

# **CorHealth Ontario**

## **Financial Statements**

**For the Year Ended March 31, 2019**

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of CorHealth Ontario

### *Opinion*

We have audited the financial statements of CorHealth Ontario, (the Organization), which comprise the statement of financial position as at March 31, 2019 and the statements of operations and fund balances and 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 results of its 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.

*RSM Canada LLP*

Chartered Professional Accountants  
Licensed Public Accountants  
June 17, 2019  
Toronto, Ontario

**CorHealth Ontario**  
**Statement of Financial Position**  
**As at March 31, 2019**

	Operating Fund	Special Purpose Fund	Total 2019	Operating Fund	Special Purpose Fund	Total 2018
<b>Assets</b>						
<b>Current</b>						
Cash	\$ 4,062,400	\$ 542,324	\$ 4,604,724	\$ 4,324,595	\$ 578,195	\$ 4,902,790
Prepaid expenses	62,735	-	62,735	27,636	-	27,636
Accounts receivable	234,792	-	234,792	247,968	-	247,968
	4,359,927	542,324	4,902,251	4,600,199	578,195	5,178,394
<b>Capital and intangible assets (Note 3)</b>	<b>272,894</b>	<b>38,808</b>	<b>311,702</b>	<b>378,226</b>	<b>57,212</b>	<b>435,438</b>
	\$ 4,632,821	\$ 581,132	\$ 5,213,953	\$ 4,978,425	\$ 635,407	\$ 5,613,832
<b>Liabilities</b>						
<b>Current</b>						
Accounts payable and accrued liabilities (Notes 4 and 5)	\$ 1,122,199	\$ 185,050	\$ 1,307,249	\$ 1,509,477	\$ 155,012	\$ 1,664,489
Deferred capital grants (Note 6)	272,894	38,808	311,702	378,226	57,212	435,438
Deferred special purpose grants (Notes 4 and 7)	-	357,274	357,274	-	423,183	423,183
Employee future benefits liability (Note 8)	197,000	-	197,000	108,000	-	108,000
	1,592,093	581,132	2,173,225	1,995,703	635,407	2,631,110
<b>Fund Balances</b>	<b>3,040,728</b>	<b>-</b>	<b>3,040,728</b>	<b>2,982,722</b>	<b>-</b>	<b>2,982,722</b>
	\$ 4,632,821	\$ 581,132	\$ 5,213,953	\$ 4,978,425	\$ 635,407	\$ 5,613,832

**Commitments (Note 12)**

Approved by the Board

  
 Director

  
 Allison Mendes  
 Director

**CorHealth Ontario**  
**Statement of Operations and Fund Balances**  
**Year Ended March 31, 2019**

	Operating Fund	Special Purpose Fund	Total 2019	Operating Fund	Special Purpose Fund	Total 2018
<b>Revenue</b>						
MOHLTC	\$ 9,229,968	\$ -	\$ 9,229,968	\$ 8,773,785	\$ -	\$ 8,773,785
MOHLTC funding settlement recoveries	7,337	-	7,337	2,898	-	2,898
Participation fees	-	-	-	295,000	-	295,000
Interest income	50,669	-	50,669	29,106	-	29,106
Other	-	-	-	59	-	59
Amortization of deferred capital grants (Note 6)	148,205	18,404	166,609	181,042	18,404	199,446
Amortization of deferred special purpose grants (Note 7)	-	1,752,270	1,752,270	-	1,353,361	1,353,361
	<b>9,436,179</b>	<b>1,770,674</b>	<b>11,206,853</b>	<b>9,281,890</b>	<b>1,371,765</b>	<b>10,653,655</b>
<b>Expenses</b>						
Salaries, wages and employee benefits	7,922,604	1,626,194	9,548,798	7,481,953	1,283,356	8,765,309
Office support and other	445,582	-	445,582	427,876	-	427,876
Rent	653,163	-	653,163	660,131	-	660,131
Amortization of capital assets	148,205	18,404	166,609	181,042	18,404	199,446
Legal fees	76,173	-	76,173	55,891	-	55,891
Travel and meetings	77,046	126,076	203,122	143,893	70,005	213,898
	<b>9,322,773</b>	<b>1,770,674</b>	<b>11,093,447</b>	<b>8,950,786</b>	<b>1,371,765</b>	<b>10,322,551</b>
<b>Excess of revenue over expenses for the year</b>	<b>113,406</b>	<b>-</b>	<b>113,406</b>	<b>331,104</b>	<b>-</b>	<b>331,104</b>
<b>Fund balances - beginning 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>
<b>Actuarial loss - employee future benefits (Note 8)</b>	<b>(55,400)</b>	<b>-</b>	<b>(55,400)</b>	<b>(4,100)</b>	<b>-</b>	<b>(4,100)</b>
<b>Fund balances - end of year</b>	<b>\$ 3,040,728</b>	<b>\$ -</b>	<b>\$ 3,040,728</b>	<b>\$ 2,982,722</b>	<b>\$ -</b>	<b>\$ 2,982,722</b>

**CorHealth Ontario**  
**Statement of Cash Flows**  
**Year Ended March 31, 2019**

	Operating Fund	Special Purpose Fund	Total 2019	Operating Fund	Special Purpose Fund	Total 2018
<b>Cash provided by (used in)</b>						
<b>Operations</b>						
Excess of revenue over expenses for the year	\$ 113,406	\$ -	\$ 113,406	\$ 331,104	\$ -	\$ 331,104
Items not affecting cash						
MOHLTC funding settlement recoveries	-	-	-	(2,898)	-	(2,898)
Amortization of deferred capital grants (Note 6)	(148,205)	(18,404)	(166,609)	(181,042)	(18,404)	(199,446)
Amortization of deferred special purpose grants (Note 7)	-	(1,752,270)	(1,752,270)	-	(1,353,361)	(1,353,361)
Amortization of capital assets	148,205	18,404	166,609	181,042	18,404	199,446
Special purpose grants used for capital expenditures (Note 7)	-	-	-	-	(10,000)	(10,000)
Net post-employment benefits cost	33,599	-	33,599	23,000	-	23,000
Net change in non-cash working capital (Note 11)	(409,200)	30,038	(379,162)	35,752	(693,328)	(657,576)
	(262,195)	(1,722,232)	(1,984,427)	386,958	(2,056,689)	(1,669,731)
<b>Financing activities</b>						
Deferred special purpose grants received (Note 7)	-	1,865,000	1,865,000	-	1,613,619	1,613,619
Increase in deferred capital grants (Note 6)	42,873	-	42,873	398,423	10,000	408,423
MOHLTC funding recovery	-	(178,639)	(178,639)	-	-	-
	42,873	1,686,361	1,729,234	398,423	1,623,619	2,022,042
<b>Investing activities</b>						
Purchase of capital and intangible assets	(42,873)	-	(42,873)	(398,423)	(10,000)	(408,423)
Increase (decrease) in cash during the year	(262,195)	(35,871)	(298,066)	386,958	(443,070)	(56,112)
<b>Cash - beginning 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>
<b>Cash - end of year</b>	<b>\$ 4,062,400</b>	<b>\$ 542,324</b>	<b>\$ 4,604,724</b>	<b>\$ 4,324,595</b>	<b>\$ 578,195</b>	<b>\$ 4,902,790</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 incorporated under the Corporations Act (Ontario) and 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, 2019.

**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 had been charged to the participating hospitals of CHO in previous years. These amounts were recognized as revenue when billed. Participation fees are no longer charged by CorHealth Ontario.

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.

**Financial Instruments**

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 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, 2019**

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**3. CAPITAL AND INTANGIBLE ASSETS**

	Cost	Accumulated Amortization	Net 2019
Capital assets			
Leasehold improvements	\$ 154,103	\$ 143,318	\$ 10,785
Computer equipment	832,006	611,892	220,114
Furniture	207,423	182,751	24,672
<b>Total capital assets</b>	<b>1,193,532</b>	<b>937,961</b>	<b>255,571</b>
<b>Intangible assets - software</b>	<b>632,252</b>	<b>576,121</b>	<b>56,131</b>
<b>Capital and intangible assets</b>	<b>\$ 1,825,784</b>	<b>\$ 1,514,082</b>	<b>\$ 311,702</b>

	Cost	Accumulated Amortization	Net 2018
Capital assets			
Leasehold improvements	\$ 154,103	\$ 100,176	\$ 53,927
Computer equipment	789,133	521,413	267,720
Furniture	207,423	173,193	34,230
<b>Total capital assets</b>	<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>

**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, \$138,992 (2018 - \$189,233) payable to the MOHLTC is included in accounts payable and accrued liabilities and \$112,730 (2018 - \$178,639) is included in deferred special purpose grants as at March 31, 2019.

**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, 2019, government remittances to the federal and provincial governments, included in accounts payable and accrued liabilities, amounted to \$46,609 (2018 - \$42,997).

**CorHealth Ontario**  
**Notes to Financial Statements**  
**March 31, 2019**

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**6. DEFERRED CAPITAL GRANTS**

	2019	2018
Balance - beginning of year	\$ 435,438	\$ 226,461
Capital grants deferred during the year	42,873	408,423
Amortization of deferred capital grants	(166,609)	(199,446)
<b>Balance - end of year</b>	<b>\$ 311,702</b>	<b>\$ 435,438</b>

**7. DEFERRED SPECIAL PURPOSE GRANTS**

	2019	2018
Balance - beginning of year	\$ 423,183	\$ 172,925
Special purpose grants received	1,865,000	1,613,619
MOHLTC recovery of special purpose grants	(178,639)	-
Special purpose grants used for capital expenditures	-	(10,000)
Amortization of deferred special purpose grants	(1,752,270)	(1,353,361)
<b>Balance - end of year</b>	<b>\$ 357,274</b>	<b>\$ 423,183</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, 2019, CHO contributed \$546,603 (2018 - \$410,648).

**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, 2019. The accrued benefit obligation as at March 31, 2019 is \$197,000 (2018 - \$108,000).

**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:

	2019	2018
Present value of defined benefit obligation - opening	\$ 108,000	\$ 85,000
Current service cost	28,800	18,400
Interest on the defined benefit obligation	4,800	3,900
Actual benefit payments	-	(3,400)
Actuarial (gain) loss on the defined benefit obligation	(14,800)	4,100
Past service cost (gain)	70,200	-
<b>Present value of defined benefit obligation - closing</b>	<b>\$ 197,000</b>	<b>\$ 108,000</b>

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

	2019	2018
Current service cost	\$ 28,800	\$ 18,400
Interest on the defined benefit obligation	4,800	3,900
	<b>\$ 33,600</b>	<b>\$ 22,300</b>

The following amounts were recognized directly within fund balances:

	2019	2018
Actuarial (gain) loss on the defined benefit obligation	\$ 55,400	\$ 4,100

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	3.50%
Discount rate for net benefit cost	2.80%
Dental benefits cost escalation	3.00%
Medical benefits cost escalation - extended health care	6.25 % in fiscal 2018 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 expired on March 31, 2019. During the fiscal year ended March 31, 2019, 100% (2018 - 100%) of operating grants and 100% (2018 - 96%) 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.

**11. SUPPLEMENTAL CASH FLOW INFORMATION**

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

	Operating Fund	Special Purpose Fund	Total 2019	Total 2018
Cash provided by (used in)				
Prepaid expenses	\$ (35,100)	\$ -	\$ (35,100)	\$ (2,367)
Accounts receivable	13,176	-	13,176	(44,335)
Accounts payable and accrued liabilities	(387,276)	30,038	(357,238)	(610,874)
	<b>\$ (409,200)</b>	<b>\$ 30,038</b>	<b>\$ (379,162)</b>	<b>\$ (657,576)</b>

**12. COMMITMENTS**

CHO has entered into an operating lease for its premises. The lease for the premises expires on June 30, 2024. Minimum future lease payments are as follows:

Fiscal 2020	\$ 302,968
Fiscal 2021	303,140
Fiscal 2022	322,910
Fiscal 2023	329,500
Thereafter	411,875
	<b>\$ 1,666,763</b>