

Financial Statements of

**NORTHERN LIGHTS REGIONAL  
HEALTH FOUNDATION**

Year ended March 31, 2011

# **NORTHERN LIGHTS REGIONAL HEALTH FOUNDATION**

## **Financial Statements**

**Year ended March 31, 2011**

## **Financial Statements**

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## **INDEPENDENT AUDITORS' REPORT**

To the Members of the Board of Northern Lights Regional Health Foundation

We have audited the accompanying financial statements of Northern Lights Regional Health Foundation ("the Foundation"), which comprise the statement of financial position as at March 31, 2011, the statements of operations and changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Managements's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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 charitable organizations, the Foundation derives revenue from fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether, as at and for the years ended March 31, 2011 and March 31, 2010, any adjustments might be necessary to fundraising activities revenue and excess of revenue over expenditures reported in the statements of operations and changes in net assets, and unrestricted net 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 the Foundation as at March 31, 2011 and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*KPMG LLP*  

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Chartered Accountants

Edmonton, Canada  
June 23, 2011

# NORTHERN LIGHTS REGIONAL HEALTH FOUNDATION

## Statement of Financial Position

March 31, 2011, with comparative figures for 2010

	2011	2010
<b>Assets</b>		
<b>Current assets:</b>		
Cash	\$ 1,071,961	\$ 1,484,991
Prepaid expenses	36,554	-
Accounts receivable (note 2)	371,939	312,559
	<u>1,480,454</u>	<u>1,797,550</u>
Other assets (note 3)	700,000	700,000
Investments (note 4)	5,936,819	4,254,742
Capital assets (note 5)	62,885	52,945
	<u>\$ 8,180,158</u>	<u>\$ 6,805,237</u>

## Liabilities and Net Assets

<b>Current liabilities:</b>		
Accounts payable and accrued liabilities (note 9)	\$ 335,140	\$ 325,110
Deferred contributions (note 6)	2,930,200	2,439,538
	<u>3,265,340</u>	<u>2,764,648</u>
<b>Net assets:</b>		
Investment in capital assets	62,885	52,945
Internally restricted (note 7)	3,398,176	2,636,854
Unrestricted	1,453,757	1,350,790
	<u>4,914,818</u>	<u>4,040,589</u>
	<u>\$ 8,180,158</u>	<u>\$ 6,805,237</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, 2011, with comparative figures for 2010

	2011	2010
<b>Revenue:</b>		
Fundraising activities	\$ 1,370,907	\$ 1,190,859
Unspecified donations	852,326	300,261
Specified donations - externally restricted (note 6)	106,032	131,606
Specified donations - internally restricted (note 7)	400,000	400,000
Investment income (note 8)	206,113	177,448
Non-monetary subsidy (note 9)	-	583,931
	<u>2,935,378</u>	<u>2,784,105</u>
<b>Expenditures:</b>		
Salaries and benefits	519,345	583,704
Fundraising activities	517,889	510,885
Office and other	262,976	190,697
Amortization of capital assets	9,509	2,232
	<u>1,309,719</u>	<u>1,287,518</u>
Excess of revenue over expenditures before the undemoted	1,625,659	1,496,587
Donations to Alberta Health Services (note 9)	751,430	283,514
<b>Excess of revenue over expenditures</b>	<b>\$ 874,229</b>	<b>\$ 1,213,073</b>

See accompanying notes to financial statements.

# NORTHERN LIGHTS REGIONAL HEALTH FOUNDATION

## Statement of Changes in Net Assets

Year ended March 31, 2011, with comparative figures for 2010

	Investment in capital assets	Internally restricted	Unrestricted	2011	2010
Balance, beginning of year	\$ 52,945	\$ 2,636,854	\$ 1,350,790	\$ 4,040,589	\$ 2,827,516
Excess (deficiency) of revenue over expenditures	(9,509)	-	883,738	874,229	1,213,073
Investment in capital assets	19,449	-	(19,449)	-	-
Internal restrictions, net (note 7)	-	761,322	(761,322)	-	-
<b>Balance, end of year</b>	<b>\$ 62,885</b>	<b>\$ 3,398,176</b>	<b>\$ 1,453,757</b>	<b>\$ 4,914,818</b>	<b>\$ 4,040,589</b>

See accompanying notes to financial statements.

# NORTHERN LIGHTS REGIONAL HEALTH FOUNDATION

## Statement of Cash Flows

Year ended March 31, 2011, with comparative figures for 2010

	2011	2010
Cash provided by (used in):		
Operations:		
Excess of revenue over expenditures	\$ 874,229	\$ 1,213,073
Items not involving cash:		
Amortization of capital assets	9,509	2,232
Unrealized investment gains	(96,697)	(104,852)
Change in non-cash operating working capital:		
Increase in prepaid expenses	(36,554)	-
Increase in accounts receivable	(59,380)	(65,784)
Increase in accounts payable and accrued liabilities	10,030	224,679
Increase in deferred contributions	490,662	178,196
	<u>1,191,799</u>	<u>1,447,544</u>
Investments:		
Purchase of investments, net	(1,585,380)	(758,135)
Purchase of capital assets	(19,449)	(55,177)
	<u>(1,604,829)</u>	<u>(813,312)</u>
Increase (decrease) in cash	(413,030)	634,232
Cash, beginning of year	1,484,991	850,759
Cash, end of year	<u>\$ 1,071,961</u>	<u>\$ 1,484,991</u>

See accompanying notes to financial statements.

# NORTHERN LIGHTS REGIONAL HEALTH FOUNDATION

Notes to Financial Statements

Year ended March 31, 2011

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## **Authority and purpose of the Foundation:**

Northern Lights Regional Health Foundation ("Foundation") raises revenue to donate to Alberta Health Services to support operating and capital programs, primarily in the Regional Municipality of Wood Buffalo. The Foundation is established under the laws of Alberta and is exempt from paying income taxes under the Income Tax Act.

## **1. Significant accounting policies and reporting practices:**

### **(a) Financial instruments and risk management:**

Cash and investments are classified as held for-for-trading and are measured at fair value. Accounts receivable are classified as loans and receivables and after initial fair value measurement are measured at amortized cost using the effective interest rate method. Accounts payable and accrued liabilities are classified as other financial liabilities and after initial fair value measurement are measured at amortized cost using the effective interest rate method.

Transaction costs are recognized immediately in the statement of operations. Trade-date basis of accounting is used for financial instruments.

The Foundation, as a not-for-profit organization has elected to exclude the application of Section 3855 of the CICA Handbook for contracts to buy or sell non-financial items and embedded derivatives within these contracts and for embedded derivatives within lease and insurance contracts. In addition, the Foundation has elected not to adopt CICA Handbook Section 3862 "Financial Instruments - Disclosures" and Section 3863 "Financial Instruments - Presentation", and has instead continued to disclose its financial instruments under Section 3861 "Financial Instruments - Disclosure and Presentation."

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, foreign exchange and market risk. Interest rate risk relates to the possibility that the investments will change in value due to fluctuations in market interest rates. Foreign exchange risk relates to the possibility that the investments will change due to fluctuations in foreign currencies. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

# NORTHERN LIGHTS REGIONAL HEALTH FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2011

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## 1. Significant accounting policies and reporting practices (continued):

### (a) Financial instruments and risk management (continued):

These risks are managed by the Foundation's investment policies, which prescribe the investment asset mix including the degree of liquidity and concentration and the amount of foreign content.

Given the significance of the Foundation's investments, it has significant exposure to market risks from changes in interest rates, market prices and currency changes. Changes in interest rates and credit ratings are the main causes of changes in the fair value of government securities and corporate bonds resulting in 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 the market, interest or foreign exchange fluctuations which affect its investments.

### (b) Revenue recognition:

The Foundation follows the deferral method of accounting for contributions. Externally restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. 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 certain fundraising activities is restricted for specified purposes. The fundraising costs related to these events are deferred until the completion of the event. When the event is completed, the costs are recognized as fundraising expenses. Revenue from restricted fundraising events is recognized to the extent that fundraising expenditures are incurred when the event is completed. The remaining fundraising revenue is recognized in the year the specified expenditure is incurred.

Investment income includes interest, dividends and realized and unrealized investment gains and losses. Restricted investment income is recognized as revenue in the year in which the related expenditures are incurred. Unrestricted investment income is recognized as revenue when earned.

# NORTHERN LIGHTS REGIONAL HEALTH FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2011

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## 1. Significant accounting policies and reporting practices (continued):

### (c) Contributed materials and services:

Materials and services contributed to the Foundation are recorded at fair value as a non-monetary subsidy. Other contributions of materials and services are recorded at fair value when they would have otherwise been purchased and when a fair value can be reasonably estimated. Contributed services of volunteers are not recognized in these financial statement as their fair value cannot be reasonably determined.

### (d) Pledges:

Pledges receivable are recognized as an asset when the amount to be received can be reasonably estimated and when collection is reasonably assured.

### (e) Capital assets:

Capital assets are recorded at cost less accumulated amortization and are amortized at the following rates:

Asset	Basis	Rate
Equipment	Straight-line	5 years
Furniture and fixtures	Straight-line	10 years
Office improvements	Straight-line	3 years

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### (f) 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 the contribution.

### (g) Use of estimates:

The preparation of 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 revenues and expenses during the year. Actual results could differ from those estimates.

# NORTHERN LIGHTS REGIONAL HEALTH FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2011

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**1. Significant accounting policies and reporting practices (continued):**

**(h) Capital management:**

The Foundation's objectives when managing capital are to safeguard the Foundation's ability to continue as a going concern so that it can continue to provide support and assistance to Alberta Health Services. In order to maintain or adjust the capital structure, management looks forward to future needs and will recommend changes to the levels of support and assistance provided or adjustment of the investment portfolio mix.

**2. Accounts receivable:**

The Foundation has total pledges outstanding of \$3,256,000 of which \$51,000 (2010 - \$111,250) has been recognized at March 31, 2011 and are included in accounts receivable. The remaining pledges are scheduled to be received in future years.

**3. 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 donation will be used to support the physician residency program and the full amount is restricted for this use for 5 years from the date of the donation. On September 9, 2014, all restrictions imposed on the Foundation with respect to this donation will be removed. The Foundation intends to rent the residential property on a cost recovery basis to physicians working for Alberta Health Services in the Regional Municipality of Wood Buffalo. The full amount of the specified donation remains in deferred contributions as at March 31, 2011.

# NORTHERN LIGHTS REGIONAL HEALTH FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2011

#### 4. Investments:

	2011	2010
Marketable securities:		
Fixed income	\$ 4,910,225	\$ 3,348,935
Equities - Canadian	994,040	894,866
Accrued investment income	32,554	10,941
	<b>\$ 5,936,819</b>	<b>\$ 4,254,742</b>

Fixed income investments earn interest at rates ranging from 1.65% to 5.25% (2010 - 1.3% to 4.4%) and have maturity dates ranging from June 7, 2011 to June 7, 2012.

#### 5. Capital assets:

	2011		2010	
	Cost	Accumulated amortization	Net book value	Net book value
Equipment	\$ 34,825	\$ 9,054	\$ 25,771	\$ 28,351
Furniture and fixtures	24,801	2,687	22,114	24,594
Office improvements	15,000	-	15,000	-
	<b>\$ 74,626</b>	<b>\$ 11,741</b>	<b>\$ 62,885</b>	<b>\$ 52,945</b>

# NORTHERN LIGHTS REGIONAL HEALTH FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2011

## 6. Deferred contributions:

Deferred contributions represent unspent externally restricted resources. Changes in the deferred contribution balance are as follows:

	Specified donations	Specified fundraising activities	Bingo, casino and lottery	Total 2011	Total 2010
Balance, beginning of year	\$ 2,079,761	\$ 338,147	\$ 21,630	\$ 2,439,538	\$ 1,561,342
Specified donations	595,934	6,000	-	601,934	1,004,223
Bingo, casino and lottery revenue	-	-	52,619	52,619	14,486
Amounts recognized as revenue in the year	(106,032)	-	(57,859)	(163,891)	(140,513)
	\$ 2,569,663	\$ 344,147	\$ 16,390	\$ 2,930,200	\$ 2,439,538

## 7. Internally restricted net assets:

	Central monitoring system	Capital expenditures	Specified donations	Total 2011
Balance, beginning of year	\$ 1,161,854	\$ 675,000	\$ 800,000	\$ 2,636,854
Internally imposed restrictions by the Board of Directors	-	1,036,322	400,000	1,436,322
Transfer to unrestricted net assets	-	(675,000)	-	(675,000)
Balance, end of year	\$ 1,161,854	\$ 1,036,322	\$ 1,200,000	\$ 3,398,176

# NORTHERN LIGHTS REGIONAL HEALTH FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2011

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## 7. Internally restricted net assets (continued):

Amounts included in internally restricted net assets for capital expenditures have been restricted by the Foundation's board of directors to purchase specific medical equipment. During the year, the board of directors authorized a transfer of \$675,000 to support the purchase of anaesthesia machines by Alberta Health Services.

In 2009, Suncor Energy Foundation ("Suncor") pledged to donate \$2,000,000 to the Foundation for its general use. During the year, the Foundation received \$400,000 (total received to date - \$1,200,000) from Suncor. The Foundation's board of directors has internally restricted the donation from Suncor to support a Health and Wellness campaign and has included the amounts in specified donations - internally restricted.

## 8. Investment income:

Investment income is comprised of the following:

	2011	2010
Interest, dividends and realized gains	\$ 109,416	\$ 72,596
Unrealized investment gains	96,697	104,852
	<u>\$ 206,113</u>	<u>\$ 177,448</u>

## 9. Related party transactions:

In the prior year, Alberta Health Services incurred \$583,931 of salary and benefit expenditures on behalf of the Foundation which were recorded as a non-monetary subsidy by the Foundation. As of April 1, 2010, the Foundation is responsible for paying the salary and benefit expenditures related to its employees.

In addition, the Foundation provided donations in the amount of \$751,430 (2010 - \$283,514) to the Alberta Health Services during the year. Accounts payable and accrued liabilities includes an amount of \$296,618 (2010 - \$225,989) due to Alberta Health Services.

# NORTHERN LIGHTS REGIONAL HEALTH FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2011

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

In 2011, \$364,623 (2010 - \$391,997) was paid to four (2010 - five) positions whose principal duties involved fund raising. The Foundation did not pay any fees to fundraising businesses in 2011 (2010 - nil).