

Financial Statements of

**NORTHERN LIGHTS REGIONAL  
HEALTH FOUNDATION**

Year ended March 31, 2017



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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, 2017, 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, 2017, 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

June 20, 2017  
Edmonton, Canada

# NORTHERN LIGHTS REGIONAL HEALTH FOUNDATION

## Financial Statements

Year ended March 31, 2017

### Financial Statements

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# NORTHERN LIGHTS REGIONAL HEALTH FOUNDATION

## Statement of Financial Position

March 31, 2017, with comparative information for 2016

	2017	2016
<b>Assets</b>		
Current assets:		
Cash	\$ 954,685	\$ 1,190,829
Accounts receivable	147,287	264,449
Prepaid expenses and deposits	10,595	13,413
Other assets	112,861	89,535
	1,225,428	1,558,226
Investments (note 2)	8,294,275	7,108,535
Capital assets (note 3)	93,787	103,779
	\$ 9,613,490	\$ 8,770,540

## Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities	\$ 227,012	\$ 357,394
Deferred revenue	176,500	55,500
	403,512	412,894
Fund balances:		
Invested in capital assets	93,787	103,779
Externally restricted	4,393,125	4,064,678
Internally restricted (note 4)	2,387,047	3,017,867
Unrestricted	2,336,019	1,171,322
	9,209,978	8,357,646
	\$ 9,613,490	\$ 8,770,540

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, 2017, with comparative information for 2016

	Invested in capital assets	Externally restricted	Internally restricted	Unrestricted	Total 2017	Total 2016
<b>Revenue:</b>						
Fundraising activities	\$ -	\$ 1,195,842	\$ -	\$ 2,155,763	\$ 3,351,605	\$ 3,789,208
Investment income (note 6)	-	907	-	312,682	313,589	18,494
Gifts-in-kind (note 5)	-	-	-	97,241	97,241	85,543
	-	1,196,749	-	2,565,686	3,762,435	3,893,245
<b>Expenditures:</b>						
Fundraising activities	-	106,603	-	596,637	703,240	862,091
Salaries and benefits	-	-	-	818,161	818,161	810,350
Office and other	-	-	-	39,131	39,131	218,839
Amortization of capital assets	9,992	-	-	-	9,992	9,782
	9,992	106,603	-	1,453,929	1,570,524	1,901,062
Excess (deficiency) of revenue over expenses before the undernoted	(9,992)	1,090,146	-	1,111,757	2,191,911	1,992,183
Donations to Alberta Health Services (note 7)	-	743,152	596,427	-	1,339,579	464,345
Excess (deficiency) of revenues over expenses	\$ (9,992)	\$ 346,994	\$ (596,427)	\$ 1,111,757	\$ 852,332	\$ 1,527,838

See accompanying notes to financial statements.

# NORTHERN LIGHTS REGIONAL HEALTH FOUNDATION

## Statement of Changes in Fund Balances

Year ended March 31, 2017, with comparative information for 2016

	Invested in capital assets	Externally restricted	Internally restricted	Unrestricted	2017 Total	2016 Total
Fund balances, beginning of year	\$ 103,779	\$ 4,064,678	\$ 3,017,867	\$ 1,171,322	\$ 8,357,646	\$ 6,829,808
Excess (deficiency) of revenue over expenditures	(9,992)	346,994	(596,427)	1,111,757	852,332	1,527,838
Purchase of capital assets	-	-	-	-	-	-
Transfers	-	(18,547)	(34,393)	52,940	-	-
Fund balances, end of year	\$ 93,787	\$ 4,393,125	\$ 2,387,047	\$ 2,336,019	\$ 9,209,978	\$ 8,357,646

See accompanying notes to financial statements.

# NORTHERN LIGHTS REGIONAL HEALTH FOUNDATION

## Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operations:		
Excess of revenues over expenses	\$ 852,332	\$ 1,527,838
Items not involving cash:		
Amortization of capital assets	9,992	9,782
Realized investment gains	(374,311)	(128,481)
Unrealized investment loss	66,704	126,304
Unrealized foreign exchange gain	(5,982)	(5,683)
Realized gain on asset held for sale	-	(10,634)
Change in non-cash operating working capital:		
Decrease in accounts receivable	117,162	7,384
Decrease in prepaid expenses	2,818	85,303
Increase in other assets	(23,326)	(89,535)
(Decrease) increase in accounts payable and accrued liabilities	(130,382)	107,309
Increase in deferred revenue	121,000	55,500
	636,007	1,685,087
Investments:		
Purchases of investments, net	(872,151)	(2,569,134)
Purchases of capital assets	-	(14,429)
Proceeds on sale of asset held for resale	-	710,634
	(872,151)	(1,872,929)
Decrease in cash	(236,144)	(187,842)
Cash, beginning of year	1,190,829	1,378,671
Cash, end of year	\$ 954,685	\$ 1,190,829

See accompanying notes to financial statements.



# NORTHERN LIGHTS REGIONAL HEALTH FOUNDATION

## Notes to Financial Statements

Year ended March 31, 2017

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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 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, 2017

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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.

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

# NORTHERN LIGHTS REGIONAL HEALTH FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

## 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:

	2017	2016
Fixed Income:		
Government bonds	\$ 3,177,645	\$ -
Corporate bonds	1,984,237	-
Guaranteed Investment Certificates	200,119	1,232,782
	5,362,001	1,232,782
Equities, measured at fair value:		
Money market mutual funds	904,610	229,009
Equities – Canadian	13,160	892,258
Equities – United States	-	179,158
Trust Units	176,763	-
	1,094,533	1,300,425
Cash and cash equivalents	1,837,741	4,575,328
	\$ 8,294,275	\$ 7,108,535

Government bonds carry coupon rates from 1.90% to 3.35% and maturity dates of March 1, 2019 to June 1, 2027 and a principal amount of \$3,201,957.

Corporate bonds carry coupon rates from 1.59% to 2.87% and maturity dates of March 7, 2018 to July 18, 2023 and a principal amount of \$1,984,346.

Guaranteed Investment Certificates (GICs) bear interest at a rate of 1.45% (2016 - 1.55% to 2.00%) maturing on March 16, 2018 (2016 – between May 16, 2016 and March 16, 2017).

# NORTHERN LIGHTS REGIONAL HEALTH FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

## 2. Investments (continued):

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

## 3. Capital assets:

	2017		2016	
	Cost	Accumulated amortization	Net book value	Net book value
Donor wall	\$ 95,450	\$ 13,568	\$ 81,882	\$ 88,245
Equipment	39,027	36,296	2,731	3,572
Furniture and fixtures	27,878	18,704	9,174	11,962
Office improvements	15,000	15,000	-	-
Website and branding	64,531	64,531	-	-
	<b>\$ 241,886</b>	<b>\$ 148,099</b>	<b>\$ 93,787</b>	<b>\$ 103,779</b>

## 4. Internally Restricted Fund Balance Investments:

	2017	2016
Second floor inpatient expansion	\$ 2,200,000	\$ 2,200,000
MRI ankle coil	48,900	-
Myosure tissue removal system	44,080	-
Children's navigator	32,318	-
Operating room c-arm	28,749	225,000
Telehealth infrastructure	22,000	-
Other	11,000	17,203
Spinal surgery instruments	-	291,596
Fifth floor flooring	-	214,414
FMM recovery centre gym floor	-	35,586
Vital signs monitor wall systems	-	34,068
Balance, end of year	<b>\$ 2,387,047</b>	<b>\$ 3,017,867</b>

## 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 \$97,241 (2016 - \$85,543). 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, 2017

## 6. Investment income:

Investment income is comprised of the following:

	2017	2016
Interest, dividends and realized gains	\$ 374,311	\$ 128,481
Unrealized investment losses	(66,704)	(126,304)
Unrealized foreign exchange gain	5,982	5,683
Realized gain on sale of assets held for sale	-	10,634
	\$ 313,589	\$ 18,494

## 7. Related party transactions:

The Foundation provided donations in the amount of \$1,339,579 (2016 - \$464,345) to Alberta Health Services during the year. Accounts payable includes an amount of \$61,343 (2016 - \$13,113) 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 2017, \$438,235 (2016 - \$418,910) was paid to nine (2016 - seven) positions whose principal duties involved fundraising. The Foundation paid fees to businesses for fundraising activities amounting to \$nil (2016 - \$35,875).

# NORTHERN LIGHTS REGIONAL HEALTH FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

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## 9. Commitments:

In 2015, 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. The agreement expires December 1, 2017 and future payments to be made under this contract are \$135,000.

The Foundation has entered into two arrangement 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, 2017, the Foundation has accrued liabilities of \$nil (2016 - \$nil) related to these projects. The total commitments are as follows:

	Total commitments	Funded commitments	Unfunded commitments
Minimally Invasive Surgical Suites	\$ 6,300,000	\$ 1,249,370	\$ 5,050,630
Palliative Care Suites	1,200,000	812,196	387,804

## 10. Pledges:

The Foundation has total pledges outstanding of \$3,084,000 (2016 - \$3,661,662) of which \$28,500 (2016 - \$nil) have been recognized at March 31, 2017 and are included in accounts receivable. The remaining pledges are scheduled to be received in future years.

Pledges outstanding includes \$1,720,000 related to the commitments disclosed in note 9, and will be received between 2017 and 2021.

# NORTHERN LIGHTS REGIONAL HEALTH FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

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## 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.