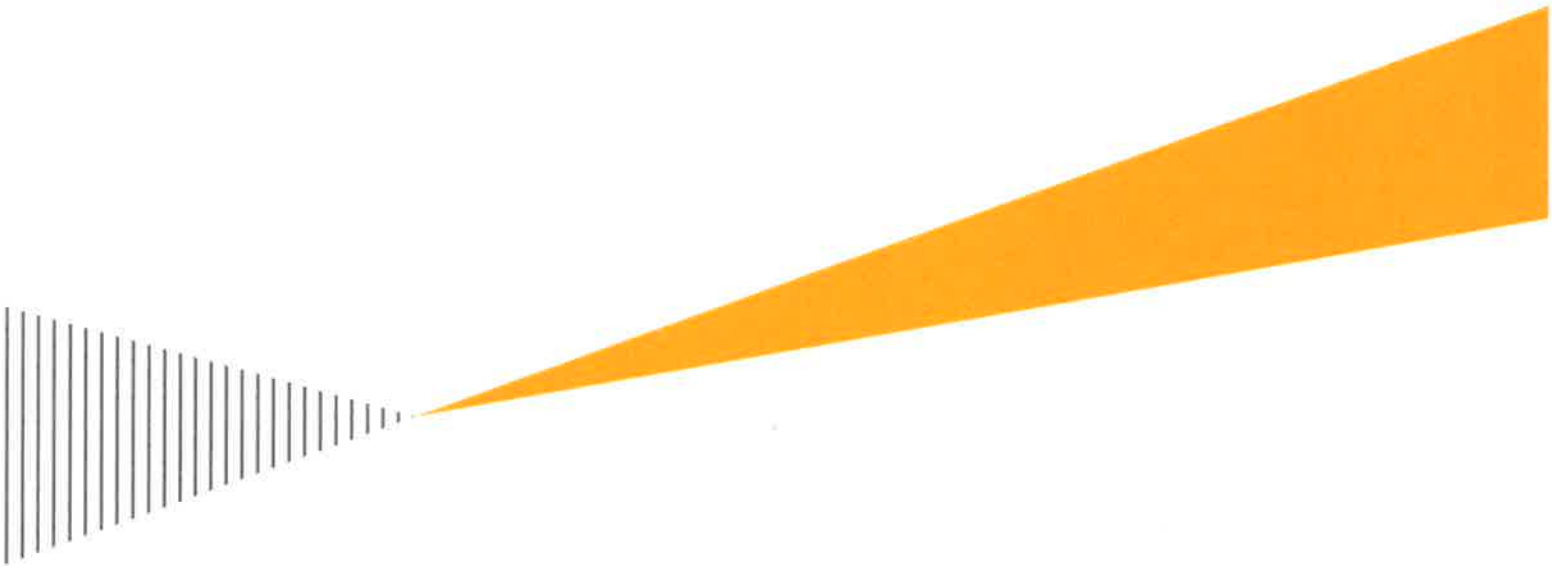


Financial statements

Calgary Foothills Primary Care Network

March 31, 2017



Building a better
working world

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, 2017, and the statement of revenue and expenses, 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, 2017 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 14, 2017

Ernst & Young LLP

Chartered Professional Accountants



A member firm of Ernst & Young Global Limited

Calgary Foothills Primary Care Network

Statement of financial position

As at March 31

	2017	2016
	\$	\$
		<i>[restated – note 3]</i>
Assets		
Current		
Cash and cash equivalents <i>[note 2]</i>	6,237,264	8,983,150
Accounts receivable	654,586	942,807
Prepaid expenses	30,856	316,148
Total current assets	6,922,706	10,242,105
Capital assets <i>[note 4]</i>	825,312	203,908
Rent deposits	55,045	132,072
Total Assets	7,803,063	10,578,085
Liabilities and net assets		
Current		
Accounts payable and accruals	5,160,228	4,277,846
Due to related parties <i>[note 7]</i>	230,132	411,579
Deferred contributions - Alberta Health <i>[note 5]</i>	1,207,463	5,214,869
Total current liabilities	6,597,823	9,904,294
Non-Current Liabilities		
Deferred contributions - other <i>[note 5]</i>	324,930	469,883
Unamortized capital asset contributions <i>[note 10]</i>	825,312	203,908
Unamortized tenant incentives	54,998	—
Total non-current liabilities	1,205,240	673,791
Total Liabilities	7,803,063	10,578,085
Commitments and contingencies <i>[note 6]</i>		

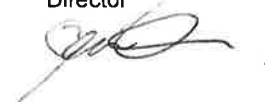
See accompanying notes

On behalf of the Board:

Director



Director



Calgary Foothills Primary Care Network

Statement of revenue and expenses

Year ended March 31

	2017	2016
	\$	\$
		<i>[restated – note 3]</i>
Revenue <i>[note 7]</i>		
Alberta Health per capita funding	22,332,688	21,352,340
Clinic overhead	3,393,619	3,180,700
Fee for service	2,597,770	2,935,260
Grants and sponsorship	389,326	290,420
Interest	154,499	216,800
Physician office system program funding	121,287	210,782
Room rental	108,313	97,697
	29,097,502	28,283,999
Program expenses <i>[note 7]</i>		
Strengthening primary health care	13,985,861	13,810,276
Business and clinic redesign	7,054,712	7,513,034
Innovative partnerships	3,917,546	2,711,669
IT initiatives	583,910	611,226
	25,542,029	24,646,205
Excess of revenue over expenses before general and administrative expenses	3,555,473	3,637,794
General and administrative expenses <i>[Schedule 1]</i>	3,555,473	3,637,794
Excess (deficiency) of revenue over expenses	—	—

See accompanying notes

Calgary Foothills Primary Care Network

Statement of cash flows

Year ended March 31

	2017	2016
	\$	\$
		<i>[restated – note 3]</i>
Operating activities		
Excess (deficiency) of revenue over expenses	—	—
Items not involving cash		
Amortization of capital assets <i>[Schedule 1]</i>	230,697	195,626
Amortization of deferred capital contributions	(230,697)	—
Change in non-cash operating working capital		
Decrease (increase) in investments	—	1,272,966
Decrease (Increase) in accounts receivable	288,221	(145,550)
Decrease (Increase) in prepaid expenses	362,320	(344,971)
Increase (decrease) in accounts payable and accruals	700,935	(2,175,941)
(Decrease) increase in deferred contributions	(4,078,559)	(290,288)
(Decrease) increase in unamortized tenant incentives	54,998	—
Cash (used in) provided by operating activities	(2,672,085)	(1,488,158)
Investing activities		
Purchase of capital assets <i>[note 4]</i>	(852,101)	(99,224)
Cash used in investing activities	(852,101)	(99,224)
Financing activities		
Deferred capital contributions received	778,300	—
Cash used in financing activities	778,300	—
Net (decrease) increase in cash and cash equivalents during the year	(2,745,886)	(1,587,382)
Cash and cash equivalents, beginning of year	8,983,150	10,570,532
Cash and cash equivalents, end of year	6,237,264	8,983,150

See accompanying notes

General and administrative expenses

Year ended March 31

	2017	2016
	\$	\$
		<i>[restated – note 3]</i>
Salaries, wages and benefits	2,059,833	1,964,772
Office operations	280,125	474,152
Amortization	230,697	195,626
Premises costs	298,505	522,211
Board of Directors' honoraria	280,242	298,908
Insurance	24,668	9,262
Legal and audit	167,503	45,561
Materials and program costs	73,058	79,560
Marketing and communications	140,842	47,742
	3,555,473	3,637,794

See accompanying notes

Calgary Foothills Primary Care Network

Notes to financial statements

March 31, 2017

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, accounts receivable, at amortized cost; and
- all financial liabilities, which include the accounts payable and accrued liabilities, and the amount due to related party, at amortized cost.

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].

Calgary Foothills Primary Care Network

Notes to financial statements

March 31, 2017

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.

	Method	Rate
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 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.

3. Restatement

In 2017, Alberta Health restricted all Per Capita contributions previously received and going forward to be used for expenses consistent with the approved annual business plan. As a result, prior year balances on the statement of operations, statement of financial position and statement of cash flows have been restated for presentation purposes as follows:

	As previously stated	Adjustment	As Restated
	\$	\$	\$
Revenue	21,355,790	(3,450)	21,352,340
Excess (deficiency) of revenue over expenses	3,450	(3,450)	—
Net Assets	5,418,777	(5,418,777)	—
Deferred contributions – Alberta Health	—	5,214,869	5,215,869
Unamortized capital contributions	—	203,908	203,908

Calgary Foothills Primary Care Network

Notes to financial statements

March 31, 2017

4. Capital assets

	2017		2016	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
				<i>Restated – note 3</i>
Leasehold improvements	1,751,498	(1,076,971)	674,527	45,918
Clinic and Office Equipment	352,787	(318,239)	34,548	58,540
IT Equipment	218,402	(102,165)	116,237	99,450
	2,322,687	(1,497,375)	825,312	203,908

During the year, capital assets were acquired at an aggregate cost of \$852,101 [2016 – \$99,224].

5. Deferred contributions

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 \$1,207,463 [2016 – \$5,214,869] of cash restricted for Alberta Health Per Capita Funding, \$203,916 [2016 – nil] TOPS Cancer Program, \$54,310 [2016 – \$54,310] for the Atrial Fibrillation Initiative, \$15,230 [2016 – nil] University of Alberta Back and Spine Studies, \$3,975 [2016 – \$365,832] for the Flood Recovery Initiative and \$47,499 [2016 – \$49,741] for other various initiatives.

6. Commitments and contingencies

The CFPCN is committed under a number of operating leases for certain ancillary equipment and office space. At March 31, 2017, the following schedule discloses the minimum lease payments due over the next 5 years and thereafter.

	\$
2018	1,941,717
2019	1,005,999
2020	878,415
2021	789,895
2022 and thereafter	98,205

7. 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 85.7% 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

Calgary Foothills Primary Care Network

Notes to financial statements

March 31, 2017

contractual relationship that is renewed on a periodic basis. As at March 31, 2017, \$122,701 [2016 – \$209,029] is receivable from Alberta Health for fee for service billing and is included in accounts receivable.

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, 2017, these services comprised 8.6% 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, 2017, an amount of \$230,132 [2016 – \$207,663] 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.

8. 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.

9. Credit facility

As at March 31, 2017 and 2016, the CFPCN had an available unsecured line of credit of up to \$2,000,000 bearing interest at the bank's prime rate.

10. Unamortized capital contributions

Unamortized capital contributions are amortized over the same period as the amortization expense is recognized on the related asset.

	2017	2016
	\$	\$
Balance, beginning of year	203,908	399,534
Transfer from unexpended deferred revenue	852,101	—
Amortization of capital asset contributions – Alberta Health	(126,924)	(195,626)
Amortization of capital asset contributions – other	(103,773)	—
Balance, end of year	825,312	203,908

