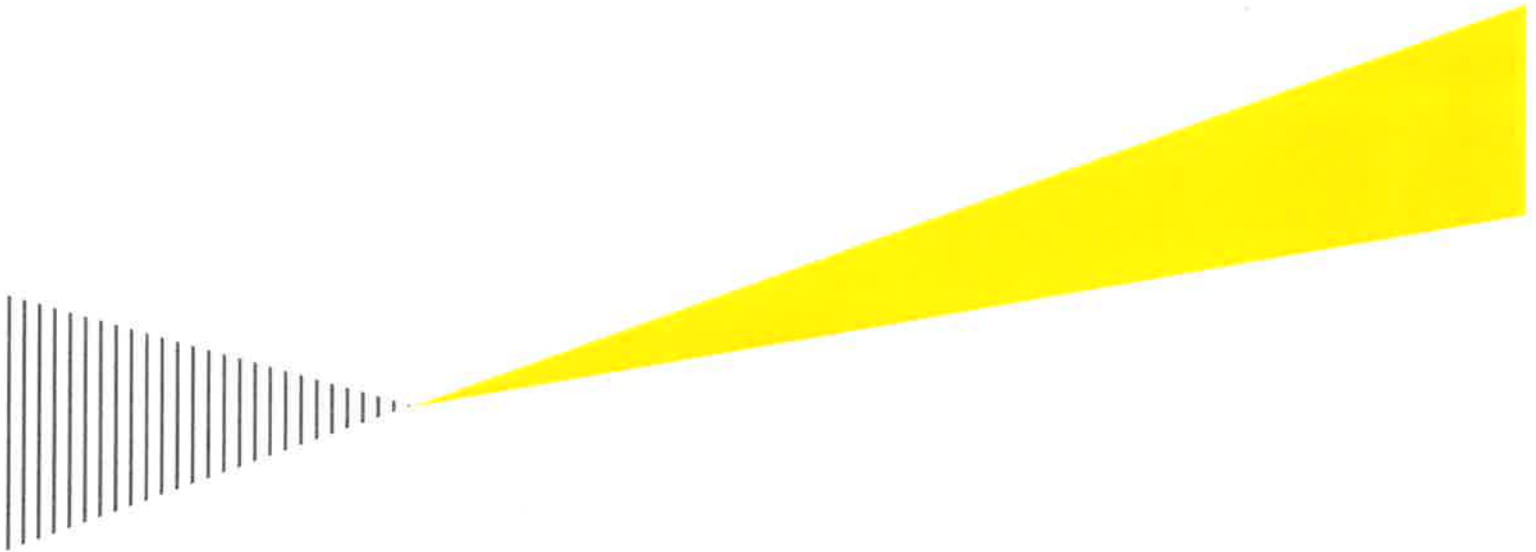


Financial Statements

**Calgary Foothills Primary Care Network**  
March 31, 2014



Building a better  
working world

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
1255404 Alberta Ltd. (operating as Calgary Foothills Primary Care Network)

We have audited the accompanying financial statements of **Calgary Foothills Primary Care Network**, which comprise the statement of financial position as at March 31, 2014, and the statements of operations, changes in net assets and cash flows for the year then ended, and 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 the auditors' 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 auditors 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 **Calgary Foothills Primary Care Network** as at March 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*Ernst & Young LLP*

Calgary, Canada,  
June 25, 2014

Chartered Accountants



Calgary Foothills Primary Care Network

STATEMENT OF FINANCIAL POSITION

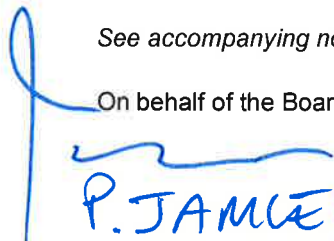
As at March 31

	2014	2013
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents [note 3]	8,806,186	6,778,390
Investments	1,257,250	500,000
Accounts receivable	717,796	596,592
Prepaid expenses	93,614	87,733
<b>Total current assets</b>	<b>10,874,846</b>	<b>7,962,715</b>
Capital assets [note 4]	398,349	567,860
Intangible assets [note 4]	2,905	8,195
Rent deposits	75,445	26,174
	<b>11,351,545</b>	<b>8,564,944</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current</b>		
Accounts payable and accruals	5,684,658	5,238,209
Deferred program grants [note 5]	115,741	429,749
<b>Total current liabilities</b>	<b>5,800,398</b>	<b>5,667,958</b>
<b>Net assets</b>		
Unrestricted	5,551,147	2,896,986
	<b>11,351,545</b>	<b>8,564,944</b>

Commitments and contingencies [note 6]

See accompanying notes

On behalf of the Board:

  
 P. JAMIESON Director

  
 Director  
 Sarah Bates.



Calgary Foothills Primary Care Network

STATEMENT OF REVENUE AND EXPENSES

Year ended March 31

	2014	2013
	\$	\$
<b>REVENUE</b> <i>[note 8]</i>		
Alberta Health per capita funding	22,281,994	21,958,137
Clinic overhead	2,741,519	2,154,603
Fee for service	2,055,704	1,709,980
POSP funding	395,879	341,234
Interest	154,351	82,147
Grants and sponsorship	53,608	165,779
Room rental	25,100	49,178
Special Linkages	622	6,438
	<u>27,708,776</u>	<u>26,467,495</u>
<b>PROGRAM EXPENSES</b> <i>[note 8]</i>		
Clinic Innovations	11,391,480	10,416,956
Chronic Disease Management	3,343,864	3,050,071
Obstetrics	2,341,161	2,308,148
Mental Health	1,898,773	1,304,716
After Hours	1,590,579	1,358,554
Senior Health	680,216	719,280
Population Health	635,807	702,819
IT Initiatives	114,544	123,897
In Hospital Care	19,367	14,030
	<u>22,015,792</u>	<u>19,998,472</u>
Excess of revenue over expenses before general and administrative expenses	5,692,984	6,469,023
General and administrative expenses <i>[Schedule 1]</i>	<u>3,038,824</u>	<u>2,938,752</u>
<b>Excess of revenue over expenses</b>	<u>2,654,161</u>	<u>3,530,271</u>

See accompanying notes



**Calgary Foothills Primary Care Network**

**STATEMENT OF CHANGES IN NET ASSETS**

Year ended March 31

	2014	2013
	\$	\$
<b>Net assets (deficiency), beginning of year</b>	<b>2,896,986</b>	(633,285)
Excess of revenue over expenses	<b>2,654,161</b>	3,530,271
<b>Net assets, end of year</b>	<b>5,551,147</b>	2,896,986

*See accompanying notes*



## Calgary Foothills Primary Care Network

### STATEMENT OF CASH FLOWS

Year ended March 31

	2014	2013
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses	2,654,161	3,530,272
Items not involving cash		
Amortization of capital assets	492,693	407,754
Change in non-cash operating working capital:		
(Increase) in investments	(757,250)	(500,000)
Decrease (increase) in accounts receivable	(121,204)	87,369
(Increase) in prepaid expenses	(55,153)	(48,000)
Increase in accounts payable and accruals	446,449	2,044,203
Increase (decrease) in deferred program grants	(314,009)	40,563
<b>Cash provided by (used in) operating activities</b>	<u>2,345,687</u>	<u>5,562,161</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets	(317,892)	(83,652)
<b>Cash used in investing activities</b>	<u>(317,892)</u>	<u>(83,652)</u>
<b>Net increase (decrease) in cash during the year</b>	2,027,795	5,478,509
Cash and cash equivalents, beginning of year	6,778,390	1,299,881
<b>Cash and cash equivalents, end of year</b>	<u>8,806,186</u>	<u>6,778,390</u>

See accompanying notes



**GENERAL AND ADMINISTRATIVE EXPENSES**

Year ended March 31

	2014	2013
	\$	\$
Salaries, wages and benefits	1,231,610	1,271,143
Office operations	417,361	525,138
Amortization	492,693	407,754
Premise costs	386,853	322,129
Board of Directors' honoraria	338,689	280,923
Insurance	22,249	46,947
Legal and audit	35,174	40,253
Materials and program costs	89,774	37,295
Marketing and communications	24,421	7,170
	<u>3,038,824</u>	<u>2,938,752</u>

*See accompanying notes*

## Calgary Foothills Primary Care Network

### NOTES TO FINANCIAL STATEMENTS

March 31, 2014

#### 1. INCORPORATION AND NATURE OF OPERATIONS

1255404 Alberta Ltd. is a not for profit corporation operating as Calgary Foothills Primary Care Network ["the Network" or "PCN"], which is a non-profit enterprise between physicians, and Alberta Health Services incorporated under the laws of the Province of Alberta on June 27, 2006.

The Network is a group of approximately 300 family physicians in northwest Calgary and Cochrane collaborating with Alberta Health Services to deliver the best possible primary health care. The Network brings together physicians and other primary health care providers to achieve efficiencies, assess and meet patient needs and cooperate on community healthcare programs. Needs that have been identified for Calgary Foothills PCN include such programs as chronic disease management, clinic innovations, obstetrics, after-hours access, mental health and senior health.

The Network is a not-for-profit corporation under the Income Tax Act ["the Act"] and, as such, is exempt from income taxes.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Part III of the CPA Canada ["CPA"] Accounting Handbook – Accounting Standards for Not-for-Profit Organizations, which sets out generally accepted accounting principles for not-for-profit organizations in Canada ["GAAP"] and include the significant accounting policies described hereafter.

Certain figures in the comparative period have been reclassified to conform to current year presentation.

##### Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit and short-term investments with a short term to maturity of approximately three months or less from the date of purchase. Please see notes 3 and 5.

##### Investments

Investments in debt securities (generally GIC's) are initially recorded at fair value plus financing fees and transaction costs that are directly attributable to their acquisition or



## Calgary Foothills Primary Care Network

### NOTES TO FINANCIAL STATEMENTS

March 31, 2014

disposal. These investments are thereafter carried at amortized costs using the straight-line amortization method.

#### Capital assets and intangibles

Capital assets and intangibles are initially recorded at cost. The cost for contributed capital assets is considered to be fair value at the date of contribution.

Amortization is provided using methods and rates intended to amortize the cost of assets over their estimated useful lives.

In the period of acquisition, amortization is pro-rated for the period of usage.

	<u>Method</u>	<u>Rate</u>
Tenant improvements	Straight-line	5 years
Intangible - IT Software	Straight-line	5 years
IT Equipment	Straight-line	5 years
Clinic and Office equipment	Straight-line	5 years

#### Revenue recognition

The Network follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions and per capita funding are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

#### Measurement uncertainty

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 revenue and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets.

## Calgary Foothills Primary Care Network

### NOTES TO FINANCIAL STATEMENTS

March 31, 2014

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in the statement of revenues and expenses in the periods in which they become known.

#### 3. RESTRICTED CASH

As of March 31, 2014, restricted cash consisted of: \$ 54,310 [2013 - \$54,310] for the Atrial Fibrillation Initiative. These funds are not available for general purposes.

#### 4. CAPITAL ASSETS AND INTANGIBLES

	2014		
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Leasehold improvements	1,727,420	1,472,392	255,028
Clinic and Office Equipment	466,916	353,776	113,140
IT Equipment	265,281	235,100	30,181
Total Capital Equipment	2,459,617	2,061,268	398,349
Intangibles - IT Software	23,361	20,457	2,904
	<b>2,482,978</b>	<b>2,081,725</b>	<b>401,253</b>
	2013		
	Cost	Accumulated amortization	Net Book Value
	\$	\$	\$
Leasehold improvements	1,527,390	1,126,255	401,135
Clinic and Office Equipment	360,419	257,083	103,336
IT Equipment	253,916	190,527	63,389
Total Capital Equipment	2,141,725	1,573,865	567,860
Intangibles - IT Software	23,362	15,167	8,195
	<b>2,165,087</b>	<b>1,589,032</b>	<b>576,055</b>

During the year, capital assets were acquired at an aggregate cost of \$ 317,891 [2013 - \$83,652].

## Calgary Foothills Primary Care Network

### NOTES TO FINANCIAL STATEMENTS

March 31, 2014

#### 5. DEFERRED PROGRAM GRANTS

Deferred program grants relate to funds received from various parties in the past. Revenue related to these funds is recognized in the year in which the corresponding program expenses are incurred. At year-end, \$54,310 [2013 - \$54,310] of cash was restricted for the Atrial Fibrillation Initiative.

#### 6. COMMITMENTS AND CONTINGENCIES

As per guidelines established by the Primary Care Initiative Committee, the PCN is required to disclose any legal obligations that would be necessary to meet if the PCN ceased to exist operations. The following obligations have been identified as of March 31, 2014

Lease Obligations for Real Estate:	\$4,758,695
Lease Obligations for Equipment:	\$196,190
Estimated Severance for Employees:	\$492,692

#### 7. ECONOMIC DEPENDENCE

The Network's primary source of revenue is from Alberta Health. This funding requires the Network to follow certain guidelines with respect to the use of program funds. Should the Network fail to follow these guidelines, this funding could be cancelled. As at March 31, 2014, the Network's management believes it is in compliance with the guidelines as established by Alberta Health.

#### 8. RELATED PARTY TRANSACTIONS

The PCN derived 89% of its income from Alberta Health through Per Capita Funding and Fee for Service Revenue through clinic operations. This is a contractual relationship that is renewed on a periodic basis. As at March 31, 2014, no amounts are payable or receivable from Alberta Health.

The PCN is 50% owned by Alberta Health Services ("AHS"). Through a contract, AHS provides medical services for the PCN on a regular basis. As at March 31, 2014, these services comprised 8% of the current year's total operational costs and are included in Mental Health, Chronic Disease Management and Obstetrics on the Statement of Revenues and Expenses.

## Calgary Foothills Primary Care Network

### NOTES TO FINANCIAL STATEMENTS

March 31, 2014

The above transactions were made in the normal course of business and were recorded at the exchange amount.

#### **9. FINANCIAL INSTRUMENTS**

The Network, as part of its operations, carries a number of financial instruments. It is management's opinion that the Network is not exposed to significant interest rate, currency or credit risks arising from these financial instruments except as otherwise disclosed.

#### **10. CREDIT FACILITY**

As at March 31, 2014 and 2013, the PCN had an available unsecured line of credit of \$2,000,000 bearing interest at the bank's prime rate.

