

Financial Statements of

**NORTHERN LIGHTS REGIONAL  
HEALTH FOUNDATION**

Year ended March 31, 2015



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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, 2015, 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, 2015, 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, 2015, 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 long, horizontal, slightly curved line that underlines the text.

Chartered Accountants

June 24, 2015  
Edmonton, Canada

# NORTHERN LIGHTS REGIONAL HEALTH FOUNDATION

## Financial Statements

Year ended March 31, 2015

### Financial Statements

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# NORTHERN LIGHTS REGIONAL HEALTH FOUNDATION

## Statement of Financial Position

March 31, 2015, with comparative information for 2014

	2015	2014
<b>Assets</b>		
Current assets:		
Cash	\$ 1,378,671	\$ 901,226
Accounts receivable	271,833	228,411
Prepaid expenses and deposits	98,716	9,992
Assets held for sale (note 2)	700,000	-
	2,449,220	1,139,629
Other assets (note 2)	-	700,000
Investments (note 3)	4,531,541	4,343,031
Capital assets (note 4)	99,132	32,977
	\$ 7,079,893	\$ 6,215,637

## Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities (note 9)	\$ 250,085	\$ 540,163
Fund balances:		
Invested in capital assets	99,132	32,977
Externally restricted	3,929,104	3,090,626
Internally restricted (note 5)	2,046,619	2,124,313
Unrestricted	754,953	427,558
	6,829,808	5,675,474
Commitments (note 11)		
	\$ 7,079,893	\$ 6,215,637

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, 2015, with comparative information for 2014

	Invested in capital assets	Externally restricted	Internally restricted	Unrestricted	Total 2015	Total 2014
<b>Revenue:</b>						
Fundraising activities	\$ -	\$ 1,339,264	\$ -	\$ 1,892,355	\$ 3,231,619	\$ 1,945,653
Investment income (note 7)	-	-	-	212,974	212,974	252,267
Gifts-in-kind (note 6)	-	-	-	109,477	109,477	135,521
	-	1,339,264	-	2,214,806	3,554,070	2,333,441
<b>Expenditures:</b>						
Fundraising activities	-	-	-	744,188	744,188	839,807
Salaries and benefits	-	-	-	870,504	870,504	826,174
Office and other	-	-	-	192,737	192,737	192,474
Amortization of capital assets	19,069	-	-	-	19,069	36,233
	19,069	-	-	1,807,429	1,826,498	1,894,688
Excess (deficiency) of revenue over expenses before the undernoted	(19,069)	1,339,264	-	407,377	1,727,572	438,753
Donations to Alberta Health Services (note 9)	-	500,786	72,452	-	573,238	912,775
<b>Excess (deficiency) of revenues over expenses</b>	<b>\$ (19,069)</b>	<b>\$ 838,478</b>	<b>\$ (72,452)</b>	<b>\$ 407,377</b>	<b>\$ 1,154,334</b>	<b>\$ (474,022)</b>

See accompanying notes to financial statements.

# NORTHERN LIGHTS REGIONAL HEALTH FOUNDATION

## Statement of Changes in Fund Balances

Year ended March 31, 2015, with comparative information for 2014

	Invested in capital assets	Externally restricted	Internally restricted	Unrestricted	2015 Total	2014 Total
Fund balances, beginning of year	\$ 32,977	\$ 3,090,626	\$ 2,124,313	\$ 427,558	\$ 5,675,474	\$ 6,149,496
Excess (deficiency) of revenue over expenditures	(19,069)	838,478	(72,452)	407,377	1,154,334	(474,022)
Purchase of capital assets	85,224	-	-	(85,224)	-	-
Transfers	-	-	(5,242)	5,242	-	-
<b>Fund balances, end of year</b>	<b>\$ 99,132</b>	<b>\$ 3,929,104</b>	<b>\$ 2,046,619</b>	<b>\$ 754,953</b>	<b>\$ 6,829,808</b>	<b>\$ 5,675,474</b>

See accompanying notes to financial statements.

# NORTHERN LIGHTS REGIONAL HEALTH FOUNDATION

## Statement of Cash Flows

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenues over expenses	\$ 1,154,334	\$ (474,022)
Items not involving cash:		
Amortization of capital assets	19,069	36,233
Realized investment gains	(200,341)	(84,250)
Unrealized investment loss (gain)	22,228	(168,017)
Unrealized foreign exchange gain	(34,861)	-
Change in non-cash operating working capital:		
Increase in prepaid expenses	(88,724)	(7,811)
Increase (decrease) in accounts receivable	(43,422)	6,633
Decrease in accounts payable and accrued liabilities	(290,078)	(514,403)
	538,205	(1,205,637)
Investments:		
Redemptions of investments, net of purchases	24,464	1,345,717
Purchases of capital assets	(85,224)	(3,077)
	(60,760)	1,342,640
Increase in cash	477,445	137,003
Cash, beginning of year	901,226	764,223
Cash, end of year	\$ 1,378,671	\$ 901,226

See accompanying notes to financial statements.



# NORTHERN LIGHTS REGIONAL HEALTH FOUNDATION

Notes to Financial Statements

Year ended March 31, 2015

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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) 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.

### (c) 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, 2015

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## 1. Significant accounting policies (continued):

### (c) 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.

### (d) 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.

### (e) 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.

### (f) 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:

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Asset	Useful life
Donor wall	15 years
Equipment	5 years
Furniture and fixtures	10 years
Office improvements	3 years
Website and branding	3 years

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# NORTHERN LIGHTS REGIONAL HEALTH FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

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## 1. Significant accounting policies (continued):

(g) 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.

(h) 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.

(i) Foreign currency translation:

Monetary items denominated in a foreign currency are translated to Canadian dollars at exchange rates in effect at the balance sheet date and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in income.

## 2. Assets held for sale:

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 were removed.

In 2014, the Board approved a motion authorizing the sale of the residential property. As of the date of the audit report, the residential property is held for sale by the Foundation.

# NORTHERN LIGHTS REGIONAL HEALTH FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

### 3. Investments:

	2015		2014	
Cash and cash equivalents	\$	646,031	\$	375,178
Money market mutual funds		243,864		351,348
Guaranteed Investment Certificates (GICs)		2,551,539		2,565,583
Equities – Canadian		897,164		1,050,922
Equities – United States		192,943		-
	\$	4,531,541	\$	4,343,031

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

GICs bear interest at a rate from 1.55% to 2.00% (2014 - 1.70% to 2.10%) maturing between May 19, 2015 and March 16, 2017.

Equities are comprised of publically traded equities in Canadian and American corporations.

### 4. Capital assets:

	2015		2014	
	Cost	Accumulated amortization	Net book value	Net book value
Donor wall	\$ 85,224	\$ 841	\$ 84,383	\$ -
Equipment	34,825	34,825	-	4,685
Furniture and fixtures	27,878	13,129	14,749	17,537
Office improvements	15,000	15,000	-	-
Website and branding	64,531	64,531	-	10,755
	\$ 227,458	\$ 128,326	\$ 99,132	\$ 32,977

# NORTHERN LIGHTS REGIONAL HEALTH FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

## 5. Internally restricted net assets:

	Capital expenditures	Board internally restricted	Total 2015	Total 2014
Balance, beginning of year	\$ 110,121	\$ 2,014,192	\$ 2,124,313	\$ 2,746,811
Donations	-	-	-	14,192
Donations to Alberta Health Services	(72,452)	-	(72,452)	(546,182)
Internally imposed restriction by the board	8,950	-	8,950	70,534
Transfers to unrestricted net assets	-	(14,192)	(14,192)	(161,042)
Balance, end of year	\$ 46,619	\$ 2,000,000	\$ 2,046,619	\$ 2,124,313

## 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 \$109,477 (2014 - \$135,521). 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, 2015

## 7. Investment income:

Investment income is comprised of the following:

	2015		2014	
Interest, dividends and realized gains	\$	200,341	\$	84,250
Unrealized investment (losses) gains		(22,228)		168,017
Unrealized foreign exchange gain		34,861		-
	\$	212,974	\$	252,267

## 8. Pledges:

The Foundation has total pledges outstanding of \$1,156,638 (2014 - \$608,231) of which \$3,424 (2014 - \$50,900) have been recognized at March 31, 2015 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 \$573,238 (2014 - \$912,775) to Alberta Health Services during the year. Accounts payable and accrued liabilities includes an amount of \$105,667 (2014 - \$153,317) 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.

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

In 2015, \$432,924 (2014 - \$504,337) was paid to five (2014 - five) positions whose principal duties involved fundraising. The Foundation paid fees to businesses for fundraising activities amounting to \$nil (2014 - \$nil).

## 11. Commitments:

During the year, the Foundation entered into a contract with a vendor to provide overall support at the Foundation's events including services relating to décor, set-up and tear down, as well as audio visual support. Total payments to be made under this contract is approximately as follows:

2016	\$	160,000
2017		160,000
2018		135,000
		<hr/>
		\$ 455,000

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## 12. 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.

## 13. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.