

Calgary Foothills Primary Care Network

Financial statements
March 31, 2018



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, 2018, 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, 2018 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 21, 2018

Ernst + Young LLP

Chartered Professional Accountants



Calgary Foothills Primary Care Network

Statement of financial position

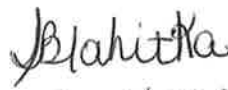
As at March 31

	2018	2017
	\$	\$
Assets		
Current		
Cash and cash equivalents <i>[note 2]</i>	6,759,334	6,237,264
Accounts receivable	596,451	654,586
Prepaid expenses	94,858	30,856
Total current assets	7,450,643	6,922,706
Capital assets <i>[note 3]</i>	649,973	825,312
Rent deposits	55,045	55,045
Total Assets	8,155,661	7,803,063
Liabilities and net assets		
Current		
Accounts payable and accruals	3,729,186	5,160,228
Due to related parties <i>[note 6]</i>	245,734	230,132
Deferred contributions - Alberta Health <i>[note 4]</i>	3,166,488	1,171,270
Total current liabilities	7,141,408	6,561,630
Non-Current Liabilities		
Deferred contributions - other <i>[note 4]</i>	294,157	324,930
Unamortized capital asset contributions <i>[note 9]</i>	649,973	825,312
Unamortized tenant incentives	70,123	91,191
Total non-current liabilities	1,014,253	1,241,433
Total Liabilities	8,155,661	7,803,063
Commitments and contingencies <i>[note 5]</i>		


See accompanying notes

On behalf of the Board:

Director


2018/06/26

Director


Jessica Orr
2018/06/26

Calgary Foothills Primary Care Network

Statement of revenue and expenses

Year ended March 31

	2018	2017
	\$	\$
Revenue <i>[note 6]</i>		
Alberta Health per capita funding	20,867,059	22,332,688
Clinic overhead	3,266,941	3,393,619
Fee for service	1,984,770	2,597,770
Grants and sponsorship	104,082	389,326
Interest	138,068	154,499
Physician office system program funding	46,300	121,287
Room rental	111,043	108,313
	<u>26,518,263</u>	<u>29,097,502</u>
Program expenses <i>[note 6]</i>		
Strengthening primary health care	13,892,624	13,985,861
Business and clinic redesign	4,924,539	7,054,712
Innovative partnerships	3,792,453	3,917,546
IT initiatives	475,666	583,910
	<u>23,085,282</u>	<u>25,542,029</u>
Excess of revenue over expenses before general and administrative expenses	3,432,981	3,555,473
General and administrative expenses <i>[Schedule 1]</i>	3,432,981	3,555,473
Excess (deficiency) of revenue over expenses	<u>—</u>	<u>—</u>

See accompanying notes

Calgary Foothills Primary Care Network

Statement of cash flows

Year ended March 31

	2018	2017
	\$	\$
Operating activities		
Excess (deficiency) of revenue over expenses	—	—
Items not involving cash		
Amortization of capital assets <i>[Schedule 1]</i>	271,581	230,697
Amortization of deferred capital contributions	(271,581)	(230,697)
Change in non-cash operating working capital		
Decrease (increase) in investments		—
Decrease (Increase) in accounts receivable	58,135	288,221
Decrease (Increase) in prepaid expenses	(64,002)	362,320
Increase (decrease) in accounts payable and accruals	(1,415,440)	700,935
(Decrease) increase in deferred contributions	1,964,445	(4,078,559)
(Decrease) increase in unamortized tenant incentives	(21,068)	54,998
Cash (used in) provided by operating activities	522,070	(2,672,085)
Investing activities		
Purchase of capital assets <i>[note 3]</i>	(96,242)	(852,101)
Cash used in investing activities	(96,242)	(852,101)
Financing activities		
Deferred capital contributions received	96,242	778,300
Cash used in financing activities	96,242	778,300
Net (decrease) increase in cash and cash equivalents during the year	522,070	(2,745,886)
Cash and cash equivalents, beginning of year	6,237,264	8,983,150
Cash and cash equivalents, end of year	6,759,334	6,237,264

See accompanying notes

General and administrative expenses

Year ended March 31

	2018	2017
	\$	\$
Salaries, wages and benefits	2,102,163	2,059,833
Office operations	420,705	280,125
Amortization	271,581	230,697
Premises costs	244,860	298,505
Board of Directors' honoraria	339,864	280,242
Insurance	20,399	24,668
Legal and audit	(35,729)	167,503
Materials and program costs	51,707	73,058
Marketing and communications	17,430	140,842
	3,432,981	3,555,473

See accompanying notes

Calgary Foothills Primary Care Network

Notes to financial statements

March 31, 2018

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

Bank balances, including bank overdrafts with balances that fluctuate frequently from positive to overdrawn, are presented under cash and cash equivalents. Cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent when it has a short maturity of approximately three months or less from the date of acquisition or can be readily converted to cash without restriction or penalty.

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March 31, 2018

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	3 years
Clinic and Office equipment	Straight-line	5 years

During the year, CFPCN changed the amortization period on IT Equipment from 5 to 3 years to closer match the useful lives of these assets. This change has been applied prospectively.

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. Capital assets

	2018		2016	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Leasehold improvements	1,751,499	(1,232,612)	518,887	674,527
Clinic and Office Equipment	352,787	(329,063)	23,724	34,548
IT Equipment	314,644	(207,282)	107,362	116,237
	2,418,930	(1,768,957)	649,973	825,312

During the year, capital assets were acquired at an aggregate cost of \$96,242 [2017 – \$852,101].

4. Deferred contributions

Deferred program contributions 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 \$3,166,488 [2017 – \$1,171,270] is restricted for Alberta Health Per Capita Funding,

Calgary Foothills Primary Care Network

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\$203,916 [2017 – \$203,916] for the TOPS Cancer Program, \$54,310 [2017 – \$54,310] for the Atrial Fibrillation Initiative, and \$35,391 [2017 – \$47,499] for other various initiatives.

5. Commitments and contingencies

The CFPCN is committed under a number of operating leases for certain ancillary equipment and office space. At March 31, 2018, the following schedule discloses the minimum lease payments due over the next four years and thereafter.

	\$
2019	1,898,242
2020	1,845,646
2021	1,818,233
2022 and thereafter	<u>2,207,645</u>

CFPCN is involved in various legal disputes arising in the normal course of its business. In the Organization's opinion, these could have a significant effect on the Organization's financial position or results of operations. At this time, the outcomes and potential exposure is indeterminate.

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 86.2% 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, 2018, \$145,230 [2017 – \$122,701] 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, 2018, these services comprised 9.5% 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, 2018, an amount of \$245,734 [2017 – \$230,132] 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.

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8. Credit facility

As at March 31, 2018 and 2017, the CFPCN had an available unsecured line of credit of up to \$2,000,000 bearing interest at the bank's prime rate.

9. Unamortized capital contributions

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

	2018	2017
	\$	\$
Balance, beginning of year	825,312	203,908
Transfer from unexpended deferred revenue	96,242	852,101
Amortization of capital asset contributions – Alberta Health	(115,941)	(126,924)
Amortization of capital asset contributions – other	(155,640)	(103,773)
Balance, end of year	649,973	825,312

10. Comparative figures

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.