,021	2,353
	<u>34,368</u>	<u>34,274</u>
Investments (Note 5)	10,176	8,089
Property and equipment (Note 9)	56,129	57,717
	<u>\$ 100,673</u>	<u>\$ 100,080</u>
<b>Liabilities</b>		
<b>Current</b>		
Payables and accruals	\$ 3,940	\$ 4,194
Deferred revenue	187	136
Current portion of long term debt (Note 10)	4,889	2,172
	<u>9,016</u>	<u>6,502</u>
Long-term debt (Note 10)	5,654	10,329
Deferred contributions (Note 4)	27,330	24,446
	<u>42,000</u>	<u>41,277</u>
<b>Net Assets</b>		
Capital Preservation Fund	58,529	58,783
Endowment Fund - externally restricted (Note 12)	144	20
	<u>58,673</u>	<u>58,803</u>
	<u>\$ 100,673</u>	<u>\$ 100,080</u>

Lease obligations and commitments (Note 11)

On behalf of the Board

  
 \_\_\_\_\_ Director  
 Brian Vaasjo  
 Board Chair, STARS Society

  
 \_\_\_\_\_ Director  
 David Mowat  
 Board Chair, STARS Foundation

See accompanying notes to the financial statements.

# Shock Trauma Air Rescue Service

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

(thousands of dollars)

Year ended March 31	2014	2013
<b>Fundraising activities</b>		
Fundraising revenue		
Donations and fundraising revenue	\$ 26,950	\$ 22,462
Donations and fundraising expenditures	<u>(4,319)</u>	<u>(3,350)</u>
	22,631	19,112
Lottery revenue	27,948	30,812
Lottery expenditures	<u>(16,452)</u>	<u>(15,324)</u>
	11,496	15,488
Calendar revenue	3,087	3,294
Calendar expenditures	<u>(2,057)</u>	<u>(2,099)</u>
	1,030	1,195
Investment and other income (Note 6)	<u>1,244</u>	<u>815</u>
Total net fundraising revenue before other expenditures	36,401	36,610
Other expenditures		
Administration	<u>(4,467)</u>	<u>(4,218)</u>
Excess of revenue over expenditures from fundraising	<u>\$ 31,934</u>	<u>\$ 32,392</u>
<b>Operating Activities</b>		
Operating revenue		
Government contributions	\$ 26,950	\$ 27,932
Site registration recoveries	3,326	3,321
Fee for services (Note 3)	<u>712</u>	<u>1,224</u>
	30,988	32,477
Operating Expenditures		
Aviation operations	26,110	21,148
Clinical operations	16,401	14,933
STARS Emergency Link Centre	3,688	3,296
Base Operations & Administration	10,533	8,470
Amortization	<u>6,444</u>	<u>4,189</u>
	63,176	52,036
Deficiency of revenue over expenditures from operations	<u>(32,188)</u>	<u>(19,559)</u>
Combined excess of revenue over expenditures before the following	(254)	12,833
Gain (loss) on disposal of property and equipment	<u>-</u>	<u>(27)</u>
Combined excess of revenue over expenditures	(254)	12,806
Net assets, beginning balance	58,803	45,997
Addition to endowment fund	<u>124</u>	<u>-</u>
Net assets, end of year	<u>\$ 58,673</u>	<u>\$ 58,803</u>

See accompanying notes to the combined financial statements.

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**Shock Trauma Air Rescue Service**  
**Combined Statement of Cash Flows**  
(thousands of dollars)

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Year ended March 31	<b>2014</b>	2013
<b>Operations/Fundraising</b>		
Combined excess of revenue over expenditures	\$ (254)	\$ 12,806
Items not requiring cash outlay		
Amortization of property and equipment	6,443	4,189
Amortization of deferred contributions (Note 4)	(2,096)	(691)
(Gain) loss on sale of investments (Note 6)	(215)	326
Exchange (gain) on investments (Note 6)	-	(3)
Unrealized (gain) on investments (Note 6)	(567)	(748)
Loss on disposal of property and equipment	-	27
In kind donations	(888)	-
Changes in non-cash operating working capital (Note 13)	(1,337)	(3,634)
	<u>1,086</u>	<u>12,272</u>
<b>Financing</b>		
(Repayments) proceeds from long term debt and credit facilities	(1,958)	6,718
Deferred contributions	4,980	2,538
	<u>3,022</u>	<u>9,256</u>
<b>Investing</b>		
Net change in investments (Notes 5 and 6)	(301)	7,049
Deposits on advanced technology helicopters	-	6,504
Purchase of property and equipment	(4,846)	(26,952)
	<u>(5,147)</u>	<u>(13,399)</u>
Net (decrease)increase in cash	(1,039)	8,129
Cash, beginning of year	25,243	17,114
Cash, end of year	<u>\$ 24,204</u>	<u>\$ 25,243</u>

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<b>Supplementary Information</b>	<b><u>2014</u></b>	<u>2013</u>
Interest received	\$ 198	\$ 117
Interest paid	\$ 378	\$ 332

See accompanying notes to the combined financial statements.

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# Shock Trauma Air Rescue Service

## Notes to the Combined Financial Statements

(thousands of dollars)

For the year ended March 31, 2014

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### 1. General

These combined financial statements represent the financial position and the combined operations as at, and for the year ended, March 31, 2014 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 Provinces of Alberta, Saskatchewan, Manitoba, and parts of the eastern 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.

STARS signed a Purchase Services Agreement with the Government of Manitoba in February 2012 for STARS to establish a base in Winnipeg. The Agreement is for a period of ten years and provides for a shared funding model between government, corporations, and communities. During the year ended March 31, 2014, STARS agreed to fund any deficiencies in fundraising activity in the province of Manitoba (Note 14).

STARS signed a Rural Red Patient Matters Services Agreement with the Government of Saskatchewan in April 2011 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. The Agreement provides for a shared funding model between government, corporations, and communities.

### 2. Summary of significant accounting policies

These combined financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations as set out in Part III of the Canadian Institute of Chartered Accountants Handbook, as issued by the Canadian Accounting Standards Board.

#### 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.

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# Shock Trauma Air Rescue Service

## Notes to the Combined Financial Statements

(thousands of dollars)

For the year ended March 31, 2014

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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 revenue has multiple elements including ticket revenue and contribution revenue. As appropriate, this multiple element arrangement is assessed for stand-alone value with the ticket revenue component measured at fair value and the contribution component comprised of the residual. STARS revenue recognition policies are then applied to each element. Ticket revenue is recognised in the year the lottery is drawn and contribution revenue is recognised when received or receivable if the amount to be received can reasonably be estimated and collection is reasonably assured.

Revenue would all be reported as Lottery revenue as the bifurcation between lottery and contribution is simply for timing to recognise revenue.

Calendar revenue is recognized at the time calendars are sold.

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

Realized interest, unrealized gains and losses on investments and investment revenue is recognized as earned in the statement of fundraising, operations and change in fund balance.

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 the endowment agreements.

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

### **b. Expense recognition**

Costs incurred for lottery and annual event marketing material not meeting the definition of an asset are expensed in the year incurred. All prize costs for the lottery and refundable fundraising deposits paid prior to the event are recorded as deferred expenses on the balance sheet until the lottery draw is held or the event happens.

### **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 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 the endowment agreements.

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# Shock Trauma Air Rescue Service

## Notes to the Combined Financial Statements

(thousands of dollars)

For the year ended March 31, 2014

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### d. Investments

Investments are recorded at market value with realized and unrealized gains and losses and impairments recognized in the combined statement of fundraising, operations, and change in fund balance.

### 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	5 to 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 and if the carrying value 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 2014 was \$2,141 (2013 – 1,368). 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.

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# Shock Trauma Air Rescue Service

## Notes to the Combined Financial Statements

(thousands of dollars)

For the year ended March 31, 2014

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### i. Cash

Cash consists of balances with banks including outstanding deposits and net of outstanding cheques.

### j. Inventory

Inventory is valued at the lower of cost and current replacement cost or net realizable value. Cost is determined on a specific item basis for aircraft parts. During the year \$2,802 (\$2,777 for 2013) was recognized in aviation operations.

### 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 designated hedges.

### m. Financial instruments

Financial instruments recognized in the combined statement of financial position consist of cash, receivables, investments, payables and accruals, and long-term debt. They are initially recognized at fair value with subsequent measurement dependent on the purpose for which the financial instruments were acquired or issued. Realized gains and losses and impairments are recognized in the combined statement of fundraising, operations and change in fund balance.

### n. Comparative Figures

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

## 3. Fee for services

	<u>2014</u>	<u>2013</u>
Human patient simulator	\$ 107	\$ 501
Emergency contact centre	434	573
Administration	171	150
	<u>\$ 712</u>	<u>\$ 1,224</u>

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## Shock Trauma Air Rescue Service

### Notes to the Combined Financial Statements

(thousands of dollars)

For the year ended March 31, 2014

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#### 4. Deferred contributions

	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$ 24,446	\$ 22,599
Restricted contributions received	4,980	2,538
Amortization of amounts related to operating expenditures	(248)	(177)
Amortization of amounts related to property & equipment	(1,848)	(514)
Balance, end of year	\$ <u>27,330</u>	\$ <u>24,446</u>

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.

#### 5. Investments

	<u>2014</u>	<u>2013</u>
Cash & Cash Equivalents	\$ 463	\$ 194
Bonds/Fixed Income	4,417	3,795
Canadian Equities	2,171	2,043
Global Equities	2,245	2,057
Donated Property	<u>880</u>	<u>-</u>
Total investments	\$ <u>10,176</u>	\$ <u>8,089</u>

The equity and bond funds are professionally managed under pooled portfolio management service agreements.

#### 6. Investment and other income

	<u>2014</u>	<u>2013</u>
Interest and investment income	\$ 456	\$ 394
Gain (loss) on sale of investments	215	(326)
Exchange gain on investments	-	3
Unrealized gain on investments	567	748
Other income (loss)	<u>6</u>	<u>(4)</u>
Total investment and other income	\$ <u>1,244</u>	\$ <u>815</u>

#### 7. Income taxes

Aviation has tax values in excess of book values for PP&E of \$8,109 (\$8,009 in 2013) and a loss carry forward of \$7,804 (\$8,227 in 2013) for which no tax benefit has been recognized. Aviation paid no income taxes in 2014 or 2013.

#### 8. Government remittances

Government remittances consist of sales taxes and payroll withholding taxes required to be paid to government authorities and are recognized when the amounts become due. In respect of government

## Shock Trauma Air Rescue Service

### Notes to the Combined Financial Statements

(thousands of dollars)

For the year ended March 31, 2014

remittances outstanding as at March 31, 2014, \$384 (2013 - \$67) is included within accounts payable and accrued liabilities.

#### 9. Property and equipment

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2014 Net Book Value</u>	<u>2013 Net Book Value</u>
Helicopters	\$ 65,227	18,563	46,664	48,882
Night vision goggles	972	796	176	255
Medical equipment	4,180	2,973	1,207	1,087
Office equipment	1,311	1,005	306	306
Equipment under capital lease	430	42	388	248
Computer hardware & software	6,425	4,732	1,693	1,667
Leasehold improvements	1,718	1,062	656	648
Buildings	5,083	624	4,459	4,446
Automobiles	1,482	949	533	178
Intangible Asset	8	-	8	-
Assets held under construction	39	-	39	-
	<b>\$ 86,875</b>	<b>30,746</b>	<b>56,129</b>	<b>57,717</b>

A donor made a five year pledge toward the purchase of a BK117 helicopter and Regina hangar in 2011. Accordingly, STARS entered into capital lease agreements (Note 10) to finance the purchase of these assets to match the annual donations with the principal payments. The balance of principal payments will be paid from future annual donations.

Included in property and equipment are assets under capital lease as follows:

	<u>2014 Cost</u>	<u>2014 Accumulated Depreciation</u>	<u>2013 Cost</u>	<u>2013 Accumulated Depreciation</u>
Helicopters	\$6,156	\$2,164	\$6,198	\$ 930
Buildings	4,795	403	4,527	170
Equipment	429	42	457	209

Helicopters, computer software, and buildings include assets not in use and thus not subject to amortization and are recorded in these combined financial statements as follows:

	<u>2014 Cost</u>	<u>2013 Cost</u>
Helicopters	\$ -	\$ 36,738
Computer software	\$ 444	\$ 215

## Shock Trauma Air Rescue Service

### Notes to the Combined Financial Statements

(thousands of dollars)

For the year ended March 31, 2014

#### 10. Long term debt and credit facilities

	<u>2014</u>	<u>2013</u>
AW139 helicopter loan bearing interest at 3.25% with monthly payments of \$75. Principal payments started in July 2013.	\$ 3,375	4,000
Regina hangar lease bearing interest at 3.72% fixed rate for five years. Monthly lease payments are \$23 with a balance due of \$1,265 in 2018. Principal payments started in March 2013.	\$ 2,085	2,277
Regina hangar lease bearing interest at 3.61T repayable in monthly instalments of \$6, with a balance due of \$434 in August 2016.	\$ 630	706
Two Saskatchewan BK 117 helicopter leases, each bearing interest at the three month CDOR plus 2%, repayable in monthly instalments of \$110.	\$ 4,048	5,284
Equipment capital leases bearing interest at 9.4% - 2014, vs 3.8% to	<u>\$ 405</u>	<u>234</u>
Total:	\$ 10,543	12,501
Current portion	<u>\$ 4,889</u>	<u>2,172</u>
Long term debt	<u>\$ 5,654</u>	<u>10,329</u>

Principal repayments due are estimated as follows:

2015	\$ 2,448
2016	\$ 2,506
2017	\$ 2,952
2018	\$ 2,561
2019	<u>\$ 76</u>
	<u>\$ 10,543</u>

In 2014, STARS paid interest of \$ 378 (2013 - \$ 332) on long term debt.

At March 31, 2014, the Organization has a line of credit available of up to \$1,000 (2013 - \$1,000) bearing interest at prime plus 1%. As at March 31, 2014 no amount was drawn on this line of credit (\$Nil 2013).

#### 11. Lease obligations and commitments

Base related leases mature as follows:

Grande Prairie Base	August 2020
Edmonton Base	September 2022
Saskatoon Base	December 2025
Regina Base – airport land lease	September 2021
Foundation community fundraising office	June 2014
Xerox Lease – copiers at all bases	December 2018

## Shock Trauma Air Rescue Service

### Notes to the Combined Financial Statements

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For the year ended March 31, 2014

Future minimum lease payments are as follows:

Year	Xerox	Training	Base and Office Leases	Total
2015	109	\$ 1,141	\$ 1,968	\$ 3,218
2016	109	1,141	1,790	3,040
2017	109	1,141	1,245	2,495
2018	109	610	1,123	1,842
2019	80	-	746	826
Beyond	-	-	2,039	2,039
	516	\$ 4,033	\$8,911	\$ 13,460

#### 12. Endowment Fund

	<u>2014</u>	<u>2013</u>
Medical Physicians	\$ 20	\$ 20
Doctors On Board	124	-
Total Endowments	<u>\$144</u>	<u>\$ 20</u>

The interest earned in each of these funds will be used to partially support the programs

#### 13. Changes in non-cash operating working capital

	<u>2014</u>	<u>2013</u>
Receivables	\$ (1,688)	\$ (203)
Deferred expenses	(97)	3,388
Prepaid expenses	320	(636)
Helicopter parts and store inventories	332	139
Payables and accruals	(255)	499
Deferred revenue	51	(6,821)
	<u>\$ (1,337)</u>	<u>\$ (3,634)</u>

#### 14. Segmented information

Presented below is the March 31, 2014 segmentation by Province of the Combined Statement of Financial Position, and Combined Statement of Fundraising, Operations and Change in Fund Balance.

# Shock Trauma Air Rescue Service

## Notes to the Combined Financial Statements

(thousands of dollars)

For the year ended March 31, 2014

### **Combined Statement of Financial Position - Provinces**

	Alberta	Saskatchewan	Manitoba	Total
<b>Assets</b>				
Current assets	\$ 23,725	\$ 8,397	\$ 2,246	\$ 34,368
Investments	10,176	-	-	10,176
Property and equipment	42,429	10,332	3,368	56,129
<b>Total Assets</b>	<b>76,330</b>	<b>18,729</b>	<b>5,614</b>	<b>100,673</b>
<b>Liabilities</b>				
Current liabilities	2,698	3,432	2,886	9,016
Long-term debt	227	5,394	33	5,654
Deferred contributions	20,250	3,121	3,959	27,330
<b>Total Liabilities</b>	<b>23,175</b>	<b>11,947</b>	<b>6,878</b>	<b>42,000</b>
<b>Net Assets</b>				
Capital Preservation Fund	53,011	6,782	(1,264)	58,529
Endowment Fund - externally restricted	144	-	-	144
<b>Total Net Assets</b>	<b>53,155</b>	<b>6,782</b>	<b>(1,264)</b>	<b>58,673</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 76,330</b>	<b>\$ 18,729</b>	<b>\$ 5,614</b>	<b>\$ 100,673</b>

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

<b>Fundraising Activities</b>				
Fundraising revenue				
Donations and fundraising revenue net of expenditures	\$ 15,359	\$ 6,852	\$ 420	\$ 22,631
Lottery revenue net of expenditures	10,661	1,668	(833)	11,496
Calendar revenue net of expenditures	1,012	25	(7)	1,030
Investment and other income	1,190	54	-	1,244
Total net fundraising revenue before other expenditures	28,222	8,599	(420)	36,401
Administration expenditures	2,867	1,105	495	4,467
Excess of revenue over expenditures from fundraising	25,355	7,494	(915)	31,934
<b>Operating Activities</b>				
Operating revenue	14,223	11,485	5,280	30,988
Operating Expenditures	36,326	18,568	8,282	63,176
<b>Excess (deficiency) of revenue over expenditures from operations</b>	<b>(22,103)</b>	<b>(7,083)</b>	<b>(3,002)</b>	<b>(32,188)</b>
Combined excess of revenue over expenditures before the following	\$ 3,252	\$ 411	\$ (3,917)	\$ (254)
Change in Restricted Endowment Fund	124	-	-	124
Combined excess of revenue over expenditures	3,376	411	(3,917)	(130)
Net assets, beginning balance	49,779	6,371	2,653	58,803
Net assets, end of year	<b>\$ 53,155</b>	<b>\$ 6,782</b>	<b>\$ (1,264)</b>	<b>\$ 58,673</b>

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## Shock Trauma Air Rescue Service

### Notes to the Combined Financial Statements

(thousands of dollars)

For the year ended March 31, 2014

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Subsequent to the year-end March 31, 2013, STARS and the Province of Manitoba mutually agreed to reduce funding payments to be received in fiscal 2014 by \$2,400 representing the repayment of the majority of the 2013 surplus of revenues over expenditures of \$2,653.

For the year March 31, 2014 STARS funded the deficiency in fundraising activities of \$915 (2013 - \$166) in the Province of Manitoba from unrestricted cross provincial donations for a total funding since fundraising operations began on April 1, 2012 of \$1,081.

#### **Lease Obligations and Commitments**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Beyond</u>
Alberta	2,124	2,056	2,063	1,588	786	2,018
Saskatchewan	1,080	971	420	242	32	21
Manitoba	14	13	12	12	8	-
	<u>3,218</u>	<u>3,040</u>	<u>2,495</u>	<u>1,842</u>	<u>826</u>	<u>2,039</u>

STARS has established individual bank accounts for each province in order to segregate fundraising and operations revenues and expenditures. On a quarterly basis STARS reconciles revenues and expenditures for each province which results in an interprovincial receivable or payable. Cash transfers settle interprovincial receivable or payable accounts on a quarterly basis. Additionally, STARS has received cash deposits equivalent to one month's operating expenditures from the provinces of Saskatchewan and Manitoba.

#### **15. Financial instrument risk**

##### **Fair values**

Financial instruments consist of cash, receivables, investments, payables and accruals, and long term debt. The fair values of the financial instruments, excluding long term debt and investments, 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 market value.

##### **Price risk**

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.

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## Shock Trauma Air Rescue Service

### Notes to the Combined Financial Statements

(thousands of dollars)

For the year ended March 31, 2014

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#### Liquidity risk

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.

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

	Alberta (1)		Saskatchewan (2)		Manitoba (3)	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Gross Contributions	\$21,215	\$19,539	\$7,941	\$8,032	\$850	\$174
Gross gaming proceeds	18,348	18,216	6,578	6,041	2,994	-
Soliciting contributions expenses	7,704	7,511	2,381	1,613	758	590
Remuneration paid to employees	3,056	3,479	869	598	361	151
Third party fundraising expenses	268	229	211	198	42	92

- 1) Alberta Charitable Fundraising Act
- 2) Saskatchewan Charitable Fund-raising Businesses Act
- 3) Manitoba Charities Endorsement

#### 17. Capital disclosure

STARS defines its capital as the amounts included in its net asset balances.

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

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