



# RESPONDING TO THE CALL

**2017/2018**  
**Financial report**

WE ARE ALL **STARS**<sup>®</sup>

## **Risk & Opportunity Analysis**

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 economic environment we are facing in Western Canada, coupled with our unique funding model, requires us to pay special attention to our financial performance and cash position.

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). For the 2017-18 fiscal year the organization had modest increases to operating expenses associated with market adjustments while also continuing to manage overall costs.

#### **Aviation costs**

Aviation costs are a blend of ongoing scheduled and unscheduled maintenance.

Integrating two types of aircraft into our operations has been an important 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 and also to evaluate the risks and costs associated with operating two different aircraft types at a base. Our analysis and experience over the years has verified that it is indeed operationally and financially advantageous to operate a single helicopter type at each base. Simplifying our fleet deployment through this change will bring positive safety and cost benefits to STARS. As a result, during the 2016-17 fiscal year we moved from having three bases with two aircraft types to two bases - which continued in 2017-18.

Costs for the AW139 are incurred in US dollars and, as such, we have a US dollar hedging program whereby 35-65% of US dollar purchases are hedged at the prevailing US to Canadian dollar exchange rate. These contracts are usually entered into during the first quarter of each fiscal year, with the remaining funds purchased as required. This has reduced our exposure to fluctuations in the US-Canadian exchange rate.

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.

### **Fleet management**

Today, STARS' fleet includes 11 helicopters, including eight BK117s and three AW139s. The fleet was built in partnership with our communities and allies as our organization has grown and flown more than 40,000 missions since 1985.

The aging BK117s that have long been the stalwart foundation of STARS' fleet have been designated 'legacy aircraft' by the manufacturer and will approach their use by 2023. The newer AW139 is a sophisticated aircraft, but more cost-prohibitive to fly and maintain.

Safety, longevity and positive economic drivers necessitate the fleet renewal. We have a commitment to maintain operations at 95 per cent serviceability, so steps must be taken now to ensure long term reliability, safety and cost-effectiveness of our aircraft. Independent assessments of our fleet sustainability indicated the necessity of moving to a unified fleet, that is, one aircraft type.

A unified fleet is considered best practice. It helps STARS align with today's more rigorous Transport Canada regulations. The time and cost savings of having one aircraft type translates to less money spent on maintenance, and more funds and time devoted to patient care. It allows for greater fleet management and safety, and dispatch flexibility.

After a vigorous evaluation and assessment process, STARS has selected the Airbus H145 as the aircraft for our organization's future unified fleet. The H145 was selected based on its proven technology, suitability to our service needs, and its Canadian certification.

By utilizing existing cash reserves and using third party financing, in fiscal 2017-18 STARS entered into a purchase agreement for three new Airbus H145 aircraft, which will be delivered in 2019. Over time the existing fleet of BK117 and AW139 helicopters will be sold to help offset the cost of the new aircraft. \$117M in capital will be needed to purchase nine new aircraft, over the next three to five years, to serve our patients across Western Canada well into the future. We have begun reaching out to corporate, community and government partners for support of this capital project.

### **Capital campaign**

Our Fleet Renewal Campaign is designed to secure over \$100M in support for nine new helicopters and future innovations. This number is expected to fluctuate due to many factors, including the nature and support of funding, the aggregate selling price of the current fleet, and the exchange rate on US dollars.

Capital Campaigns are the most effective way to align charitable needs for a specific purpose with volunteer and donor passion. They are excellent for enhancing brand and public awareness, enhancing and diversifying donor and revenue streams, and bringing new volunteers on board – many of whom will form productive long term relationships with the organization.

Fundraising campaigns are subject to the same general risks identified in the ‘Philanthropy’ section below. Our campaign also carries with it several additional risks, including:

- The need to successfully complete the campaign without eroding existing major gift donor support for ongoing annual operating expenditures.
- Uncertainties around the timing and proceeds from the sale of the existing fleet.
- Uncertainties around the timing, nature and degree of government support, which donors have indicated their expectation of seeing government financial support; future provincial elections during the capital campaign timeframe add to the challenge.

## Revenue risks

### Agreements with provincial governments

#### *Alberta*

An agreement with Alberta Health Services was signed effective April 1, 2010 and continues through March 31, 2020. In 2017-18, this agreement provided a baseline amount of partial funding for mission operations of approximately \$6 million plus reimbursement of Alberta mission fuel and landing fees, representing around 20 per cent of total funding for our Alberta program. The remaining funding comes from community fundraising initiatives.

#### *Saskatchewan*

An agreement with the Government of Saskatchewan was signed in April 2011 and continues through March 31, 2021. The ten-year agreement automatically renews after the first five years and provides for a shared funding model between government, corporations and communities. In fiscal year 2017-18, the provincial government provided STARS with \$11.25 million, representing approximately 50 per cent of our operating budget in the province.

#### *Manitoba*

An agreement with the Government of Manitoba was signed in February 2012 and continues through 2022. In 2017-18, the Government of Manitoba provided STARS with approximately \$9 million in funding. This represents approximately 90 per cent of the operating budget in the province. STARS works proactively with our government stakeholders to ensure they are well-acquainted with the value the STARS program delivers to communities in Manitoba.

## Revenue generation initiatives

Site registration and Fee-for-service programs offered through the STARS Emergency Link Centre generated approximately \$3.4 million in revenue last year and are positioned to continue generating revenue going forward. It is anticipated that growth in this segment will continue.

## Structure put in place to support ELC sales and growth

Sales customer relationship management tools have been put in place to better track and record client information and sales pipeline information. This will not only help manage sales data but will also allow us to expand our team by ensuring relevant information is at their fingertips. Bringing on more clients across a broader geographic region will also diversify the channels we work in and the number of clients we work with.

## Expanding upon our core

Opportunities to bring in substantial revenue exist outside of ELC. These include retail medical products, in both rural and urban pharmacies, giving STARS access to new markets and exposure to demographics that are less familiar with STARS service remotely.

## 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 STARS 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; and

- 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 that 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.

### **Regulatory risk**

There are differing health legislation and compliance requirements in each province STARS operates in which has potential to impact our operations. On a regular basis, compliance reviews are conducted, including audits of all applicable health legislation.

### **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 center regardless of provincial boundary. Protocols are under development which would allow the most appropriate STARS base to respond. Additionally, with a team of more than 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, 2018

The accompanying combined financial statements of STARS as at March 31, 2018 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 2017-18 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



Jeffrey Quick, CPA, CA  
CFO  
STARS

Combined Financial Statements

**Shock Trauma Air Rescue Service**

March 31, 2018

# Contents

	<b><u>Page</u></b>
Auditor's Report	1
Combined Statement of Financial Position	2
Combined Statement of Fundraising, Operations and Change in Net Assets	3
Combined Statement of Cash Flows	4
Notes to the Combined Financial Statements	5



June 19, 2018

## **Independent Auditor's Report**

### **To the Board of Directors of Shock Trauma Air Rescue Service**

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, 2018 and the combined statements of fundraising, operations and change in net assets, 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.

#### **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, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*PricewaterhouseCoopers LLP*

**Chartered Professional Accountants**

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

# Shock Trauma Air Rescue Service


## COMBINED STATEMENT OF FINANCIAL POSITION

Year ended March 31,  
Thousands of dollars

	2018 \$	2017 \$
<b>ASSETS</b>		
<b>Current</b>		
Cash <i>[note 19]</i>	32,773	37,677
Accounts receivable <i>[note 3]</i>	1,533	1,624
Deferred expenses <i>[note 13]</i>	5,170	5,133
Prepaid expenses	1,196	1,205
Helicopter parts and store inventory <i>[note 4]</i>	2,226	3,170
<b>Total current assets</b>	<b>42,898</b>	<b>48,809</b>
Long term deposits <i>[note 16]</i>	9,519	—
Investments <i>[note 5]</i>	11,733	11,296
Property and equipment <i>[note 6]</i>	33,969	37,581
	<b>98,119</b>	<b>97,686</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities <i>[note 7]</i>	5,674	4,792
Deferred revenue <i>[note 13]</i>	9,310	9,241
Current portion of long-term debt <i>[note 8]</i>	409	2,636
<b>Total current liabilities</b>	<b>15,393</b>	<b>16,669</b>
Long-term debt <i>[note 8]</i>	2,184	1,351
Deferred contributions <i>[note 9]</i>	22,085	23,062
<b>Total liabilities</b>	<b>39,662</b>	<b>41,082</b>
Commitments and contingencies <i>[note 16]</i>		
<b>Net assets</b>		
Capital preservation fund	58,200	56,347
Endowment fund - externally restricted <i>[note 12]</i>	257	257
<b>Total net assets <i>[note 19]</i></b>	<b>58,457</b>	<b>56,604</b>
	<b>98,119</b>	<b>97,686</b>

See accompanying notes to the combined financial statements

On behalf of the Board:

  
Director - Board Co-Chair  
Doug Ramsay

  
Director - Audit & Finance Chair  
Kent Kaufield

# Shock Trauma Air Rescue Service

## COMBINED STATEMENT OF FUNDRAISING, OPERATIONS AND CHANGE IN NET ASSETS

Year ended March 31, Thousands of dollars	2018 \$	2017 \$
<b>Fundraising activities</b>		
<b>Donations and fundraising</b>		
Gross revenue	30,005	26,792
Direct fundraising expenditures	(3,829)	(3,686)
	<b>26,176</b>	<b>23,106</b>
<b>Lottery [note 13]</b>		
Gross revenue	28,797	31,100
Direct expenditures, including prizes	(16,215)	(16,242)
	<b>12,582</b>	<b>14,858</b>
<b>Calendar</b>		
Gross revenue	2,407	2,298
Direct expenditures	(1,089)	(1,088)
	<b>1,318</b>	<b>1,210</b>
Investment and other income [note 5]	698	1,422
<b>Total net fundraising revenue before other expenditures</b>	<b>40,774</b>	<b>40,596</b>
General fundraising and administrative expenses	(4,587)	(4,415)
<b>Excess of revenue over expenditures from fundraising</b>	<b>36,187</b>	<b>36,181</b>
<b>Operating activities</b>		
<b>Operating revenue</b>		
Government contributions	27,508	27,162
Site registration recoveries	2,173	1,981
Fee for services [note 14]	1,178	1,791
	<b>30,859</b>	<b>30,934</b>
<b>Operating expenditures</b>		
Aviation operations	29,579	29,218
Clinical operations	17,633	17,170
STARS Emergency Link Centre	3,709	3,521
Base operations and administration	8,618	7,784
Amortization	5,654	6,872
	<b>65,193</b>	<b>64,565</b>
<b>Deficiency of revenue over expenditures from operations</b>	<b>(34,334)</b>	<b>(33,631)</b>
<b>Combined excess of revenue over expenditures</b>	<b>1,853</b>	<b>2,550</b>
Net assets, beginning of year	56,604	54,054
<b>Net assets, end of year</b>	<b>58,457</b>	<b>56,604</b>

See accompanying notes to the combined financial statements

# Shock Trauma Air Rescue Service

## COMBINED STATEMENT OF CASH FLOWS

Year ended March 31 Thousands of dollars	2018 \$	2017 \$
<b>OPERATING ACTIVITIES</b>		
Combined excess of revenue over expenditures	1,853	2,550
Add (deduct) items not affecting cash:		
Amortization of property and equipment	5,654	6,872
Amortization of deferred contributions <i>[note 9]</i>	(2,808)	(3,532)
Gain on sale of investments <i>[note 5]</i>	(41)	(376)
Unrealized loss (gain) on investments <i>[note 5]</i>	78	(177)
Net foreign exchange difference on cash	(371)	(906)
(Gain) loss on disposal of property and equipment	(26)	46
	4,339	4,477
Net change in non-cash working capital items <i>[note 15]</i>	1,958	2,306
<b>Cash provided by operating activities</b>	<b>6,297</b>	<b>6,783</b>
<b>FINANCING ACTIVITIES</b>		
Repayments of long-term debt <i>[note 8]</i>	(1,394)	(2,418)
Deferred contributions received during the year <i>[note 9]</i>	1,831	1,165
<b>Cash provided by (used in) financing activities</b>	<b>437</b>	<b>(1,253)</b>
<b>INVESTING ACTIVITIES</b>		
Net change in investments <i>[note 5]</i>	(474)	(708)
Long term deposits <i>[note 16]</i>	(9,519)	—
Purchase of property and equipment	(2,042)	(2,782)
Proceeds on sale of property and equipment	26	167
<b>Cash used in investing activities</b>	<b>(12,009)</b>	<b>(3,323)</b>
Net foreign exchange difference on cash	371	906
<b>Net (decrease) increase in cash during the year</b>	<b>(4,904)</b>	<b>3,113</b>
Cash, beginning of year	37,677	34,564
<b>Cash, end of year</b>	<b>32,773</b>	<b>37,677</b>

See accompanying notes to the combined financial statements

### Supplementary information

Interest received	263	162
Interest paid	116	174

# Shock Trauma Air Rescue Service

## NOTES TO COMBINED FINANCIAL STATEMENTS

(Thousands of dollars)  
March 31, 2018

### 1. NATURE OF OPERATIONS

These combined financial statements represent the financial position and the combined operations as at, and for the year ended, March 31, 2018 of the Shock Trauma Air Rescue Service Foundation (“**Foundation**”), the Shock Trauma Air Rescue Service (“**Service**”), and STARS Aviation Canada Inc. (“**Aviation**”). Collectively, these entities are referred to as “**STARS**”, “**Shock Trauma Air Rescue Service**” or the “**Organization**”.

Service is registered federally under the Canada Not for Profit Corporations Act (“CNCPA”). Foundation is registered federally under the CNPCA. Foundation is governed by the Board of Directors of Service, resulting in the two entities being under common control.

Service 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*. Service has an economic interest in the Foundation because the Foundation is primarily responsible for the fundraising activities carried out in support of Services’ 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. Emergency medical communications, education and research, and fundraising and community partnerships are also 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 the community, individuals, businesses, corporations, government. Beginning in the year ended March 31, 2014, STARS agreed to fund any deficiencies in fundraising activity in the province of Manitoba (Note 19).

# Shock Trauma Air Rescue Service

## NOTES TO COMBINED FINANCIAL STATEMENTS

(Thousands of dollars)  
March 31, 2018

### 1. NATURE OF OPERATIONS (continued)

STARS signed a Rural Red Patient Matters Services Agreement with the Government of Saskatchewan commencing on April 1, 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 the community, individuals, businesses, corporations and government. This agreement was renewed for five years as of April 1, 2016.

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 the community, individuals, businesses, corporations and government. This agreement was renewed for five years as of April 1, 2015.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### Basis of presentation and combination

These combined financial statements have been prepared in accordance with Part III of the Chartered Professional Accountants of Canada ["CPA Canada"] Accounting Handbook - Accounting Standards for Not-for-Profit Organizations. They include the financial results as at and for the year ended March 31, 2018 of Foundation and the consolidated financial results as at and for the year ended March 31, 2018 of Service and its wholly-owned subsidiary Aviation. Transactions and balances between the entities have been eliminated in arriving at the combined financial statements.

#### Foreign currency translation

Foreign currency balances are translated into Canadian dollars as follows: monetary assets and liabilities are at the rates of exchange prevailing at the combined balance sheet date, non-monetary assets and liabilities are at historical exchange rates and revenue and expenses are at the approximate rate of exchange prevailing at the time of the transactions. Both realized and unrealized gains and losses resulting from the settlement or restatement of foreign currency transactions are included in the combined statement of fundraising and operations and change in net assets, other than those related to designated hedges.

#### Helicopter parts and store inventory

Inventory is valued at the lower of cost or net realizable value. Cost is determined on a specific item basis for aircraft parts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

# Shock Trauma Air Rescue Service

## NOTES TO COMBINED FINANCIAL STATEMENTS

(Thousands of dollars)  
March 31, 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Investments

Investments are recorded at fair value with realized and unrealized gains and losses and any impairment recognized in the combined statement of fundraising, operations and change in net assets.

#### Property and equipment

Property and equipment are recorded at cost. Assets under capital lease are accounted for at cost, which corresponds to the present value of the minimum lease payments. Amortization is provided over the estimated useful life of the Organization's assets on a straight-line basis. Expenditures incurred during the development phase for assets under construction are capitalized and amortized over the asset's useful life once they are operating in the manner intended by management. The cost of routine repairs and maintenance are charged to operating expenditures as incurred.

<b>Asset</b>	<b>Rate</b>
Helicopters and aviation equipment	3 to 20 years
Buildings	20 years
Medical equipment	2 to 5 years
Computer hardware and software	2 to 3 years
Leasehold improvements	Lessor of term of lease or 5 years
Office equipment	5 years
Automobiles	5 years

#### Impairment of long-lived assets

Property and equipment subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Impairment is assessed by comparing the carrying value of an asset to its net recoverable amount. If the carrying amount exceeds the net recoverable amount, the asset is written down to its estimated fair value (determined on an undiscounted cash flow basis). The resulting impairment loss is charged to the combined statement of fundraising and operations and changes in net assets when identified. An impairment loss is not reversed if the fair value of the related long-lived asset subsequently increases.

# Shock Trauma Air Rescue Service

## NOTES TO COMBINED FINANCIAL STATEMENTS

(Thousands of dollars)  
March 31, 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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 the statement of fundraising and operations 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.

#### Financial derivative instruments

Financial derivative instruments are included in current assets/liabilities except for those with maturities greater than 12 months after the reporting period, which are classified as non-current assets/liabilities.

The Organization designated a portion of its financial derivative contracts as accounting hedges and others as financial derivative contracts. Accordingly, the Organization fair values its derivative contracts with the resulting gains and losses recorded in the combined statement of fundraising and operations and change in net assets

The fair value of a financial derivative instrument on initial recognition is normally the transaction price. Subsequent to initial recognition, the fair values are based on quoted market prices where available from active markets; otherwise, fair values are estimated based on market prices at the reporting date for similar assets or liabilities with similar terms and conditions that would be available to the Organization at the reporting date.

The estimated fair value of derivative instruments resulting in derivative assets and liabilities are, by their very nature, subject to measurement uncertainty. A key estimate in the determination of the fair value of derivative instruments is forward foreign exchange rates.

#### Financial assets and liabilities

Financial assets and liabilities are recorded at fair value on initial recognition and are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments that are measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition, and are then amortized using the straight-line method.

# Shock Trauma Air Rescue Service

## NOTES TO COMBINED FINANCIAL STATEMENTS

(Thousands of dollars)  
March 31, 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Net assets

##### *Internally restricted net assets*

The Capital Preservation Fund is an internally restricted fund established by the Board of Directors and exists to fund the management of current assets and liabilities of the Organization, and 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 are allocated to this Fund through resolutions of the Board of Directors.

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

##### *Externally restricted net assets*

The Endowment Fund is an externally restricted fund where the principal assets are to be maintained in perpetuity. The earnings from these assets are to be expended in accordance with the objectives of the endowment agreements.

# Shock Trauma Air Rescue Service

## NOTES TO COMBINED FINANCIAL STATEMENTS

(Thousands of dollars)  
March 31, 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Revenue recognition

Type of revenue	Revenue recognition policy
1) Donation contributions, including those received from government agencies	Deferral method.
a) Restricted contributions	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.
b) Unrestricted contributions	Recognized when received or receivable if the amount to be received can reasonably be estimated and collection is reasonably assured.
c) Endowment contributions	Recognized as an increase in net assets when received. Earnings from endowment assets are to be recognized in accordance with the objectives of the endowment agreements.
2) Revenue received in advance of the period to which it relates	Recorded as deferred revenue.
3) Site registration and other fees for service	Recognized as revenue when the service has been performed.
4) Lottery revenue has two elements:	The two elements are determined based on:
a) Ticket revenue associated with a purchaser buying a ticket with the intended purpose of winning a prize, and	a) The stand-alone value of the ticket revenue component measured at fair value as compared to other similarly prize based lotteries, and
b) Contribution revenue based on the ticket purchasers intended purpose to contribute to STARS mission.	b) The contribution component comprised of the residual.

# Shock Trauma Air Rescue Service

## NOTES TO COMBINED FINANCIAL STATEMENTS

(Thousands of dollars)  
March 31, 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Type of revenue	Revenue recognition policy
4) Lottery revenue (continued)	Lottery revenue is recognized: <ul style="list-style-type: none"><li>a) Ticket revenue is recognized at the time the prizes are drawn</li><li>b) Contribution revenue is recognized when received.</li></ul>
5) Calendar revenue	Recognized at the time when calendars are sold.
6) Fundraising event revenue	Initially deferred and recognized as revenue when the event occurs.
7) Realized interest, unrealized gains and losses on investments and investment revenue	Recognized as earned in the statement of fundraising, operations and change in net assets.
8) Donations in kind of investments	Recorded at market value on the date of donation (excluding goods & services tax).

### 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 otherwise normally be purchased and paid for by STARS. The value of donations in kind recorded in fiscal 2018 was \$1,618 (fiscal 2017 – \$1,469). Volunteers contribute substantial donated time and services throughout the year to STARS; however, due to the difficulty of determining fair market value of these donated services, this value is not recorded in these combined financial statements.

# Shock Trauma Air Rescue Service

## NOTES TO COMBINED FINANCIAL STATEMENTS

(Thousands of dollars)  
March 31, 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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.

#### Use of estimates

The preparation of the combined financial statements in conformity with Part III of the CPA Canada Accounting Handbook 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 revenues and expenditures during the reporting periods. Management believes the most significant estimates and assumptions are associated with the valuation of accounts receivable, inventories, amortization, and fair value of foreign exchange contracts. 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. Revisions to accounting estimates are recognized in the period in which the estimates are made and in any future years affected.

# Shock Trauma Air Rescue Service

## NOTES TO COMBINED FINANCIAL STATEMENTS

(Thousands of dollars)  
March 31, 2018

### 3. ACCOUNTS RECEIVABLE

	2018 \$	2017 \$
Industry services	1,405	1,185
Out of province patients and other	516	669
	1,921	1,854
Less: Allowance for doubtful accounts	(388)	(230)
	<u>1,533</u>	<u>1,624</u>

### 4. HELICOPTER PARTS AND STORE INVENTORY

	2018 \$	2017 \$
Helicopter parts	2,215	3,145
Store inventory	39	39
	2,254	3,184
Less: Provision for obsolete inventory	(28)	(14)
	<u>2,226</u>	<u>3,170</u>

The amount of inventories recognized in Aviation operations expenditures during the year ended March 31, 2018 was \$4,572 (year ended March 31, 2017 - \$3,866).

# Shock Trauma Air Rescue Service

## NOTES TO COMBINED FINANCIAL STATEMENTS

(Thousands of dollars)  
March 31, 2018

### 5. INVESTMENTS

	2018	2017
	\$	\$
<b>Investment assets</b>		
Cash equivalents	780	899
Bonds/fixed income	5,643	5,045
Canadian equities	2,631	2,698
Global equities	2,679	2,654
	<b>11,733</b>	<b>11,296</b>

The bond/fixed income and equity funds are professionally managed under pooled portfolio management service agreements. The Organization's Statement of Investment Beliefs ensures that the investment portfolio is managed with a primary emphasis on preservation and security of capital and a secondary emphasis on growth of that capital.

	2018	2017
	\$	\$
<b>Investment and other income</b>		
Interest and realized gains recognized in investment income	736	868
Gain on sale of investments	41	376
Unrealized (losses) gains on investments	(79)	178
<b>Total investment and other income</b>	<b>698</b>	<b>1,422</b>

# Shock Trauma Air Rescue Service

## NOTES TO COMBINED FINANCIAL STATEMENTS

(Thousands of dollars)  
March 31, 2018

### 6. PROPERTY AND EQUIPMENT

	2018			2017
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Helicopters and aviation equipment <b>[a]</b>	64,706	38,946	25,760	29,512
Buildings <b>[a]</b>	6,366	1,847	4,519	4,753
Medical equipment	5,759	5,136	623	963
Computer hardware and software <b>[b]</b>	9,141	7,070	2,071	1,435
Leasehold improvements	2,626	2,101	525	364
Office equipment	1,738	1,369	369	404
Automobiles	1,499	1,415	84	142
Assets under construction	10	—	10	—
Other	8	—	8	8
	<b>91,853</b>	<b>57,884</b>	<b>33,969</b>	37,581

**[a]** Included in property and equipment are assets under capital lease as follows:

	2018			2017
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Helicopter	6,157	6,157	-	305
Buildings	4,876	1,375	3,501	3,746
Office equipment	334	104	230	297
	<b>11,367</b>	<b>7,636</b>	<b>3,731</b>	4,348

A donor made a five year pledge of \$1,100 per year toward the purchase of a BK117 helicopter and a hangar for the Regina base in 2011. Accordingly, STARS entered into capital lease agreements (Note 8) to finance the purchase of these assets to approximately match the annual donations with the principal payments.

**[b]** Includes internally generated hardware and software under development totaling \$1,370 as at March 31, 2018 (March 31, 2017 - \$703). As these assets are not yet in use, they are not subject to amortization.

# Shock Trauma Air Rescue Service

## NOTES TO COMBINED FINANCIAL STATEMENTS

(Thousands of dollars)  
March 31, 2018

### 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018 \$	2017 \$
Accounts payable and accrued liabilities	5,645	4,762
Government remittances owing (owed)	29	30
	<b>5,674</b>	<b>4,792</b>

### 8. LONG-TERM DEBT AND CREDIT FACILITIES

<u>Long-term debt</u>	2018 \$	2017 \$
AW139 helicopter loan <b>[a]</b>	-	675
Regina hangar lease <b>[b]</b>	1,242	1,465
Regina hangar lease <b>[c]</b>	324	413
Saskatchewan BK117 helicopter leases <b>[d]</b>	-	327
Winnipeg hangar loan <b>[e]</b>	762	788
Various equipment capital leases <b>[f]</b>	265	319
	<b>2,593</b>	<b>3,987</b>
Scheduled repayments within one year	<b>(409)</b>	<b>(2,636)</b>
	<b>2,184</b>	<b>1,351</b>

**[a]** This loan bears interest at prime plus 0.25%, or 2.95%, and was paid in full in December 2017.

**[b]** This lease bears interest at a fixed rate of 3.72% and has a term of 60 months. Monthly lease payments are \$23.

**[c]** This lease bears interest at 3.19%, monthly lease payments are \$8 (\$2017 - \$8) and has a term of 60 months ending in August 2021.

**[d]** These leases, with interest at 3.375% and 60 months terms, were paid in full in June 2017.

**[e]** This loan bears interest at 2.75%, has an amortization period of 25 years (with a 5 year renewal term ending in September 2019) and monthly payments are \$4. The hangar – with a carrying value of \$1,018 as at March 31, 2018 (\$1,007 as at March 31, 2017) - has been pledged as collateral.

**[f]** These capital leases are for office equipment, bear interest between 9.4% and 20.2% (2016 – 9.4% and 20.2%), have terms of 36 to 60 months and are repayable in monthly or quarterly instalments.

# Shock Trauma Air Rescue Service

## NOTES TO COMBINED FINANCIAL STATEMENTS

(Thousands of dollars)  
March 31, 2018

### 8. LONG-TERM DEBT AND CREDIT FACILITIES (continued)

The scheduled repayment of principal on the long-term debt in each of the next five years and thereafter is as follows:

	\$
2019	409
2020	426
2021	447
2022	395
2023	275
Thereafter	641
	<u>2,593</u>

#### Credit facilities

As at March 31, 2018 and 2017, the Organization had a line of credit available of up to \$1,000, bearing interest at prime plus 1%. No amounts were drawn on this line of credit during either fiscal year.

### 9. DEFERRED CONTRIBUTIONS

	2018 \$	2017 \$
Balance, beginning of year	23,062	25,429
Restricted contributions received	1,831	1,165
Amortization of amounts related to operating expenditures	(465)	(307)
Amortization of amounts related to property and equipment	(2,343)	(3,225)
Balance, end of year	<u>22,085</u>	<u>23,062</u>

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

# Shock Trauma Air Rescue Service

## NOTES TO COMBINED FINANCIAL STATEMENTS

(Thousands of dollars)  
March 31, 2018

### 10. RELATED PARTY TRANSACTIONS

During the year ended March 31, 2018 STARS had \$nil transactions with related parties (March 31, 2017 - \$88).

### 11. INCOME TAXES

At March 31, 2018, Aviation has non-capital losses for income tax purposes in the amount of \$12,941 (March 31, 2017 - \$10,005) which are available to be carried forward and used to reduce income for income tax purposes in future years until the losses expire in 2030. Aviation also has book values in excess of tax values related to its property & equipment of \$2,087 as at March 31, 2018 (March 31, 2017 - \$2,470 tax values in excess of book values). The potential benefit arising from the application of these losses and tax pools has not been recognized in the combined financial statements.

### 12. ENDOWMENT FUND

	2018 \$	2017 \$
Medical physicians	20	20
Doctors on board	237	237
	<b>257</b>	<b>257</b>

The interest earned in each of these funds is being used to support the programs to which they relate.

### 13. LOTTERY REVENUE AND EXPENSES

#### Alberta Lottery

The following table summarizes the net lottery revenue recognized during the period and amounts deferred to the next fiscal period based on contribution margins as the Alberta Lottery closes in March of each year and prize draws occur in April:

	2018 \$	2017 \$
Lottery close date	March 22	March 22
Draw dates	April 6-12	April 10-13
Lottery revenue	19,703	21,939
Lottery expenses	9,519	9,676
Net lottery revenue	<b>10,184</b>	<b>12,263</b>

# Shock Trauma Air Rescue Service

## NOTES TO COMBINED FINANCIAL STATEMENTS

(Thousands of dollars)  
March 31, 2018

### 13. LOTTERY REVENUE AND EXPENSES (continued)

#### Alberta (continued)

	2018 \$	2017 \$
Deferred ticket revenue	9,095	8,982
Deferred expenses	5,070	5,031
Net revenue deferred to the next fiscal year	<u>4,025</u>	<u>3,951</u>

The net contribution of \$4,025 will be recorded in the fiscal year ended March 31, 2019 (\$3,951 in the fiscal year ended March 31, 2018).

#### Saskatchewan Lottery

	2018 \$	2017 \$
Lottery close date	July 19/17	July 20/16
Draw date	August 8	August 10
Lottery revenue	9,094	9,161
Lottery expenses	6,696	6,566
Net lottery	<u>2,398</u>	<u>2,595</u>

Consistent with the Alberta Lottery, there are multiple elements of revenue, all of which were recognized at the same time given that the lottery occurred during the year as opposed to spanning the year end. Accordingly, the entire net contribution of \$2,398 was recognized during the year ended March 31, 2018 (\$2,595 during the year ended March 31, 2017).

### 14. FEE FOR SERVICES

	2018 \$	2017 \$
Human patient simulator	60	77
Emergency contact center	839	714
Foreign currency (losses) / gains	(249)	286
Training and support services	365	333
Other	163	381
	<u>1,178</u>	<u>1,791</u>

# Shock Trauma Air Rescue Service

## NOTES TO COMBINED FINANCIAL STATEMENTS

(Thousands of dollars)  
March 31, 2018

### 15. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

	2018 \$	2017 \$
Accounts receivable	91	2,667
Deferred expenses	(37)	(1,620)
Prepaid expenses	9	1,090
Helicopter parts and store inventory	944	(668)
Accounts payable and accrued liabilities	882	1,690
Other	-	(120)
Deferred revenue	69	(733)
	<b>1,958</b>	<b>2,306</b>

### 16. COMMITMENTS AND CONTINGENCIES

The Organization is obligated to make payments under certain base and office space, as well as office equipment lease agreements. In addition, STARS has committed to a set pilot training program for its AW139 pilots over the next five years. As at March 31, 2018 the aggregate payments in the next five years and thereafter are set out in the table below:

	\$
2019	3,177
2020	3,204
2021	2,793
2022	1,954
2023	1,026
Thereafter	1,079
	<b>13,233</b>

#### Contingent liabilities

STARS is party to certain legal actions resulting from its operations activities. These actions are routine litigation and administrative proceedings arising in the ordinary course of business, some of which are covered by liability insurance, and none of which are expected to have a material adverse effect on the combined financial position, results of fundraising and operations or cash flows of the Organization.

#### Long term deposits

On November 14, 2017, STARS entered into a contract with Airbus Helicopters to purchase three helicopters for approximately \$38,000. The helicopters are scheduled to be delivered in March and June of 2019. Deposits of \$9,519 were made during the year with the balance due upon delivery of the helicopters. The helicopter contractual commitment is in United States dollars, accordingly STARS

# Shock Trauma Air Rescue Service

## NOTES TO COMBINED FINANCIAL STATEMENTS

(Thousands of dollars)  
March 31, 2018

### 16. COMMITMENTS AND CONTINGENCIES (continued)

executed an economic hedge for US \$24,144 in November 2017. The economic hedge was achieved by STARS entering into foreign currency forward contracts in the amount of US \$24,144 (Note 18).

### 17. FINANCIAL RISK MANAGEMENT

#### Financial instruments

Financial assets and liabilities are initially accounted for at fair value and subsequently recorded at either fair value or amortized cost as applicable. The fair value of cash, accounts receivable, long term deposits, and accounts payable and accrued liabilities approximate their carrying value due to the nature of those instruments. Instruments include cash and bonds/fixed income instruments whose carrying values approximate their fair values due to their short-term nature and Canadian and global equity securities that are quoted in an active market. The fair value of long-term debt is not materially different from its carrying amount.

#### Risks and mitigation

The existence of financial instruments exposes the Organization to a number of financial risks, including market risk (interest rate risk and currency risk), price risk, credit risk and liquidity risk. The Organization's overall risk management program seeks to mitigate these risks and reduce volatility that may otherwise occur in its financial performance. Financial risk management is carried out by the Organization's finance group, under policies approved by the Board of Directors. STARS' policies for minimizing these risks are detailed below.

#### **[a] Market risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices. Components of market risk to which the Organization is exposed are discussed below.

##### *[i] Interest rate risk*

Interest rate risk refers to the risk that the fair value of a financial instrument or the future cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial liabilities (long-term debt and credit facilities) carried by the Organization. STARS manages interest rate risk by sourcing its borrowings from different sources providing short-term and long-term funding, seeking to fix interest rates where practical and controlling the mix of liabilities with fixed and variable interest rate obligations.

# Shock Trauma Air Rescue Service

## NOTES TO COMBINED FINANCIAL STATEMENTS

(Thousands of dollars)  
March 31, 2018

### 17. FINANCIAL RISK MANAGEMENT (continued)

#### *[ii] Currency risk*

Currency risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in foreign currency exchange rates. The Organization enters into foreign currency purchase transactions and has liabilities that are denominated in foreign currencies and thus is exposed to the financial risks of earning fluctuations arising from changes in foreign exchange rates and the degree of volatility of these rates. From time to time the Organization uses financial derivative instruments to reduce its exposure to currency risk as discussed in Note 18. STARS policy is to not utilize derivative financial instruments for trading or speculative purposes.

#### **[b] Price risk**

Price risk is the risk of a decline in the value of a security or portfolio. The Organization is subject to price risk on its investments for three primary reasons:

- Changing interest rates impact the market value of fixed rate investments such as bonds;
- Foreign exchange rates impact the market value of investments denominated in currencies other than the Canadian dollar; and
- General economic conditions affect the market value of the equity instruments held by the Organization.

STARS manages this risk by using an investment manager for its long-term portfolio investments and by investing other funds in short term fixed rate products with high credit ratings. At March 31, 2018, total foreign equity holdings were 22.8% (March 31, 2017 – 23.5%) of the Organization's investments and are monitored on a daily basis by the portfolio manager.

#### **[c] Credit risk**

The Organization is exposed to credit risk in the event of non-performance by counterparties in connection with its accounts receivable. STARS' manages this risk by ensuring that its accounts receivable are from reputable, credit worthy organizations.

The Organization strives to mitigate risk of financial loss due to financial institution failure by maintaining cash balances in highly liquid investments or deposits in or with major Canadian financial institutions.

# Shock Trauma Air Rescue Service

## NOTES TO COMBINED FINANCIAL STATEMENTS

(Thousands of dollars)  
March 31, 2018

### 17. FINANCIAL RISK MANAGEMENT (continued)

#### [d] Liquidity risk

Liquidity risk includes the risk that:

- The Organization will not have sufficient funds to settle a transaction on the due date; and/or
- The Organization may be unable to settle or recover a financial asset at all.

To help mitigate these risks, STARS maintains cash and access to undrawn credit facilities, and adheres to its capital management policies discussed in Note 18, and continually monitoring forecasted cash flows and available credit under existing banking arrangements. Additionally, the Organization uses an investment manager to help alleviate the risk that the Organization would be required to sell a portion of its investment portfolio at a time that the market for these investments is unfavorable. STARS believes it has sufficient liquidity to meet its foreseeable spending requirements.

### 18. FINANCIAL DERIVATIVE INSTRUMENTS

STARS is party to certain financial instruments that have fixed the price for a portion of its United States dollar purchases. From time to time the Organization enters into financial derivative instruments for risk management purposes only in order to protect a portion of its future purchases from the volatility of foreign exchange rate between the Canadian dollar and the United States dollar (“US\$”).

#### [a] Foreign exchange forward contracts related to operations

The Organization has entered into multiple foreign exchange forward contracts, for the purchase of US\$4M. STARS considers these instruments to be effective on an economic basis but has decided not to designate them as hedges for accounting purposes. Accordingly, any unrealized gains or losses are recorded in the statement of fundraising and operations and change in net assets based on the fair value (mark-to-market) of the contracts at each reporting period. The unrealized gain recorded for the year ended March 31, 2018 associated with these contracts was \$120 (year ended March 31, 2017 - \$nil).

As at March 31, 2018 the Organization had the following outstanding foreign exchange forward contracts.

Settlement date	USD Purchased	Contract rate
April 2018	1,000	1.2548
July 2018	1,000	1.2546
October 2018	1,000	1.2544
January 2019	1,000	1.2546

# Shock Trauma Air Rescue Service

## NOTES TO COMBINED FINANCIAL STATEMENTS

(Thousands of dollars)  
March 31, 2018

### 18. FINANCIAL DERIVATIVE INSTRUMENTS (continued)

#### [b] Hedges for helicopter purchases

STARS periodically uses forward contracts to economically hedge the impact of foreign currency changes in anticipated transactions denominated in foreign currencies. When both at the inception of a hedging relationship and throughout its term, STARS has reasonable assurance that the critical terms of the hedging item and the hedged item are the same, and, in the case of an anticipated transaction, it is probable that the anticipated transaction will occur at the time and in the amount designated, STARS may choose to apply hedge accounting. STARS formally documents the hedging relationship, identifying the hedged item, the related hedging item, the nature of the specific risk exposure or exposures being hedged and the intended term of the hedging relationship

During the period the Organization entered into multiple foreign exchange forward contracts for the purchase of US\$24,144 which STARS has designated as hedges for accounting purposes. Accordingly, no unrealized gains or losses were recorded on the statement of fundraising and operations and change in net assets for the period ended March 31, 2018. As at March 31, 2018 the Organization recorded a \$268K asset and corresponding liability on the Statement of Financial Position associated with these hedges (year ended March 31, 2017 - \$nil).

As at March 31, 2018 the Organization had the following outstanding hedged foreign exchange forward contracts.

<b>Settlement date</b>	<b>USD Purchased</b>	<b>Contract rate</b>
March 2019	8,047	1.2706
March 2019	8,049	1.2710
June 2019	4,024	1.2700
June 2019	4,024	1.2701

As at March 29, 2018, per the Bank of Canada, the foreign exchange rate for the US dollar was \$1.2894.

### 19. CAPITAL MANAGEMENT

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.

STARS defines its capital as the amounts included in its net asset balances. Net assets as at March 31, 2018 were \$58,457 (March 31, 2017 - \$56,604), a portion of which includes the March 31, 2018 cash balance of \$32,773 (March 31, 2017 - \$37,677). Included in this cash balance is approximately \$10,000 representing the net contribution from the 2018 Alberta lottery (March 31, 2017 – approximately \$12,000).

# Shock Trauma Air Rescue Service

## NOTES TO COMBINED FINANCIAL STATEMENTS

(Thousands of dollars)  
March 31, 2018

### 19. CAPITAL MANAGEMENT (continued)

These lottery funds will be used to support the Organization's operating expenditures during the first six months of the next fiscal year.

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

Additionally, the Organization adheres to conservative guidelines to safeguard its statement of financial position. This includes managing the maturity dates of its debt in order to avoid having a disproportionate amount of principal repayments becoming due within any fiscal period and protecting against volatility in interest rates by enduring a high percentage of its debt is subject to fixed interest rates.

### 20. SUPPLEMENTAL DISCLOSURES

Presented below is the combined statement of financial position as at March 31, 2018 and the statements of fundraising, operations and change in net assets for the year then ended, segmented by each province that STARS operates in. Management assesses performance of each segment as part of assessing the overall performance of the Organization as a whole. The information provided in the following table may be useful to the reader of these combined financial statements.

# Shock Trauma Air Rescue Service

## NOTES TO COMBINED FINANCIAL STATEMENTS

(Thousands of dollars)  
March 31, 2018

### 20. SUPPLEMENTAL DISCLOSURES (continued)

#### Combined Statement of Financial Position

	Alberta \$	Saskatchewan \$	Manitoba \$	Total \$
<b>Assets</b>				
Current assets	31,287	9,737	1,874	42,898
Long term deposits	9,519	–	–	9,519
Investments	11,733	–	–	11,733
Property and equipment	27,421	4,736	1,812	33,969
<b>Total assets</b>	<b>79,960</b>	<b>14,473</b>	<b>3,686</b>	<b>98,119</b>
<b>Liabilities</b>				
Current liabilities	12,600	1,751	1,042	15,393
Long-term debt	140	1,288	756	2,184
Deferred contributions	17,150	2,636	2,299	22,085
<b>Total liabilities</b>	<b>29,890</b>	<b>5,675</b>	<b>4,097</b>	<b>39,662</b>
<b>Net assets</b>				
Capital preservation fund	49,813	8,798	(411)	58,200
Endowment fund	257	–	–	257
<b>Total net assets</b>	<b>50,070</b>	<b>8,798</b>	<b>(411)</b>	<b>58,457</b>
<b>Total liabilities and net assets</b>	<b>79,960</b>	<b>14,473</b>	<b>3,686</b>	<b>98,119</b>

# Shock Trauma Air Rescue Service

## NOTES TO COMBINED FINANCIAL STATEMENTS

(Thousands of dollars)  
March 31, 2018

### 20. SUPPLEMENTAL DISCLOSURES (continued)

Combined Statement of Fundraising, Operations and Change in Net Assets

	Alberta \$	Saskatchewan \$	Manitoba \$	Total \$
<b>Fundraising activities</b>				
Donations and fundraising revenue (net)	15,997	9,535	644	26,176
Lottery revenue (net)	10,184	2,398	-	12,582
Calendar revenue (net)	1,079	178	61	1,318
Investment and other income	579	110	9	698
<b>Total net fundraising revenue before other expenditures</b>	<b>27,839</b>	<b>12,221</b>	<b>714</b>	<b>40,774</b>
General fundraising and administrative expenses	(3,196)	(1,047)	(344)	(4,587)
<b>Excess of revenue over expenditures from fundraising</b>	<b>24,643</b>	<b>11,174</b>	<b>370</b>	<b>36,187</b>
<b>Operating activities</b>				
Operating revenue	10,194	11,469	9,196	30,859
Operating expenditures	(34,976)	(20,526)	(9,691)	(65,193)
<b>Deficiency of revenue over expenditures from operations</b>	<b>(24,782)</b>	<b>(9,057)</b>	<b>(495)</b>	<b>(34,334)</b>
<b>Combined excess (deficiency) of revenue over expenditures</b>	<b>(139)</b>	<b>2,117</b>	<b>(125)</b>	<b>1,853</b>
<b>Net assets, beginning of year</b>	<b>50,205</b>	<b>6,684</b>	<b>(285)</b>	<b>56,604</b>
Permanent interprovincial funding	(2,522)	603	1,919	-
<b>Net assets, end of year</b>	<b>47,544</b>	<b>9,404</b>	<b>1,509</b>	<b>58,457</b>

# Shock Trauma Air Rescue Service

## NOTES TO COMBINED FINANCIAL STATEMENTS

(Thousands of dollars)  
March 31, 2018

### 20. SUPPLEMENTAL DISCLOSURES (continued)

Beginning in the year ended March 31, 2014 in the province of Manitoba, the Organization has funded the deficiencies in fundraising activities from unrestricted cross provincial donations. During the year ended March 31, 2018, the province of Manitoba did not have any such fundraising-related deficiencies which the Organization would have had to fund.

	Alberta \$	Saskatchewan \$	Manitoba \$	Total \$
<b>Commitments</b>				
2019	1,978	1,071	128	<b>3,177</b>
2020	1,980	1,096	128	<b>3,204</b>
2021	1,807	936	50	<b>2,793</b>
2022	1,611	293	50	<b>1,954</b>
2023	976	-	50	<b>1,026</b>
Thereafter	-	-	1,079	<b>1,079</b>
	<b>8,352</b>	<b>3,396</b>	<b>1,485</b>	<b>13,233</b>

STARS has established individual bank accounts for each province to segregate fundraising and operations revenues and expenditures. On a monthly and 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 monthly and/or quarterly basis.

# Shock Trauma Air Rescue Service

## NOTES TO COMBINED FINANCIAL STATEMENTS

(Thousands of dollars)  
March 31, 2018

### 21. FUNDRAISING EXPENSES AND OTHER

As required under Section 7(2) of the Charitable Fundraising Act Regulation of Alberta, the Organization discloses the following additional information:

	2018 \$	2017 \$
<b>Alberta – Alberta Charitable Fundraising Act</b>		
Gross contributions	19,483	17,201
Gross gaming proceeds	19,839	22,094
Soliciting contributions expense (1)	6,773	6,297
<b>(1) Soliciting contributions expense includes:</b>		
Fundraising expenses	2,958	2,542
Remuneration paid to employees	2,893	2,858
Third party fundraising expenses	922	897
<b>Saskatchewan – Saskatchewan Charitable Fund-raising Businesses Act</b>		
Gross contributions	10,380	9,008
Gross gaming proceeds	9,106	9,162
Soliciting contributions expense (2)	2,843	2,896
<b>(2) Soliciting contributions expense includes:</b>		
Fundraising expenses	1,478	1,582
Remuneration paid to employees	1,008	911
Third party fundraising expenses	357	403
<b>Manitoba – Manitoba Charities Endorsement</b>		
Gross contributions	2,037	942
Gross gaming proceeds	–	–
Soliciting contributions expense (3)	681	769
<b>(3) Soliciting contributions expense includes:</b>		
Fundraising expenses	354	406
Remuneration paid to employees	289	357
Third party fundraising expenses	38	6

# Shock Trauma Air Rescue Service

## NOTES TO COMBINED FINANCIAL STATEMENTS

(Thousands of dollars)

March 31, 2018

### 21. FUNDRAISING EXPENSES AND OTHER (continued)

Gross contributions include capital campaign receipts. The gross gaming proceeds were realized from lottery sales and other gaming activities, both of which are governed by each province's gaming authority. The remuneration paid to employees includes those whose principal duties are fundraising.