

Cardiac Care Network of Ontario

Financial Statements

For the Year Ended March 31, 2017



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Cardiac Care Network of Ontario

We have audited the accompanying financial statements of Cardiac Care Network of Ontario which comprise the statement of financial position as at March 31, 2017 and the statements of operations and fund balances 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.

Auditor's 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 auditor's 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 auditor considers 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 Cardiac Care Network of Ontario as at March 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

Other matter

The financial statements of Cardiac Care Network of Ontario for the year ended March 31, 2016 were audited by another auditor who expressed an unqualified opinion on those financial statements dated June 23, 2016.

Collins Barrow Toronto LLP

Chartered Professional Accountants
Licensed Public Accountants
June 21, 2017
Toronto, Ontario

Cardiac Care Network of Ontario
Statement of Financial Position
As at March 31, 2017

	Operating Fund	Special Purpose Fund	Total 2017	Operating Fund	Special Purpose Fund	Total 2016
Assets						
Current						
Cash	\$ 3,937,637	\$ 1,021,265	\$ 4,958,902	\$ 2,770,438	\$ -	\$ 2,770,438
Prepaid expenses	25,269	-	25,269	7,289	-	7,289
Accounts receivable	203,633	-	203,633	98,341	-	98,341
Capital and intangible assets (Note 4)	4,166,539	1,021,265	5,187,804	2,876,068	-	2,876,068
	160,845	65,616	226,461	254,472	70,219	324,691
	\$ 4,327,384	\$ 1,086,881	\$ 5,414,265	\$ 3,130,540	\$ 70,219	\$ 3,200,759
Liabilities						
Current						
Accounts payable and accrued liabilities (Notes 5 and 6)	\$ 1,425,821	\$ 848,340	\$ 2,274,161	\$ 464,639	\$ -	\$ 464,639
Deferred capital grants (Note 7)	160,845	65,616	226,461	254,472	70,219	324,691
Deferred special purpose grants (Note 8)	-	172,925	172,925	-	-	-
Employee future benefits liability (Note 9)	85,000	-	85,000	67,900	-	67,900
	1,671,666	1,086,881	2,758,547	787,011	70,219	857,230
Fund Balances	2,655,718	-	2,655,718	2,343,529	-	2,343,529
	\$ 4,327,384	\$ 1,086,881	\$ 5,414,265	\$ 3,130,540	\$ 70,219	\$ 3,200,759

Commitments (Note 14)

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 Director

 _____
 Director

Approved by the Board

Cardiac Care Network of Ontario
Statement of Operations and Fund Balances
Year Ended March 31, 2017

	Operating Fund	Special Purpose Fund	Total 2017	Operating Fund	Special Purpose Fund	Total 2016
Revenue						
MOHLTC	\$ 7,202,634	\$ -	\$ 7,202,634	\$ 5,289,805	\$ -	\$ 5,289,805
MOHLTC funding settlement recoveries	2,752	-	2,752	5,137	-	5,137
Participation fees	295,000	-	295,000	295,000	-	295,000
Interest income	14,437	-	14,437	16,225	-	16,225
Other	2,693	-	2,693	1,222	-	1,222
Amortization of deferred capital grants (Note 7)	93,627	86,623	180,250	82,049	70,219	152,268
Amortization of deferred special purpose grants (Note 8)	-	3,017,980	3,017,980	-	500,000	500,000
	7,611,143	3,104,603	10,715,746	5,689,438	570,219	6,259,657
Expenses						
Salaries, wages and employee benefits	5,745,489	2,994,585	8,740,074	4,029,512	487,824	4,517,336
Office support and other	386,841	20,585	407,426	370,563	-	370,563
Rent	653,119	-	653,119	487,444	-	487,444
Amortization of capital assets	93,627	86,623	180,250	82,049	70,219	152,268
Legal fees	278,193	-	278,193	243,137	-	243,137
Travel and meetings	142,285	2,810	145,095	161,473	12,176	173,649
	7,299,554	3,104,603	10,404,157	5,374,178	570,219	5,944,397
Excess of revenue over expenses for the year	311,589	-	311,589	315,260	-	315,260
Fund Balances - beginning of year	2,343,529	-	2,343,529	2,029,569	-	2,029,569
Actuarial gain (loss) - employee future benefits (Note 9)	600	-	600	(1,300)	-	(1,300)
Fund Balances - end of year	\$ 2,655,718	\$ -	\$ 2,655,718	\$ 2,343,529	\$ -	\$ 2,343,529

Cardiac Care Network of Ontario
Statement of Cash Flows
Year Ended March 31, 2017

	Operating Fund	Special Purpose Fund	Total 2017	Operating Fund	Special Purpose Fund	Total 2016
Cash provided by (used in)						
Operations						
Excess of revenue over expenses for the year	311,589	-	311,589	315,260	-	315,260
Items not affecting cash						
MOHLTC funding settlement recoveries	(2,752)	-	(2,752)	(5,137)	-	(5,137)
Amortization of deferred capital grants (Note 7)	(93,627)	(86,623)	(180,250)	(82,049)	(70,219)	(152,268)
Amortization of deferred special purpose grants (Note 8)	-	(3,017,980)	(3,017,980)	-	(500,000)	(500,000)
Amortization of capital assets	93,627	86,623	180,250	82,049	70,219	152,268
Special purpose grants used for capital expenditures (Note 8)	-	(82,020)	(82,020)	-	-	-
Net post-employment benefits cost	17,700	-	17,700	13,500	-	13,500
Net change in non-cash working capital (Note 13)	840,662	848,340	1,689,002	123,117	-	123,117
	1,167,199	(2,251,660)	(1,084,461)	446,740	(500,000)	(53,260)
Financing activities						
Deferred special purpose grants received (Note 8)	-	3,272,925	3,272,925	-	500,000	500,000
Increase in deferred capital grants (Note 7)	-	82,020	82,020	121,294	-	121,294
MOHLTC funding returned	-	-	-	(37,347)	(10,256)	(47,603)
	-	3,354,945	3,354,945	83,947	489,744	573,691
Investing activities						
Purchase of capital and intangible assets	-	(82,020)	(82,020)	(121,294)	-	(121,294)
Increase (decrease) in cash during the year	1,167,199	1,021,265	2,188,464	409,393	(10,256)	399,137
Cash - beginning of year	2,770,438	-	2,770,438	2,361,045	10,256	2,371,301
Cash - end of year	3,937,637	1,021,265	4,958,902	2,770,438	-	2,770,438

1. DESCRIPTION OF OPERATIONS

The Cardiac Care Network of Ontario ("CCN") serves as a system support to the Ministry of Health and Long-Term Care (MOHLTC), Local Health Integration Networks, hospitals and care providers and is dedicated to improving the quality, efficiency, access and equity in the delivery of the continuum of adult cardiac, stroke and vascular services in Ontario.

In April 2016, the CCN and the Ontario Stroke Network ("OSN") came together (notes 2 and 15) under the corporate name of the Cardiac Care Network of Ontario.

CCN is exempt from income taxes subject to maintaining certain tax filings.

The financial statements are prepared on a going concern basis assuming that CCN will receive funding from the MOHLTC to support its operations for the next 12 months subsequent to March 31, 2017.

2. TRANSFER AGREEMENT WITH ONTARIO STROKE NETWORK

Effective April 1, 2016, pursuant to an asset transfer agreement dated March 31, 2016, OSN, a not-for-profit organization incorporated under the Corporations Act (Ontario) as a corporation without share capital on June 12, 2008, transferred its net assets to CCN. During the year, cash of \$272,925 was transferred, representing substantially the remaining net assets of OSN. This amount was included in special purpose funding, of which \$172,925 remains unspent at year end and is designated for future stroke related activities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") and reflect the following policies.

Revenue Recognition

CCN follows the deferral method of accounting for grants.

The operating grant is recognized as revenue in the Operating Fund when received or receivable from the MOHLTC. The operating grant used for the purchase of capital assets (i.e. deferred capital grants) is considered restricted for the purchase of such capital assets and is therefore deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization of the related assets.

CCN receives grants for specific projects and programs, which are recognized as deferred special purpose grants in the Special Purpose Fund. As the related expense is incurred, the deferred special purpose grant is recognized as revenue in the statement of operations and fund balances for the Special Purpose Fund.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue Recognition (Cont'd)

All interest income earned is allocated to the Operating Fund unless specifically related to MOHLTC funding sources. Interest income represents amounts earned on funds received from non-MOHLTC sources. In accordance with the accountability agreement with the MOHLTC, interest earned on funds received from MOHLTC sources is repayable to the MOHLTC on request.

Participation fees have been charged to the participating hospitals of CCN. These amounts have been recognized as revenue when billed.

Other revenue amounts are recognized in the statement of operations and fund balances when services have been performed and billed.

Capital and Intangible Assets

Capital and intangible assets are recorded at cost and amortized on a straight-line basis over the assets' estimated useful lives as follows:

Leasehold improvements	lease term
Computer equipment	5 years
Furniture	5 years
Intangible assets - software	5 years

CCN reviews the carrying amount, amortization and useful lives of its capital assets regularly. When a capital asset no longer has any long-term service potential to CCN, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations and fund balances.

Employee Future Benefits

CCN has elected to use the actuarial valuation for accounting purposes for its employee benefit plans.

The cost of retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of salary escalation, retirement ages of employees and expected health-care costs.

Actuarial gains and losses arise when the accrued benefit obligations change during the year. The actuarial gains and losses are recorded in the statement of operations and fund balances. A curtailment is an event that significantly reduces the expected years of future service of present employees or eliminates the accrual of defined benefits for future services of a significant number of active participants. The components of the gain or loss are recognized in the statement of operations and fund balances in the year in which it occurs.

Cardiac Care Network of Ontario
Notes to Financial Statements
March 31, 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial Instruments

Financial assets and liabilities are recognized when CCN becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are derecognized when the rights and obligations to receive or repay cash flows from the assets and liabilities have expired or have been transferred and CCN has transferred substantially all the risks and rewards of ownership.

CCN initially recognizes all its financial assets and financial liabilities at fair value and subsequently at amortized cost. Changes in fair value are recognized in the statement of operations and fund balances. Financial assets, at amortized cost, are tested for impairment at the end of each reporting period when there are indicators the asset may be impaired.

Use of Estimates

The preparation of these financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. The estimates are reviewed periodically and as adjustments become necessary, they are reported in the statement of operations and fund balances in the period in which they become known.

4. CAPITAL AND INTANGIBLE ASSETS

	Cost	Accumulated Amortization	Net 2017
Capital assets			
Leasehold improvements	\$ 115,675	\$ 57,034	\$ 58,641
Computer equipment	520,693	429,343	91,350
Furniture	169,635	162,804	6,831
	806,003	649,181	156,822
Intangible assets - software	568,485	498,846	69,639
Capital and intangible assets	\$ 1,374,488	\$ 1,148,027	\$ 226,461
	Cost	Accumulated Amortization	Net 2016
Capital assets			
Leasehold improvements	\$ 115,675	\$ 30,971	\$ 84,704
Computer equipment	479,107	374,877	104,230
Furniture	169,635	155,811	13,824
	764,417	561,659	202,758
Intangible assets - software	528,050	406,117	121,933
Capital and intangible assets	\$ 1,292,467	\$ 967,776	\$ 324,691

Cardiac Care Network of Ontario
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March 31, 2017

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

In accordance with an MOHLTC agreement, unspent operating grants and interest earned on funds provided by the MOHLTC are subject to repayment. In this regard, \$18,864 (2016 - \$2,752) payable to the MOHLTC is included in accounts payable and accrued liabilities as at March 31, 2017.

6. GOVERNMENT REMITTANCES

Government remittances consist of amounts (such as payroll withholding taxes) required to be paid to government authorities and are recognized when the amounts come due. As at March 31, 2017, government remittances to the federal and provincial governments, included in accounts payable and accrued liabilities, amounted to \$33,338 (2016 - \$24,190).

7. DEFERRED CAPITAL GRANTS

	2017	2016
Balance - beginning of year	\$ 324,691	\$ 355,665
Capital grants deferred during the year	82,020	121,294
Amortization of deferred capital grants	(180,250)	(152,268)
Balance - end of year	\$ 226,461	\$ 324,691

8. DEFERRED SPECIAL PURPOSE GRANTS

	2017	2016
Balance - beginning of year	\$ -	\$ 10,256
Special purpose grants received	3,272,925	500,000
Special purpose grants returned	-	(10,256)
Special purpose grants used for capital expenditures	(82,020)	-
Amortization of deferred special purpose grants	(3,017,980)	(500,000)
Balance - end of year	\$ 172,925	\$ -

9. PENSION PLAN AND EMPLOYEE FUTURE BENEFITS

Multi-employer Plan

Employees of CCN participate in the Healthcare of Ontario Pension Plan (HOOPP), a multi-employer, defined benefit contributory pension plan. Contributions to HOOPP are expensed as incurred. For the year ended March 31, 2017, CCN contributed \$339,006 (2016 - \$296,922).

Cardiac Care Network of Ontario
Notes to Financial Statements
March 31, 2017

9. PENSION PLAN AND EMPLOYEE FUTURE BENEFITS (Cont'd)

Employee Future Benefits

CCN provides extended health-care, dental and life insurance benefits to substantially all employees. The plan is unfunded and requires no contributions from employees. CCN's accrued benefit obligation relating to employee future non-pension benefit plans has been calculated by the projected benefit method pro-rated on service. The date of the most recent actuarial valuation was March 31, 2017. The accrued benefit obligation as at March 31, 2017 is \$85,000 (2016 - \$67,900).

The movement in the defined benefit obligation during the year is as follows:

	2017	2016
Present value of defined benefit obligation - opening	\$ 67,900	\$ 53,100
Current service cost	17,800	11,100
Interest on the defined benefit obligation	3,200	2,400
Actual benefit payments	(3,300)	-
Actuarial (gain) loss on the defined benefit obligation	(600)	1,300
Present value of defined benefit obligation - closing	\$ 85,000	\$ 67,900

The following amounts were recognized in the statement of operations and fund balances:

	2017	2016
Current service cost	\$ 17,800	\$ 11,100
Interest on the defined benefit obligation	3,200	2,400
	\$ 21,000	\$ 13,500

The following amounts were recognized directly within fund balances:

	2017	2016
Actuarial (gain) loss on the defined benefit obligation	\$ (600)	\$ 1,300

The significant actuarial assumptions adopted in estimating CCN's accrued benefit obligation are of a long-term nature, consistent with the nature of employee future benefits as follows:

Discount rate for accrued benefit obligation and expense	3.75%
Discount rate for net benefit cost	3.75%
Dental benefits cost escalation	3.00%
Medical benefits cost escalation - extended health care	6.25 % decreasing by 0.25% per annum to an ultimate rate of 4.50%

10. ECONOMIC DEPENDENCE

CCN depends on the MOHLTC for a significant portion of its funding. The use of the funding provided each year by the MOHLTC is governed by an accountability agreement. The most recent agreement expired on March 31, 2017 and discussions are underway on a new one-year agreement. During the fiscal year ended March 31, 2017, 100% (2016 - 100%) of operating grants and 94% (2016 - 100%) of special purpose grants were received from the MOHLTC.

11. FINANCIAL RISK MANAGEMENT

CCN is exposed to financial risks, including liquidity risk. CCN has adopted an integrated risk management framework. The framework provides a consistent methodology to manage risks. Management believes exposure to other risks, including credit, interest rate and market risks, is minimal.

Liquidity Risk

Liquidity risk results from CCN's potential inability to meet its obligations associated with financial liabilities as they come due. CCN manages its liquidity risk by forecasting cash flows from operations and anticipating investing and financing activities to ensure it has sufficient available funds to meet current and foreseeable financial requirements. CCN's exposure to liquidity risk relates to the amount of accounts payable and accrued liabilities. CCN is dependent on the continued support of the MOHLTC for its continued operations.

12. OTHER INFORMATION

On October 1, 2008, a new computerized patient registry for adult cardiac services became operational. The new CCN software application (WTIS-CCN) replaced the former CCN application (Cardiaccess). WTIS-CCN is hosted by Cancer Care Ontario (CCO) and up to October 2016, the WTIS-CCN hosting expenses were paid by the MOHLTC directly to CCO. Beginning November 1, 2016, funding for the WTIS-CCN hosting expenses was paid by the MOHLTC directly to CCN. During the fiscal year ended March 31, 2017, \$507,560 (2016 - \$nil) of these hosting expenses and related MOHLTC funding reimbursements is reflected in the statement of operations and fund balances.

Cardiac Care Network of Ontario
Notes to Financial Statements
March 31, 2017

13. SUPPLEMENTAL CASH FLOW INFORMATION

Net change in non-cash working capital is as follow:

	Operating Fund	Special Purpose Fund	Total 2017	Total 2016
Cash provided by (used in)				
Prepaid expenses	\$ (17,980)	\$ -	\$ (17,980)	\$ 7,933
Accounts receivable	(105,292)	-	(105,292)	(23,578)
Accounts receivable - MOHLTC	-	-	-	300,000
Accounts payable and accrued liabilities	963,934	848,340	1,812,274	(161,238)
	\$ 840,662	\$ 848,340	\$ 1,689,002	\$ 123,117

14. COMMITMENTS

CCN has entered into an operating lease for its premises. The lease for the premises expires on June 30, 2019. Minimum future lease payments are as follows:

Fiscal 2018	\$ 302,450
Fiscal 2019	302,450
Fiscal 2020	75,613
	\$ 680,513

15. SUBSEQUENT EVENT

In June 2017, CCN launched its new name, CorHealth Ontario, under which it will work to achieve its new vision of achieving the best cardiac, stroke and vascular care for all Ontarians.