

WE ARE ALL **STARS**®



2018/2019 FINANCIAL REPORT

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 2018-19 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 fuel and 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. Since 2016-17 fiscal year we moved from having three bases with two aircraft types to two bases bringing positive safety and cost benefits to STARS.

Costs for the fleet are incurred in United States ("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 entered into as required during the fiscal year, with the remaining non-hedged funds purchased as required. This manages 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 43,000 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 costly 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 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.

In fiscal 2017-18 STARS entered into a purchase agreement for three new Airbus H145 aircraft, with two received on March 29, 2019 and the third delivered on June 30, 2019.

Subsequent to STARS year end March 31, 2019 STARS entered into purchase agreements with Airbus Helicopters for the purchase of six H145 helicopters supported by the Government of Canada, Government of Alberta and Government of Saskatchewan through grants and commitments, detailed below under Capital Campaign.

Capital campaign

Our Fleet Renewal Campaign is designed to secure over \$140M in support of nine new helicopters, pilot and engineer training for the new fleet, 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.

During fiscal 2018/19, we made significant progress on the campaign:

- The Saskatchewan Government announced the commitment to purchase one H145 helicopter for the Saskatchewan operations, and
- STARS received a \$13M Grant from the Alberta Government for the purchase of one helicopter for Alberta operations
- Additionally, we received approximately \$1.7M in fleet donations from corporations and individuals.
- Subsequent to March 31, 2019 on July 30, 2019 STARS received from the Federal Government of Canada \$65M grant for the purchase of five helicopters.

In total, STARS has received cash or commitments totaling \$92.7M leaving \$45.3M to be raised through corporate and individual philanthropy over approximately the next two years.

Capital 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.

Philanthropic Support for Annual Operations

Philanthropic support represents approximately 80 per cent of total funding in Alberta, 50 per cent of total funding in Saskatchewan, and 10 per cent of total funding in Manitoba. Annual inflation and new program opportunities continue to present themselves to the organization, creating pressure to increase philanthropic revenue each year.

While fundraising is always challenging, the magnitude of these challenges is steadily increasing as donors are sensitive to changes in economic conditions, the number of donors in Canada is in a general decline, and there is increasing competition for donor dollars across all three provinces from other sophisticated charities facing the same pressures as we are while they try to address their own growing operational and capital needs. Additionally, STARS has historically had good success fundraising from oil and gas companies, however this industry is shifting to be an economic backbone in Western Canada rather than an economic engine and the time is right to diversify our funding streams and mitigate the risk that comes with relying on a single industry for so many of our philanthropic operating dollars.

In order to address these risks, a key focus of our fundraising programs over the next 24 months will be diversification of revenue sources while building deeper and more meaningful connections with our current base of philanthropic support.

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 industries and groups of people, we feel confident in our ability to generate necessary operating revenue.

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 2018-19, 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.

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 2018-19, 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 2018-19, 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 \$4 million in revenue last year and are positioned to continue generating revenue going forward.

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

STARS is uniquely positioned to fill a gap in the Canadian health care system. Totally patient-centered, our goal is to find ways to get to the people who need us, no matter where they are. From improving our reach in rural areas to leveraging technology, we're finding ways to bridge the gap for patient populations who might be currently underserved.

Innovation is at the heart of STARS' pursuit of excellence in critical care transport. With many emerging technologies, STARS must remain nimble, relevant and with a laser beam focus on improving the care for the patients we carry. STARS will continue to explore new and innovative ways of delivering patient care, including cases where we are not physically in the same room as the patient.

STARS is often approached by provincial governments and private industry as a possible solution to health care access challenges. All of these opportunities are carefully evaluated before moving forward. The team has developed criteria to ensure the opportunities we do move forward with are appropriately aligned with our core business of providing care to patients who are critically ill and injured.

Management's Report

March 31, 2019

The accompanying consolidated financial statements of STARS as at March 31, 2019 and all other financial and operating information contained in this Annual Financial Report are the responsibility of Management. The consolidated financial statements have been prepared in accordance with accounting policies detailed in the notes to the consolidated 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 2018-19 fiscal year.

External auditors, appointed by the Board of Directors, have independently examined the consolidated financial statements. The Audit and Finance Committee has reviewed these consolidated financial statements with Management and the external auditors.

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



Andrea Robertson
President and CEO
STARS



Jeffrey Quick, CPA, CA
CFO
STARS

Consolidated Financial Statements

Shock Trauma Air Rescue Service

March 31, 2019

Contents

	<u>Page</u>
Auditor's Report	1
Consolidated Statement of Financial Position	4
Consolidated Statement of Fundraising, Operations and Change in Net Assets	5
Consolidated Statement of Cash Flows	6
Notes to the Consolidated Financial Statements	7



Independent auditor's report

To the Board of Directors of Shock Trauma Air Rescue Service

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Shock Trauma Air Rescue Service and its subsidiaries (together, the Organization) as at March 31, 2019 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.

What we have audited

The Organization's consolidated financial statements comprise:

- the consolidated statement of financial position as at March 31, 2019;
- the consolidated statement of fundraising, operations and change in net assets for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

PricewaterhouseCoopers LLP
111-5th Avenue SW, Suite 3100, Calgary, Alberta, Canada T2P 5L3
T: +1 403 509 7500, F: +1 403 781 1825

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



In preparing the consolidated financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Organization to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
June 18, 2019

Shock Trauma Air Rescue Service

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Year ended March 31, Thousands of dollars	2019 \$	2018 \$
ASSETS		
Current		
Cash [note 19]	39,698	32,773
Restricted cash - fleet contributions and grants [note 10]	15,712	-
Accounts receivable [note 3]	3,060	1,533
Deferred expenses [note 13]	4,857	5,170
Prepaid expenses	1,453	1,196
Short term deposits [note 16]	3,173	-
Helicopter parts and store inventory [note 4]	3,068	2,226
Total current assets	71,021	42,898
Long term deposits [note 16]	—	9,519
Investments [note 5]	13,276	11,733
Property and equipment [note 6]	57,627	33,969
	141,924	98,119
LIABILITIES		
Current		
Accounts payable and accrued liabilities [note 7]	8,149	5,674
Deferred revenue [note 13]	8,693	9,310
Current portion of long-term debt [note 8]	2,422	409
Total current liabilities	19,264	15,393
Long-term debt [note 8]	19,687	2,184
Fleet contributions and grants [note 10]	15,712	—
Deferred contributions [note 9]	19,795	22,085
Total liabilities	74,458	39,662
Commitments and contingencies [note 16]		
Net assets		
Capital preservation fund	67,209	58,200
Endowment fund - externally restricted [note 12]	257	257
Total net assets [note 19]	67,466	58,457
	141,924	98,119

See accompanying notes to the consolidated financial statements

On behalf of the Board:


Director - Board Co-Chair
Doug Ramsay


Director - Audit & Finance Chair
Kent Kaufield

Shock Trauma Air Rescue Service

CONSOLIDATED STATEMENT OF FUNDRAISING, OPERATIONS AND CHANGE IN NET ASSETS

Year ended March 31, Thousands of dollars	2019 \$	2018 \$
Fundraising activities		
Donations and fundraising		
Gross revenue	34,129	30,005
Direct fundraising expenditures	(4,809)	(3,829)
	29,320	26,176
Lottery [note 13]		
Gross revenue	30,336	28,797
Direct expenditures, including prizes	(16,271)	(16,215)
	14,065	12,582
Calendar		
Gross revenue	2,034	2,407
Direct expenditures	(1,079)	(1,089)
	955	1,318
Investment and other income [note 5]	899	698
Total net fundraising revenue before other expenditures	45,239	40,774
General fundraising and administrative expenses	(5,760)	(4,587)
Excess of revenue over expenditures from fundraising	39,479	36,187
Operating activities		
Operating revenue		
Government contributions	28,879	27,508
Site registration recoveries	2,037	2,173
Fee for services [note 14]	2,007	1,178
	32,923	30,859
Operating expenditures		
Aviation operations	29,966	29,579
Clinical operations	17,887	17,633
STARS Emergency Link Centre	3,422	3,709
Base operations and administration	8,525	8,618
Amortization	3,593	5,654
	63,393	65,193
Deficiency of revenue over expenditures from operations	(30,470)	(34,334)
Combined excess of revenue over expenditures	9,009	1,853
Net assets, beginning of year	58,457	56,604
Net assets, end of year	67,466	58,457

See accompanying notes to the consolidated financial statements

Shock Trauma Air Rescue Service

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31 Thousands of dollars	2019 \$	2018 \$
OPERATING ACTIVITIES		
Combined excess of revenue over expenditures	9,009	1,853
Add (deduct) items not affecting cash:		
Amortization of property and equipment	3,593	5,654
Amortization of deferred contributions <i>[note 9]</i>	(3,058)	(2,808)
Loss (gain) on sale of investments <i>[note 5]</i>	9	(41)
Unrealized (gain) loss on investments <i>[note 5]</i>	(2)	78
Net foreign exchange difference on cash	(549)	(371)
(Gain) loss on disposal of property and equipment	—	(26)
	9,002	4,339
Net change in non-cash working capital items <i>[note 15]</i>	(3,628)	1,958
Cash provided by operating activities	5,374	6,297
FINANCING ACTIVITIES		
Proceeds from long-term debt <i>[note 8]</i>	19,929	—
Repayments of long-term debt <i>[note 8]</i>	(413)	(1,394)
Deferred contributions received during the year <i>[note 9]</i>	16,480	1,831
Cash provided by (used in) financing activities	35,996	437
INVESTING ACTIVITIES		
Net change in investments <i>[note 5]</i>	(1,550)	(474)
Long term deposits <i>[note 16]</i>	9,519	(9,519)
Purchase of fleet renewal <i>[note 6]</i>	(26,041)	—
Purchase of property and equipment <i>[note 6]</i>	(1,210)	(2,042)
Proceeds on sale of property and equipment	—	26
Cash used in investing activities	(19,282)	(12,009)
Net foreign exchange difference on cash	549	371
Net increase (decrease) in cash during the year	22,637	(4,904)
Cash, beginning of year	32,773	37,677
Cash, end of year	55,410	32,773

See accompanying notes to the consolidated financial statements

Supplementary information

Interest received	548	359
Interest paid	93	116

Shock Trauma Air Rescue Service

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of dollars)
March 31, 2019

1. NATURE OF OPERATIONS

These consolidated financial statements represent the financial position and the consolidated operations as at, and for the year ended, March 31, 2019 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 and Foundation are registered federally under the Canada Not for Profit Corporations Act. 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' operating 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 21).

Shock Trauma Air Rescue Service

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of dollars)
March 31, 2019

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 consolidated 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, 2019 of the Foundation and the consolidated financial results as at and for the year ended March 31, 2019 of Service and its wholly-owned subsidiary Aviation. Transactions and balances between the entities have been eliminated in arriving at the consolidated 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 consolidated 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 consolidated 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 CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of dollars)
March 31, 2019

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 consolidated 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.

Asset	Rate
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 consolidated 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 CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of dollars)
March 31, 2019

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 consolidated 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 CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of dollars)

March 31, 2019

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 CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of dollars)
March 31, 2019

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 property equipment, in which case they are deferred and amortized to revenue in the same manner as the related asset.
b) Fleet contributions and grants	Fleet contributions and grants are externally restricted funds received from donors and government agencies that are to be used only for the fleet renewal (including helicopter purchases and pilot and engineer training).
c) Unrestricted contributions	Recognized when received or receivable if the amount to be received can reasonably be estimated and collection is reasonably assured.
d) 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.

Shock Trauma Air Rescue Service

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of dollars)
March 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Type of revenue	Revenue recognition policy
4) Lottery revenue has two elements: a) Ticket revenue associated with a purchaser buying a ticket with the intended purpose of winning a prize, and b) Contribution revenue based on the ticket purchasers intended purpose to contribute to STARS mission.	The two elements are determined based on: a) The stand-alone value of the ticket revenue component measured at fair value as compared to other similarly prize based lotteries recognized at the time the prizes are drawn b) The contribution component comprised of the residual and recognized when received
4) Calendar revenue	Recognized at the time when calendars are sold.
5) Fundraising event revenue	Initially deferred and recognized as revenue when the event occurs.
6) 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.
7) Donations in kind of investments	Recorded at market value on the date of donation (excluding goods & services tax).

Shock Trauma Air Rescue Service

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of dollars)
March 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2019 was \$1,577 (2018 – \$1,618). 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 consolidated financial statements.

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 consolidated 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 consolidated 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 consolidated financial statements are based change in future periods, actual amounts may differ materially from those included in the accompanying consolidated 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 CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of dollars)
March 31, 2019

3. ACCOUNTS RECEIVABLE

	2019 \$	2018 \$
Industry services	943	1,405
Out of province patients and other	798	393
Government remittances	1,504	123
	<u>3,245</u>	<u>1,921</u>
Less: Allowance for doubtful accounts	(185)	(388)
	<u>3,060</u>	<u>1,533</u>

4. HELICOPTER PARTS AND STORE INVENTORY

	2019 \$	2018 \$
Helicopter parts	2,858	2,215
Store inventory	229	39
	<u>3,087</u>	<u>2,254</u>
Less: Provision for obsolete inventory	(19)	(28)
	<u>3,068</u>	<u>2,226</u>

The amount of inventories recognized in Aviation operations expenditures during the year ended March 31, 2019 was \$1,900 (2018 - \$4,572).

Shock Trauma Air Rescue Service

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of dollars)
March 31, 2019

5. INVESTMENTS

	2019	2018
	\$	\$
Investment assets		
Cash equivalents	1,784	780
Bonds/fixed income	5,914	5,643
Canadian equities	2,834	2,631
Global equities	2,744	2,679
	13,276	11,733

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.

	2019	2018
	\$	\$
Investment and other income		
Interest and realized gains recognized in investment income	906	735
(Loss) / gain on sale of investments	(9)	41
Unrealized gains / (losses) on investments	2	(78)
Total investment and other income	899	698

Shock Trauma Air Rescue Service

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of dollars)
March 31, 2019

6. PROPERTY AND EQUIPMENT

	2019			2018
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Helicopters and aviation equipment [a]	64,784	40,996	23,788	25,760
Fleet renewal (H145) [b]	26,041	-	26,041	-
Buildings [a]	6,366	2,153	4,213	4,519
Medical equipment	5,695	5,216	479	623
Computer hardware and software [c]	10,178	7,685	2,493	2,071
Leasehold improvements	2,660	2,350	310	525
Office equipment	1,873	1,607	266	369
Automobiles	1,499	1,470	29	84
Assets under construction	-	-	-	10
Other	8	-	8	8
	119,104	61,477	57,627	33,969

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

	2019			2018
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Buildings	4,876	1,620	3,256	3,501
Office equipment	334	170	164	230
	5,210	1,790	3,420	3,731

[b] On March 30, 2019 STARS received its first two H145 aircraft as part of the fleet renewal process. The helicopters were purchased at a cost of \$26,041.

[c] Includes internally generated hardware and software under development totaling \$999 as at March 31, 2019 (2018 - \$1,370). As these assets are not yet in use, they are not subject to amortization.

Shock Trauma Air Rescue Service

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of dollars)
March 31, 2019

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2019 \$	2018 \$
Accounts payable and accrued liabilities	8,085	5,645
Government remittances owing	64	29
	8,149	5,674

8. LONG-TERM DEBT AND CREDIT FACILITIES

<u>Long-term debt</u>	2019 \$	2018 \$
H145 helicopter loans [a]	19,929	-
Regina hangar lease [b]	1,008	1,242
Regina hangar lease [c]	232	324
Winnipeg hangar loan [d]	735	762
Various equipment capital leases [e]	205	265
	22,109	2,593
Scheduled repayments within one year	(2,422)	(409)
	19,687	2,184

[a] This loans bear interest at 3.56% and has a term of 5 years with an amortization of 10 years and average quarterly payments of \$585. The interest rate is fixed for 10 years utilizing an interest rate swap derivative.

[b] This lease bears interest at a fixed rate of 3.94% 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 (2018 - \$8) and has a term of 60 months ending in August 2021.

[d] This loan bears interest at 2.75%, has an amortization period of 25 years and monthly payments are \$4. The hangar, with a carrying value of \$957 as at March 31, 2019 (2018 - \$1,018), has been pledged as collateral.

[e] These capital leases are for office equipment, bear interest at 10.89% (2018 – 14.8%), have a term of 60 months and are repayable in quarterly instalments.

Shock Trauma Air Rescue Service

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of dollars)
March 31, 2019

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:

	\$
2020	2,422
2021	2,443
2022	2,393
2023	2,272
2024	2,023
Thereafter	10,556
	<u>22,109</u>

Credit facilities

As at March 31, 2019 and 2018, 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.

The Organization entered into a five year credit facility (Note 8[a]) with a Banking Syndicate on March 28, 2019 to finance current and future purchases of H145 aircraft related to the fleet renewal process. The terms of the facility provide for term loan facilities for the current and future purchase of helicopters including foreign currency hedge derivatives and interest rate swap derivatives. The Banking Syndicate credit facility is for a term of five years and is secured against the Organization's assets.

9. DEFERRED CONTRIBUTIONS

	2019 \$	2018 \$
Balance, beginning of year	22,085	23,062
Restricted contributions received	768	1,831
Amortization of amounts related to operating expenditures	(1,404)	(465)
Amortization of amounts related to property and equipment	(1,654)	(2,343)
Balance, end of year	<u>19,795</u>	<u>22,085</u>

Shock Trauma Air Rescue Service

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of dollars)
March 31, 2019

DEFERRED CONTRIBUTIONS (continued)

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.

10. FLEET CONTRIBUTIONS AND GRANTS

Restricted cash – fleet contributions and grants includes cash received and restricted for the fleet renewal process including current and future helicopter purchases and pilot and engineering training. The \$13,000 Alberta Government grant was received on March 26, 2019 and is restricted for helicopters purchases.

	2019 \$	2018 \$
Balance, beginning of year	-	-
Restricted cash received	2,712	-
Alberta Government grant cash	13,000	-
Balance, end of year	15,712	-

Fleet contributions and grants are deferred and restricted for the fleet renewal process - including current and future helicopter purchases and pilot and engineering training.

	2019 \$	2018 \$
Balance, beginning of year	-	-
Restricted fleet contributions received	2,712	-
Alberta Government grant	13,000	-
Balance, end of year	15,712	-

On March 19, 2019 the Federal Government released their 2020 budget which included a \$65,000 grant to STARS for the purchase of five aircraft in support of the fleet renewal. The terms of the Grant Agreement are for the funds to be received 45 days after parliamentary approval of the 2020 budget in Bill C-97. Parliamentary approval is expected to be made by the end of June 2019 putting the receipt of the grant in mid-August 2019.

11. INCOME TAXES

At March 31, 2019, Aviation has non-capital losses for income tax purposes in the amount of \$16,485 (2018 - \$12,941) which are available to be carried forward and used to reduce income for income tax

Shock Trauma Air Rescue Service

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of dollars)
March 31, 2019

11. INCOME TAXES (continued)

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 \$8,732 as at March 31, 2019 (2018 - \$2,087 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 consolidated financial statements.

12. ENDOWMENT FUND

	2019 \$	2018 \$
Medical physicians	20	20
Doctors on board	237	237
	257	257

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:

	2019 \$	2018 \$
Lottery close date	Mar 21	Mar 22
Draw dates	Apr 4-9	Apr 6-12
Lottery revenue	21,432	19,703
Lottery expenses	9,967	9,519
Net lottery revenue	11,465	10,184

	2019 \$	2018 \$
Deferred ticket revenue	8,379	9,095
Deferred expenses	4,732	5,070
Net revenue deferred to the next fiscal year	3,647	4,025

Shock Trauma Air Rescue Service

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of dollars)
March 31, 2019

13. LOTTERY REVENUE AND EXPENSES (continued)

The net revenue deferred of \$3,647 will be recorded in the fiscal year ended March 31, 2020 (\$4,025 in the fiscal year ended March 31, 2019).

Saskatchewan Lottery

	2019 \$	2018 \$
Lottery close date	Jul 19, 2018	Jul 19, 2017
Draw date	Aug 2, 2018	Aug 8, 2017
Lottery revenue	8,904	9,094
Lottery expenses	6,304	6,696
Net lottery revenue	2,600	2,398

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 \$2,600 was recognized during the year ended March 31, 2019 (2018 - \$2,398).

14. FEE FOR SERVICES

	2019 \$	2018 \$
Human patient simulator	55	60
Emergency contact center	919	839
Foreign currency (losses) / gains	347	(249)
Training and support services	321	365
Other	365	163
	2,007	1,178

Shock Trauma Air Rescue Service

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of dollars)
March 31, 2019

15. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

	2019 \$	2018 \$
Accounts receivable	(1,527)	91
Deferred expenses	313	(37)
Prepaid expenses	(257)	9
Short term deposits	(3,173)	-
Helicopter parts and store inventory	(842)	944
Accounts payable and accrued liabilities	2,475	882
Deferred revenue	(617)	69
	(3,628)	1,958

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 three years. As at March 31, 2019 the aggregate payments in the next five years and thereafter are set out in the table below:

	\$
2020	3,247
2021	2,675
2022	1,354
2023	412
2024	50
Thereafter	1,030
	8,768

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 consolidated financial position, results of fundraising and operations or cash flows of the Organization.

Short and long term deposits

On November 14, 2017, STARS entered into a contract with Airbus Helicopters to purchase three helicopters for approximately \$38,000. At that time long term deposits of \$9,519 were made for the purchase of three aircraft with schedule deliveries in March 2019 and June 2019. As of March 31, 2019 a

Shock Trauma Air Rescue Service

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of dollars)
March 31, 2019

16. COMMITMENTS AND CONTINGENCIES (continued)

\$3,173 deposit remains relating to the third H145 aircraft. This aircraft is scheduled for delivery in June 2019, as such, the deposit has been classified as a short term deposit.

The helicopter contractual commitment is in United States dollars, accordingly STARS executed an foreign currency forward contract for US \$24,144 in November 2017 (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, short term and 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

Shock Trauma Air Rescue Service

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of dollars)
March 31, 2019

17. FINANCIAL RISK MANAGEMENT (continued)

interest rates where practical and controlling the mix of liabilities with fixed and variable interest rate obligations.

[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 investments 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 in line with the Organizations Investment Policy. At March 31, 2019, total foreign equity holdings were 20.67% (2018 – 22.8%) 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 CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of dollars)
March 31, 2019

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\$2,000. 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, 2019 associated with these contracts was \$35 (2018 - \$120).

As at March 31, 2019 the Organization had the following outstanding foreign exchange forward contracts.

Settlement date	USD Purchased	Contract rate
April 30, 2019	1,000	1.2887
August 20, 2019	1,000	1.3365
December 31, 2019	1,000	1.3347

Shock Trauma Air Rescue Service

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of dollars)
March 31, 2019

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

On November 16, 2017 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, 2019. As at March 31, 2019 the Organization recorded a \$492 asset and corresponding liability on the Statement of Financial Position associated with these hedges (2018 - \$268)

As at March 31, 2019 the Organization had the following outstanding hedged foreign exchange forward contracts.

Settlement date	USD Purchased	Contract rate
June 2019	4,024	1.2700
June 2019	4,024	1.2701

As at March 29, 2019, per the Bank of Canada, the foreign exchange rate for the US dollar was \$1.3363.

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, 2019 were \$67,466 (2018 - \$58,457), a portion of which includes the March 31, 2019 cash balance of \$39,698 and restricted cash fleet contributions and grants of \$15,712 (2018 – cash balance of \$32,773). Included in this cash balance is \$11,465 representing the net contribution from the 2019 Alberta lottery (2018 –\$10,184).

Shock Trauma Air Rescue Service

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of dollars)
March 31, 2019

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. SUBSEQUENT EVENTS

On November 14, 2017 STARS ordered three new H145 aircraft. Two aircraft arrived in March 2019 and the third is to be delivered on or before June 30th, 2019.

On April 1, 2019 STARS entered into a purchase agreement to purchase four new H145 helicopters and made deposits in the amount of \$5,550. The total cost of the four H145 helicopters will be US\$41,606. The purchase of the helicopters is in US\$ and accordingly on April 15, 2019 STARS entered into USD\$ forward exchange contracts valued at \$18,507

21. SUPPLEMENTAL DISCLOSURES

Presented below is the consolidated statement of financial position as at March 31, 2019 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 consolidated financial statements.

Shock Trauma Air Rescue Service

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of dollars)
March 31, 2019

21. SUPPLEMENTAL DISCLOSURES (continued)

Consolidated Statement of Financial Position

	Alberta \$	Saskatchewan \$	Manitoba \$	Total \$
Assets				
Current assets	42,370	12,319	619	55,308
Fleet contributions and grants	13,487	1,225	1,000	15,712
Long term deposits	—	—	—	-
Investments	13,276	—	—	13,276
Property and equipment	51,523	4,430	1,675	57,628
Total assets	120,656	17,974	3,294	141,924
Liabilities				
Current liabilities	16,665	1,623	977	19,265
Long-term debt	18,031	934	722	19,687
Fleet contributions and grants	13,487	1,225	1,000	15,712
Deferred contributions	16,279	2,412	1,103	19,794
Total liabilities	64,462	6,194	3,802	74,458
Net assets				
Capital preservation fund	55,937	11,780	(508)	67,209
Endowment fund	257	—	—	257
Total net assets	56,194	11,780	(508)	67,466
Total liabilities and net assets	120,656	17,974	3,294	141,924

Shock Trauma Air Rescue Service

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of dollars)
March 31, 2019

21. SUPPLEMENTAL DISCLOSURES (continued)

Consolidated Statement of Fundraising, Operations and Change in Net Assets

	Alberta \$	Saskatchewan \$	Manitoba \$	Total \$
Fundraising activities				
Donations and fundraising revenue (net)	18,212	10,269	839	29,320
Lottery revenue (net)	11,466	2,599	-	14,065
Calendar revenue (net)	786	117	52	955
Investment and other income	706	171	22	899
Total net fundraising revenue before other expenditures	31,170	13,156	913	45,239
General fundraising and administrative expenses	(3,979)	(1,376)	(405)	(5,760)
Excess of revenue over expenditures from fundraising	27,191	11,780	508	39,479
Operating activities				
Operating revenue	12,490	11,930	8,503	32,923
Operating expenditures	(33,492)	(20,731)	(9,170)	(63,393)
Deficiency of revenue over expenditures from operations	(21,002)	(8,801)	(667)	(30,470)
Consolidated excess (deficiency) of revenue over expenditures	6,189	2,979	(159)	9,009
Net assets, beginning of year	52,588	8,198	(2,329)	58,457
Permanent interprovincial funding	(2,583)	603	1,980	-
Net assets, end of year	56,194	11,780	(508)	67,466

Shock Trauma Air Rescue Service

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of dollars)
March 31, 2019

21. SUPPLEMENTAL DISCLOSURES (continued)

Beginning in the year ended March 31, 2014 in the province of Manitoba, the Organization committed to funding the deficiencies in fundraising activities from unrestricted cross provincial donations. During the years ended March 31, 2019 and 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 \$
Commitments				
2020	2,023	1,096	128	3,247
2021	1,689	936	50	2,675
2022	1,011	293	50	1,354
2023	362	-	50	412
2024	-	-	50	50
Thereafter	-	-	1,029	1,029
	5,085	2,325	1,357	8,767

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

(Thousands of dollars)
March 31, 2019

22. 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:

	2019 \$	2018 \$
Alberta – Alberta Charitable Fundraising Act		
Gross contributions	22,842	19,483
Gross gaming proceeds	21,667	19,839
Soliciting contributions expense (1)	8,185	6,773
(1) Soliciting contributions expense includes:		
Fundraising expenses	3,691	2,958
Remuneration paid to employees	3,444	2,893
Third party fundraising expenses	1,050	922
Saskatchewan – Saskatchewan Charitable Fund-raising Businesses Act		
Gross contributions	12,703	10,380
Gross gaming proceeds	8,900	9,106
Soliciting contributions expense (2)	3,221	2,843
(2) Soliciting contributions expense includes:		
Fundraising expenses	1,682	1,478
Remuneration paid to employees	1,150	1,008
Third party fundraising expenses	389	357
Manitoba – Manitoba Charities Endorsement		
Gross contributions	1,320	2,037
Gross gaming proceeds	-	-
Soliciting contributions expense (3)	813	681
(3) Soliciting contributions expense includes:		
Fundraising expenses	479	354
Remuneration paid to employees	272	289
Third party fundraising expenses	62	38

Shock Trauma Air Rescue Service

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of dollars)
March 31, 2019

22. 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.