Financial Statements of

NORTHERN LIGHTS REGIONAL HEALTH FOUNDATION

Year ended March 31, 2018

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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, 2018, 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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Northern Lights Regional Health Foundation as at March 31, 2018, 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.

KPMG LLP

Chartered Professional Accountants

Edmonton, Canada
June 27, 2018

NORTHERN LIGHTS REGIONAL HEALTH FOUNDATION
Financial Statements

Year ended March 31, 2018

Financial Statements

NORTHERN LIGHTS REGIONAL HEALTH FOUNDATION

Statement of Financial Position

March 31, 2018, with comparative information for 2017

		2018		2017
Assets				
Current assets:				
Cash	$	792,242	$	954,685
Accounts receivable		175,350		147,287
Prepaid expenses and deposits		6,594		10,595
Other assets		-		112,861
		974,186		1,225,428
Investments (note 2)		8,889,642		8,294,275
Capital assets (note 3)		83,796		93,787
	$	9,947,624	$	9,613,490
Liabilities and Fund Balances				
Current liabilities:				
Accounts payable and accrued liabilities	$	192,588	$	227,012
Deferred revenue		15,000		176,500
		207,588		403,512
Fund balances:				
Invested in capital assets		83,796		93,787
Externally restricted		5,505,008		4,393,125
Internally restricted (note 4)		1,309,731		2,387,047
Unrestricted		2,841,501		2,336,019
		9,740,036		9,209,978
	$	9,947,624	$	9,613,490

Commitments (note 9)

Pledges (note 10)

See accompanying notes to financial statements.

On behalf of the Board:

______________________________ Director

______________________________ Director

NORTHERN LIGHTS REGIONAL HEALTH FOUNDATION

Statement of Operations

Year ended March 31, 2018, with comparative information for 2017

	Invested in capital assets	Externally restricted	Internally restricted	Unrestricted	Total 2018	Total 2017
Revenue:						
Fundraising activities	$ -	$ 1,469,724	$ -	$ 2,149,002	$ 3,618,726	$ 3,351,605
Investment income (note 6)	-	-	-	133,546	133,546	313,589
Gifts-in-kind (note 5)	-	-	-	167,225	167,225	97,241
	-	1,469,724	-	2,449,773	3,919,497	3,762,435
Expenditures:						
Fundraising activities	-	135,673	-	633,178	768,851	703,240
Salaries and benefits	-	-	-	904,481	904,481	818,161
Office and other	-	-	-	109,854	109,854	39,131
Amortization of capital assets	9,991	-	-	-	9,991	9,992
	9,991	135,673	-	1,647,513	1,793,177	1,570,524
Excess (deficiency) of revenue over expenditures before the undernoted	(9,991)	1,334,051	-	802,260	2,126,320	2,191,911
Donations to Alberta Health Services (note 7)	-	222,168	1,364,094	10,000	1,596,262	1,339,579
Excess (deficiency) of revenues over expenditures	$ (9,991)	$ 1,111,883	$ (1,364,094)	$ 792,260	$ 530,058	$ 852,332

See accompanying notes to financial statements.

NORTHERN LIGHTS REGIONAL HEALTH FOUNDATION

Statement of Changes in Fund Balances

Year ended March 31, 2018, with comparative information for 2017

	Invested in capital assets	Externally restricted	Internally restricted	Unrestricted	2018 Total	2017 Total
Fund balances, beginning of year	$ 93,787	$ 4,393,125	$ 2,387,047	$ 2,336,019	$ 9,209,978	$ 8,357,646
Excess (deficiency) of revenue over expenditures	(9,991)	1,111,883	(1,364,094)	792,260	530,058	852,332
Purchase of capital assets	-	-	-	-	-	-
Transfers	-	-	286,778	(286,778)	-	-
Fund balances, end of year	$ 83,796	$ 5,505,008	$ 1,309,731	$ 2,841,501	$ 9,740,036	$ 9,209,978

See accompanying notes to financial statements.

NORTHERN LIGHTS REGIONAL HEALTH FOUNDATION

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operations:		
Excess of revenues over expenses	$ 530,058	$ 852,332
Items not involving cash:		
Amortization of capital assets	9,991	9,992
Realized investment gains	(267,456)	(374,311)
Unrealized investment loss	133,910	66,704
Unrealized foreign exchange gain	-	(5,982)
Change in non-cash operating working capital:		
(Increase) decrease in accounts receivable	(28,063)	117,162
Decrease in prepaid expenses	4,001	2,818
Decrease (increase) in other assets	112,861	(23,326)
(Decrease) increase in accounts payable and accrued liabilities	(34,424)	(130,382)
(Decrease) increase in deferred revenue	(161,500)	121,000
	299,378	636,007
Investments:		
Purchases of investments, net	(461,821)	(872,151)
	(461,821)	(872,151)
Decrease in cash	(162,443)	(236,144)
Cash, beginning of year	954,685	1,190,829
Cash, end of year	$ 792,242	$ 954,685

See accompanying notes to financial statements.

Northern Lights Regional Health Foundation (the "Foundation") exists under the Provincial Health Legislation of 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 CPA 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 investments 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.

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.

Revenue from fundraising events is recognized on the date of the event.

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:

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

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.

2. Investments:

	2018	2017
Fixed Income:		
Government bonds	$ 3,340,324	$ 3,177,645
Corporate bonds	2,090,611	1,984,237
Mutual funds	1,607,651	1,829,108
Money market funds	1,419,258	904,610
Guaranteed investment certificates	201,202	200,119
	8,659,046	8,095,719
Equities:		
Canadian	19,923	13,160
Other:		
Real estate investment trusts	180,751	176,763
Cash and cash equivalents	29,922	8,633
	$ 8,889,642	$ 8,294,275

Government bonds carry coupon rates from 1.90% to 3.35% (2017 - 1.90% to 3.35%) and maturity dates of March 1, 2019 to March 15, 2028 (2017 - March 1, 2019 to June 1, 2027) and a principal amount of $3,460,408 (2017 - $3,201,957).

2. Investments (continued):

Corporate bonds carry coupon rates from 1.59% to 2.87% (2017 - 1.59% to 2.87%) and maturity dates of October 28, 2019 to July 18, 2023 (2017 - March 7, 2018 to July 18, 2023) and a principal amount of $2,137,524 (2017 - $1,984,346).

Guaranteed Investment Certificates (GICs) bear interest at a rate of 2.03% (2017 - 1.45%) maturing on March 5, 2019 (2017 - March 16, 2018).

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

3. Capital assets:

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Donor wall	$ 95,451	$ 19,932	$ 75,519	$ 81,882
Equipment	39,027	37,136	1,891	2,731
Furniture and fixtures	27,878	21,492	6,386	9,174
Office improvements	15,000	15,000	-	-
Website and branding	64,531	64,531	-	-
	$ 241,887	$ 158,091	$ 83,796	$ 93,787

4. Internally restricted fund balances:

		2018		2017
Second floor inpatient expansion	$	1,157,797	$	2,200,000
Medication pumps		86,526		-
Stryker power tools		31,199		-
Telehealth infrastructure		22,000		22,000
Janvier food security program		6,938		-
Waiting room seating		5,269		-
Other		2		11,000
MRI ankle coil		-		48,900
Myosure tissue removal system		-		44,080
Children’s navigator		-		32,318
Operating room c-arm		-		28,749
Balance, end of year	$	1,309,731	$	2,387,047

5. 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 $167,225 (2017 - $97,241). $157,225 of this amount has been reflected as part of revenue with a corresponding amount being included as part of fundraising activities expense; gifts-in-kind valued at $10,000 was donated to donee.

6. Investment income:

Investment income is comprised of the following:

		2018		2017
Interest, dividends and realized gains	$	267,456	$	374,311
Unrealized investment losses		(133,910)		(66,704)
Unrealized foreign exchange gain		-		5,982
	$	133,546	$	313,589

7. Related party transactions:

The Foundation provided donations in the amount of $1,596,262 (2017 - $1,339,579) to Alberta Health Services during the year. Accounts payable includes an amount of $48,648 (2017 - $61,343) 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.

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

In 2018, $632,461 (2017 - $438,235) was paid to six (2017 - nine) positions whose principal duties involved fundraising. The Foundation paid fees to businesses for fundraising activities amounting to $nil (2017 - $nil).

9. Commitments:

The Foundation has entered into two arrangements to provide long-term financial support for projects in the Wood Buffalo Area. The commitments will be fulfilled over a 2 year period once the construction project has commenced. As of March 31, 2018, the Foundation has accrued liabilities of $nil (2017 - $nil) related to these projects. The total commitments are as follows:

	Total commitments	Funded commitments	Unfunded commitments
Minimally Invasive Surgical Suites	$ 6,300,000	$ 1,744,809	$ 4,555,191
Palliative Care Suites	1,200,000	1,085,960	114,040

10. Pledges:

The Foundation has total pledges outstanding of $2,854,235 (2017 - $3,084,000) of which $50,000 (2017 - $28,500) have been recognized at March 31, 2018 and are included in accounts receivable. The remaining pledges are scheduled to be received in future years.

Pledges outstanding includes $2,614,000 related to the commitments disclosed in note 9, and will be received between 2019 and 2022.

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 favorable or unfavorable 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.

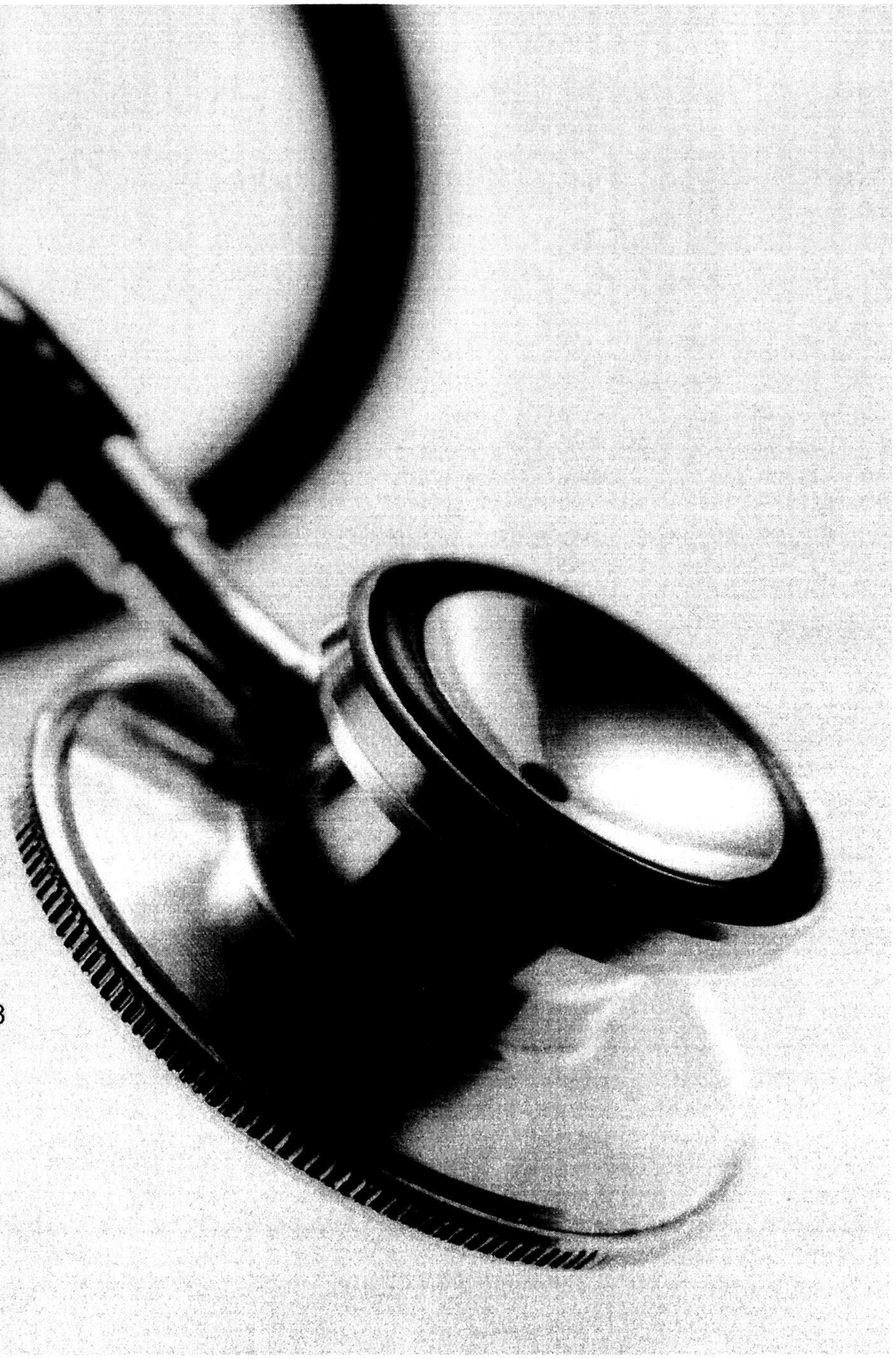
The Foundation does not use derivative instruments to alter the effects of interest and market risks.

12. Comparative information:

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

KPMG

Northern Lights Regional Health Foundation



Audit Findings Report

For the year ended March 31, 2018

Prepared for the meeting of the Audit Committee on June 20, 2018

kpmg.ca/audit

The contacts at KPMG in connection with this report are:

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Executive summary

Purpose of this report

The purpose of this Audit Findings Report is to assist you, as a member of the Audit Committee, in your review of the results of our audit of the financial statements of Northern Lights Regional Health Foundation ("the Foundation") as at and for the year ended March 31, 2018.

Changes from the Audit Plan

There have been no significant changes regarding our audit from prior years.

We calculated our planning materiality to be $275,000 based on 3% of prior year audited net assets of $9,209,978. We are satisfied that our audit materiality remains appropriate.

Areas of audit focus

We identified the following areas of audit focus:

- Presumed risk of management override of controls;
- Valuation of investments; and
- Presentation of revenue amounts subject to external restriction.

We are satisfied that our audit work has appropriately dealt with these areas of audit focus.

See pages 5 and 6 for further discussion.

Control and other observations

We did not identify any control deficiencies that we determined to be significant deficiencies in ICFR.

Executive summary (continued)

Finalizing the audit

As of June 20, 2018, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- Completing our discussions with the Audit Committee;
- Obtaining evidence of the Board's approval of the financial statements.

We will update the audit committee, and not solely the Chair (as required by professional standards), on significant matters, *if any*, arising from the completion of the audit, including the completion of the above procedures. Our auditors' report will be dated upon the completion of any remaining procedures.

Critical accounting estimates

Overall, we are satisfied with the reasonability of critical accounting estimates.

Independence

We are independent with respect to the Foundation within the meaning of the relevant rules and related interpretations prescribed by the professional bodies in Canada and any applicable legislation or regulation.

Significant accounting policies and practices

There have been no initial selections of, or changes to, significant accounting policies and practices to bring to your attention.

Significant accounting policies and practices are disclosed in Note 1 to the financial statements

Audit areas of focus

Inherent risk of material misstatement is the susceptibility of a balance or assertion to misstatement which could be material, individually or when aggregated with other misstatements, assuming that there are no related controls. We highlight our areas of audit focus and findings in respect of significant financial reporting risks.

Areas of audit focus	Why	Our response and significant findings
Completeness of revenue	The Foundation receives cash donations from fundraising activities. In common with many charitable organizations, there is a risk related to the completeness of these donations.	– We obtained an understanding of the Foundation's cash management practices. Over the course of the past two years, management has implemented changes to the control environment around cash handling, which has decreased the risk around the completeness of revenues recognized from cash donations. For example, under the updated policies, all cash is handled under dual custody and is stored in secure locations until deposited in the bank. This policy was first in place for the Foundation's 2017 fiscal year. – We also assessed the percentage and dollar value of donations which are received in cash throughout the year, noting that the quantity of cash donations received by the Foundation is considered insignificant. Additionally, we noted that over 66% of cash donations were received through two fundraising sources throughout the year (Festival of Trees and Jeremy Snook Raffle). As such, the opportunities for misappropriation of cash are limited in the Foundation's activities. – Based on the above, we have not modified the auditors' report for the year ended March 31, 2018, and therefore have included an unqualified audit opinion in the current period financial statements.
Valuation of investments	There is risk that investment assets are not appropriately reported at fair market value. Specifically, impairment of investments is not appropriately addressed and valuation adjustments are not recorded where appropriate.	– We obtained confirmations of the Foundation's holdings with ATB Investor Services, and noted no exceptions or errors. – We assessed the Foundation's calculation of the realized and unrealized changes in the fair value of investments for the appropriate accounting treatment. No findings were noted during our audit procedures.

Presentation of revenue amounts subject to external restrictions	The Foundation receives significant amounts from fundraising on an annual basis which have been restricted for use by donors. The Foundation needs to ensure that the amounts received are separately tracked and used for the donor's intended purpose, where applicable.	– We inspected the fund balances established in fiscal 2018 to determine if they have been accounted for in accordance with the underlying terms of reference for the related donations. – We inspected investment income allocated to funds during the year and recalculated the allocation in accordance with the Foundation's established policy. No significant findings were noted during our audit procedures.
Fraud risk from management override of controls *(Significant risk)*	This is a presumed fraud risk.	– Professional standards require certain procedures to be performed to address the presumed risk of management override of controls. – During the course of the audit, we performed testing over journal entries and other adjustments, performed a retrospective review of estimates and assessed the existence of any significant unusual transactions. No findings were noted during our audit procedures.

Adjustments and differences

Adjustments and differences identified during the audit have been categorized as “Corrected adjustments” or “Uncorrected differences”. These include disclosure adjustments and differences. Professional standards require that we request of management and the audit committee that all identified differences be corrected. We have already made this request of management.

Corrected adjustments

We did not identify any adjustments that were communicated to management and subsequently corrected in the financial statements.

Uncorrected differences

We did not identify differences that remain uncorrected.

Other observations

During the course of our audit, we identified observations that we believe may be of interest to the Audit Committee. Our observations may include comments on risks, and the Foundation's approach to those risks, performance improvement observations, or other industry trends and developments.

These observations are based on, among other things, our understanding of the policies and processes of the Foundation, as well as our understanding of many other organizations in the same or other industries.

The following is a summary of our observations and insights as discussed with management:

Item	Observation
Segregation of Duties	During the course of our audit, we noted that the individual responsible for the verification of the revenue receipts against the cash deposits is also responsible for depositing the amounts in the bank as well as preparing the bank reconciliation. In this circumstance, there is poor segregation of duties as the processes and internal control procedures are performed by the same individual. We further noted that deposits are made semi-monthly, on the15th and at the end of the month, which is infrequent and exposes the Foundation to risk of theft and/or misappropriation assets. Additionally, the Foundation does not have appropriate cross-training of financial duties. Employee vacations are planned to coordinate with financial duties, such that certain employees are the only individuals who perform these duties throughout the year. We recommend the Foundation appropriately segregate cash duties by assigning two different individuals to handle the deposit of the cash and the preparation of the bank reconciliation. We recommend the Foundation mitigate the risk of misappropriation by making more frequent cash deposits. Significant amounts of cash should be deposited immediately. Finally, we recommend the Foundation review cross-training across the entire team to ensure that appropriate cross-training is occurring, such that individuals can take vacation and duties can be performed by other team members in their absence.
Monthly investment accounting	For the year-ended March 31, 2018, the Foundation took over the monthly accounting for their investment portfolio. These duties were previously the responsibility of AHS. As part of our review of the investment activity, we reviewed the Foundation's processes and procedures, including a review of the tracking spreadsheet that is used on a monthly basis. At the request of management, we have assisted in streamlining the spreadsheet that generates the monthly accounting entries. The Foundation was previously using a spreadsheet provided by AHS. We noted that this spreadsheet incorporated transaction level detail for all of the Foundation's individual holdings. As this information is already available within the reports provided by ATB, there is no need to reproduce the same information on a monthly basis. We recommend that, on a monthly basis, the Foundation record a single journal entry to reflect changes in the cost base of their investments, sources of income (interest, dividends, realized gains) and changes in the fair value.

Appendices

Appendix 1: Required communications

In accordance with professional standards, there are a number of communications that are required during the course of and upon completion of our audit. These include:

- **Auditors' report** – the conclusion of our audit is set out in our draft auditors' report as attached as Appendix 1a.
- **Management representation letter** –In accordance with professional standards, copies of the management representation letter are provided to the Audit Committee. The management representation letter is attached as Appendix 1b.

Appendix 1a: Draft auditors' report

KPMG

KPMG LLP
2200, 10175 - 101 Street
Edmonton AB T5J 0H3
Canada
Telephone (780) 429-7300
Fax (780) 429-7379

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, 2018, 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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Northern Lights Regional Health Foundation as at March 31, 2018, 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.

Chartered Professional Accountants

Edmonton, Canada
DATE

Appendix 1b: Draft management representation letter

NORTHERN LIGHTS
Health Foundation

KPMG LLP
2200, 10175 – 101 Street
Edmonton, AB T5J 0H3
Canada

June 18, 2018

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the financial statements (hereinafter referred to as “financial statements”) of the Northern Lights Regional Health Foundation (“the Entity”) as at and for the period ended March 31, 2018.

General:

We confirm that the representations we make in this letter are in accordance with the definitions as set out in **Attachment I** to this letter.

We also confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Responsibilities:

1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated May 4, 2016, as amended May 9, 2017 for:

   a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework

   b) providing you with all relevant information, such as all financial records and related data, including the names of all related parties and information regarding all relationships and transactions with related parties, and complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements, and access to such relevant information

   c) such internal control as management determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Management also acknowledges and understands that they are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.

   d) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.

Internal control over financial reporting:

2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which management is aware.

Fraud & non-compliance with laws and regulations:

3) We have disclosed to you:

   a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud

   b) all information in relation to fraud or suspected fraud that we are aware of and that affects the Entity and involves: management, employees who have significant roles in internal control, or others, where the fraud could have a material effect on the financial statements

   c) all information in relation to allegations of fraud, or suspected fraud, affecting the Entity's financial statements, communicated by employees, former employees, analysts, regulators, or others

   d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements

   e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements

Commitments & contingencies:

4) There are no:

   a) other liabilities that are required to be recognized and no other contingent assets or contingent liabilities that are required to be disclosed in the financial statements in accordance with the relevant financial reporting framework, including liabilities or contingent liabilities arising from illegal acts or possible illegal acts, or possible violations of human rights legislation

   b) guarantees, whether written oral, under which the entity is contingently liable.

Subsequent events:

5) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

Related parties:

6) We have disclosed to you the identity of the Entity's related parties.

7) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.

8) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

Estimates:

9) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

Non-SEC registrants or non-reporting issuers:

10) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002). We also confirm that the financial statements of the Entity will not be included in the consolidated financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

Other information:

11) We confirm that the final version of the 2018 Annual Report will be provided to you when available, and prior to issuance by the Entity, to enable you to complete your audit procedures in accordance with professional standards.

Assets and liabilities – general:

12) We have no knowledge of material unrecorded assets or liabilities or contingent assets or liabilities (such as claims related to patent infringements, unfulfilled contracts, etc., whose values depend on fulfillment of conditions regarded as uncertain or receivables sold or discounted, endorsements or guarantees, additional taxes for prior years, repurchase agreements, sales subject to renegotiation or price re-determination, etc.) that have not been disclosed to you.

13) We have no knowledge shortages that have been discovered and not disclosed to you (such as shortages in inventory, cash, negotiable instruments, etc.).

14) We have no knowledge of arrangements with financial institutions involving restrictions on cash balances and lines of credit or similar arrangements not disclosed to you.

Current assets and current liabilities – presentation and disclosure:

15) Current assets include only amounts that are realizable within one year from the date of the balance sheet.

16) Current liabilities include only amounts payable within one year from the date of the balance sheet.

17) We have no knowledge of arrangements with financial institutions involving restrictions on cash balances and lines of credit or similar arrangements not disclosed to you.

Contractual agreements:

18) The Foundation has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of non-compliance.

Measurement uncertainty:

19) There are no material measurement uncertainties that require disclosure in the financial statements, either in nature or extent that are not appropriately disclosed in the financial statements.

Comparative figures/financial statements:

20) We have no knowledge of any significant matters that may have arisen that would require a restatement of the comparative figures/financial statements.

Yours very truly,

____

Cindy Amerongen, Executive Director

I have recognized authority to take, and assert that I have taken, responsibility for the financial statements

cc: Audit Committee

Attachment I – Definitions

Materiality

Certain representations in this letter are described as being limited to matters that are material. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both.

Fraud & error

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Related parties

In accordance with Canadian accounting standards for not-for-profit organizations, *related party* is defined as:

- when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control or common significant influence. Two not-for-profit organizations are related parties if one has an economic interest in the other. Related parties also include management and immediate family members

In accordance with Canadian accounting standards for not-for-profit organization, a *related party transaction* is defined as:

- is a transfer of economic resources or obligations between related parties, or the provision of services by one party to a related party, regardless of whether any consideration is exchanged. The parties to the transaction are related prior to the transaction. When the relationship arises as a result of the transaction, the transaction is not one between related parties.

Appendix 2: Risks in the Boardroom

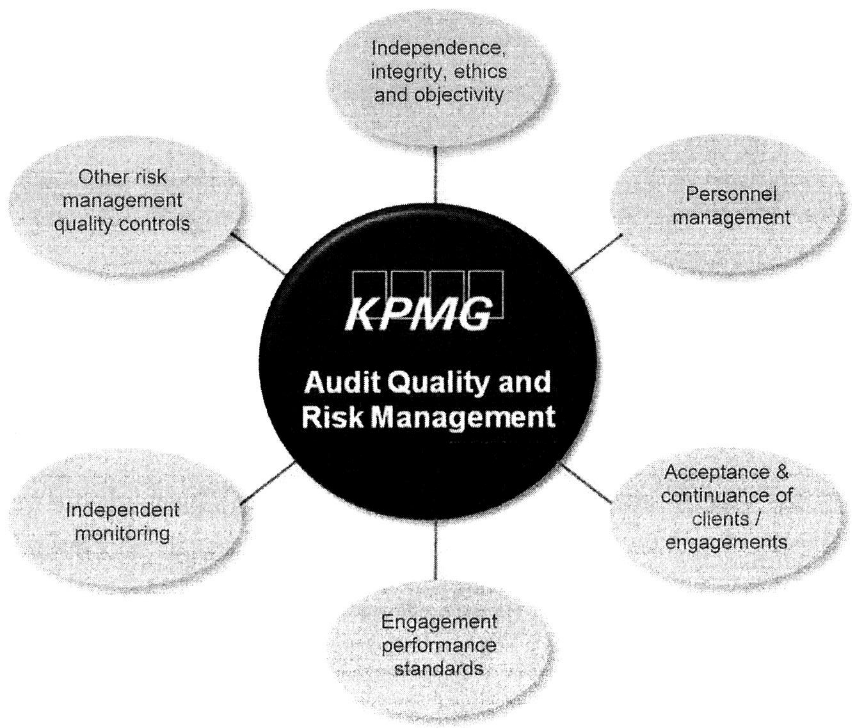
Appendix 3: Charities and the CRA

Appendix 4: Audit Quality and Risk Management

KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards. Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarises the six key elements of our quality control systems.

Visit our Audit Quality Resources page for more information including access to our audit quality report, Audit quality: Our hands-on process.

- Other controls include:
  - Before the firm issues its audit report, the Engagement Quality Control Reviewer reviews the appropriateness of key elements of publicly listed client audits.
  - Technical department and specialist resources provide real-time support to audit teams in the field.
- We conduct regular reviews of engagements and partners. Review teams are independent and the work of every audit partner is reviewed at least once every three years.
- We have policies and guidance to ensure that work performed by engagement personnel meets applicable professional standards, regulatory requirements and the firm's standards of quality.
- All KPMG partners and staff are required to act with integrity and objectivity and comply with applicable laws, regulations and professional standards at all times.



- We do not offer services that would impair our independence.
- The processes we employ to help retain and develop people include:
  - Assignment based on skills and experience;
  - Rotation of partners;
  - Performance evaluation;
  - Development and training; and
  - Appropriate supervision and coaching.
- We have policies and procedures for deciding whether to accept or continue a client relationship or to perform a specific engagement for that client.
- Existing audit relationships are reviewed annually and evaluated to identify instances where we should discontinue our professional association with the client.

Appendix 5: Background and professional standards

Internal control over financial reporting

As your auditors, we are required to obtain an understanding of internal control over financial reporting (ICFR) relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on internal control. Accordingly, we do not express an opinion on the effectiveness of internal control.

Our understanding of ICFR was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies and therefore, there can be no assurance that all significant deficiencies and other control deficiencies have been identified. Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors.

The control deficiencies communicated to you are limited to those control deficiencies that we identified during the audit.

Documents containing or referring to the audited financial statements

We are required by our professional standards to read only documents containing or referring to audited financial statements and our related auditors' report that are available through to the date of our auditors' report. The objective of reading these documents through to the date of our auditors' report is to identify material inconsistencies, if any, between the audited financial statements and the other information. We also have certain responsibilities, if on reading the other information for the purpose of identifying material inconsistencies, we become aware of an apparent material misstatement of fact.

We are also required by our professional standards when the financial statements are translated into another language to consider whether each version, available through to the date of our auditors' report, contains the same information and carries the same meaning.

kpmg.ca/audit