Financial statements of

First Nations Health Society

(formerly FN Health Society)

March 31, 2011

First Nations Health Society

(formerly FN Health Society)

March 31, 2011

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Independent Auditor's Report

To the Members of First Nations Health Society (formerly FN Health Society)

We have audited the accompanying financial statements of First Nations Health Society (formerly FN Health Society), which comprise the statement of financial position as at March 31, 2011, and the statements of operations, changes in net assets and cash flows for the year then ended, and the notes to the financial statements.

Management'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.

Auditor's 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 the auditor's 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, the auditor considers 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 First Nations Health Society (formerly FN Health Society) as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Vancouver, British Columbia
May 20, 2011

First Nations Health Society

(formerly FN Health Society)

Statement of operations

year ended March 31, 2011

	2011	2010
	$	$
Revenues		
Health Canada	**11,556,174**	10,454,273
University of Northern B.C.	**1,186,277**	987,110
Assembly of First Nations	**-**	25,000
First Nations Information Governance Centre	**147,760**	344,632
Interest and investment income	**95,728**	39,590
Other miscellaneous	**-**	20,500
	12,985,939	11,871,105
Expenses		
General and administration	**1,327,681**	1,042,447
Communications	**255,394**	67,492
Tripartite Office	**38,724**	46,915
Gathering Wisdom	**26,808**	505,184
Health Actions Support	**362,083**	-
Health Policy and Advocacy	**1,068,085**	909,883
Advocacy	**-**	55,000
Best or Better Practices Pilot Projects	**714,784**	-
Health Promotion Projects	**481**	116,606
Mental Wellness	**84,187**	1,692,892
Maternal and Child Health	**79,083**	276,546
ActNow	**1,186,277**	987,110
Health Careers	**490,000**	515,035
E-Health	**962,454**	859,967
HIV/AIDS	**50,000**	100,430
H1N1	**2,865**	289,065
Performance Tracking - Research and Development	**254,826**	93,439
Regional Health Survey	**172,755**	344,632
Environmental Scan - AHHRI	**-**	75,000
Aboriginal Diabetes Initiatives	**(1,929)**	348,049
Aboriginal Health Human Resources	**(6,378)**	307,935
Health Professionals	**118,953**	86,952
Native and Inuit Nurses Association of BC	**-**	22,500
First Nations Health Council	**743,036**	110,185
Governance		
- General and administration	**866,895**	985,332
- North	**225,797**	179,914
- Interior	**142,732**	136,531
- Vancouver Island	**139,967**	119,511
- Fraser	**82,544**	248
- Vancouver Coastal	**72,463**	6,112
Partnerships and Transition	**59,838**	-
Interim Health Governance Committee	**26,731**	76,768
Aboriginal Transition Fund	**-**	100,000
First Nations Health Directors Association	**220,136**	50,542
Community Engagement	**4,003,618**	3,252,964
Unrealized loss on short-term investments	**-**	12,395
	13,770,890	13,773,581
Loss from operations before one-time transfer from First Nations Summit Society	**(784,951)**	(1,902,476)
One-time transfer from First Nations Summit Society (Note 1)	**-**	22,371,916
(Deficiency) excess of revenues over expenses for the year after one-time transfer from First Nations Summit Society	**(784,951)**	20,469,440

First Nations Health Society

(formerly FN Health Society)

Statement of changes in net assets

year ended March 31, 2011

	Invested in property and equipment	Unrestricted	2011 Total	2010 Total
	$	$	$	$
Balance, beginning of year	**411,445**	**20,057,995**	**20,469,440**	-
(Deficiency) excess of revenues over expenses for the year	**(123,787)**	**(661,164)**	**(784,951)**	20,469,440
Balance, end of year	**287,658**	**19,396,831**	**19,684,489**	20,469,440

First Nations Health Society

(formerly FN Health Society)

Statement of financial position
as at March 31, 2011

	2011	2010
	$	$
Assets		
Current assets		
Cash	**16,807,121**	4,213,455
Short-term investments	**5,581,672**	7,429,469
Accounts receivable	**371,037**	12,999,966
Prepaid expenses	**158,279**	1,496
	22,918,109	24,644,386
Security deposits	**22,954**	22,954
Property and equipment (Note 4)	**287,658**	411,445
	23,228,721	25,078,785
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**3,544,232**	2,848,697
Deferred contributions (Note 5)	**-**	1,760,648
	3,544,232	4,609,345
Net assets		
Invested in property and equipment	**287,658**	411,445
Unrestricted	**19,396,831**	20,057,995
	19,684,489	20,469,440
	23,228,721	25,078,785

Commitments (Note 6)

Approved by the Board

Director

Director

First Nations Health Society

(formerly FN Health Society)

Statement of cash flows

year ended March 31, 2011

	2011	2010
	$	$
Operating activities		
Loss from operations before one-time transfer from First Nations Summit Society	**(784,951)**	(1,902,476)
Items not involving cash		
Unrealized (gain) loss on short-term investments	**(12,395)**	12,395
Amortization of property and equipment	**123,787**	40,085
	(673,559)	(1,849,996)
Change in non-cash working capital balances		
Accounts receivable	**12,628,929**	(9,845,118)
Prepaid expenses	**(156,783)**	(1,496)
Security deposits	**-**	(16,167)
Accounts payable and accrued liabilities	**695,535**	2,848,697
Deferred contributions	**(1,760,648)**	(134,325)
	10,733,474	(8,998,405)
Investing activities		
Purchases of property and equipment	-	(70,385)
Purchase of short-term investments	**(8,928,808)**	(11,941,765)
Maturities of short-term investments	**10,789,000**	4,499,901
	1,860,192	(7,512,249)
Financing activity		
Contribution from First Nations Summit Society	-	20,724,109
Net cash inflow	**12,593,666**	4,213,455
Cash, beginning of year	**4,213,455**	-
Cash, end of year	**16,807,121**	4,213,455
Supplemental non-cash information		
Contribution of non-cash net assets from First Nations Summit Society (Note 1)	-	1,647,807
Consisting of:		
Accounts receivable	-	3,154,848
Security deposit	-	6,787
Property and equipment	-	381,145
Deferred revenue	-	(1,894,973)
	-	1,647,807

1. Organization

The First Nations Health Society ("FNHS" or the "Society") was incorporated under the Society Act (British Columbia) on March 6, 2009 and is a not-for-profit organization for financial reporting purposes. FNHS is a non-taxable entity under the Income Tax Act.

The role of the Society is to support and assist BC's 203 diverse First Nations communities to realize their health aspirations and priorities. The Society was created as a coordinating body mandated to implement the ten-year tripartite First Nations Health Plan. The purpose of the First Nations Health Plan is to improve the health and well-being of First Nations and to close the health gap between First Nations and other British Columbians.

On April 1, 2009, FNHS began operations pursuant to an Asset Transfer Agreement signed on March 31, 2009 between FNHS and First Nations Summit Society ("FNSS"). Net assets totaling $22,371,916 were transferred from FNSS to FNHS for no consideration as agreed during 2010. FNHS operated as an independent organization effective April 1, 2009.

The Society had its name legally changed from FN Health Society to First Nations Health Society on October 8, 2010.

2. Economic dependence

Operations of the Society are dependent on continued funding from federal government departments.

3. Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following significant accounting policies:

(a) Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired, their characteristics and the Society's designation of such instruments. Settlement date accounting is used.

(i) Held-for-trading

Cash and short-term investments have been designated as held-for-trading and are measured at fair value.

(ii) Loans and receivables

Accounts receivable have been designated as loans and receivables and are accounted for at amortized cost using the effective interest method.

(iii) Other liabilities

Accounts payable is classified as other liabilities and measured at amortized cost using the effective interest method.

3. Significant accounting policies (continued)

(a) Financial instruments (continued)

The Society has elected to use the exemption provided by the Canadian Institute of Chartered Accountants ("CICA") permitting not-for-profit organizations not to apply the following Sections of the CICA Handbook: 3862, *Financial Instruments - Disclosures*, and 3863, *Financial Instruments - Presentation,* and 3865, *Hedges,* which would otherwise have applied to the financial statements of the Society for the year ended March 31, 2011. The Society applies the requirements of Section 3861, *Financial Instruments - Disclosure and Presentation*, of the CICA Handbook.

(b) Short-term investments

Short-term investments consist of an interest-bearing savings account, bonds and GICs with an original term to maturity of between 90 days and one year.

(c) Property and equipment

Property and equipment received as contributions are recognized at fair value. Property and equipment acquired by FNHS are recorded at cost.

Amortization is provided over the estimated useful lives of the assets on the following basis:

Furniture, fixtures and equipment	Straight-line over 5 years
Computer equipment	Straight-line over 3 years
Leasehold improvements	Straight-line over the term of the lease

FNHS reviews the carrying value of property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable from the expected undiscounted future cash flows from the assets use and eventual disposition. An impairment loss is recognized for the excess of the carrying value of the asset over its fair value.

(d) Revenue recognition

Contributions are recognized as revenue under the deferral method. Restricted contributions are recognized as revenue in the year in which the related expenses 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.

(e) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 reporting period. Actual results could differ from those estimates.

3. Significant accounting policies (continued)

(f) Allocation of expenses

Expenditures are recorded on an accrual basis and non-core operating expenditures are charged directly to the respective program that the activity benefits.

The non-core operating programs also incur general support expenses relating to human resources, information technology, finance and administrative support based on time spent related to these programs. Premises rent and operating expenses, meeting room and equipment usage, when applicable, are allocated based on actual usage and costs. The basis of all allocations is reviewed annually during budget preparation and may be revised according to changing requirements.

Additional disclosures are included in Note 8.

(g) Future accounting changes

New accounting framework

The CICA has issued a new accounting framework applicable to Canadian not-for-profit organizations. Effective for fiscal years beginning on or after December 21, 2011, not-for-profit organizations will have to choose between International Financial Reporting Standards and generally accepted accounting principles for not-for-profit organizations, with Accounting Standards for Private Enterprises as the underlying framework. Early adoption of these standards is permitted. The Society currently plans to adopt the new accounting standards for not-for-profit organizations for its fiscal year beginning on April 1, 2012, and is evaluating the impact of adoption.

4. Property and equipment

			2011	2010
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
Furniture, fixtures and equipment	77,242	30,897	46,345	61,794
Computer equipment	251,103	83,701	167,402	251,103
Leasehold improvements	123,185	49,274	73,911	98,548
	451,530	163,872	287,658	411,445

5. Deferred contributions

Deferred contributions include funding received in advance of expenditures being made in respect of the following:

	2011	2010
	$	$
University of Northern BC	-	1,579,990
Health Canada	-	180,658
	-	1,760,648

Subsequent to March 31, 2011, FNHS repaid $393,713 of unused funds to the University of Northern BC pursuant to the terms of the funding agreement. Accordingly, this balance is included in the Accounts Payable balance and there were no other deferred contributions at that date.

6. Commitments

FNHS leases premises and equipment with future minimum lease payments, exclusive of operating costs, for each of the next four fiscal years ended March 31 as follows:

	$
2012	343,514
2013	273,176
2014	69,895
2015	2,529
	689,114

7. Financial instruments

Fair values

The Society's financial instruments comprise cash, short-term investments, accounts receivable and accounts payable. The fair values of these financial instruments are estimated to approximate their carrying values due primarily to their immediate or short-term maturity.

Short-term investments are carried at market value.

Interest rate risk

The Society's short-term investments are exposed to interest rate risk as the value of the financial instruments will fluctuate due to changes in interest rates and the volatility of these rates. The Society does not use derivative instruments to reduce its exposure to interest rate risk.

Credit risk

The Society is exposed to credit risk in connection with its cash, short-term investments, accounts receivable and security deposits in the amount of $22,745,160 (2010 - $24,665,844).

The Society manages its credit risk by depositing cash and investing in short-term instruments with a reputable commercial bank.

8. Allocation of expenses

Human resources, information technology, premises rent and operating, meeting room and equipment usage, administrative support and finance expenditures of $1,105,014 (2010 - $1,094,135) have been allocated to non-core operating programs, consistent with federal and provincial restricted funding requirements, as follows:

	2011	2010
	$	$
Community Engagement	**384,151**	300,319
Health Policy and Advocacy	**356,396**	492,770
Governance - General and administration	**214,545**	145,071
ActNow	**107,843**	-
Health Careers	**42,079**	49,000
H1N1	-	49,840
Aboriginal Health Human Resources	-	42,500
Senior Policy	-	12,930
Aboriginal Transition Fund	-	863
Environmental Scan - AHHRI	-	530
Regional Health Survey	-	312
	1,105,014	1,094,135

9. Capital disclosures

The Society manages its capital structure and makes adjustments based on changes in economic conditions and the risk characteristics of the underlying assets. The Society currently has no externally imposed capital requirements.

10. Comparative figures

Certain prior year amounts have been reclassified to conform with the current year's presentation.