



**it takes a  
community  
to save a life**

## Message from the President & CEO

As a nurse, there are a few patients that are seared into my memory. Though some aspects of her story have faded over time - it was nearly 30 years ago after all - I will never forget how clearly we knew that the young girl in our intensive care unit at Calgary General Hospital wouldn't survive if she didn't get to Edmonton.

Our patient was slipping away in front of us because of complications from the medications she had taken. Her greatest hope at pulling through was in a hospital nearly 300 kms north in Edmonton, and we knew there was no way she would survive the trip by road.

Then, a thought: how about the STARS helicopter? They were still a new outfit back then, and we weren't sure if they would take on the mission. But a short time after we called, a paramedic in a STARS flight suit walked through the doors.

As we transferred our young patient to his care, I had no idea how things would turn out - both for the patient and me. The young girl pulled through and made a remarkable recovery. As for me, I am proud to now be the leader of this incredible organization.

This charity was built through thirty years of passion, purpose, and commitment. Your support through your donations, your advocacy, and your efforts and commitment to support our mission, have enabled us to be there for the next patient who needs us.

From humble beginnings with just one helicopter and the vision of an emergency physician, to providing care for thousands of patients across six bases in western Canada. It's incredible how much we can accomplish together in 30 years.

Thank you, on behalf of STARS.



**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.** 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.

Significant progress is made towards accomplishing these goals every year. Notable activities over the last year include expanding our blood on board initiative to five bases across the organization, implementing a redundant backup site for the STARS Emergency Link Centre, and expanding our air medical crew training program duration – all while remaining under budget.

This is in addition to the ongoing work our team accomplished last year, including more than 3,000 missions flown (an average of eight per day), nearly 28,000 emergency requests handled by the STARS ELC, 1,457 learners trained by our mobile education unit, and nearly 3,000 landing zone officers trained.

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.

Integrating two types of aircraft into our operations has been a significant task for our crews since the arrival of our AW139 aircraft. We continue to undertake efforts to optimize our fleet to ensure we are maximizing the value of our aircraft.

Costs are expected to slowly start increasing on the BK117 helicopter fleet. The BK117 has been a great performer for STARS over the last three 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 2014-15, this agreement provided a baseline amount of partial funding for mission operations of approximately \$8 million plus reimbursement of AB mission fuel and landing fees, representing around 24 per cent of total funding for our Alberta program. The remaining funding comes from community fundraising initiatives.

With the change in political leadership in the province, STARS is working proactively to meet with our new government stakeholders to ensure they are well acquainted with the value the STARS program delivers to communities in Alberta.

#### *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 2014-

15, the provincial government provided STARS with \$11 million, representing approximately 50 per cent of our operating budget in the province.

### *Manitoba*

STARS signed a 10-year agreement with the Government of Manitoba in February 2012 for STARS to establish a base in Winnipeg. In 2014-15, the Government of Manitoba provided STARS with approximately \$10 million in funding. This represents approximately 96 per cent of the operating budget in the province.

## **Revenue generation initiatives**

Fee-for-service programs offered through the STARS Emergency Link Centre generated approximately \$4 million in revenue last year and are positioned to continue generating increasing revenue going forward.

Many companies are legislatively mandated to operate 24/7 emergency hotlines that can be called by members of the public to report emergencies involving company infrastructure. STARS' Emergency Contact Centre (ECC) offerings allow these calls to be handled by specialized staff within the STARS ELC. Seven new clients were added to the ECC program in 2014 with over 5,000 emergency calls handled. Increased legislative scrutiny around energy producers and transporters will likely increase demand for ECC services.

STARS has also seen a nearly two-fold increase in call volumes related to monitoring lone workers, as corporate safety programs and legislative requirements makes this a priority. It is anticipated that growth in this segment will continue.

Though the drop in oil prices and subsequent scale-back in production by some producers has moderately reduced the number of registered industry sites being monitored by the STARS ELC, this program remains a strong component of the Industry Services segment. Last year, approximately 65,000 industry sites were registered with the STARS ELC and nearly 200 emergency calls were fielded from workers on registered industry sites.

## **Philanthropy**

The Foundation continues to build the "Next Generation" of strategies and team members who are well prepared to meet the growing fiscal needs of STARS each year. While fundraising is always challenging, the current economic realities are expected to have lasting impacts on individual and corporate donors.

The reliance on the STARS Foundation to increase revenues is an ever present reality. In addition to growth into six bases across three provinces, annual inflation and new program opportunities continue to present themselves to the organization. A key focus to fundraising over the next 24 months will be diversification of revenue sources.

Of course, there is always the potential for significant events, such as the current slump in oil prices and the ripple effects through the Canadian economy, which could impact STARS' ability to fundraise.

On an ongoing basis, health care and hospital foundations appeal to similar individual and corporate donors. Additionally, many health Foundations in our jurisdictions are gearing up for major capital campaigns or are ramping up fundraising activities, including:

- New cancer facility planned for Calgary.
- Children's Hospital of Saskatchewan, located in Saskatoon.
- The Health Sciences Centre Foundation in Winnipeg has a number of large-scale fundraising projects on the go, including the Kleysen Institute for Advanced Medicine which will be home to the Centre for Surgical Innovation.

Though the fundraising climate is challenging, the STARS brand is well-respected and donors have expressed they see significant community value in the work we do. As we expand the reach of our fundraising program and seek out support from new segments, we feel confident in our ability to generate necessary operating revenue.

### **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 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. 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, 2015

The accompanying combined financial statements of STARS as at March 31, 2015 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 2014-15 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, 2015**

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June 25, 2015

## **Independent Auditor's Report**

**To the Boards 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, 2015 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 audit. We conducted our audit 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 is sufficient and appropriate to provide a basis for our audit opinion.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



**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, 2015 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	2015	2014
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 32,469	\$ 24,204
Receivables	5,179	6,707
Deferred expenses (Note 14)	3,431	99
Prepaid expenses	1,250	1,337
Helicopter parts and store inventory	2,349	2,021
Asset held for sale (Note 5)	675	-
	<b>45,353</b>	<b>34,368</b>
Investments (Note 5)	10,237	10,176
Property and equipment (Note 9)	50,746	56,129
	<b>\$ 106,336</b>	<b>\$ 100,673</b>
<b>Liabilities</b>		
<b>Current</b>		
Payables and accruals	\$ 4,013	\$ 3,940
Deferred revenue (Note 14)	9,749	116
Current portion of long term debt (Note 10)	4,106	4,889
	<b>17,868</b>	<b>8,945</b>
Long-term debt (Note 10)	4,829	5,654
Deferred contributions (Note 4)	27,549	27,401
	<b>50,246</b>	<b>42,000</b>
<b>Net Assets</b>		
Capital Preservation Fund	55,833	58,529
Endowment Fund - externally restricted (Note 12)	257	144
	<b>56,090</b>	<b>58,673</b>
	<b>\$ 106,336</b>	<b>\$ 100,673</b>
Lease obligations and commitments (Note 11)		

On behalf of the Board



\_\_\_\_\_  
 Director  
 Dave Mowat  
 Board Chair, STARS Society



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 Director  
 Pat Youzwa  
 Board Chair, STARS Foundation

See accompanying notes to the combined financial statements.

# Shock Trauma Air Rescue Service

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

(Thousands of dollars)

Year ended March 31	2015	2014
<b>Fundraising activities</b>		
Fundraising revenue		
Donations and fundraising revenue	\$ 28,140	\$ 26,950
Donations and fundraising expenditures	<u>(3,917)</u>	<u>(4,319)</u>
	<u>24,223</u>	<u>22,631</u>
Lottery revenue	20,282	27,948
Lottery expenditures	<u>(10,827)</u>	<u>(16,452)</u>
	<u>9,455</u>	<u>11,496</u>
Calendar revenue	2,363	3,087
Calendar expenditures	<u>(1,653)</u>	<u>(2,057)</u>
	<u>710</u>	<u>1,030</u>
Investment and other income (Note 6)	<u>741</u>	<u>1,244</u>
Total net fundraising revenue before other expenditures	<u>35,129</u>	36,401
Other expenditures		
Administration	<u>(4,683)</u>	<u>(4,467)</u>
Excess of revenue over expenditures from fundraising	<u>\$ 30,446</u>	<u>\$ 31,934</u>
 <b>Operating Activities</b>		
Operating revenue		
Government contributions	\$ 31,764	\$ 26,950
Site registration recoveries	3,353	3,326
Fee for services (Note 3)	<u>1,542</u>	<u>712</u>
	<u>36,659</u>	<u>30,988</u>
Operating Expenditures		
Aviation operations	30,941	27,110
Clinical operations	18,513	17,401
STARS Emergency Link Centre	3,610	3,688
Base Operations & Administration	8,171	8,533
Amortization	<u>8,566</u>	<u>6,444</u>
	<u>69,801</u>	<u>63,176</u>
Deficiency of revenue over expenditures from operations	<u>(33,142)</u>	<u>(32,188)</u>
Combined deficiency of revenue over expenditures	<u>(2,696)</u>	<u>(254)</u>
Net assets, beginning balance	58,673	58,803
Addition to endowment fund	<u>113</u>	<u>124</u>
Net assets, end of year	<u>\$ 56,090</u>	<u>\$ 58,673</u>

See accompanying notes to the combined financial statements.

## Shock Trauma Air Rescue Service

### Combined Statement of Cash Flows

(Thousands of dollars)

Year ended March 31	2015	2014
<b>Operations/Fundraising</b>		
Combined deficiency of revenue over expenditures	\$ (2,696)	\$ (254)
Items not requiring cash outlay		
Amortization of property and equipment	8,566	6,443
Amortization of deferred contributions (Note 4)	3,520	(2,096)
(Gain) loss on sale of investments (Note 6)	(15)	(215)
Unrealized (gain) on investments (Note 6)	(172)	(567)
Loss on disposal of property and equipment	13	
In kind donations	-	(888)
Total Cash flow from Operations before changes in non-cash working capital	2,176	2,423
Changes in non-cash operating working capital (Note 13)	6,986	(1,337)
	9,162	1,086
<b>Financing</b>		
(Repayments) on long term debt and credit facilities	(2,458)	(1,958)
Increase in long term debt	850	-
Change in endowment fund	113	-
Deferred contributions	3,668	4,980
	2,173	3,022
<b>Investing</b>		
Net change in investments (Notes 5 and 6)	126	(301)
Purchase of property and equipment	(3,196)	(4,846)
	(3,070)	(5,147)
Net increase (decrease) in cash	8,265	(1,039)
Cash, beginning of year	24,204	25,243
Cash, end of year	\$ 32,469	\$ 24,204
<b>Supplementary Information</b>		
Interest received	\$ 139	\$ 198
Interest paid	\$ 364	\$ 378

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, 2015

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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, 2015 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, individuals, businesses, corporations, 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 community, individuals, businesses, corporations, government. During the year ended March 31, 2014, STARS agreed to fund any deficiencies in fundraising activity in the province of Manitoba (Note 14). During the year ended March 31, 2015 the contract has been moved from the Government of Manitoba to the Winnipeg Regional Health Authority.

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 community, individuals, businesses, corporations, government.

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 community, individuals, businesses, corporations, government. This agreement has been renewed for 5 years as of April 1, 2015.

### 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 Chartered Professional Accountants of Canada 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

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## Shock Trauma Air Rescue Service

### Notes to the Combined Financial Statements

(Thousands of dollars)

For the year ended March 31, 2015

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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 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 recognized in the year the lottery is drawn and contribution revenue is recognized 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 recognize 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 the management of current assets and liabilities of the organization, to fund the current and future purchases of helicopters, buildings, and equipment. A portion of the Capital Preservation Fund has already funded past purchases of helicopters, buildings and equipment. Additionally, 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.

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# Shock Trauma Air Rescue Service

## Notes to the Combined Financial Statements

(Thousands of dollars)

For the year ended March 31, 2015

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The Capital Preservation Fund also provides the organization with the ability that, should future fundraising initiatives not be successful as in the past, the organization has surplus cash on hand to enable sustainability of its operations and continue to deliver on the STARS mission.

*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.

**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 & Aviation equipment	3 to 20 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 2015 was \$1,974 (2014 – \$2,141). Volunteers contribute substantial donated time and services throughout the year to STARS but due to the difficulty of determining fair market value of these donated services, the value is not recorded in these 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, 2015

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#### **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 including outstanding deposits and net of outstanding cheques.

#### **j. Inventory**

Inventory is valued at the lower of cost or net realizable value. Cost is determined on a specific item basis for aircraft parts. During the year \$3,526 (\$2,802 for 2014) was recognized in aviation operations.

#### **k. Income taxes – Aviation**

As a taxable 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.

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## Shock Trauma Air Rescue Service

### Notes to the Combined Financial Statements

(Thousands of dollars)

For the year ended March 31, 2015

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#### n. Comparative Figures

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

#### 3. Fee for services

	<u>2015</u>	<u>2014</u>
Human patient simulator	\$ 83	\$ 107
Emergency contact centre	761	434
Administration	698	171
	<u>\$ 1,542</u>	<u>\$ 712</u>

#### 4. Deferred contributions

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 27,401	\$ 24,446
Restricted contributions received	3,667	4,980
Amortization of amounts related to operating expenditures	(216)	(177)
Amortization of amounts related to property & equipment	(3,303)	(1,848)
Balance, end of year	<u>\$ 27,549</u>	<u>\$ 27,401</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>2015</u>	<u>2014</u>
Cash & Cash Equivalents	\$ 720	\$ 463
Bonds/Fixed Income	4,645	4,417
Canadian Equities	2,285	2,171
Global Equities	2,587	2,245
Donated Property	-	880
	<u>\$ 10,237</u>	<u>\$ 10,176</u>
Total investments		
Asset Held For sale – donated property	675	-

The donated property is a house that is being actively marketed for sale.

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

## Shock Trauma Air Rescue Service

### Notes to the Combined Financial Statements

(Thousands of dollars)

For the year ended March 31, 2015

#### 6. Investment and other income

	<u>2015</u>	<u>2014</u>
Interest and investment income	\$ 550	\$ 456
Gain on sale of investments	15	215
Unrealized gain on investments	172	567
Other income	<u>4</u>	<u>6</u>
 Total investment and other income	 <u>\$ 741</u>	 <u>\$ 1,244</u>

#### 7. Income taxes

Aviation has tax values in excess of book values for Property and Equipment of \$ 13,903 (\$ 8,109 in 2014) and a loss carry forward of \$5,498 (\$7,804 in 2014) for which no tax benefit has been recognized. Aviation paid no income taxes in 2015 or 2014.

#### 8. Government remittances

Government remittances consist of provincial and federal 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 remittances outstanding as at March 31, 2015, there is a refund this year of \$9 (\$384 payable in 2014) and is included within payables and accruals.

#### 9. Property and equipment

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2015 Net Book Value</u>	<u>2014 Net Book Value</u>
Helicopters & Aviation Equipment	\$66,738	\$25,587	\$41,151	\$46,840
Medical equipment	4,909	3,438	1,471	1,207
Office equipment	1,388	1,112	276	306
Equipment under capital lease	432	128	304	388
Computer hardware & software	6,859	5,692	1,167	1,693
Leasehold improvements	1,989	1,308	681	656
Buildings	6,134	923	5,211	4,459
Automobiles	1,488	1092	396	533
Intangible Asset	8	-	8	8
Assets held under construction	81	-	81	39
	<u>\$90,026</u>	<u>\$39,280</u>	<u>\$50,746</u>	<u>\$56,129</u>

## Shock Trauma Air Rescue Service

### Notes to the Combined Financial Statements

(Thousands of dollars)

For the year ended March 31, 2015

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.

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

	<u>2015</u> <u>Cost</u>	<u>2015</u> <u>Accumulated</u> <u>Depreciation</u>	2014 <u>Cost</u>	2014 <u>Accumulated</u> <u>Depreciation</u>
Helicopters	\$6,156	\$3,394	\$6,156	\$2,164
Buildings	4,817	644	4,795	403
Equipment	432	128	429	42

Computer software and hardware includes assets not in use and thus not subject to amortization. These are recorded in the combined financial statements as follows:

	<u>2015</u> <u>Cost</u>	2014 <u>Cost</u>
Computer Software	\$ 104	\$ 444

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

	<u>2015</u>	2014
AW139 helicopter loan bearing interest at 3.25% with monthly payments of \$75. Principal payments started in July 2013	\$ 2,475	\$ 3,375
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.	1,886	2,085
Regina hangar lease bearing interest at 3.61% repayable in monthly instalments of \$6, with a balance due of \$434 in August 2016.	551	630
Two Saskatchewan BK 117 helicopter leases, each bearing interest at the three month CDOR plus 2%, repayable in monthly instalments of \$110.	2,850	4,048
Equipment capital leases bearing interest at 9.4% - 2014, vs 3.8% to 10.7% repayable in monthly or quarterly instalments.	337	405
Winnipeg Hangar loan bearing interest at 2.75% for a five year term starting in September 2014. Monthly payments are \$4 The hangar is pledged for security.	836	-
<b>Total</b>	<b>\$ 8,935</b>	<b>\$ 10,543</b>
Current Portion	\$ 4,106	\$ 4,889
Long Term Debt	4,825	5,654
	<b>\$ 8,938</b>	<b>\$ 10,543</b>

# Shock Trauma Air Rescue Service

## Notes to the Combined Financial Statements

(Thousands of dollars)

For the year ended March 31, 2015

Principal repayments due for the next 5 years are estimated as follows:

2016	\$ 2,531
2017	\$ 2,977
2018	\$ 2,587
2019	\$ 103
2020	\$ 27

In 2015, STARS paid interest of \$ 364 (2014 - \$ 378) on long term debt.

At March 31, 2015, the Organization has a line of credit available of up to \$1,000 (2014 - \$1,000) bearing interest at prime plus 1%. As at March 31, 2015 no amount was drawn on this line of credit (\$Nil 2014).

### 11. Lease obligations and commitments

Base related leases mature as follows:

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

Future minimum lease payments are as follows:

Year	Base and Office Leases	Pilot Training	Xerox	Total
2016	\$ 2,015	\$ 1,429	\$ 80	\$ 3,524
2017	1,403	1,478	88	2,969
2018	1,211	1,138	97	2,446
2019	834	-	79	913
2020	827	-	-	827
Beyond	2,534	-	-	2,534
	\$ 8,824	\$ 4,045	\$ 344	\$ 13,213

### 12. Endowment Fund

	<u>2015</u>	<u>2014</u>
Medical Physicians	\$ 20	\$ 20
Doctors On Board	237	124
Total Endowments	\$ 257	\$ 144

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

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## Shock Trauma Air Rescue Service

### Notes to the Combined Financial Statements

(Thousands of dollars)

For the year ended March 31, 2015

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

	<u>2015</u>	<u>2014</u>
Receivables	\$ 1,528	\$ (1,688)
Deferred expenses	(3,332)	(97)
Prepaid expenses	86	320
Asset held for sale	(675)	
Helicopter parts and store inventories	(328)	332
Payables and accruals	74	(255)
Deferred revenue	9,633	51
	\$ 6,986	\$ <u>(1,337)</u>

#### 14. Lottery Revenue and Expenses

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.

For the year ended March 31, 2015, the Alberta Lottery sold out on March 23, 2015 however the prize draws were conducted on April 16, 2015 and accordingly ticket revenues of \$9,672 was deferred at March 31, 2015 and expenses of \$5,364 (of which \$3,431 was deferred at March 31, 2015) and the net contribution of \$4,308 will be recorded in the fiscal year end 2016 in accordance with the Lottery revenue recognition policy.

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## Shock Trauma Air Rescue Service

### Notes to the Combined Financial Statements

(Thousands of dollars)

For the year ended March 31, 2015

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#### 15. Segmented information

Presented below is the March 31, 2015 segmentation by Province of the Combined Statement of Financial Position, and Combined Statement of Fundraising, Operations and Change in Fund Balance.

#### Combined Statement of Financial Position - Provinces

	Alberta	Saskatchewan	Manitoba	Total
<b>Assets</b>				
Current assets	\$ 36,490	\$ 7,951	\$ 912	\$ 45,353
Investments	10,237	-	-	10,237
Property and equipment	38,471	8,770	3,505	50,746
<b>Total Assets</b>	<b>85,198</b>	<b>16,721</b>	<b>4,417</b>	<b>106,336</b>
<b>Liabilities</b>				
Current liabilities	15,082	2,305	481	17,868
Long-term debt	176	3,815	838	4,829
Deferred contributions	19,683	4,512	3,354	27,549
<b>Total Liabilities</b>	<b>34,941</b>	<b>10,632</b>	<b>4,673</b>	<b>50,246</b>
<b>Net Assets</b>				
Capital Preservation Fund	50,000	6,089	(256)	55,833
Endowment Fund - externally restricted	257	-	-	257
<b>Total Net Assets</b>	<b>50,257</b>	<b>6,089</b>	<b>(256)</b>	<b>56,090</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 85,198</b>	<b>\$ 16,721</b>	<b>\$ 4,417</b>	<b>\$ 100,336</b>

# Shock Trauma Air Rescue Service

## Notes to the Combined Financial Statements

(Thousands of dollars)

For the year ended March 31, 2015

### 15. Segmented Information

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

<b>Fundraising Activities</b>	<b>Alberta</b>	<b>Saskatchewan</b>	<b>Manitoba</b>	<b>Total</b>
Fundraising revenue				
Donations and fundraising revenue net of expenditures	\$ 15,952	\$ 8,374	\$ (103)	\$ 24,223
Lottery revenue net of expenditures	7,366	2,089	-	9,455
Calendar revenue net of expenditures	649	48	13	710
Investment and other income	703	38	-	741
Total net fundraising revenue before other expenditures	24,670	10,549	(90)	35,129
Administration expenditures	(3,589)	(996)	(98)	(4,683)
Excess of revenue over expenditures from fundraising	21,081	9,553	(188)	30,446
<b>Operating Activities</b>				
Operating revenue	14,532	11,949	10,178	36,659
Operating Expenditures	(37,357)	(22,194)	(10,250)	(69,801)
<b>Deficiency of revenue over expenditures from operations</b>	(22,825)	(10,245)	(72)	(33,142)
	\$ (1,744)	\$ (692)	\$ (260)	\$ (2,696)
Endowment funds	113	-	-	113
Combined excess of revenue over expenditures before the following				
Combined excess of revenue over expenditures	(1,631)	(692)	(260)	(2,583)
Net assets, beginning balance	53,155	6,782	(1,264)	58,673
<b>Net assets, end of year</b>	<b>\$ 51,524</b>	<b>\$ 6,090</b>	<b>\$ (1,524)</b>	<b>\$ 56,090</b>

For the year March 31, 2015 STARS funded the deficiency in fundraising activities of \$188 (2014 - \$915) in the Province of Manitoba from unrestricted cross provincial donations for a total funding since fundraising operations began on April 1, 2012 of \$1,269.

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## Shock Trauma Air Rescue Service

### Notes to the Combined Financial Statements

(Thousands of dollars)

For the year ended March 31, 2015

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<u>Lease Obligations and Commitments</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Beyond</u>
Alberta	\$ 2,365	\$ 2,384	\$ 1,972	\$ 824	\$ 763	\$ 1,286
Saskatchewan	1,057	526	414	31	14	21
Manitoba	102	59	60	58	50	1,227
	<b>\$ 3,524</b>	<b>\$ 2,969</b>	<b>\$ 2,446</b>	<b>\$ 913</b>	<b>\$ 827</b>	<b>\$ 2,534</b>

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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 province of Manitoba.

#### 16. 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.

##### 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.

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## Shock Trauma Air Rescue Service

### Notes to the Combined Financial Statements

(Thousands of dollars)

For the year ended March 31, 2015

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

	Alberta (1)		Saskatchewan (2)		Manitoba (3)	
	<u>2014/15</u>	2013/14	<u>2014/15</u>	2013/14	<u>2014/15</u>	2013/14
Gross Contributions	<b>\$20,227</b>	\$21,215	<b>\$11,157</b>	\$ 7,941	<b>\$ 388</b>	\$ 850
Gross Gaming Proceeds	<b>11,282</b>	18,348	<b>8,661</b>	6,578	<b>10</b>	2,994
Soliciting Contributions Expenses	<b>7,879</b>	7,704	<b>2,488</b>	2,381	<b>607</b>	758
Soliciting Contributions Expenses includes:						
Fundraising Expenses	<b>3,574</b>	3,924	<b>1,374</b>	1,259	<b>357</b>	331
Remuneration Paid to Employees	<b>4,008</b>	3,512	<b>891</b>	911	<b>250</b>	385
Third Party Fundraising Expenses	<b>297</b>	268	<b>223</b>	211	<b>-</b>	42

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

Gross contributions include capital campaign receipts. The gross Gaming proceeds were realized from lottery sales and other gaming activities governed by each of the province's gaming authority. The remuneration paid to employees is included in the solicited contribution expense and remuneration to employees whose principal duties are fundraising. The third party fundraising expenses are also included in the solicited contribution expense number.

#### 18. 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.