

Financial Statements of

**THE ALBERTA RURAL
PHYSICIANS ACTION PLAN**

Year ended March 31, 2017



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INDEPENDENT AUDITORS' REPORT

To the Members of The Alberta Rural Physicians Action Plan

We have audited the accompanying financial statements of The Alberta Rural Physicians Action Plan, which comprise the statement of financial position as at March 31, 2017, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising 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 our 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, we 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 The Alberta Rural Physicians Action Plan as at March 31, 2017, and its results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants

July 13, 2017
Edmonton, Canada

THE ALBERTA RURAL PHYSICIANS ACTION PLAN

Statement of Financial Position

March 31, 2017, with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash	\$ 1,337,857	\$ 490,340
Accounts receivable	80,915	276,655
Prepaid expenses and deposits	157,191	216,915
Contribution advances (note 2)	466,738	142,263
	<u>2,042,701</u>	<u>1,126,173</u>
Property and equipment (note 3)	338,258	538,552
	<u>\$ 2,380,959</u>	<u>\$ 1,664,725</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 852,293	\$ 852,610
Deferred contributions (note 4)	1,473,762	757,211
	<u>2,326,055</u>	<u>1,609,821</u>
Net assets:		
Invested in property and equipment	338,258	538,552
Unrestricted deficiency	(283,354)	(483,648)
	<u>54,904</u>	<u>54,904</u>
Operating line of credit (note 5)		
Commitments (note 6)		
	<u>\$ 2,380,959</u>	<u>\$ 1,664,725</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Member

_____ Member

THE ALBERTA RURAL PHYSICIANS ACTION PLAN

Statement of Operations

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Revenue:		
Contributions from Alberta Health (note 4)	\$ 9,307,905	\$ 9,841,978
Cost recovery projects	1,237,238	1,305,378
	<u>10,545,143</u>	<u>11,147,356</u>
Expenses:		
Rural medical education	5,771,942	5,820,081
Retention program	1,581,489	1,977,033
Cost recovery projects	1,237,238	1,305,378
Corporate services	1,040,682	1,029,230
Attraction and recruitment support	420,656	374,251
Amortization	221,366	200,282
Communications	141,572	150,145
Governance	83,966	68,667
Research and analysis	46,232	219,545
Loss on disposal of property and equipment	-	2,744
	<u>10,545,143</u>	<u>11,147,356</u>
Excess of revenue over expenses	\$ -	\$ -

See accompanying notes to financial statements.

THE ALBERTA RURAL PHYSICIANS ACTION PLAN

Statement of Changes in Net Assets

Year ended March 31, 2017, with comparative information for 2016

	Invested in property and equipment	Unrestricted deficiency	2017	2016
Net assets, beginning of year	\$ 538,552	\$ (483,648)	\$ 54,904	\$ 54,904
Excess of revenue over expenses	(221,366)	221,366	-	-
Investment in property and equipment	21,072	(21,072)	-	-
Net assets, end of year	\$ 338,258	\$ (283,354)	\$ 54,904	\$ 54,904

See accompanying notes to financial statements.

THE ALBERTA RURAL PHYSICIANS ACTION PLAN

Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Items not involving cash:		
Amortization	\$ 221,366	\$ 200,282
Loss on disposal of property and equipment	-	2,744
Change in non-cash operating working capital:		
Decrease (increase) in accounts receivable	195,740	(16,730)
Decrease (increase) in prepaid expenses and deposits	59,724	(4,915)
Decrease (increase) in contribution advances	(324,475)	50,188
Decrease in accounts payable and accrued liabilities	(317)	(14,501)
Increase (decrease) in deferred contributions	716,551	(412,199)
	868,589	(195,131)
Investing activities:		
Purchases of property and equipment	(21,072)	(212,608)
Proceeds from disposal of property and equipment	-	2,000
	(21,072)	(210,608)
Increase (decrease) in cash	847,517	(405,739)
Cash, beginning of year	490,340	896,079
Cash, end of year	\$ 1,337,857	\$ 490,340
Supplemental cash flow information:		
Interest received	\$ 17,293	\$ 13,720
Interest and bank charges paid	2,507	7,575

See accompanying notes to financial statements.

THE ALBERTA RURAL PHYSICIANS ACTION PLAN

Notes to Financial Statements

Year ended March 31, 2017, with comparative information for 2016

The Alberta Rural Physicians Action Plan ("RPAP") is an independent not-for-profit organization funded by the provincial government. RPAP is responsible for providing a provincially-focused comprehensive, integrated, and sustained program for the education, recruitment, and retention of physicians for rural practice. RPAP is incorporated under the Alberta Companies Act - Part IX, as a non-profit organization within the meaning of the Income Tax Act (Canada) and is exempt from income taxes.

RPAP currently operates under one year agreements with Alberta Health (AH) to provide financial support and programs for medical practitioners as described in Note 4. The most recent agreement was for a one-year term spanning the period of April 1, 2016 to March 31, 2017. RPAP is currently in discussions to sign an additional one-year agreement that will expire March 31, 2018.

1. Significant accounting policies:

(a) Basis of presentation:

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook.

(b) Revenue recognition:

RPAP 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.

Restricted investment earnings are recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Other income is recognized when earned.

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. RPAP has not elected to carry any such financial instruments at fair value.

THE ALBERTA RURAL PHYSICIANS ACTION PLAN

Notes to Financial Statements (continued)

Year ended March 31, 2017, with comparative information for 2016

1. Significant accounting policies (continued):

(c) Financial instruments (continued):

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, RPAP determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount RPAP expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(d) Property and equipment:

Purchased property and equipment are recorded at cost. When property and equipment no longer contributes to RPAP's ability to provide services, its carrying amount is written down to its residual value.

Property and equipment are amortized over their estimated useful lives at the following rates and methods:

Asset	Basis	Rate
Furniture and equipment	Declining balance	20%
Computer equipment	Straight-line	3 - 5 years
Computer software	Straight-line	3 years
Leasehold improvements	Straight-line	Over lease term

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Notes to Financial Statements (continued)

Year ended March 31, 2017, with comparative information for 2016

1. Significant accounting policies (continued):

(e) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant estimates relate to the amortization of property and equipment, the collectibility of accounts receivable and the completeness of accounts payable and accrued liabilities. Actual results could differ from those estimates.

2. Contribution advances:

Contribution advances represent restricted amounts advanced to certain educational and other institutions that were not spent by those institutions by the end of the fiscal year. Unspent amounts are comprised of the following:

	2017		2016	
University of Calgary	\$	19,301	\$	53,518
University of Alberta		13,459		13,745
Alberta Medical Association		433,978		75,000
	\$	466,738	\$	142,263

3. Property and equipment:

	2017		2016	
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and equipment	\$ 24,389	\$ 21,452	\$ 2,937	\$ 3,671
Computer equipment	45,053	20,883	24,170	18,943
Computer software	731,451	470,825	260,626	440,150
Leasehold improvements	291,735	241,210	50,525	75,788
	\$ 1,092,628	\$ 754,370	\$ 338,258	\$ 538,552

THE ALBERTA RURAL PHYSICIANS ACTION PLAN

Notes to Financial Statements (continued)

Year ended March 31, 2017, with comparative information for 2016

4. Deferred contributions:

Deferred contributions related to expenses of future years represent unspent externally restricted grants received to date, together with investment revenue earned for the purpose of paying eligible operating and capital expenditures of future years. Changes in the deferred contribution balance are as follows:

	Alberta Health			
	Operating	Property and equipment	Prepaid expenses and deposits	Total
Balance, beginning of year	\$ 1,744	\$ 538,552	\$ 216,915	\$ 757,211
Received during the year	9,986,091	21,072	-	10,007,163
Restricted investment income	17,293	-	-	17,293
Revenue recognized	(9,086,539)	(221,366)	-	(9,307,905)
Transfers	59,724	-	(59,724)	-
Balance, end of year	\$ 978,313	\$ 338,258	\$ 157,191	\$ 1,473,762

RPAP continues to work with AH and is in the process of obtaining a one year grant agreement for the fiscal 2018 year to provide financial support and programs for medical practitioners, allied health professionals and students in rural Alberta for the period from April 1, 2017 to March 31, 2018 (the Agreement) to a maximum of \$6,711,223. Under the Agreement, RPAP is required to use the contribution to meet the goals and objectives outline within the Agreement. Any unspent funds and any investment earning thereon are to either be returned or carried forward (upon approval to retain unspent surplus) to future years as allowed under the Agreement and as approve by AH.

5. Operating line of credit:

RPAP has an operating line of credit authorized to a maximum of \$2,000,000, bearing interest at the bank's prime rate plus 0.75% per annum. At March 31, 2017, the amount drawn on this facility is \$nil (2016 - \$nil). The line of credit is secured by a lending margin calculation as per funding to be received from AH. Utilization of the line of credit is minimal and specifically related to the timing of funding received from AH.

THE ALBERTA RURAL PHYSICIANS ACTION PLAN

Notes to Financial Statements (continued)

Year ended March 31, 2017, with comparative information for 2016

6. Commitments:

Effective April 1, 2007, RPAP signed a sublease agreement for office space. Under the terms of the lease RPAP is committed to pay yearly rent of \$48,536 plus occupancy costs to the College of Physicians and Surgeons until February 27, 2019. In addition, RPAP has signed various annual lease agreements and related property cost contracts for medical student and medical resident rental premises. Under the terms of the leases, RPAP is committed to monthly lease payments ranging from \$475 to \$2,450. Future minimum lease payments are as follows:

2018	\$	88,059
2019		71,987
2020		13,748
2021		5,635
2022		3,402
	\$	182,831

7. Financial risks and concentration of credit risk:

RPAP has a risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include credit risk and interest rate risk.

Credit risk arises from the potential that a counter party will fail to perform its obligations. RPAP is exposed to credit risk from the University of Alberta, University of Calgary and other medical service providers. In order to reduce its credit risk, RPAP reviews a new medical service provider's credit history before extending credit and conducts regular reviews of existing credit performance.

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. In seeking to minimize the risks from interest rate fluctuations, RPAP manages exposure through its normal operating and financing activities. RPAP is exposed to interest rate risk primarily through its cash.

8. Board of directors honoraria:

During the year, RPAP paid \$33,638 (2016 - \$22,781) of board honoraria, and \$9,662 (2016 - \$26,688) in preceptor and enrichment honoraria to members of RPAP's board of directors.