

Financial Statements of

**NORTHERN LIGHTS REGIONAL
HEALTH FOUNDATION**

Year ended March 31, 2014



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Northern Lights Regional Health Foundation

We have audited the accompanying financial statements of Northern Lights Regional Health Foundation, which comprise the statement of financial position as at March 31, 2014, the statements of operations, changes in fund balances and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Basis for Qualified Opinion

In common with many not-for-profit organizations, Northern Lights Regional Health Foundation derives revenue from fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Northern Lights Regional Health Foundation. Therefore, we were not able to determine whether, as at and for the year ended March 31, 2014, any adjustments that might be necessary to fundraising activities revenues and deficiency of revenue over expenses reported in the statement of operations and statement of changes in fund balances, deficiency of revenue over expenses reported in the statement of cash flows and current assets and unrestricted assets reported in the statement of financial position.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Northern Lights Regional Health Foundation as at March 31, 2014, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a single horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Accountants

June 26, 2014
Edmonton, Canada

NORTHERN LIGHTS REGIONAL HEALTH FOUNDATION

Financial Statements

Year ended March 31, 2014

Financial Statements

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NORTHERN LIGHTS REGIONAL HEALTH FOUNDATION

Statement of Financial Position

March 31, 2014, with comparative information for 2013

	2014	2013
		[Restated - note 1(b)]
Assets		
Current assets:		
Cash	\$ 901,226	\$ 764,223
Prepaid expenses and deposits	9,992	2,181
Accounts receivable	228,411	235,044
	<u>1,139,629</u>	<u>1,001,448</u>
Other assets (note 2)	700,000	700,000
Investments (note 3)	4,343,031	5,436,480
Capital assets (note 4)	32,977	66,133
	<u>\$ 6,215,637</u>	<u>\$ 7,204,061</u>

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities (note 9)	\$ 540,163	\$ 1,054,565
Fund balances:		
Invested in capital assets	32,977	66,133
Externally restricted	3,090,626	2,867,541
Internally restricted (note 5)	2,124,313	2,746,811
Unrestricted	427,558	469,011
	<u>5,675,474</u>	<u>6,149,496</u>
	<u>\$ 6,215,637</u>	<u>\$ 7,204,061</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Member

_____ Member

NORTHERN LIGHTS REGIONAL HEALTH FOUNDATION

Statement of Operations

Year ended March 31, 2014, with comparative information for 2013

	Invested in Capital Assets	Externally restricted	Internally restricted	Unrestricted	Total 2014	Total 2013
						[Restated - note 1(b)]
Revenue:						
Fundraising activities	\$ -	\$ 556,354	\$ -	\$ 1,231,451	\$ 1,787,805	\$ 2,444,078
Investment income (note 7)	-	-	-	252,267	252,267	142,461
Donations	-	26,725	14,192	116,931	157,848	111,813
Gifts-in-kind (note 6)	-	-	-	135,521	135,521	79,711
	-	583,079	14,192	1,736,170	2,333,441	2,778,063
Expenditures:						
Fundraising activities	-	-	-	839,807	839,807	731,377
Salaries and benefits	-	-	-	826,174	826,174	569,650
Office and other	-	-	-	192,474	192,474	176,788
Amortization of capital assets	36,233	-	-	-	36,233	36,019
	36,233	-	-	1,858,455	1,894,688	1,513,834
Deficiency of revenue over expenses before the undernoted	(36,233)	583,079	14,192	(122,285)	438,753	1,264,229
Donations to Alberta Health Services (note 9)	-	366,158	546,181	436	912,775	1,577,945
Excess (deficiency) of revenues over expenses	\$ (36,233)	\$ 216,921	\$ (531,989)	\$ (122,721)	\$ (474,022)	\$ (313,716)

See accompanying notes to financial statements.

NORTHERN LIGHTS REGIONAL HEALTH FOUNDATION

Statement of Changes in Fund Balances

Year ended March 31, 2014, with comparative information for 2013

	Invested in capital assets	Externally restricted	Internally restricted	Unrestricted	2014 Total	2013 Total
						[Restated - note 1(b)]
Fund balances, beginning of year as previously reported [note 1 (b)]	\$ 66,133	\$ -	\$ 2,746,811	\$ 469,011	\$ 3,281,955	\$ 3,901,450
Restatement [note 1 (b)]	-	2,867,541	-	-	2,867,541	2,561,762
Fund balances, beginning of year as restated	66,133	2,867,541	2,746,811	469,011	6,149,496	6,463,212
Excess (deficiency) of revenue over expenditures	(36,233)	216,921	(531,989)	(122,721)	(474,022)	(313,716)
Purchase of capital assets	3,077	-	-	(3,077)	-	-
Transfers	-	6,164	(90,509)	84,345	-	-
Fund balances, end of year	\$ 32,977	\$ 3,090,626	\$ 2,124,313	\$ 427,558	\$ 5,675,474	\$ 6,149,496

See accompanying notes to financial statements.

NORTHERN LIGHTS REGIONAL HEALTH FOUNDATION

Statement of Cash Flows

Year ended March 31, 2014, with comparative information for 2013

	2014	2013
		[Restated - Note 1(b)]
Cash provided by (used in):		
Operations:		
Deficiency of revenues over expenses	\$ (474,022)	\$ (313,716)
Items not involving cash:		
Amortization of capital assets	36,233	36,020
Realized investment gains	(84,250)	-
Unrealized investment losses gains	(168,017)	(75,538)
Change in non-cash operating working capital:		
Increase (decrease) in prepaid expenses	(7,811)	4,748
Increase in accounts receivable	6,633	416,540
Increase (decrease) in accounts payable and accrued liabilities	(514,403)	743,674
	<u>(1,205,637)</u>	<u>811,728</u>
Investments:		
Redemptions (purchases) of investments, net	1,345,717	(1,035,122)
Purchases of capital assets	(3,077)	-
	<u>1,342,640</u>	<u>(1,035,122)</u>
Increase (decrease) in cash	137,003	(223,394)
Cash, beginning of year	764,223	987,617
Cash, end of year	<u>\$ 901,226</u>	<u>\$ 764,223</u>

See accompanying notes to financial statements.

NORTHERN LIGHTS REGIONAL HEALTH FOUNDATION

Notes to Financial Statements

Year ended March 31, 2014

Northern Lights Regional Health Foundation (the "Foundation") is incorporated under the Societies Act, Alberta as a non-profit charitable organization without share capital. Under the provisions of the Income Tax Act, the Foundation is exempt from income tax. The Foundation raises revenue to donate to Alberta Health Services to support operating and capital programs, primarily in the Regional Municipality of Wood Buffalo.

1. Significant accounting policies:

(a) Basis of presentation:

The Foundation follows Canadian accounting standards for not-for-profit organizations in Part III of the CICA Handbook.

(b) Change in accounting policies:

On April 1, 2013, the Foundation adopted the restricted fund method of accounting for contributions. Previously, the Foundation prepared its financial statements using the deferral method in accounting for contributions. Management has determined that the change in accounting policy provides reliable and more relevant information through additional disclosures and separate fund balances for each type of externally restricted contribution.

This change in accounting policy has been retrospectively adopted, and accordingly the 2013 comparative financial statements have been restated as follows:

	As previously reported	Increase (decrease)	As restated
<i>Financial Position</i>			
Deferred contributions	\$ 2,867,541	\$ (2,867,541)	\$ -
Externally restricted net assets as at April 1, 2012	-	2,561,762	2,561,762
Externally restricted net assets as at March 31, 2013	-	305,779	305,779
<i>Operations</i>			
Fundraising activities	\$ 2,138,299	\$ 305,779	\$ 2,444,078
Excess of revenue over expenditures	(619,495)	305,779	(313,716)

NORTHERN LIGHTS REGIONAL HEALTH FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

1. Significant accounting policies (continued):

(c) Fund accounting:

These financial statements are prepared on the restricted fund basis and include the following funds:

Invested in capital assets - consists of funds related to capital purchases recorded at cost, less accumulated amortization.

Externally restricted fund - consists of funds upon which restrictions have been imposed by the donor.

Internally restricted fund - consists of funds upon which restrictions have been imposed by the Board of Directors (the "Board"). These funds represent donations and income that were initially unrestricted but upon which the Board has placed restrictions for specific priority programs.

Unrestricted fund - consists of donations and investment income upon which no restrictions have been imposed by the donors or the Board. These funds are managed in accordance with general Board policies and may be internally restricted through Board motion.

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Foundation has elected to carry its fixed-income instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expenses as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest rate method.

NORTHERN LIGHTS REGIONAL HEALTH FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

1. Significant accounting policies (continued):

(d) Financial instruments (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its rights to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(e) Revenue recognition:

Restricted contributions are recognized as revenue of the externally restricted fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income is recognized as revenue of the unrestricted fund when earned.

(f) Contributed materials and services:

Contributed materials and services are recorded at fair value as gifts-in-kind when a fair value can be reasonably estimated. Contributed services of volunteers are not recognized in these financial statements as the fair value cannot be reasonably determined.

NORTHERN LIGHTS REGIONAL HEALTH FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

1. Significant accounting policies (continued):

(g) Capital assets:

Capital assets are recorded at cost, less accumulated amortization. Capital assets are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Rate
Equipment	5 years
Furniture and fixtures	10 years
Website and branding	3 years
Office improvements	3 years

(h) Other assets:

Other assets are stated at the lower of cost and net realizable value. Where other assets have been directly contributed, cost is determined to be the fair market value on the date of contribution.

(i) Use of estimates:

The preparation of the financial statements 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 date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amounts of capital assets and provisions for impairment of accounts receivable. Actual results could differ from those estimates.

2. Other assets:

On September 9, 2009, the Foundation received a specified donation of a residential property with a fair market value of \$700,000. The Foundation received instructions from the donor that the property must be used to support the physician residency program for 5 years from the date of the donation. On September 9, 2014, all restrictions imposed by the donor with respect to this donation will be removed.

NORTHERN LIGHTS REGIONAL HEALTH FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

3. Investments:

	2014		2013	
Cash and cash equivalents	\$	63,470	\$	48,807
Money market mutual funds		663,056		2,751,062
Guaranteed Investment Certificates (GICs)		2,565,583		1,104,018
Equities - Canadian		1,050,922		930,583
		4,343,031		4,834,470
Bonds at fair value - Corporate		-		602,010
	\$	4,343,031	\$	5,436,480

Cash and equivalents is represented by cash on deposit with the investment broker for future investment purchases.

GICs bear interest at a rate from 1.70% to 2.10% (2013 - 1.65% to 2.10%) maturing between September 25, 2014 and May 24, 2016.

Corporate bonds carried coupon rates of 1.10% to 6.09% with maturity dates from April 2014 to September 2037 and were sold during the year.

4. Capital assets:

	2014		2013	
	Cost	Accumulated amortization	Net book value	Net book value
Equipment	\$ 34,825	\$ 30,140	\$ 4,685	\$ 11,714
Furniture and fixtures	27,878	10,341	17,537	17,154
Website and branding	64,531	53,776	10,755	32,265
Office improvements	15,000	15,000	-	5,000
	\$ 142,234	\$ 109,257	\$ 32,977	\$ 66,133

NORTHERN LIGHTS REGIONAL HEALTH FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

5. Internally restricted net assets:

	Central monitoring system	Capital expenditures	Board internally restricted	Total 2014	Total 2013
Balance, beginning of year	\$ 632,751	\$ 114,060	\$ 2,000,000	\$ 2,746,811	\$ 3,360,582
Donations	-	-	14,192	14,192	-
Donations to Alberta Health Services	(523,133)	(23,049)	-	(546,182)	-
Internally imposed restriction by the board	-	70,534	-	70,534	454,401
Transfers to unrestricted net assets	(109,618)	(51,424)	-	(161,042)	(1,068,172)
Balance, end of year	\$ -	\$ 110,121	\$ 2,014,192	\$ 2,124,313	\$ 2,746,811

6. Gifts-in-kind:

During the year, the Foundation received gifts-in-kind from its suppliers and sponsors to support its fundraising activities in the amount of \$135,521 (2013 - \$79,711). Those amounts have been reflected as part of revenue with a corresponding amount being included as part of fundraising activities expense.

NORTHERN LIGHTS REGIONAL HEALTH FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

7. Investment income:

Investment income is comprised of the following:

	2014		2013	
Interest, dividends and realized gains	\$	84,250	\$	66,923
Unrealized investment gains		168,017		75,538
	\$	252,267	\$	142,461

8. Pledges:

The Foundation has total pledges outstanding of \$608,231 (2013 - \$829,405) of which \$50,900 (2013 - \$4,405) have been recognized at March 31, 2014 and are included in accounts receivable. The remaining pledges are scheduled to be received in future years.

9. Related party transactions:

The Foundation provided donations in the amount of \$912,775 (2013 - \$1,577,945) to Alberta Health Services during the year. Accounts payable and accrued liabilities includes an amount of \$153,317 (2013 - \$71,972) due to Alberta Health Services. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Accommodation, furnishings and certain other overhead costs incurred in the administration of the Foundation provided by Alberta Health Services are not reasonably estimable and consequently are not reflected in these financial statements.

NORTHERN LIGHTS REGIONAL HEALTH FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

10. Additional information to comply with the disclosure requirements of the Charitable Fund Raising Act and Regulations:

In 2014, \$504,337 (2013 - \$403,726) was paid to five (2013 - five) positions whose principal duties involved fundraising. The Foundation paid fees to businesses for fundraising activities amounting to \$nil (2013 - \$53,833).

11. Financial risks and concentration of risk:

Income and financial returns on investments are exposed to credit and price risks. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of the contract. Price risk is comprised of interest rate, and market risk. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

These risks are managed by the Foundation's investment policies, which prescribe the investment asset mix.

Changes in interest rates and credit ratings are the main cause of changes in the fair value of government securities and corporate bonds resulting in a favourable or unfavourable variance compared to book value. Credit risk is mitigated by investing in securities such that an average credit rating of A or better is achieved and diversifying the securities between government, government backed and corporate issuers. Interest rate risk is mitigated by managing maturity dates and payment frequency. The Foundation limits credit risk associated with other financial assets by dealing with counterparties that it believes are creditworthy.

The Foundation does not use derivative instruments to alter the effects of interest and market risks.