

Financial Statements of

**THE ALBERTA RURAL
PHYSICIANS ACTION PLAN**

Year ended March 31, 2014



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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, 2014, the statements of operations, changes in net assets (deficiency) 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, 2014, 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

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly curved line that tapers at both ends, resembling a flourish or a signature line.

Chartered Accountants

June 12, 2014
Edmonton, Canada

THE ALBERTA RURAL PHYSICIANS ACTION PLAN

Statement of Financial Position

March 31, 2014, with comparative information for 2013

	2014	2013
Assets		
Current assets:		
Cash and short term investments (note 2)	\$ 1,499,129	\$ 116,601
Accounts receivable	327,999	478,017
Prepaid expenses and deposits	213,404	204,089
Contribution advances (note 3)	147,282	164,979
	<u>2,187,814</u>	<u>963,686</u>
Property and equipment (note 4)	284,951	294,169
	<u>\$ 2,472,765</u>	<u>\$ 1,257,855</u>

Liabilities and Net Assets (Deficiency)

Current liabilities:		
Cheques written in excess of cash	\$ 332,768	\$ 233,356
Accounts payable and accrued liabilities	901,019	892,593
Deferred contributions (note 5)	1,187,534	410,009
	<u>2,421,321</u>	<u>1,535,958</u>
Net assets (deficiency):		
Invested in property and equipment	284,951	294,169
Unrestricted deficiency	(233,507)	(572,272)
	<u>51,444</u>	<u>(278,103)</u>
Operating line of credit (note 6)		
Commitments (note 7)		
	<u>\$ 2,472,765</u>	<u>\$ 1,257,855</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, 2014, with comparative information for 2013

	2014	2013
Revenue:		
Contributions:		
Alberta Health	\$ 9,417,378	\$ 10,699,660
Recruitment	20,823	-
	9,438,201	10,699,660
Cost recovery projects	967,753	840,854
	10,405,954	11,540,514
Expenses:		
Rural medical education	5,417,814	6,429,580
Retention program	1,848,636	2,411,230
Corporate services	1,514,971	1,579,145
Cost recovery projects	967,753	840,854
Recruitment program	162,247	310,919
Amortization	71,189	48,423
Governance	65,081	182,487
Communications	28,716	67,423
	10,076,407	11,870,061
Excess (deficiency) of revenue over expenses	\$ 329,547	\$ (329,547)

See accompanying notes to financial statements.

THE ALBERTA RURAL PHYSICIANS ACTION PLAN

Statement of Changes in Net Assets (Deficiency)

Year ended March 31, 2014, with comparative information for 2013

	Invested in property and equipment	Unrestricted deficiency	2014	2013
Net assets, beginning of year	\$ 294,169	\$ (572,272)	\$ (278,103)	51,444
Excess (deficiency of revenue over expenses	(71,189)	400,736	329,547	(329,547)
Investment in property and equipment	61,971	(61,971)	-	-
Net assets (deficiency), end of year	\$ 284,951	\$ (233,507)	\$ 51,444	\$ (278,103)

See accompanying notes to financial statements.

THE ALBERTA RURAL PHYSICIANS ACTION PLAN

Statement of Cash Flows

Year ended March 31, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ 329,547	\$ (329,547)
Item not involving cash:		
Amortization	71,189	48,423
Change in non-cash operating working capital:		
Decrease (increase) in accounts receivable	150,018	(266,028)
Increase in prepaid expenses and deposits	(9,315)	(32,824)
Decrease in contribution advances	17,697	18,574
Increase (decrease) in accounts payable and accrued liabilities	8,426	(184,746)
Increase (decrease) in deferred contributions	777,525	(4,296,507)
	1,345,087	(5,042,655)
Investing activities:		
Purchases of property and equipment	(61,971)	(128,801)
Increase (decrease) in cash position	1,283,116	(5,171,456)
Cash position, beginning of year	(116,755)	5,054,701
Cash position, end of year	\$ 1,166,361	\$ (116,755)
Cash position is comprised of:		
Cash and short term investments	1,499,129	116,601
Cheques written in excess of cash	(332,768)	(233,356)
	\$ 1,166,361	\$ (116,755)
Supplemental Cashflow Information:		
Interest received	\$ 3,099	\$ 27,758
Interest paid	24,310	19

See accompanying notes to financial statements.

THE ALBERTA RURAL PHYSICIANS ACTION PLAN

Notes to Financial Statements

Year ended March 31, 2014, with comparative information for 2013

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.

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 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) Cash and short term investments:

Cash and short term investments are recorded at cost which approximates current market value.

(d) 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, 2014, with comparative information for 2013

1. Significant accounting policies (continued):

(d) 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.

(e) 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

THE ALBERTA RURAL PHYSICIANS ACTION PLAN

Notes to Financial Statements (continued)

Year ended March 31, 2014, with comparative information for 2013

1. Significant accounting policies (continued):

(f) 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. Cash and short term investments:

At March 31, 2014, cash and short term investments includes cashable Guaranteed Investment Certificates in the amount of \$1,498,968 (2013 - \$116,123) bearing interest at 1.25% (2013 - 1.3%) with maturities ranging from August 5, 2016 to March 31, 2017 (2013 - August 5, 2014).

3. 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:

	2014	2013
University of Alberta	\$ 88,733	\$ 48,983
University of Calgary	58,549	107,025
Alberta Medical Association	-	8,971
	<u>\$ 147,282</u>	<u>\$ 164,979</u>

THE ALBERTA RURAL PHYSICIANS ACTION PLAN

Notes to Financial Statements (continued)

Year ended March 31, 2014, with comparative information for 2013

4. Property and equipment:

			2014	2013
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and equipment	\$ 48,446	\$ 38,167	\$ 10,279	\$ 12,850
Computer equipment	70,967	53,658	17,309	24,601
Computer software	178,098	47,048	131,050	105,143
Leasehold improvements	291,735	165,422	126,313	151,575
	\$ 589,246	\$ 304,295	\$ 284,951	\$ 294,169

5. 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:

2014	Alberta Health		Other		Total
	Operating	Property and equipment	89-Day Locum	Family Care Clinics	
Balance, beginning of year	\$ -	\$ 294,169	\$ 115,840	\$ -	\$ 410,009
Received during the year	10,022,999	31,500	126,280	25,000	10,205,779
Restricted investment income	8,467	-	1,480	-	9,947
Revenue recognized	(9,346,189)	(71,189)	(550)	(20,273)	(9,438,201)
Amounts transferred	(30,471)	30,471	-	-	-
Balance, end of year	\$ 654,806	\$ 284,951	\$ 243,050	\$ 4,727	\$ 1,187,534

THE ALBERTA RURAL PHYSICIANS ACTION PLAN

Notes to Financial Statements (continued)

Year ended March 31, 2014, with comparative information for 2013

5. Deferred contributions (continued):

Alberta Health

Effective April 1, 2013, RPAP renewed its agreement with Alberta Health to provide financial support and programs for medical practitioners and students in rural Alberta for the period from April 1, 2013 to March 31, 2016 (the "Agreement") to a maximum of \$10,054,499 for each year of the Agreement. Under the Agreement, RPAP is required to use the contribution to meet the goals and objectives outlined in the Agreement, and unspent funds and any investment earnings thereon are to be either returned or carried forward to future years as allowed under the Agreement and as approved by Alberta Health.

89-Day Locum

In fiscal 2012, RPAP entered into an agreement with Alberta Health for \$300,000, expiring March 31, 2013, for a visiting locum program for United Kingdom physicians. The agreement was extended to March 31, 2015. Subsequent to year end, it was determined that due to changes relating to the Temporary Foreign Worker program, and the current labour market in Alberta, it would not be feasible to continue the program. RPAP has advised Alberta Health that the program will be discontinued, and the remaining unspent funds will be repaid prior to the expiry of the agreement in 2015.

6. 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, 2014, the amount drawn on this facility is \$nil (2013 - \$nil). The line of credit is secured by a lending margin calculation as per funding to be received from Alberta Health.

7. 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 \$48,312 plus occupancy costs to the College of Physicians and Surgeons until February 27, 2019.

In addition, RPAP has signed various annual lease agreements for medical student and medical resident rental premises. Under the terms of the leases, RPAP is committed to monthly lease payments ranging from \$425 to \$2,450.

THE ALBERTA RURAL PHYSICIANS ACTION PLAN

Notes to Financial Statements (continued)

Year ended March 31, 2014, with comparative information for 2013

7. Commitments (continued):

Future minimum lease payments are as follows:

2015	\$	79,412
2016		51,912
2017		52,136
2018		50,996
2019		46,746
	\$	281,202

8. 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 and short term investments.