



2022/23 FINANCIAL REPORT



STARS is a charitable, non-profit organization funded by our allies: visionary individuals, organizations, businesses, event partners and governments.

Since 1985, our success has been grounded in community partnerships and donations. We are committed to continuing those alliances and providing life-saving services well into the future, for your children, your grandchildren, and beyond.

Below you'll find a breakdown of our annual revenue.

HOW WE ARE FUNDED

Fiscal 2022 - 2023 revenues of \$88,987 (amounts in 000's)¹

| | | |
|-------------------------------------|--|--|
| GOVERNMENT CONTRIBUTIONS | DONATIONS & FUNDRAISING | AB & SK LOTTERIES² |
| \$37,196 | \$29,190 | \$14,167 |
| INDUSTRY SERVICE REVENUE | INVESTMENT AND OTHER INCOME | CALENDAR² |
| \$6,724 | \$995 | \$715 |

¹ Excludes prior year amount of \$4,969 recognized in current year revenues related to the fleet renewal

² Shown on a net basis

MANAGEMENT'S REPORT

The accompanying consolidated financial statements of STARS as at March 31, 2023 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 2022-23 fiscal year.

Public Accountants, 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 Public Accountants.

The Board of Directors has approved these consolidated financial statements on the recommendation of the Audit and Finance Committee.

[Originally signed by Andera Robertson]
President and Chief Executive Officer
STARS

[Originally signed by Linda Dalgetty]
Chief Financial Officer
STARS

June 28, 2023



**YE 20
23**

**CONSOLIDATED FINANCIAL
STATEMENTS**

SHOCK TRAUMA AIR RESCUE SERVICE

March 31, 2023





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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 subsidiary, (together, the Organization) as at March 31, 2023 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, 2023;
- 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 significant accounting policies and other explanatory information.

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

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



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.

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 28, 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| Year ended March 31, <i>(Canadian dollars in thousands)</i> | 2023 \$ | 2022 \$ |
|--|----------------|----------------|
| Assets | | |
| Current | | |
| Cash <i>[note 11]</i> | 45,345 | 42,743 |
| Restricted cash - fleet contributions and grants | 23,599 | 7,125 |
| Accounts receivable <i>[note 3]</i> | 1,700 | 2,117 |
| Deferred expenses <i>[note 15]</i> | 6,237 | 6,595 |
| Prepaid expenses | 1,129 | 1,232 |
| Risk management contracts <i>[note 20]</i> | 1,377 | 51 |
| Deposits <i>[note 4]</i> | – | 2,741 |
| Assets held for sale <i>[note 5]</i> | 4,686 | 216 |
| Inventory <i>[note 6]</i> | 2,144 | 3,224 |
| Total current assets | 86,217 | 66,044 |
| Deposits <i>[note 4]</i> | 121 | 242 |
| Risk management contracts <i>[note 20]</i> | – | 945 |
| Investments <i>[notes 7 and 11]</i> | 16,120 | 16,088 |
| Maintenance contracts <i>[note 8]</i> | 5,092 | 2,003 |
| Property and equipment <i>[note 9]</i> | 126,532 | 128,297 |
| | 234,082 | 213,619 |
| Liabilities | | |
| Current | | |
| Accounts payable and accrued liabilities <i>[note 10]</i> | 9,072 | 8,707 |
| Deferred revenue <i>[note 15]</i> | 11,871 | 12,013 |
| Current portion of long-term debt <i>[note 11]</i> | 23,184 | 2,084 |
| Total current liabilities | 44,127 | 22,804 |
| Long-term debt <i>[note 11]</i> | – | 16,081 |
| Deferred contributions <i>[note 12]</i> | 12,019 | 12,692 |
| Deferred fleet contributions and grants <i>[note 13]</i> | 86,902 | 86,805 |
| Total liabilities | 143,048 | 138,382 |
| Commitments and contingencies <i>[note 18]</i> | | |
| Net assets <i>[note 14]</i> | | |
| Capital preservation fund | 90,777 | 74,980 |
| Endowment fund - externally restricted | 257 | 257 |
| Total net assets | 91,034 | 75,237 |
| | 234,082 | 213,619 |

See accompanying notes to the consolidated financial statements

On behalf of the Board:

[Originally signed by Curtis Stange]
Director – Board Co-Chair

[Originally signed by Carla Madra]
Director – Audit & Finance Chair

CONSOLIDATED STATEMENT OF FUNDRAISING, OPERATIONS & CHANGE IN NET ASSETS

| Year ended March 31, <i>(Canadian dollars in thousands)</i> | 2023 \$ | 2022 \$ |
|--|-----------------|------------|
| Fundraising activities | | |
| Donations and fundraising | | |
| Gross revenue <i>[notes 12 and 13]</i> | 29,190 | 33,124 |
| Direct fundraising expenditures | (5,540) | (5,514) |
| | 23,650 | 27,610 |
| Lottery <i>[note 15]</i> | | |
| Gross revenue | 32,725 | 35,001 |
| Direct expenditures, including prizes | (18,558) | (18,015) |
| | 14,167 | 16,986 |
| Calendar | | |
| Gross revenue | 1,415 | 1,456 |
| Direct expenditures | (700) | (726) |
| | 715 | 730 |
| Total net fundraising revenue before other expenditures | 38,532 | 45,326 |
| General fundraising and administrative expenditures | (2,375) | (2,363) |
| Excess of revenue over expenditures from fundraising | 36,157 | 42,963 |
| Operating activities | | |
| Operating revenue | | |
| Government contributions | 37,196 | 28,423 |
| Government fleet contributions - Federal and Provincial <i>[note 13]</i> | 4,969 | 3,007 |
| Site registration recoveries | 2,396 | 1,934 |
| Fee for services <i>[note 16]</i> | 4,328 | 4,748 |
| | 48,889 | 38,112 |
| Operating expenditures | | |
| Aviation operations <i>[note 6]</i> | 32,126 | 28,861 |
| Clinical operations | 21,924 | 20,259 |
| STARS Emergency Link Centre | 4,735 | 3,908 |
| Base operations and administration | 9,648 | 8,196 |
| Amortization <i>[note 9]</i> | 10,224 | 14,552 |
| | 78,657 | 75,776 |
| Deficiency of revenue over expenditures from operations | (29,768) | (37,664) |
| Consolidated excess of revenue over expenditures before other items | 6,389 | 5,299 |
| Investment and other income <i>[note 7]</i> | 995 | 768 |
| Gain on risk management contracts <i>[note 20]</i> | 1,415 | 919 |
| Accelerated amortization of deferred contributions on sale of assets held for sale | 536 | — |
| Gain on sale of assets held for sale | 6,462 | — |
| Net gain on sale of assets held for sale <i>[note 5]</i> | 6,998 | — |
| Consolidated excess of revenue over expenditures | 15,797 | 6,986 |
| Net assets, beginning of year | 75,237 | 68,251 |
| Net assets, end of year | 91,034 | 75,237 |

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

| Year ended March 31, <i>(Canadian dollars in thousands)</i> | 2023 \$ | 2022 \$ |
|---|----------------|-----------------|
| Operating activities | | |
| Consolidated excess of revenue over expenditures | 15,797 | 6,986 |
| Add (deduct) items not affecting cash: | | |
| Amortization of property and equipment | 10,224 | 14,552 |
| Amortization of deferred contributions <i>[note 12]</i> | (1,132) | (3,697) |
| Accelerated amortization of deferred contributions on sale of assets held for sale <i>[note 12]</i> | (536) | – |
| Accelerated amortization of deferred contributions on impairment of property and equipment <i>[note 12]</i> | – | (2,693) |
| Amortization of deferred fleet contributions and grants <i>[note 13]</i> | (5,660) | (3,945) |
| Unrealized loss (gain) on investments <i>[note 7]</i> | 557 | (4) |
| Unrealized gain on risk management contracts <i>[note 20]</i> | (381) | (2,281) |
| Gain on sale of assets held for sale <i>[note 5]</i> | (6,462) | – |
| | 12,407 | 8,918 |
| Net change in non-cash working capital items <i>[note 17]</i> | (908) | 938 |
| Cash provided by operating activities | 11,499 | 9,856 |
| Financing activities | | |
| Proceeds from long-term debt | 8,200 | 665 |
| Repayments of long-term debt | (3,181) | (3,229) |
| Deferred contributions received <i>[note 12]</i> | 995 | 1,827 |
| Deferred fleet contributions and grants received <i>[note 13]</i> | 5,757 | 5,980 |
| Cash provided by financing activities | 11,771 | 5,243 |
| Investing activities | | |
| Purchase of investments | (1,533) | (2,302) |
| Proceeds from sale of investments | 944 | 10,161 |
| Proceeds on sale of assets held for sale (net of selling costs of \$409) <i>[note 5]</i> | 11,384 | – |
| Deposits on H145 helicopters, net of transfers to property and equipment <i>[note 4]</i> | 2,862 | 24,809 |
| Purchase of property and equipment <i>[note 9]</i> | (17,851) | (55,492) |
| Cash used in investing activities | (4,194) | (22,824) |
| Net increase (decrease) in cash and restricted cash | 19,076 | (7,725) |
| Cash and restricted cash, beginning of year | 49,868 | 57,593 |
| Cash and restricted cash, end of year | 68,944 | 49,868 |

See accompanying notes to the consolidated financial statements

March 31, 2023
(Canadian dollars in thousands)

1. Nature of operations

These consolidated financial statements represent the consolidated financial position and operations of Shock Trauma Air Rescue Service ("Service") and Shock Trauma Air Rescue Service Foundation ("Foundation"). Collectively, these entities are referred to as "STARS" or the "Organization".

Service and Foundation are registered federally under the Canada Not for Profit Corporations Act. Through its right and ability as the sole member of Foundation to appoint the majority of Foundation's Board of Directors, Service controls Foundation. Service and Foundation are non-profit and non-taxable registered charities pursuant to Section 149 of the *Income Tax Act (Canada)*.

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 the eastern part of British Columbia, where it is a trusted critical care provider. STARS supports critically ill and injured patients by providing emergency medical communications and emergency medical transport when needed. Education and research, fundraising and community partnerships are also significant pillars of the STARS program.

STARS' Fleet Renewal Program (the "Program") began in 2018 and has two key parts:

- The Fleet Renewal Program to purchase Airbus H145 medically equipped helicopters, provide initial training to pilots and aviation engineers on the new aircraft, and phase out and ultimately dispose of the legacy helicopters ("excess fleet") by Service; and
- The capital campaign to fundraise for the Fleet Renewal Program by the Foundation.

At March 31, 2023, all of the ten total Airbus H145 helicopters had been purchased. The capital campaign officially ended on March 31, 2022.

2. Significant accounting policies

Basis of presentation and consolidation

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, 2023, of Service and Foundation. Transactions and balances between the entities have been eliminated in arriving at the consolidated financial statements.

March 31, 2023
(Canadian dollars in thousands)

2. Significant accounting policies (continued)

Net assets

The Capital Preservation Fund (the "Fund") is comprised of unrestricted and internally restricted funds and exists to fund the management of current assets and liabilities of the Organization, and to fund the purchases of future buildings and equipment. A portion of the Fund has already funded past purchases of helicopters, buildings, and equipment. Additionally, operating, and fundraising surpluses and deficits are allocated to the Fund through resolutions of the Board of Directors.

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

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.

Cash and restricted cash

Bank balances are presented under cash and restricted cash. Restricted cash is subject to internal or external restrictions that prevent its use for general operations and must be spent in accordance with the relevant restrictions applied by management, donors, or government bodies.

Foreign currency translation

Foreign currency balances are translated into Canadian dollars as follows: monetary assets and liabilities at the rates of exchange prevailing at the consolidated statement of financial position date, non-monetary assets and liabilities at historical exchange rates and revenue and expenses 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, operations and change in net assets, other than those related to designated hedges.

Inventory

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

March 31, 2023
 (Canadian dollars in thousands)

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 less accumulated amortization and any provision for impairment. The cost of contributed property and equipment is considered to be fair value at the date of contribution. The cost of property and equipment made up of significant separable component parts is allocated to the component parts when practicable and when estimates can be made of the estimated useful lives of the separate components. Assets under capital lease are accounted for at cost, which corresponds to the present value of the minimum lease payments on recognition, less accumulated amortization.

Amortization of property and equipment and assets under capital lease is provided over the estimated useful life of the Organization's assets on a straight-line basis or using the variable charge method. Helicopter and flight equipment are componentized into airframe and aviation equipment and engines. Expenditures incurred to get an asset ready for use 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 is charged to operating expenditures as incurred.

| Asset type | Method | Useful life |
|---|-----------------|---|
| Helicopter airframe and aviation equipment | Straight-line | 3 to 20 years |
| Engines | Variable charge | 12.5 years |
| Buildings | Straight-line | 20 years |
| Medical equipment | Straight-line | 2 to 5 years |
| Computer hardware and software | Straight-line | 2 to 3 years |
| Other (leasehold improvements and office equipment) | Straight-line | Lesser of term of lease (where applicable) or 5 years |

Engines are amortized using the variable charge method whereby amortization is calculated based on the actual flight hours incurred each fiscal year compared to an estimated 5,000 hours until an overhaul is completed, and the hours are reset to zero.

Property and equipment is classified as held for sale when management commits to a plan, the asset is available for immediate sale in its present condition, an active program to locate a buyer has been initiated, the sale is probable and expected to be recognized as a sale within one year, the asset is being actively marketed for sale at a price that is reasonable and it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Assets held for sale are measured at the lower of their carrying value and their fair value less selling costs and are no longer amortized.

March 31, 2023
(Canadian dollars in thousands)

2. Significant accounting policies (continued)

Maintenance and repairs

The Organization has long-term maintenance contracts (the “Contracts”) that cover both engines and covered parts for helicopter airframe and aviation equipment. The annual cost of these Contracts is based on a contractual hourly rate multiplied by the number of flight hours (subject to a minimum required hours). The provisions of the Contracts allow for the prepayment of engine overhauls and covered parts replacement which, when performed, will extend the life of the helicopters. An estimate of the proportion of the annual contractual hourly rate related to prepayment has been recorded as maintenance contracts on the consolidated statement of financial position. When engine overhauls or covered parts replacement occurs, the amount is transferred to the appropriate property and equipment category. The remainder of the amounts paid under the Contracts are expensed as incurred and included in aviation operations expenditures on the consolidated statement of fundraising, operations and change in net assets.

Impairment

Property and equipment are reviewed for impairment when conditions indicate that a capital asset no longer contributes to STARS’ ability to provide critical care services, or when conditions indicate that the carrying value of the asset may no longer be recoverable. The Organization assesses impairment by comparing the carrying value of the asset against the undiscounted cash flows expected from the asset’s use and disposition. When a capital asset is impaired, the net carrying amount of the capital asset is written down to the asset’s fair value or replacement cost. Any impairment losses are recognized as expenses in the consolidated statement of fundraising, operations and change in net assets and are not reversed if the fair value of the related asset subsequently increases.

Financial instruments

The Organization initially records arm’s length financial instruments at fair value. Subsequently, the Organization measures financial instruments as follows:

- Investments in equity instruments that are quoted in an active market at fair value;
- All other financial assets, including cash, restricted cash, accounts receivable, risk management contracts, investments, deposits and maintenance contracts, at amortized cost;
- All other financial liabilities, including accounts payable and accrued liabilities and long-term debt, at amortized cost; and
- Risk management contracts, not designated as a hedge, 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.

March 31, 2023
(Canadian dollars in thousands)

2. Significant accounting policies (continued)

Long-term debt

Long-term debt is initially measured at fair value, net of transaction costs and financing fees. It is subsequently measured at amortized cost. Transaction costs and financing fees are amortized on a straight-line basis.

Risk management contracts

The Organization uses financial derivative instruments to economically hedge the impact of foreign currency changes in anticipated transactions denominated in foreign currencies and to mitigate the effect of changes in variable interest rates on variable rate debt. Although management considers all risk management contracts to be economic hedges, none have been designated as effective hedges for accounting purposes.

Risk management contracts are initially measured at fair value with subsequent changes in fair value recognized as gains or losses on risk management contracts in the consolidated statement of fundraising, operations and change in net assets. The fair value of these derivative contracts is based on an estimate of the amounts that would be paid or received to settle these instruments at the consolidated statement of financial position date.

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 and 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 helicopter purchases and pilot and engineer training. Fleet contributions and grants are deferred and amortized to revenue in the same manner as the related asset or expenditure. |
| c) Unrestricted contributions and government contributions and assistance | Recognized as operating revenue when received or receivable if the amount to be received can reasonably be estimated and collection is reasonably assured. |

March 31, 2023
(Canadian dollars in thousands)

2. Significant accounting policies (continued)

| Type of revenue | Revenue recognition policy |
|--|--|
| 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 if the amount can be reasonably estimated and collection is reasonably assured. |
| 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 | 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) Contribution revenue based on the ticket purchasers intended purpose to contribute to STARS mission | The contribution component comprised of the residual and recognized when received. |
| 5) Calendar and merchandise revenue | Recognized at the time when calendars or merchandise are sold if the amount can be reasonably estimated, and collection is reasonably assured. |
| 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 in revenue as earned. |
| 8) Donations of in-kind investments | Recorded at market value on the date of donation (excluding goods & services tax). |

March 31, 2023
(Canadian dollars in thousands)

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 the Organization. The value of donations in kind recorded in fiscal 2023 was \$1,018 (2022 – \$1,334). 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 consolidated statement of financial position until the lottery draw is held, or the event occurs.

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, fair value of assets held for sale, fair value and useful life of property and equipment, estimate of prepayments related to maintenance contracts and fair value of risk management 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.

3. Accounts receivable

| | 2023 \$ | 2022 \$ |
|---------------------------------------|--------------|------------|
| Industry services | 1,379 | 1,545 |
| Out of province patients and other | 529 | 572 |
| Government remittances | 331 | 197 |
| | 2,239 | 2,314 |
| Less: Allowance for doubtful accounts | (539) | (197) |
| | 1,700 | 2,117 |

March 31, 2023
 (Canadian dollars in thousands)

4. Deposits

Deposits relate to H145 helicopter purchases and upgrades and are included in the cost of the asset upon arrival of the helicopter or completion of the upgrade and final payment.

| | 2023 \$ | 2022 \$ |
|-------------------------------------|------------|------------|
| Balance, beginning of year | 2,983 | 27,792 |
| Additions | 4,043 | 2,680 |
| Transfers to property and equipment | (6,905) | (27,489) |
| | 121 | 2,983 |
| Less: short-term deposits | – | (2,741) |
| Long-term deposits | 121 | 242 |

5. Assets held for sale

| | 2023 \$ | 2022 \$ |
|---|--------------|------------|
| Balance, beginning of year | 216 | – |
| Additions | – | 216 |
| Transfers from property and equipment <i>[note 9]</i> | 9,392 | – |
| | 9,608 | 216 |
| Less: disposals | (4,922) | – |
| Balance, end of year | 4,686 | 216 |

In November 2021, the Organization committed to a plan to dispose of four BK117 helicopters with a carrying value of \$nil that were considered excess fleet. These helicopters were sold on May 25, 2022, for total proceeds of \$3,131, resulting in a gain on sale of assets held for sale of \$3,105 (net of costs to sell). An additional four BK117 helicopters with a carrying value of \$20 were added to this plan and transferred from property and equipment in November 2022. These helicopters were ready for immediate sale at the time the plan to dispose of them was committed to. Two of these BK117 helicopters with a carrying value of \$20 were then sold on November 10, 2022, for total proceeds of \$2,037, resulting in a gain on sale of assets held for sale of \$2,017.

In November 2022, the Organization committed to a plan to dispose of two AW139 helicopters with a carrying value of \$9,372 that were considered excess fleet and transferred from property and equipment at that time. These helicopters were ready for immediate sale when transferred and one helicopter, with a carrying value of \$4,686, was sold on January 20, 2023, for total proceeds of \$6,371, resulting in a gain on sale of assets held for sale of \$1,302 (net of costs to sell). Outstanding deferred contributions of \$536 associated with this helicopter were also recognized and included in net gain on sale of assets held for sale on the consolidated statement of fundraising, operations and change in net assets for the year ended March 31, 2023.

March 31, 2023
(Canadian dollars in thousands)

5. Assets held for sale (continued)

As part of the capital campaign to fundraise for the fleet renewal program that concluded on March 31, 2022, the Organization restored a classic car with a carrying value of \$216 that was included in assets held for sale as at March 31, 2022 and was sold for a selling price of \$254 on April 20, 2022, resulting in a gain on sale of assets held for sale of \$38.

The total gain on sale of assets held for sale of \$6,462 has been included in the consolidated statement of fundraising, operations and change in net assets for the year ended March 31, 2023.

6. Inventory

| | 2023 \$ | 2022 \$ |
|--|--------------|------------|
| Helicopter parts | 1,942 | 2,927 |
| Calendar and merchandise inventory | 202 | 320 |
| | 2,144 | 3,247 |
| Less: provision for obsolete inventory | — | (23) |
| | 2,144 | 3,224 |

The amount of inventories recognized in aviation operations expenditures on the consolidated statement of fundraising, operations and change in net assets during the year ended March 31, 2023 was \$1,788 (2022 - \$1,289), including \$929 (2022 - \$nil) related to the impairment of excess fleet inventory.

7. Investments

Most of the Organization's 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. The mix of investment assets at March 31 is as follows:

| | 2023 \$ | 2022 \$ |
|---------------------------|---------------|------------|
| Cash and cash equivalents | 2,750 | 2,725 |
| Bonds/fixed income | 6,427 | 6,016 |
| Canadian equities | 3,306 | 3,682 |
| Global equities | 3,637 | 3,665 |
| | 16,120 | 16,088 |

March 31, 2023
(Canadian dollars in thousands)

7. Investments (continued)

Included in cash and cash equivalents as at March 31, 2023 is a \$1,000 (March 31, 2022 - \$1,000) guaranteed income certificate that is pledged as collateral under the Organization's credit facilities (note 11). Additionally, the Organization's other investments are included in the minimum capital reserve requirement under the syndicated credit facility as discussed in note 11.

Investment and other income on the consolidated statement of fundraising, operations and change in net assets for the year ended March 31 included:

| | 2023 \$ | 2022 \$ |
|--|------------|------------|
| Investment income | 1,465 | 591 |
| Gain on sale of investments | 62 | 155 |
| Unrealized (loss) gain on investments | (557) | 4 |
| Other income | 25 | 18 |
| Total investment and other income | 995 | 768 |

8. Maintenance contracts

In fiscal 2020, Service entered into two Contracts for long-term maintenance related to engines and helicopter and aviation equipment. Both Contracts are for a term of ten years and provide for escalation of the contractual rate as defined in the Contract over that period.

| | 2023 \$ | 2022 \$ |
|-------------------------------------|--------------|--------------|
| Balance, beginning of year | 2,003 | – |
| Additions | 3,089 | 2,003 |
| Transfers to property and equipment | – | – |
| Balance, end of year | 5,092 | 2,003 |

Prior to fiscal 2022, the Organization recorded the full amount of the hourly contractual rate as maintenance expense and included in aviation operations expenditures on the consolidated statement of fundraising, operations and change in net assets.

March 31, 2023
(Canadian dollars in thousands)

9. Property and equipment

| | March 31, 2023 | | | March 31, 2022 | | |
|----------------------------------|----------------|-----------------------------------|--------------------------------|----------------|-----------------------------------|--------------------------------|
| | Cost \$ | Accumulated amortization \$ | Net carrying value \$ | Cost \$ | Accumulated amortization \$ | Net carrying value \$ |
| Helicopters & aviation equipment | 106,755 | 13,417 | 93,338 | 133,713 | 38,457 | 95,256 |
| Engines | 33,472 | 6,370 | 27,102 | 29,737 | 3,328 | 26,409 |
| Buildings | 6,520 | 3,402 | 3,118 | 6,471 | 3,085 | 3,386 |
| Medical equipment | 7,576 | 6,343 | 1,233 | 7,703 | 6,348 | 1,355 |
| Computer hardware and software | 12,052 | 10,674 | 1,378 | 12,325 | 10,584 | 1,741 |
| Other | 5,977 | 5,614 | 363 | 6,284 | 6,134 | 150 |
| | 172,352 | 45,820 | 126,532 | 196,233 | 67,936 | 128,297 |

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

| | March 31, 2023 | | | March 31, 2022 |
|-----------|----------------|-----------------------------------|-----------------------------|-----------------------------|
| | Cost \$ | Accumulated Amortization \$ | Net carrying value \$ | Net carrying value \$ |
| Buildings | 4,876 | 2,600 | 2,276 | 2,521 |
| | 4,876 | 2,600 | 2,276 | 2,521 |

Property and equipment include \$1,788 of assets not yet in use at March 31, 2023 (March 31, 2022 - \$507) and, as such, are not subject to amortization.

Included in property and equipment at March 31, 2022 were two AW139 helicopters with a carrying value of \$9,372 that were assessed for impairment given that they were determined to be no longer in use. An impairment loss of \$3,346 was recorded in amortization expense on the consolidated statement of fundraising, operations and change in net assets for the year ended March 31, 2022. Outstanding deferred contributions of \$2,693 associated with these helicopters were also recognized in gross fundraising and donations revenue on the consolidated statement of fundraising, operations and change in net assets for the year then ended. These helicopters, along with four BK117 helicopters with a carrying value of \$20 (total of \$9,392), were transferred to assets held for sale during fiscal 2023 as discussed in note 5. In fiscal 2022, the Organization committed to a plan to dispose of four BK117 helicopters with a carrying value of \$nil that were transferred to assets held for sale at that time.

March 31, 2023
(Canadian dollars in thousands)

10. Accounts payable and accrued liabilities

| | 2023 \$ | 2022 \$ |
|--|--------------|------------|
| Accounts payable and accrued liabilities | 8,997 | 8,660 |
| Government remittances owing | 75 | 47 |
| | 9,072 | 8,707 |

11. Long-term debt

| | 2023 \$ | 2022 \$ |
|-------------------------------------|------------|------------|
| Syndicated credit facility | 22,555 | 17,250 |
| Reducing credit facilities | — | 250 |
| Revolving demand credit facility | 629 | 665 |
| Total long-term debt | 23,184 | 18,165 |
| Less: current portion | (22,555) | (1,419) |
| Demand credit facility | (629) | (665) |
| Long-term portion of long-term debt | — | 16,081 |

Syndicated credit facility

On March 28, 2019, the Organization entered into a non-revolving term syndicated credit facility (the "Syndicate") for the purchase of H145 helicopters. Individual helicopter loans are drawn under Canadian dollar bankers' acceptances which carry stamping fees of 140 basis points or as prime loans bearing interest at prime plus 40 basis points. The Syndicate has a term of five years, with individual loan amortization periods of 15 – 24 years, and quarterly repayments of \$429 (2022 – \$292) with the additional draw on the Syndicate of \$8,200 in fiscal 2023. Additionally, during the year ended March 31, 2023, the Organization made additional principal repayments of \$1,796 (year ended March 31, 2022 – \$1,000). The average interest rate for the year ended March 31, 2023, was 3.25% (March 31, 2022 – 3.25%).

A second amending agreement was signed on December 31, 2020 to amend the collateral description of the general security agreement. A third amending agreement was signed on December 20, 2021, reducing the minimum capital reserve requirements covenant in Alberta from \$15,000 to \$2,000. The minimum capital reserve requirement of \$1,500 in Saskatchewan remains unchanged. The minimum capital reserve requirements covenant is the only financial covenant related to the Syndicate and is calculated by comparing the minimum requirements to the Organization's cash and cash equivalents at each reporting period. Cash and cash equivalents, for purposes of this calculation, include both the Organization's cash balances (excluding cash restricted for fleet contributions and grants) and investments not otherwise restricted. At March 31, 2023, the Organization was in compliance with this covenant.

March 31, 2023
(Canadian dollars in thousands)

11. Long-term debt (continued)

The Syndicate is secured against the Organization's helicopter assets and intellectual property.

The maturity date of the Syndicate is March 28, 2024, at which time all obligations must be repaid. As a result, the full balance outstanding of \$22,555 has been presented as current on the consolidated statement of financial position as at March 31, 2023. On May 1, 2023, the Organization repaid the outstanding balance of the syndicated credit facility totaling \$22,419. STARS also settled the two interest rate swap contracts related to this debt as discussed in note 20.

Credit facility agreement (the "Agreement")

Reducing credit facilities

On December 4, 2008, the Organization entered into the Agreement to finance the purchase of the Regina hangar. This \$800 reducing leasehold mortgage facility ("Facility 1") matured on September 28, 2021.

On September 15, 2011, the Agreement was amended to add a second reducing leasehold mortgage facility ("Facility 2") in the amount of \$2,300 to finance construction on the Regina hangar. This facility was advanced in fiscal 2012 by way of a six-year master lease agreement that was extended for a 60-month term, bearing interest at 3.94% (2022 - 3.94%), has average monthly lease payments of \$22 (March 31, 2022 - \$22) and matured on March 20, 2023. The total amount outstanding on Facility 2 at March 31, 2023 was \$nil (March 31, 2022 - \$250). Both Facility 1 and 2 were collateralized by the hanger leases.

Revolving demand credit facility

On March 19, 2019, the Agreement was amended to add a \$1,000 credit facility ("Facility 3") for ongoing general corporate purposes. This facility is revolving, due on demand, can be drawn in increments of \$5 and bears interest at bank prime. The Organization drew on Facility 3 on March 31, 2022, in order to repay a term loan held at a different financial institution related to the Winnipeg hangar. Additionally, the Organization determined that monthly principal repayments of \$3 (March 31, 2022 - \$3) will be made, based on the remaining amortization period of the term loan of approximately 18 years. The total amount outstanding on Facility 3 at March 31, 2023 was \$629 (March 31, 2022 - \$665). A \$1,000 guaranteed investment certificate (included in investments - note 7) has been pledged as collateral for Facility 3.

March 31, 2023
 (Canadian dollars in thousands)

12. Deferred contributions

Contributions are deferred when a donor restricts the usage of their contribution to a specific purpose. Most deferred donations received by the Organization relate to amounts to be used for the purchase of helicopters and medical equipment.

| | 2023 \$ | 2022 \$ |
|--|---------------|---------------|
| Balance, beginning of the year | 12,692 | 17,255 |
| Restricted contributions received | 995 | 1,827 |
| Amortization of amounts related to operating expenditures | (507) | (361) |
| Accelerated amortization of deferred contributions on sale of assets held for sale <i>[note 5]</i> | (536) | – |
| Accelerated amortization of deferred contributions on impairment of property and equipment <i>[note 9]</i> | – | (2,693) |
| Amortization of amounts related to property and equipment | (625) | (3,336) |
| Balance, end of year | 12,019 | 12,692 |

Amortization of amounts related to operating expenditures and property and equipment are included in gross donations and fundraising revenue on the consolidated statement of fundraising, operations and change in net assets.

13. Deferred fleet contributions and grants

Fleet contributions and grants are deferred and restricted for the fleet renewal program – including helicopter purchases and pilot and engineer training.

| | 2023 \$ | 2022 \$ |
|---|---------------|---------------|
| Balance, beginning of the year | 86,805 | 84,770 |
| Fleet contributions and grants received | 5,757 | 5,980 |
| Amortization of amounts related to operating expenditures | (391) | (656) |
| Amortization of amounts related to government funded property and equipment | (4,969) | (3,007) |
| Amortization of amounts related to property and equipment | (300) | (282) |
| Balance, end of year | 86,902 | 86,805 |

Amortization of amounts related to operating expenditures and property and equipment are included in gross donations and fundraising revenue on the consolidated statement of fundraising, operations and change in net assets.

March 31, 2023
(Canadian dollars in thousands)

14. Net assets

Capital preservation fund

| | 2023 \$ | 2022 \$ |
|---------------------------------|---------------|---------------|
| Unrestricted | 90,777 | 74,320 |
| Internally restricted for fleet | – | 660 |
| | 90,777 | 74,980 |

Endowment fund

| | 2023 \$ | 2022 \$ |
|--------------------|------------|------------|
| Medical physicians | 20 | 20 |
| Doctors on board | 237 | 237 |
| | 257 | 257 |

15. Lottery revenue and expenses

Alberta lottery

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

| | 2023 \$ | 2022 \$ |
|----------------------------|---------------------|---------------|
| Lottery close date | Mar 22, 2023 | Mar 23, 2022 |
| Draw dates | Apr 5, 2023 | Apr 7, 2022 |
| Lottery revenue | 21,763 | 22,581 |
| Lottery expenses | (11,768) | (10,985) |
| Net lottery revenue | 9,995 | 11,596 |

| | 2023 \$ | 2022 \$ |
|---|--------------|--------------|
| Deferred ticket revenue [a] | 11,432 | 11,563 |
| Deferred expenses [b] | (6,137) | (6,435) |
| Net revenue deferred to the next fiscal year | 5,295 | 5,128 |

March 31, 2023
 (Canadian dollars in thousands)

15. Lottery revenue and expenses (continued)

The net revenue deferred of \$5,295 will be recorded in the fiscal year ending March 31, 2024 (\$5,128 in the fiscal year ended March 31, 2023).

| | 2023 \$ | 2022 \$ |
|-----------------------------|---------------|------------|
| [a] Deferred revenue | | |
| Deferred ticket revenue | 11,432 | 11,563 |
| Other deferred revenue | 439 | 450 |
| Balance, end of year | 11,871 | 12,013 |

| | 2023 \$ | 2022 \$ |
|-----------------------------|--------------|------------|
| [b] Deferred expenses | | |
| Deferred expenses | 6,137 | 6,435 |
| Other deferred expenses | 100 | 160 |
| Balance, end of year | 6,237 | 6,595 |

Saskatchewan lottery

The Saskatchewan lottery begins and concludes within each fiscal year, thus there is no deferred revenue or expense associated with this lottery. Accordingly, the entire net contribution of \$4,172 was recognized during the year ended March 31, 2023 (2022 - \$5,390). This net contribution was comprised of \$10,962 in lottery revenue and \$6,790 in lottery expenses (2022 - \$12,420 in lottery revenue and \$7,030 in lottery expenses).

16. Fee for service

| | 2023 \$ | 2022 \$ |
|----------------------------|--------------|------------|
| Support and other services | 2,751 | 3,163 |
| Emergency contact center | 1,232 | 1,157 |
| Foreign currency gains | 265 | 375 |
| Human patient simulator | 65 | 20 |
| Other | 15 | 33 |
| | 4,328 | 4,748 |

March 31, 2023
(Canadian dollars in thousands)

17. Net change in non-cash working capital items

| | 2023 \$ | 2022 \$ |
|--|--------------|------------|
| Accounts receivable | 417 | (295) |
| Deferred expenses | 358 | (342) |
| Prepaid expenses | 103 | 996 |
| Assets held for sale | – | (216) |
| Inventory | 1,080 | (29) |
| Maintenance contracts | (3,089) | (2,003) |
| Accounts payable and accrued liabilities | 365 | 2,137 |
| Deferred revenue | (142) | 690 |
| | (908) | 938 |

18. Commitments and contingencies

Commitments

The Organization is obligated to make payments under certain base and office space lease agreements. At March 31, 2023 the aggregate payments in the next five years and thereafter are set out in the table below:

| | \$ |
|------------|--------------|
| 2024 | 2,105 |
| 2025 | 1,500 |
| 2026 | 1,279 |
| 2027 | 654 |
| 2028 | 352 |
| Thereafter | 956 |
| | 6,846 |

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.

March 31, 2023
(Canadian dollars in thousands)

19. Financial risk management

The existence of financial instruments exposes the Organization to financial risks. 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.

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.

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 through the use of interest rate swap derivative contracts and controlling the mix of liabilities with fixed and variable interest rate obligations.

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. The Organization uses foreign currency forward derivative contracts to mitigate its foreign currency risk.

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 Organization's Investment Policy.

March 31, 2023
(Canadian dollars in thousands)

19. Financial risk management (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization's main credit risk relates to its accounts receivable and maintenance contracts. STARS manages this risk by ensuring that it enters into business relationships with 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.

The Organization is also exposed to counterparty credit risk inherent in risk management contracts. In all contracts, the counter party is a major Canadian financial institution, and the Organization has assessed these risks as minimal.

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.

To help mitigate these risks, STARS maintains cash and access to undrawn credit facilities, and adheres to its capital management policies discussed in note 21, 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.

20. Risk management contracts

The Organization uses a variety of financial derivative instruments to reduce its exposure to fluctuations in interest rates and foreign currencies. The following is a summary of all risk management contracts in place at March 31, 2023:

Interest rate swap contracts

| Interest rate swap contracts | | |
|------------------------------|------------------|------------|
| Term | Notional (\$CDN) | Fixed rate |
| April 2022 - Jan 2029 | \$6,551 | 3.56% |
| April 2022 - Dec 2035 | \$7,804 | 2.93% |

As of March 31, 2023, the realized gain on risk management contracts related to interest rate swaps was \$163 (2022 – loss of \$264) and the unrealized gain was \$393 (2022 – \$1,294).

March 31, 2023
(Canadian dollars in thousands)

20. Risk management contracts (continued)

As at March 31, 2022 the fair value associated with STARS' interest rate swap contracts was an asset of \$1,377 (2022 – asset of \$984), of which \$1,377 is classified as current and \$nil is classified as long term on the consolidated statement of financial position (March 31, 2022 – asset of \$39 is current and asset of \$945 is long term). The current presentation reflects the fact that both contracts were settled in conjunction with the repayment of the Syndicate as discussed in note 11 in May 2023, resulting in a realized gain of \$1,116.

Foreign currency forward contracts

To mitigate foreign currency risk on deposit payments for the purchase of H145 aircraft and operating costs related to helicopter maintenance and pilot and aviation engineer training, the Organization utilizes foreign currency forward contracts as required. As at March 31, 2023 there were no such contracts outstanding. For the year ended March 31, 2023, the realized gain on risk management contracts related to foreign currency forward contracts was \$871 (2022 – loss of \$1,098) and the unrealized loss was \$12 (2022 – gain of \$987)

As at March 31, 2023 the fair value associated with STARS' foreign currency forward contracts was a current asset of \$nil (2022 – current asset of \$12) on the consolidated statement of financial position.

At the consolidated statement of financial position date, the fair value of the risk management contracts was determined with reference to a quotation from a derivatives dealer which the Organization accepts as the fair value of these instruments.

21. 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.

A portion of its capital is restricted, and the Organization must meet certain requirements 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 consolidated statement of financial position. These include managing the maturity dates of its debt to avoid having a disproportionate number of principal repayments becoming due within any fiscal period and protecting against volatility in interest rates by ensuring a high percentage of its debt is subject to fixed interest rates.

March 31, 2023
(Canadian dollars in thousands)

22. Supplemental disclosures

Commitments

As disclosed in note 18, the Organization is obligated to make payments under certain base and office space lease agreements. At March 31, 2023 the aggregate payments in the next five years and thereafter, by province, are set out in the table below:

| | Alberta \$ | Saskatchewan \$ | Manitoba \$ | Total \$ |
|--------------------|---------------|--------------------|----------------|--------------|
| Commitments | | | | |
| 2024 | 1,244 | 803 | 58 | 2,105 |
| 2025 | 619 | 823 | 58 | 1,500 |
| 2026 | 589 | 632 | 58 | 1,279 |
| 2027 | 589 | 7 | 58 | 654 |
| 2028 | 294 | — | 58 | 352 |
| Thereafter | — | — | 956 | 956 |
| | 3,335 | 2,265 | 1,246 | 6,846 |

Other considerations

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, 2023 and 2022, the province of Manitoba did not have any such fundraising-related deficiencies which the Organization would have had to fund.

The Organization has also 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.

23. Related party transactions

Certain members of the STARS Board of Directors hold positions at organizations where the Organization has commercial activities in the ordinary course of business. As such, these organizations are related parties to STARS.

24. Comparative figures

Certain prior year figures have been reclassified when necessary to conform to the current year's presentation.

March 31, 2023
(Canadian dollars in thousands)

25. Fundraising expenses and other

As required under Section 7(2) of the Charitable Fundraising Act Regulation of Alberta, the Saskatchewan Charitable Fund-raising Businesses Act, and the Manitoba Charities Endorsement, the Organization discloses the following additional information:

| Alberta Charitable Fundraising Act | 2023 \$ | 2022 \$ |
|---|-------------------|-------------------|
| Gross contributions | 23,171 | 21,194 |
| Gross gaming proceeds | 21,523 | 22,791 |
| Soliciting contributions expense [a] | 5,097 | 5,622 |
| [a] Soliciting contributions expense includes: | | |
| Fundraising expenses | 1,999 | 2,465 |
| Remuneration paid to employees | 2,572 | 2,636 |
| Third party fundraising expenses | 526 | 521 |
| Saskatchewan Charitable Fundraising Businesses Act | 2023 \$ | 2022 \$ |
| Gross contributions | 10,126 | 9,920 |
| Gross gaming proceeds | 11,113 | 12,525 |
| Soliciting contributions expense [b] | 3,037 | 2,709 |
| [b] Soliciting contributions expense includes: | | |
| Fundraising expenses | 1,822 | 1,458 |
| Remuneration paid to employees | 995 | 1,026 |
| Third party fundraising expenses | 220 | 225 |
| Manitoba Charities Endorsement | 2023 \$ | 2022 \$ |
| Gross contributions | 2,407 | 2,992 |
| Gross gaming proceeds | 3 | — |
| Soliciting contributions expense [c] | 951 | 881 |
| [c] Soliciting contributions expense includes: | | |
| Fundraising expenses | 515 | 415 |
| Remuneration paid to employees | 388 | 405 |
| Third party fundraising expenses | 48 | 61 |

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.