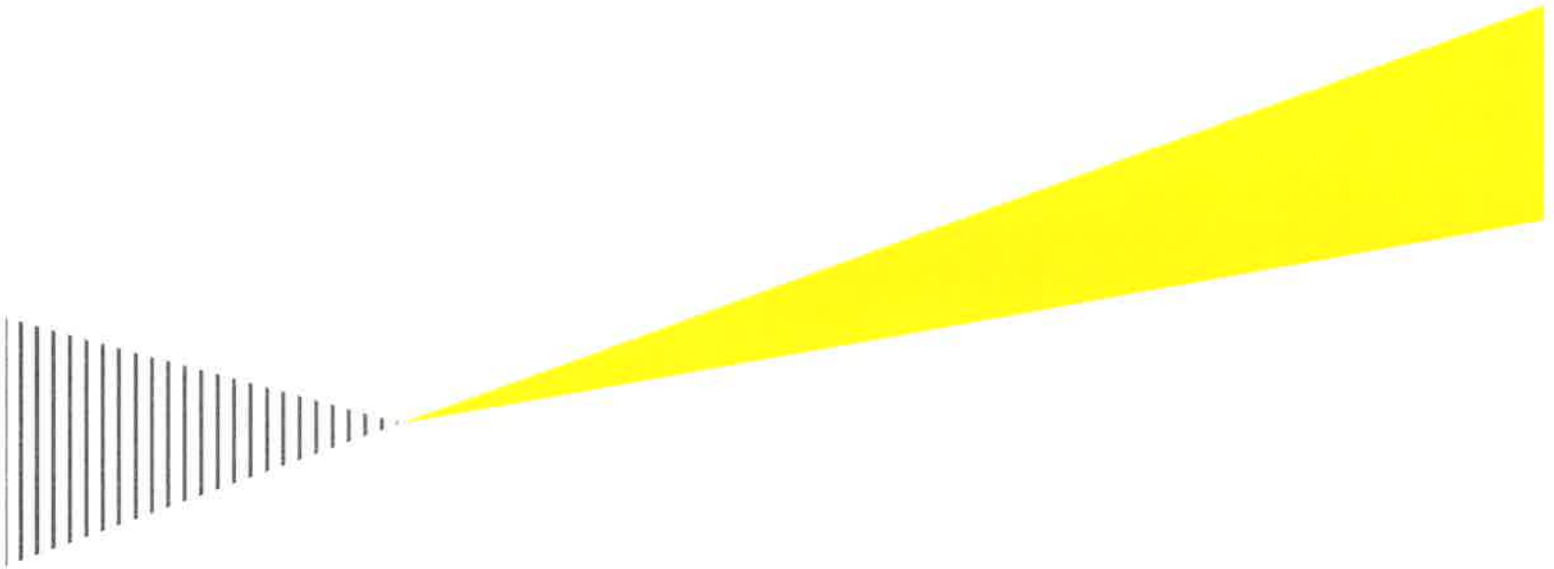


Financial Statements

Calgary Foothills Primary Care Network

March 31, 2015



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, 2015, and the statements of revenue and expenses, 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, 2015 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.

Calgary, Canada,
June 24, 2015

Ernst + Young LLP

Chartered Accountants



Calgary Foothills Primary Care Network

STATEMENT OF FINANCIAL POSITION

As at March 31

	2015	2014
	\$	\$
ASSETS		
Current		
Cash and cash equivalents <i>[note 3]</i>	10,570,532	8,806,186
Investments	1,272,966	1,257,250
Accounts receivable	797,257	717,796
Prepaid expenses	27,804	93,614
Total current assets	12,668,559	10,874,846
Capital assets <i>[note 4]</i>	300,310	398,349
Intangible assets <i>[note 4]</i>	—	2,905
Rent deposits	75,445	75,445
	13,044,314	11,351,545
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accruals	6,868,817	5,684,657
Deferred program grants <i>[note 5]</i>	760,170	115,741
Total current liabilities	7,628,987	5,800,398
Net assets		
Unrestricted	5,415,327	5,551,147
	13,044,314	11,351,545

Commitments and contingencies *[note 6]*

See accompanying notes

On behalf of the Board:

Director

P. JAMESON

Director

HILL

Calgary Foothills Primary Care Network

STATEMENT OF REVENUE AND EXPENSES

Year ended March 31

	2015	2014
	\$	\$
REVENUE <i>[note 8]</i>		
Alberta Health per capita funding	22,516,726	22,281,994
Clinic overhead	2,842,510	2,741,519
Fee for service	3,202,525	2,055,704
POSP funding	231,208	395,879
Interest	175,326	154,351
Grants and sponsorship	195,570	53,608
Room rental	45,825	25,100
Special Linkages	—	621
	<u>29,209,690</u>	<u>27,708,776</u>
PROGRAM EXPENSES <i>[note 8]</i>		
Clinic Innovations	14,263,756	11,391,480
Chronic Disease Management	4,012,712	3,343,864
Obstetrics	2,489,900	2,341,161
Mental Health	1,931,501	1,898,773
After Hours	1,697,191	1,590,579
Senior Health	332,811	680,216
Population Health	474,799	635,807
IT Initiatives	302,241	114,544
In Hospital Care	139,570	19,368
	<u>25,644,481</u>	<u>22,015,792</u>
Excess of revenue over expenses before general and administrative expenses	3,565,209	5,692,984
General and administrative expenses <i>[Schedule 1]</i>	<u>3,701,029</u>	<u>3,038,824</u>
Excess/(deficiency) of revenue over expenses	<u>(135,820)</u>	<u>2,654,161</u>

See accompanying notes

Calgary Foothills Primary Care Network

STATEMENT OF CHANGES IN NET ASSETS

Year ended March 31

	2015	2014
	\$	\$
Net assets (deficiency), beginning of year	5,551,147	2,896,986
Excess/(deficiency) of revenue over expenses	(135,820)	2,654,161
Net assets, end of year	5,415,327	5,551,147

See accompanying notes

Calgary Foothills Primary Care Network

STATEMENT OF CASH FLOWS

Year ended March 31

	2015	2014
	\$	\$
OPERATING ACTIVITIES		
Excess/(deficiency) of revenue over expenses	(135,820)	2,654,161
Items not involving cash		
Amortization of capital assets <i>[Schedule 1]</i>	338,529	492,693
Change in non-cash operating working capital:		
(Increase) in investments	(15,716)	(757,250)
(Increase) in accounts receivable	(79,461)	(121,204)
Decrease (Increase) in prepaid expenses	65,810	(55,153)
Increase in accounts payable and accruals	1,184,159	446,449
Increase (decrease) in deferred program grants	644,429	(314,009)
Cash provided by operating activities	2,001,930	2,345,687
INVESTING ACTIVITIES		
Purchase of capital assets <i>[note 4]</i>	(237,583)	(317,892)
Cash used in investing activities	(237,583)	(317,892)
Net increase in cash and cash equivalents during the year	1,764,347	2,027,795
Cash and cash equivalents, beginning of year	8,806,185	6,778,390
Cash and cash equivalents, end of year	10,570,532	8,806,185

See accompanying notes

GENERAL AND ADMINISTRATIVE EXPENSES

Year ended March 31

	2015	2014
	\$	\$
Salaries, wages and benefits	1,742,567	1,231,610
Office operations	678,496	417,361
Amortization	338,529	492,693
Premises costs	469,218	386,853
Board of Directors' honoraria	300,551	338,689
Insurance	18,419	22,249
Legal and audit	44,554	35,174
Materials and program costs	97,040	89,774
Marketing and communications	11,655	24,421
	3,701,029	3,038,824

See accompanying notes

Calgary Foothills Primary Care Network

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

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.

Calgary Foothills Primary Care Network

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

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 disposal. These investments are thereafter carried at amortized cost 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 the 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 year 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

Financial Instruments

The Network initially records a financial instrument at its fair value except for a related party transaction, which is recorded at the exchange amount.

Subsequently, the Network measures financial instruments as follows:

- Investments in equity instruments that are quoted in an active market at fair value;
- All other investments in equity instruments at cost less impairment;
- All other financial assets, which include cash and cash equivalents and accounted receivable at amortized cost;
- All financial liabilities, which include the line of credit, accounts payable and accrued liabilities at fair value

Calgary Foothills Primary Care Network

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

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.

3. RESTRICTED CASH

As of March 31, 2015, restricted cash consisted of: \$760,170 [2014 - \$115,741] for the Atrial Fibrillation, Flood Recovery and other various Initiatives. These funds are not available for general purposes.

4. CAPITAL ASSETS AND INTANGIBLES

	2015		
	Cost	Accumulated	Net
	\$	Amortization	Book
		\$	Value
			\$
Leasehold improvements	1,762,299	1,678,366	83,933
Clinic and Office Equipment	511,178	433,797	77,381
IT Equipment	423,726	284,730	138,996
Total Capital Equipment	2,697,203	2,396,897	300,310
Intangibles - IT Software	23,362	23,362	0
	2,720,565	2,420,255	300,310
	2014		
	Cost	Accumulated	Net
	\$	amortization	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	2,905
	2,482,978	2,081,725	401,254

Calgary Foothills Primary Care Network

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

During the year, capital assets were acquired at an aggregate cost of \$237,583 [2014 - \$317,892].

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 [2014 - \$54,310] of cash was restricted for the Atrial Fibrillation Initiative and \$656,120 [2014 - \$0] for the Flood Recovery Initiative and \$49,740 for other various initiatives [2014 - \$61,431].

6. COMMITMENTS AND CONTINGENCIES

The PCN is committed under a number of operating leases for certain ancillary equipment and office space. At March 31, 2015, the following schedule discloses the minimum lease payments due over the next 5 years and thereafter.

2016	\$2,072,196
2017	\$1,429,699
2018	\$1,387,084
2019	\$635,410
2020 and thereafter	\$1,560,931

However, as per guidelines established by the Primary Care Initiative Committee, the PCN is also required to disclose any legal obligations that would be necessary to meet if the PCN ceased existing operations. Certain real estate leases allow conditions for the PCN to cancel its future lease requirements without penalty in the event it ceases operations. As a result, the following obligations have been identified as of March 31, 2015:

Lease Obligations for Real Estate	\$1,459,561
Lease Obligations for Equipment	\$181,690
Estimated Severance for Employees	\$359,421

Calgary Foothills Primary Care Network

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

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, 2015, the Network's management believes it is in compliance with the guidelines as established by Alberta Health.

8. RELATED PARTY TRANSACTIONS

The PCN derived 88% of its revenue 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, 2015, no amounts are receivable from Alberta Health, with a payable of \$202,212 owing.

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, 2015, 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.

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, 2015 and 2014, the PCN had an available unsecured line of credit of \$2,000,000 bearing interest at the bank's prime rate.

