1255404 Alberta Ltd.

[Operating as Calgary Foothills Primary Care Network]

Financial statements

March 31, 2019

Building a better working world

Independent auditor's report

To the Board of Directors of
1255404 Alberta Ltd. [operating as Calgary Foothills Primary Care Network]

Opinion

We have audited the financial statements of **1255404 Alberta Ltd.** [the "Organization"] which comprise the statement of financial position as at March 31, 2019, and the statement of revenue and expenses, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young LLP

Chartered Professional Accountants

Calgary, Canada
June 20, 2019

1255404 Alberta Ltd.

[Operating as Calgary Foothills Primary Care Network]

Statement of financial position

As at March 31

	2019 $	2018 $
Assets		
Current		
Cash and cash equivalents *[note 2]*	**5,147,836**	6,759,334
Accounts receivable	**605,291**	596,451
Prepaid expenses	**134,533**	94,858
Total current assets	**5,887,660**	7,450,643
Capital assets *[note 3]*	**585,773**	649,973
Rent deposits	**55,044**	55,045
Total assets	**6,528,478**	8,155,661
Liabilities and net assets		
Current		
Accounts payable and accruals	**4,158,302**	3,729,186
Due to related parties *[note 6]*	**418,296**	245,734
Deferred contributions - Alberta Health *[note 4]*	**1,063,256**	3,166,488
Total current liabilities	**5,639,853**	7,141,408
Non-current liabilities		
Deferred contributions - other *[note 4]*	**253,765**	294,157
Unamortized capital asset contributions *[note 9]*	**585,773**	649,973
Unamortized tenant incentives	**49,087**	70,123
Total non-current liabilities	**888,625**	1,014,253
Total liabilities	**6,528,478**	8,155,661

Commitments *[note 5]*

See accompanying notes

On behalf of the Board:

Director

Director

1255404 Alberta Ltd.

[Operating as Calgary Foothills Primary Care Network]

Statement of revenue and expenses

Year ended March 31

	2019 $	2018 $
Revenue *[note 6]*		
Alberta Health per capita funding	**23,501,177**	20,867,059
Clinic overhead	**3,238,333**	3,266,941
Fee for service	**2,009,420**	1,984,770
Grants and sponsorship	**220,698**	104,082
Interest	**216,767**	138,068
Physician office system program funding	**70,807**	46,300
Room rental	**110,180**	111,043
	29,367,380	26,518,263
Program expenses *[note 6]*		
Strengthening primary health care	**14,613,859**	13,892,624
Business and process redesign	**6,223,664**	4,924,539
Innovative partnerships	**4,819,691**	3,792,453
Information technology initiatives	**508,363**	475,667
	26,165,576	23,085,282
Excess of revenue over expenses before general and administrative expenses	**3,201,804**	3,432,981
General and administrative expenses *[Schedule 1]*	**3,201,804**	3,432,981
Excess (deficiency) of revenue over expenses	**—**	—

See accompanying notes

1255404 Alberta Ltd.

[Operating as Calgary Foothills Primary Care Network]

Statement of cash flows

Year ended March 31

	2019 $	2018 $
Operating activities		
Excess (deficiency) of revenue over expenses	—	—
Items not involving cash		
Amortization of capital assets *[Schedule 1]*	**235,212**	271,581
Amortization of deferred capital contributions	**(235,212)**	(271,581)
Change in non-cash operating working capital		
Decrease (increase) in accounts receivable	**(8,840)**	58,135
Increase in prepaid expenses	**(39,675)**	(64,002)
Increase (decrease) in accounts payable and accruals	**601,677**	(1,415,440)
Increase (decrease) in deferred contributions	**(2,143,624)**	1,964,445
Decrease in unamortized tenant incentives	**(21,036)**	(21,068)
Cash (used in) provided by operating activities	**(1,611,498)**	522,070
Investing activities		
Purchase of capital assets *[note 3]*	**(171,012)**	(96,242)
Cash used in investing activities	**(171,012)**	(96,242)
Financing activities		
Deferred capital contributions received	**171,012**	96,242
Cash provided by financing activities	**171,012**	96,242
Net (decrease) increase in cash and cash equivalents during the year	**(1,611,498)**	522,070
Cash and cash equivalents, beginning of year	**6,759,334**	6,237,264
Cash and cash equivalents, end of year	**5,147,836**	6,759,334

See accompanying notes

Notes to financial statements

March 31, 2019

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 1219543 Alberta Ltd. 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 strengthening primary health care, business and redesign projects, innovative partnerships and information technology initiatives.

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.

Notes to financial statements

March 31, 2019

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
Information technology equipment	Straight-line	3 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. Capital assets

	2019			2018
	Cost	**Accumulated amortization**	**Net book value**	**Net book value**
	$	$	$	$
Leasehold improvements	**1,922,511**	**1,402,364**	**520,147**	518,887
Clinic and office equipment	**352,787**	**339,887**	**12,900**	23,724
Information technology equipment	**314,644**	**261,918**	**52,726**	107,362
	2,589,942	**2,004,169**	**585,773**	649,973

During the year, capital assets were acquired at an aggregate cost of $171,012 [2018 – $96,242].

4. Deferred contributions

Deferred program contributions relate to funds received from various parties which are restricted for specific purposes. Revenue related to these funds is recognized in the year in which the corresponding program expenses are incurred. At year-end $1,063,256 [2018 – $3,166,488] is restricted for Alberta Health Per Capita Funding, $116,488 [2018 – $203,916] for the TOP Screening Program, $54,310 [2018 – $54,310] for the Atrial Fibrillation Initiative, and $83,038 [2018 – $35,391] for other various initiatives.

Notes to financial statements

March 31, 2019

5. Commitments

The CFPCN is committed under a number of operating leases for certain ancillary equipment and office space. At March 31, 2019, the following schedule discloses the minimum lease payments due over the next four years and thereafter.

	$
2020	2,117,509
2021	1,811,280
2022	1,071,272
2023	889,075
Thereafter	115,325

6. Related party transactions

The CFPCN's primary source of revenue is from Alberta Health ("AH") and AHS. 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 AH through per capita funding and from AHS for 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, 2019, no amount [2018 – $145,230] was receivable from AH for fee for service billing.

The CFPCN is 50% owned by AHS. Through a contract, AHS provides some medical services for the CFPCN on a regular basis. For the year ended March 31, 2019, these services comprised 8.5% of total operational costs and are included in business and process redesign, innovative programming, and strengthening primary health care on the statement of revenues and expenses. As at March 31, 2019, $418,296 [2018 – $245,734] 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.

8. Credit facility

The CFPCN has available an unsecured line of credit of up to $2,000,000 bearing interest at the bank's prime rate. No amounts were drawn on this facility as at March 31, 2019 and 2018.

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Notes to financial statements

March 31, 2019

9. Unamortized capital contributions

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

	2019 $	2018 $
Balance, beginning of year	**649,973**	825,312
Transfer from unexpended deferred revenue	**171,012**	96,242
Amortization of capital asset contributions – AH	**(65,460)**	(115,941)
Amortization of capital asset contributions – other	**(169,752)**	(155,640)
Balance, end of year	**585,773**	649,973

1255404 Alberta Ltd.
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Schedule 1

General and administrative expenses

Year ended March 31

	2019	2018
	$	$
Salaries, wages and benefits	**1,862,606**	2,102,164
Office operations	**342,598**	420,705
Amortization	**235,212**	271,581
Premises costs	**234,627**	244,860
Board of Directors' honoraria	**411,654**	339,864
Insurance	**18,775**	20,399
Legal and audit	**27,116**	(35,729)
Materials and program costs	**45,839**	51,707
Marketing and communications	**23,377**	17,430
	3,201,804	3,432,981

See accompanying notes