

**CorHealth Ontario**

**Financial Statements**

**For the Year Ended March 31, 2018**



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of CorHealth Ontario

We have audited the accompanying financial statements of CorHealth Ontario which comprise the statement of financial position as at March 31, 2018 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 CorHealth Ontario as at March 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

*RSM Canada LLP*

Chartered Professional Accountants  
Licensed Public Accountants  
June 25, 2018  
Toronto, Ontario

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**CorHealth Ontario**  
**Statement of Financial Position**  
**As at March 31, 2018**

	Operating Fund	Special Purpose Fund	Total 2018	Operating Fund	Special Purpose Fund	Total 2017
<b>Assets</b>						
<b>Current</b>						
Cash	\$ 4,324,595	\$ 578,195	\$ 4,902,790	\$ 3,937,637	\$ 1,021,265	\$ 4,958,902
Prepaid expenses	27,636	-	27,636	25,269	-	25,269
Accounts receivable	247,968	-	247,968	203,633	-	203,633
	4,600,199	578,195	5,178,394	4,166,539	1,021,265	5,187,804
<b>Capital and intangible assets (Note 3)</b>	<b>378,226</b>	<b>57,212</b>	<b>435,438</b>	<b>160,845</b>	<b>65,616</b>	<b>226,461</b>
	<b>\$ 4,978,425</b>	<b>\$ 635,407</b>	<b>\$ 5,613,832</b>	<b>\$ 4,327,384</b>	<b>\$ 1,086,881</b>	<b>\$ 5,414,265</b>
<b>Liabilities</b>						
<b>Current</b>						
Accounts payable and accrued liabilities (Notes 4 and 5)	\$ 1,509,477	\$ 155,012	\$ 1,664,489	\$ 1,425,821	\$ 848,340	\$ 2,274,161
Deferred capital grants (Note 6)	378,226	57,212	435,438	160,845	65,616	226,461
Deferred special purpose grants (Notes 4 and 7)	-	423,183	423,183	-	172,925	172,925
Employee future benefits liability (Note 8)	108,000	-	108,000	85,000	-	85,000
	1,995,703	635,407	2,631,110	1,671,666	1,086,881	2,758,547
<b>Fund Balances</b>	<b>2,982,722</b>	<b>-</b>	<b>2,982,722</b>	<b>2,655,718</b>	<b>-</b>	<b>2,655,718</b>
	<b>\$ 4,978,425</b>	<b>\$ 635,407</b>	<b>\$ 5,613,832</b>	<b>\$ 4,327,384</b>	<b>\$ 1,086,881</b>	<b>\$ 5,414,265</b>

*Commitments (Note 12)*

Approved by the Board  Director  Director

**CorHealth Ontario**  
**Statement of Operations and Fund Balances**  
**Year Ended March 31, 2018**

	Operating Fund	Special Purpose Fund	Total 2018	Operating Fund	Special Purpose Fund	Total 2017
<b>Revenue</b>						
MOHLTC	\$ 8,773,785	\$ -	\$ 8,773,785	\$ 7,202,634	\$ -	\$ 7,202,634
MOHLTC funding settlement recoveries	2,898	-	2,898	2,752	-	2,752
Participation fees	295,000	-	295,000	295,000	-	295,000
Interest income	29,106	-	29,106	14,437	-	14,437
Other	59	-	59	2,693	-	2,693
Amortization of deferred capital grants (Note 6)	181,042	18,404	199,446	93,627	86,623	180,250
Amortization of deferred special purpose grants (Note 7)	-	1,353,361	1,353,361	-	3,017,980	3,017,980
	<b>9,281,890</b>	<b>1,371,765</b>	<b>10,653,655</b>	<b>7,611,143</b>	<b>3,104,603</b>	<b>10,715,746</b>
<b>Expenses</b>						
Salaries, wages and employee benefits	7,481,953	1,283,356	8,765,309	5,745,489	2,994,585	8,740,074
Office support and other	427,876	-	427,876	386,841	20,585	407,426
Rent	660,131	-	660,131	653,119	-	653,119
Amortization of capital assets	181,042	18,404	199,446	93,627	86,623	180,250
Legal fees	55,891	-	55,891	278,193	-	278,193
Travel and meetings	143,893	70,005	213,898	142,285	2,810	145,095
	<b>8,950,786</b>	<b>1,371,765</b>	<b>10,322,551</b>	<b>7,299,554</b>	<b>3,104,603</b>	<b>10,404,157</b>
<b>Excess of revenue over expenses for the year</b>	<b>331,104</b>	<b>-</b>	<b>331,104</b>	<b>311,589</b>	<b>-</b>	<b>311,589</b>
<b>Fund Balances - beginning of year</b>	<b>2,655,718</b>	<b>-</b>	<b>2,655,718</b>	<b>2,343,529</b>	<b>-</b>	<b>2,343,529</b>
<b>Actuarial (loss) gain - employee future benefits (Note 8)</b>	<b>(4,100)</b>	<b>-</b>	<b>(4,100)</b>	<b>600</b>	<b>-</b>	<b>600</b>
<b>Fund Balances - end of year</b>	<b>\$ 2,982,722</b>	<b>\$ -</b>	<b>\$ 2,982,722</b>	<b>\$ 2,655,718</b>	<b>\$ -</b>	<b>\$ 2,655,718</b>

**CorHealth Ontario**  
**Statement of Cash Flows**  
**Year Ended March 31, 2018**

	Operating Fund	Special Purpose Fund	Total 2018	Operating Fund	Special Purpose Fund	Total 2017
<b>Cash provided by (used in)</b>						
<b>Operations</b>						
Excess of revenue over expenses for the year	\$ 331,104	\$ -	\$ 331,104	\$ 311,589	\$ -	\$ 311,589
<b>Items not affecting cash</b>						
MOHLTC funding settlement recoveries	(2,898)	-	(2,898)	(2,752)	-	(2,752)
Amortization of deferred capital grants (Note 6)	(181,042)	(18,404)	(199,446)	(93,627)	(86,623)	(180,250)
Amortization of deferred special purpose grants (Note 7)	-	(1,353,361)	(1,353,361)	-	(3,017,980)	(3,017,980)
Amortization of capital assets	181,042	18,404	199,446	93,627	86,623	180,250
Special purpose grants used for capital expenditures (Note 7)	-	(10,000)	(10,000)	-	(82,020)	(82,020)
Net post-employment benefits cost	23,000	-	23,000	17,700	-	17,700
Net change in non-cash working capital (Note 11)	35,752	(693,328)	(657,576)	840,662	848,340	1,689,002
	<b>386,958</b>	<b>(2,056,689)</b>	<b>(1,669,731)</b>	<b>1,167,199</b>	<b>(2,251,660)</b>	<b>(1,084,461)</b>
<b>Financing activities</b>						
Deferred special purpose grants received (Note 7)	-	1,613,619	1,613,619	-	3,272,925	3,272,925
Increase in deferred capital grants (Note 6)	398,423	10,000	408,423	-	82,020	82,020
	<b>398,423</b>	<b>1,623,619</b>	<b>2,022,042</b>	<b>-</b>	<b>3,354,945</b>	<b>3,354,945</b>
<b>Investing activities</b>						
Purchase of capital and intangible assets	(398,423)	(10,000)	(408,423)	-	(82,020)	(82,020)
Increase (decrease) in cash during the year	386,958	(443,070)	(56,112)	1,167,199	1,021,265	2,188,464
<b>Cash - beginning of year</b>	<b>3,937,637</b>	<b>1,021,265</b>	<b>4,958,902</b>	<b>2,770,438</b>	<b>-</b>	<b>2,770,438</b>
<b>Cash - end of year</b>	<b>\$ 4,324,595</b>	<b>\$ 578,195</b>	<b>\$ 4,902,790</b>	<b>\$ 3,937,637</b>	<b>\$ 1,021,265</b>	<b>\$ 4,958,902</b>

**1. DESCRIPTION OF OPERATIONS**

CorHealth Ontario ("CHO") 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 Cardiac Care Network ("CCN") and the Ontario Stroke Network ("OSN") came together and effective June 22, 2017, the new entity was officially renamed CorHealth Ontario.

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

The financial statements are prepared on a going concern basis assuming that CHO will receive funding from the MOHLTC to support its operations for the next 12 months subsequent to March 31, 2018.

**2. 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**

CHO 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.

CHO 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.

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 CHO. 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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**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

CHO 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 CHO, 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**

CHO 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.

**Financial Instruments**

Financial assets and liabilities are recognized when CHO 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 CHO has transferred substantially all the risks and rewards of ownership.

CHO initially recognizes all its financial assets and financial liabilities at fair value and subsequently at amortized cost. Financial assets include cash and accounts receivable. Financial liabilities include accounts payable and accrued liabilities. Financial assets 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.

**CorHealth Ontario**  
**Notes to Financial Statements**  
**March 31, 2018**

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**3. CAPITAL AND INTANGIBLE ASSETS**

	Cost	Accumulated Amortization	Net 2018
<b>Capital assets</b>			
Leasehold improvements	\$ 154,103	\$ 100,176	\$ 53,927
Computer equipment	789,133	521,413	267,720
Furniture	207,423	173,193	34,230
	<b>1,150,659</b>	<b>794,782</b>	<b>355,877</b>
<b>Intangible assets - software</b>	<b>632,252</b>	<b>552,691</b>	<b>79,561</b>
<b>Capital and intangible assets</b>	<b>\$ 1,782,911</b>	<b>\$ 1,347,473</b>	<b>\$ 435,438</b>
	Cost	Accumulated Amortization	Net 2017
<b>Capital assets</b>			
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
<b>Intangible assets - software</b>	<b>568,485</b>	<b>498,846</b>	<b>69,639</b>
<b>Capital and intangible assets</b>	<b>\$ 1,374,488</b>	<b>\$ 1,148,027</b>	<b>\$ 226,461</b>

**4. DUE TO MOHLTC**

In accordance with an MOHLTC agreement, unspent grants and interest earned on funds provided by the MOHLTC are subject to repayment. In this regard, \$189,233 (2017 - \$18,864) payable to the MOHLTC is included in accounts payable and accrued liabilities and \$178,639 (2017 - \$Nil) is included in deferred special purpose grants as at March 31, 2018.

**5. 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, 2018, government remittances to the federal and provincial governments, included in accounts payable and accrued liabilities, amounted to \$42,997 (2017 - \$33,338).



**6. DEFERRED CAPITAL GRANTS**

	2018	2017
Balance - beginning of year	\$ 226,461	\$ 324,691
Capital grants deferred during the year	408,423	82,020
Amortization of deferred capital grants	(199,446)	(180,250)
<b>Balance - end of year</b>	<b>\$ 435,438</b>	<b>\$ 226,461</b>

**7. DEFERRED SPECIAL PURPOSE GRANTS**

	2018	2017
Balance - beginning of year	\$ 172,925	\$ -
Special purpose grants received	1,613,619	3,272,925
Special purpose grants used for capital expenditures	(10,000)	(82,020)
Amortization of deferred special purpose grants	(1,353,361)	(3,017,980)
<b>Balance - end of year</b>	<b>\$ 423,183</b>	<b>\$ 172,925</b>

**8. PENSION PLAN AND EMPLOYEE FUTURE BENEFITS**

**Multi-employer Plan**

Employees of CHO 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, 2018, CHO contributed \$410,648 (2017 - \$339,006).

**Employee Future Benefits**

CHO provides extended health-care and dental benefits to substantially all employees. The plan, covering the period from retirement to age 65, is unfunded and requires a 25% cost-sharing contribution from retirees. CHO'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, 2018. The accrued benefit obligation as at March 31, 2018 is \$108,000 (2017 - \$85,000).

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

**Employee Future Benefits (Cont'd)**

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

	2018	2017
Present value of defined benefit obligation - opening	\$ 85,000	\$ 67,900
Current service cost	18,400	17,800
Interest on the defined benefit obligation	3,900	3,200
Actual benefit payments	(3,400)	(3,300)
Actuarial (gain) loss on the defined benefit obligation	4,100	(600)
<b>Present value of defined benefit obligation - closing</b>	<b>\$ 108,000</b>	<b>\$ 85,000</b>

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

	2018	2017
Current service cost	\$ 18,400	\$ 17,800
Interest on the defined benefit obligation	3,900	3,200
	<b>\$ 22,300</b>	<b>\$ 21,000</b>

The following amounts were recognized directly within fund balances:

	2018	2017
Actuarial (gain) loss on the defined benefit obligation	\$ 4,100	\$ (600)

The significant actuarial assumptions adopted in estimating CHO'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	3.80%
Discount rate for net benefit cost	3.55%
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%

**9. ECONOMIC DEPENDENCE**

CHO 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 current agreement expires on March 31, 2019. During the fiscal year ended March 31, 2018, 100% (2017 - 100%) of operating grants and 96% (2017 - 94%) of special purpose grants were received from the MOHLTC.

**10. FINANCIAL RISK MANAGEMENT**

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

**Credit Risk**

Credit risk arises from the potential that a counterparty will fail to perform its obligations. CHO is subject to credit risk related to its cash. Credit risk with respect to cash is managed by holding cash balances at a high credit quality financial institution in Canada.

**Liquidity Risk**

Liquidity risk results from CHO's potential inability to meet its obligations associated with financial liabilities as they come due. CHO 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. CHO's exposure to liquidity risk relates to the amount of accounts payable and accrued liabilities. CHO is dependent on the continued support of the MOHLTC for its continued operations.

**11. SUPPLEMENTAL CASH FLOW INFORMATION**

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

	Operating Fund	Special Purpose Fund	Total 2018	Total 2017
Cash provided by (used in)				
Prepaid expenses	\$ (2,367)	\$ -	\$ (2,367)	\$ (17,980)
Accounts receivable	(44,335)	-	(44,335)	(105,292)
Accounts payable and accrued liabilities	82,454	(693,328)	(610,874)	1,812,274
	<b>\$ 35,752</b>	<b>\$ (693,328)</b>	<b>\$ (657,576)</b>	<b>\$ 1,689,002</b>

**12. COMMITMENTS**

CHO 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 2019	\$ 302,450
Fiscal 2020	75,613
	<b>\$ 378,063</b>