

Financial Statements

Calgary Foothills Primary Care Network
March 31, 2016



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors 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, 2016, and the statement 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, 2016 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 22, 2016

Ernst & Young LLP

Chartered Professional Accountants



Calgary Foothills Primary Care Network

STATEMENT OF FINANCIAL POSITION

As at March 31

	2016	2015
	\$	\$
Assets		
Current		
Cash and cash equivalents <i>[note 4]</i>	8,983,150	10,570,532
Investments	—	1,272,966
Accounts receivable	942,807	797,257
Prepaid expenses	316,148	27,804
Total current assets	10,242,105	12,668,559
Capital assets <i>[note 3]</i>	203,908	300,310
Rent deposits	132,072	75,445
	10,578,085	13,044,314
Liabilities and net assets		
Current		
Accounts payable and accruals	4,277,846	6,495,362
Due to related parties <i>[note 6]</i>	411,579	373,455
Deferred program grants <i>[note 4]</i>	469,883	760,170
Total current liabilities	5,159,308	7,628,987
Net assets		
Unrestricted	5,418,777	5,415,327
	10,578,085	13,044,314
Commitments and contingencies <i>[note 5]</i>		

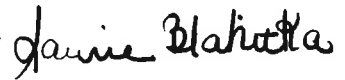
See accompanying notes

On behalf of the Board:

Director



Director



Calgary Foothills Primary Care Network

STATEMENT OF REVENUE AND EXPENSES

Year ended March 31

	2016	2015
	\$	\$
Revenue [note 6]		
Alberta Health per capita funding	21,355,790	22,516,726
Clinic overhead	3,180,700	2,842,510
Fee for service	2,935,260	3,202,525
Grants and sponsorship	290,420	195,570
Interest	216,800	175,326
Physician Office System Program funding	210,782	231,208
Room rental	97,697	45,825
	28,287,449	29,209,690
Program expenses [note 6]		
Strengthening Primary Health Care	13,810,276	11,540,822
Business & Clinic Redesign	7,513,034	10,469,279
Innovative Partnerships	2,711,669	3,332,139
IT Initiatives	611,226	302,241
	24,646,205	25,644,481
Excess of revenue over expenses before general and administrative expenses	3,641,244	3,565,209
General and administrative expenses [Schedule 1]	3,637,794	3,701,029
Excess (deficiency) of revenue over expenses	3,450	(135,820)

See accompanying notes

Calgary Foothills Primary Care Network

STATEMENT OF CHANGES IN NET ASSETS

Year ended March 31

	2016	2015
	\$	\$
Net assets, beginning of year	5,415,327	5,551,147
Excess (deficiency) of revenue over expenses	3,450	(135,820)
Net assets, end of year	5,418,777	5,415,327

See accompanying notes

Calgary Foothills Primary Care Network

STATEMENT OF CASH FLOWS

Year ended March 31

	2016	2015
	\$	\$
Operating activities		
Excess (deficiency) of revenue over expenses	3,450	(135,820)
Items not involving cash		
Amortization of capital assets <i>[Schedule 1]</i>	195,626	338,529
Change in non-cash operating working capital:		
Decrease (increase) in investments	1,272,966	(15,716)
Increase in accounts receivable	(145,550)	(79,461)
(Increase) decrease in prepaid expenses	(344,971)	65,810
(Decrease) increase in accounts payable and accruals	(2,179,391)	1,184,159
(Decrease) increase in deferred program grants	(290,288)	644,429
Cash (used in) provided by operating activities	(1,488,158)	2,001,930
Investing activities		
Purchase of capital assets <i>[note 3]</i>	(99,224)	(237,583)
Cash used in investing activities	(99,224)	(237,583)
Net (decrease) increase in cash and cash equivalents during the year	(1,587,382)	1,764,347
Cash and cash equivalents, beginning of year	10,570,532	8,806,185
Cash and cash equivalents, end of year	8,983,150	10,570,532

See accompanying notes

GENERAL AND ADMINISTRATIVE EXPENSES

Year ended March 31

	2016	2015
	\$	\$
Salaries, wages and benefits	1,964,772	1,742,567
Office operations	474,152	678,496
Amortization	195,626	338,529
Premises costs	522,211	469,218
Board of Directors' honoraria	298,908	300,551
Insurance	9,262	18,419
Legal and audit	45,561	44,554
Materials and program costs	79,560	97,040
Marketing and communications	47,742	11,655
	3,637,794	3,701,029

See accompanying notes

Calgary Foothills Primary Care Network

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

1. INCORPORATION AND NATURE OF OPERATIONS

1255404 Alberta Ltd. is a not-for-profit corporation operating as Calgary Foothills Primary Care Network ["CFPCN"], owned jointly by physicians and Alberta Health Services ["AHS"], and incorporated under the laws of the Province of Alberta on June 27, 2006.

The CFPCN is a group of approximately 400 family physicians in northwest Calgary and Cochrane collaborating with AHS to deliver the best possible primary health care. The CFPCN 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 the CFPCN include such programs as chronic disease management, clinic innovations, obstetrics, after-hours access, mental health and senior health.

The CFPCN is a not-for-profit corporation under the Income Tax 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 Accounting Handbook – Accounting Standards for Not-for-Profit Organizations, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and include the significant accounting policies described hereafter.

Financial instruments

The CFPCN initially records a financial instrument at its fair value, except for a related party transaction, which is recorded at the carrying or exchange amount depending on the circumstances. The CFPCN recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

Subsequently, the CFPCN 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, investments in bonds, accounts receivable, and the loan to related party, at amortized cost; and
- all financial liabilities, which include the credit facility, accounts payable and accrued liabilities, long-term debt, and the amount due to related party, at amortized cost.

Calgary Foothills Primary Care Network

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and short-term investments with a short term to maturity of three months or less from the date of purchase. Please see note 4.

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 costs using the straight-line amortization method.

Capital assets

Capital assets 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>
Leasehold improvements	Straight-line	Term of lease
IT Equipment	Straight-line	5 years
Clinic and Office equipment	Straight-line	5 years

Revenue recognition

The CFPCN 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. Fee for service revenue is recognized as revenue as services are provided and collection is reasonably assured.

Calgary Foothills Primary Care Network

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

3. CAPITAL ASSETS

	2016		2015	
	Cost \$	Accumulated Amortization \$	Net Book Value \$	Net Book Value \$
Leasehold improvements	1,534,065	1,488,147	45,918	83,933
Clinic and Office Equipment	400,465	341,925	58,540	77,381
IT Equipment	154,997	55,547	99,450	138,996
	<u>2,089,527</u>	<u>1,885,619</u>	<u>203,908</u>	<u>300,310</u>

During the year, capital assets were acquired at an aggregate cost of \$99,224 [2015 - \$237,583].

4. DEFERRED PROGRAM GRANTS

Deferred program grants relate to unspent funds received from various parties and designated for specific purposes. Revenue related to these funds is recognized in the year in which the corresponding program expenses are incurred. At year-end, \$54,310 [2015 - \$54,310] of cash was restricted for the Atrial Fibrillation Initiative, \$365,832 [2015 - \$656,120] for the Flood Recovery Initiative and \$49,741 for other various initiatives [2015 - \$49,741].

5. COMMITMENTS AND CONTINGENCIES

The CFPCN is committed under a number of operating leases for certain ancillary equipment and office space. At March 31, 2016, the following schedule discloses the minimum lease payments due over the next 5 years and thereafter.

2017:	\$1,957,751
2018:	\$1,895,615
2019:	\$1,246,181
2020:	\$1,227,117
2021 and thereafter:	\$1,975,954

Calgary Foothills Primary Care Network

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

According to the guidelines established by the Primary Care Initiative Committee, the CFPCN is also required to disclose any legal obligations that would be necessary to meet if the CFPCN ceased existing operations. Certain real estate leases include provisions for the CFPCN to cancel its future lease requirements without penalty in the event it ceases operations. However, the following obligations would become payable if the CFPCN were to cease operations as of March 31, 2016:

Lease obligations for real estate:	\$2,794,564
Lease obligations for equipment:	\$95,891
Estimated severance for employees:	\$1,123,853

6. RELATED PARTY TRANSACTIONS

The CFPCN's primary source of revenue is from Alberta Health. This funding requires the CFPCN to follow certain guidelines with respect to the use of program funds. Should the CFPCN fail to follow these guidelines, this funding could be cancelled. The CFPCN derived 85.9% of its income from Alberta Health through per capita funding and fee for service revenue derived from clinic operations. The terms of these transactions are governed by a contractual relationship that is renewed on a periodic basis. As at March 31, 2016, \$209,029 [2015 - \$118,885] is receivable from Alberta Health for fee for service billing and is included in accounts receivable.

For the year ended March 31, 2016, an amount of \$203,916 [2015 - \$169,243] was payable to Alberta Health. This relates to program funding previously received that was cancelled and is to be returned to Alberta Health.

The CFPCN is 50% owned by AHS. Through a contract, AHS provides medical services for the CFPCN on a regular basis. For the year ended March 31, 2016, these services comprised 9.2% of the current year's total operational costs and are included in Business and Clinic Redesign, Innovative Programming, and Strengthening Primary Health Care on the Statement of Revenues and Expenses. As at March 31, 2016, an amount of \$207,663 [2015 - \$204,212] was payable to AHS related to these services.

The above transactions were made in the normal course of business and were recorded at the exchange amount, which is the amount agreed between the parties.

7. FINANCIAL INSTRUMENTS

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

Calgary Foothills Primary Care Network

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

8. CREDIT FACILITY

As at March 31, 2016 and 2015, the CFPCN had an available unsecured line of credit of up to \$2,000,000 bearing interest at the bank's prime rate.

9. COMPARATIVE FIGURES

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

