



Ministry *of* Finance

**PUBLIC
ACCOUNTS
of
ONTARIO**

2013–2014

**FINANCIAL STATEMENTS OF
GOVERNMENT ORGANIZATIONS**

Volume 2a



Ministry *of* Finance

PUBLIC ACCOUNTS *of* ONTARIO

2013–2014

**FINANCIAL STATEMENTS OF
GOVERNMENT ORGANIZATIONS**

Volume 2a

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Government Organizations continued in Volume 2b

**RESPONSIBLE MINISTRY FOR GOVERNMENT BUSINESS ENTERPRISES,
ORGANIZATIONS, TRUSTS & MISCELLANEOUS FINANCIAL STATEMENTS**

Ministry of Agriculture and Food/Rural Affairs

AgriCorp
Agricultural Research Institute of Ontario
Ontario Racing Commission

Ministry of the Attorney General

Legal Aid Ontario
The Public Guardian and Trustee for the Province of Ontario

Ministry of Economic Development, Trade and Employment/Research and Innovation

Ontario Capital Growth Corporation
Ontario Immigrant Investor Corporation

Ministry of Education

Education Quality and Accountability Office
Ontario Educational Communications Authority (TV Ontario)
Ontario French-Language Educational Communications Authority

Ministry of Energy

Hydro One Inc.
Independent Electricity System Operator
Ontario Energy Board
Ontario Power Authority
Ontario Power Generation Inc.

Ministry of the Environment

Ontario Clean Water Agency

Ministry of Finance

Deposit Insurance Corporation of Ontario
Liquor Control Board of Ontario
Losses Deleted from the Accounts
Motor Vehicle Accident Claims Fund
Ontario Electricity Financial Corporation
Ontario Financing Authority
Ontario Lottery and Gaming Corporation
Ontario Securities Commission
Pension Benefits Guarantee Fund
Provincial Judges Pension Fund
Revenue Remissions

Ministry of Government Services

Ontario Pension Board

Ministry of Infrastructure

General Real Estate Portfolio
Ontario Infrastructure and Lands Corporation (Infrastructure Ontario)
Toronto Waterfront Revitalization Corporation (Waterfront Toronto)

**RESPONSIBLE MINISTRY FOR GOVERNMENT BUSINESS ENTERPRISES,
ORGANIZATIONS, TRUSTS & MISCELLANEOUS FINANCIAL STATEMENTS**

Ministry of Health and Long-Term Care

Cancer Care Ontario
eHealth Ontario
Local Health Integration Network – Central
Local Health Integration Network – Central East
Local Health Integration Network – Central West
Local Health Integration Network – Champlain
Local Health Integration Network – Erie St. Clair
Local Health Integration Network – Hamilton Niagara Haldimand Brant
Local Health Integration Network – Mississauga Halton
Local Health Integration Network – North East
Local Health Integration Network – North Simcoe Muskoka
Local Health Integration Network – North West
Local Health Integration Network – South East
Local Health Integration Network – South West
Local Health Integration Network – Toronto Central
Local Health Integration Network – Waterloo Wellington
Ontario Agency for Health Protection and Promotion (Public Health Ontario)
Ornge

Ministry of Labour

Workplace Safety and Insurance Board

Ministry of Municipal Affairs and Housing

Ontario Mortgage and Housing Corporation

Ministry of Natural Resources

Algonquin Forestry Authority
Forest Renewal Trust

Ministry of Northern Development and Mines

Northern Ontario Heritage Fund Corporation
Ontario Northland Transportation Commission

Ministry of Tourism, Culture and Sport

The Centennial Centre of Science and Technology (Ontario Science Centre)
Metropolitan Toronto Convention Centre Corporation
Niagara Parks Commission
Ontario Place Corporation
Ontario Tourism Marketing Partnership Corporation
Ontario Trillium Foundation
Ottawa Convention Centre Corporation
Province of Ontario Council for the Arts (Ontario Arts Council)
The Royal Ontario Museum
Toronto Organizing Committee for the 2015 Pan American and Parapan American Games (Toronto 2015)

Ministry of Transportation

Metrolinx

A GUIDE TO THE PUBLIC ACCOUNTS

1. SCOPE OF THE PUBLIC ACCOUNTS

The 2013-2014 Public Accounts of the Province of Ontario comprise the **Annual Report and Consolidated Financial Statements** and three volumes:

- Volume 1** contains ministry statements and detailed schedules of debt and other items. The ministry statements reflect the financial activities of the government's ministries on the accrual basis of accounting, providing a comparison of appropriations with actual spending. Ministry expenses include all expenses that are subject to appropriation approved by the Legislative Assembly, but exclude adjustments arising from consolidation of government organizations whose expenses are not appropriated.
- Volume 2** contains the financial statements of Government Organizations and Business Enterprises that are part of the government's reporting entity and other miscellaneous financial statements.
- Volume 3** contains the details of payments made by ministries to vendors (including sales tax) and transfer payment recipients that are not deemed to be prohibited by the *Freedom of Information and Protection of Privacy Act*.

2. A GUIDE TO VOLUME 2 OF THE PUBLIC ACCOUNTS

The financial statements of the selected crown corporations, boards and commissions are for fiscal periods ending within the Province's own fiscal period April 1, 2013 to March 31, 2014. They are presented in the same detail as the approved, audited financial statements and as nearly as possible in the same form. The statements have been presented in the order shown in the Table of Contents. In addition, a listing is provided which groups the crown corporations, boards and commissions by ministerial responsibility.

GOVERNMENT ORGANIZATIONS



Management's responsibility for financial reporting

The accompanying financial statements and the financial information in the annual report have been prepared by management. The financial statements have been prepared in accordance with Canadian public sector accounting standards. Management is responsible for the accuracy, integrity, and objectivity of the information contained in the financial statements. Financial information contained elsewhere in the annual report is consistent with that contained in the financial statements.

The financial statements include some amounts, such as provision for claims, that are necessarily based on management's best estimates and have been made using careful judgment.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained. The systems include formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal control. The Board meets regularly to oversee the financial activities of the Agency and annually reviews the financial statements.

The financial statements have been examined independently by the Office of the Auditor General on behalf of the Legislature and the Board of Directors. The Auditor's Report outlines the scope of their examination and expresses their opinion on the financial statements of the company.

A handwritten signature in black ink, appearing to read "Randy Jackiw".

Randy Jackiw
Chief Executive
Officer

A handwritten signature in black ink, appearing to read "Erich Beifuss".

Erich Beifuss
Chief Financial Officer



Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To Agricorp
and to the Minister of Agriculture, Food and Rural Affairs

I have audited the accompanying financial statements of Agricorp, which comprise the statement of financial position as at March 31, 2014, and the statements of operations and fund balances, remeasurement gains and losses 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 public sector accounting standards, 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Agricorp as at March 31, 2014 and the results of its operations, remeasurement gains and losses, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Toronto, Ontario
June 19, 2014

Gary Peall, CPA, CA, LPA
Deputy Auditor General

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Agricorp

Statement of financial position

March 31, 2014 with comparative information for 2013

| (\$ thousands) | General Fund | Production Insurance | 2014 | 2013 |
|--|------------------|-------------------------|-------------------|-------------------|
| Assets | | | | |
| Cash | \$ 577 | \$ 1,503 | \$ 2,080 | \$ 2,143 |
| Investments (note 5) | 2,973 | 761,637 | 764,610 | 702,868 |
| Accounts receivable (note 4) | 7,245 | 6,589 | 13,834 | 13,121 |
| Funds under administration (note 3) | 79,132 | — | 79,132 | 69,942 |
| Prepaid expenses | 749 | — | 749 | 952 |
| Accrued pension asset (note 11) | 6,358 | — | 6,358 | 4,543 |
| Capital assets (note 6) | 1,836 | — | 1,836 | 3,323 |
| Total assets | \$ 98,870 | \$ 769,729 | \$ 868,599 | \$ 796,892 |
| Liabilities and Fund Balances | | | | |
| Accounts payable and accrued liabilities | \$ 6,328 | \$ 376 | \$ 6,704 | \$ 5,789 |
| Unearned premiums and revenue (note 9) | 5,072 | 17,653 | 22,725 | 33,702 |
| Provision for claims | — | 6,500 | 6,500 | 1,674 |
| Funds under administration (note 3) | 79,132 | — | 79,132 | 69,942 |
| Total liabilities | 90,532 | 24,529 | 115,061 | 111,107 |
| Fund balances | 8,338 | 731,746 | 740,084 | 665,828 |
| Accumulated remeasurement gains | — | 13,454 | 13,454 | 19,957 |
| Total liabilities and fund balances | \$ 98,870 | \$ 769,729 | \$ 868,599 | \$ 796,892 |

Commitments and contingencies (note 12)

See accompanying notes to financial statements.

Approved on Behalf of the Board


Larry Skinner
Chair

Randy Jackiw
Chief Executive Officer

Agricorp

Statement of operations and fund balances

Year ended March 31, 2014 with comparative information for 2013

| (\$ thousands) | General Fund | Production Insurance | 2014 | 2013 |
|---|-----------------|-------------------------|-------------------|-------------------|
| Revenue | | | | |
| Operating funding – Ontario and Canada (note 8) | \$ 47,260 | \$ – | \$ 47,260 | \$ 46,308 |
| Premiums from producers | – | 63,957 | 63,957 | 52,769 |
| Funding – Ontario and Canada | – | 96,192 | 96,192 | 81,153 |
| Sales, consulting and other services | 848 | – | 848 | 958 |
| Investment income | 71 | 20,343 | 20,414 | 20,785 |
| Total revenue | 48,179 | 180,492 | 228,671 | 201,973 |
| Expenses | | | | |
| Claims | – | 89,257 | 89,257 | 131,246 |
| Reinsurance (note 10) | – | 17,133 | 17,133 | 19,520 |
| Administration (note 16) | 48,017 | – | 48,017 | 47,074 |
| Bad debts | – | 8 | 8 | 23 |
| Total expenses | 48,017 | 106,398 | 154,415 | 197,863 |
| Excess of revenue over expenses for the year | 162 | 74,094 | 74,256 | 4,110 |
| Fund balances, beginning of year | 8,176 | 657,652 | 665,828 | 661,718 |
| Fund balances, end of year | \$ 8,338 | \$ 731,746 | \$ 740,084 | \$ 665,828 |

See accompanying notes to financial statements.

Agricorp

Statement of remeasurement gains and losses

Year ended March 31, 2014 with comparative information for 2013

| (\$ thousands) | 2014 | 2013 |
|--|-----------|-----------|
| Accumulated remeasurement gains, beginning of year | \$ 19,957 | \$ 20,065 |
| Unrealized losses on investments | (6,503) | (108) |
| Accumulated remeasurement gains, end of year | \$ 13,454 | \$ 19,957 |

See accompanying notes to financial statements.

Agricorp

Statement of cash flows

Year ended March 31, 2014 with comparative information for 2013

| (\$ thousands) | General Fund | Production Insurance | 2014 | 2013 |
|--|-----------------|-------------------------|-----------|----------|
| Cash provided by operating activities | | | | |
| Excess of revenue over expenses | \$ 162 | \$ 74,094 | \$ 74,256 | \$ 4,110 |
| Items not requiring an outlay of cash | | | | |
| Amortization of capital assets | 2,488 | – | 2,488 | 2,589 |
| Total | 2,650 | 74,094 | 76,744 | 6,699 |
| Changes in non-cash working capital | | | | |
| Accounts receivable | (692) | (21) | (713) | 729 |
| Prepaid expenses | 203 | – | 203 | (170) |
| Accrued pension asset | (1,815) | – | (1,815) | (1,925) |
| Accounts payable and accrued liabilities | 644 | 271 | 915 | (723) |
| Unearned premiums and revenue | (3,070) | (7,907) | (10,977) | 9,522 |
| Provision for claims | – | 4,826 | 4,826 | 1,258 |
| Total | (4,730) | (2,831) | (7,561) | 8,691 |
| Financing activities | | | | |
| Decrease (increase) in investments | 2,944 | (64,686) | (61,742) | (10,935) |
| Unrealized gains (losses) on investments | – | (6,503) | (6,503) | (108) |
| Total | 2,944 | (71,189) | (68,245) | (11,043) |
| Capital activities | | | | |
| Purchase of capital assets | (1,001) | – | (1,001) | (2,697) |
| Increase (decrease) in cash | (137) | 74 | (63) | 1,650 |
| Cash, beginning of year | 714 | 1,429 | 2,143 | 493 |
| Cash, end of year | \$ 577 | \$ 1,503 | \$ 2,080 | \$ 2,143 |

See accompanying notes to financial statements.

Agricorp

Notes to the financial statements

Year ended March 31, 2014

1. Nature of operations

The AgriCorp Act, 1996 established Agricorp as a provincial crown corporation without share capital, on January 1, 1997. As an agency of the Ontario government, Agricorp's mandate is to deliver government and non-government business risk management programs to Ontario's agriculture industry on behalf of the Ontario Ministry of Agriculture and Food and Ministry of Rural Affairs (OMAF and MRA).

These programs are as follows:

Government – Production Insurance

Production Insurance was established in 1966 and currently operates pursuant to the *Crop Insurance Act (Ontario, 1996)*. For over 100 commercially grown crops in Ontario, Production Insurance provides insured producers with financial protection against yield reduction caused by natural perils.

Government – Other Business Risk Management

These programs, as detailed under note 3, are administered by Agricorp on behalf of OMAF and MRA and the federal government. The rules regarding payments to customers are determined by the programs and in formal agreements with Agricorp. The funds paid out under these programs flow from either Ontario or Canada or both through Agricorp to qualified applicants, and are held in segregated accounts in funds under administration.

Other

Agricorp is responsible for the delivery of the Farm Business Registration Program (FBR) established under the *Farm Registration and Farm Organizations Funding Act, 1993*. Under an agreement with OMAF and MRA, Agricorp's primary obligations include registration of farm businesses, collection of registration fees, and disbursement of the fees net of an administrative charge to Ontario's accredited farm organizations.

2. Significant accounting policies

(a) Basis of accounting

The financial statements of Agricorp have been prepared by management in accordance with Canadian generally accepted accounting principles for governments as recommended by the Public Sector Accounting Board (PSAB) of Chartered Professional Accountants of Canada (CPA Canada). Agricorp has also elected to apply the section 4200 standards for Government Not-For-Profit Organizations. These financial statements are, in management's opinion, properly prepared within reasonable limits of materiality, statutory requirements and the framework of the accounting policies summarized below.

Agricorp

Notes to the financial statements

Year ended March 31, 2014

Agricorp uses fund accounting whereby the activities in each program are accounted for in separate funds. The General Fund is used to account for all administrative revenues and expenses, as well as for all unsegregated activities.

(b) Capital assets

Capital assets are stated at cost less accumulated amortization. Amortization is provided for using the straight line method over the estimated useful lives of the assets as follows:

| | |
|------------------------|---------|
| Furniture and fixtures | 4 years |
| Computer hardware | 3 years |
| Computer software | 2 years |
| Leasehold improvements | 5 years |

(c) Employee future benefits

Agricorp provides defined retirement and other future benefits for substantially all retirees and employees. These future benefits include pension plan and accumulated sick leave.

(i) Pension plan

Agricorp sponsors a contributory defined benefit registered pension plan for all full time and eligible part time employees. Agricorp contributes to the plan based on employee contributions and a factor determined by the plan's independent actuary. The cost of pension benefits for the defined benefit plan is determined by an independent actuary using the projected benefit method prorated on service and management's best estimates of expected plan investment performance, salary escalation, and retirement ages of employees. Pension plan assets are valued using current fair values and any actuarial adjustments are amortized on a straight line basis over the average remaining service life of the employee group.

(ii) Accumulated sick leave

Agricorp provides a non-vested sick leave benefit to all full time and part time employees. Employees are granted 6 days of sick leave per year and are eligible to accumulate up to 30 days of sick leave. Employees are not paid for unused sick leave.

(d) Revenue recognition

Under the General Fund, Agricorp accounts for government funding under the deferral method of accounting. Government funding used for the purchase of capital assets is deferred and amortized into

Agricorp

Notes to the financial statements

Year ended March 31, 2014

revenue on the same basis and at rates corresponding to those of the related capital assets.

All remaining government funding is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Sales, consulting and other services revenue is recognized as services are performed, collection of the relevant receivable is probable and persuasive evidence of an arrangement exists.

Production Insurance government funding and Production Insurance producer premiums are recognized as revenue in the year in which the related crops are harvested.

(e) Financial instruments

Agricorp's financial instruments consist of cash, investments, accounts receivable, accounts payable and accrued liabilities and provision for claims.

Financial instruments are recorded at fair value on initial recognition. All financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations and fund balances.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and fund balances. Any unrealized gain or loss on investments is adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations and fund balances.

Agricorp is required to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- (i) Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities;
- (ii) Level 2 – Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and

Agricorp

Notes to the financial statements

Year ended March 31, 2014

- (iii) Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

(f) Use of estimates

The preparation of financial statements in conformity with PSAB 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 period. Significant items subject to such estimates and assumptions include the carrying amounts of accounts receivable, capital assets, accounts payable and accrued liabilities, unearned premiums and revenue, provision for claims and accrued pension asset. Actual results could differ from those estimates.

3. Funds under administration

Agricorp provides administration services on a cost recovery basis to process and disburse payments to producers enrolled in business risk management and non-business risk management agricultural programs. These programs are generally administered on behalf of OMAF and MRA for producers in Ontario, and cover joint Canada-Ontario programs, Canada-only programs, and Ontario-only programs. Individual program delivery agreements are in place for each program. Program payments are calculated according to program requirements and the program delivery agreements. Funding is provided by Canada and/or Ontario and all funds are segregated in accounts under administration by program until such time as payments are processed for the producers.

Funds for these programs are held in accounts with Canadian banks, bankers' acceptance or bank discount notes and all are highly liquid. As Agricorp only administers these programs, no recognition is made for program revenue, expense, receivables or payables.

(a) AgriStability

AgriStability was established under the Growing Forward Framework Agreement as a continuation of the Canadian Agricultural Income Stabilization (CAIS) program. AgriStability is in effect for 2007 and subsequent years. This program provides agricultural producers with some financial protection against declines in farm margin. Producers must enroll in the program and pay administration and enrollment fees based on the selected level of coverage and a reference margin based on the participant's production margin for specified prior years. A program benefit is paid based on the participant's

Agricorp

Notes to the financial statements

Year ended March 31, 2014

selected level of coverage and when current production margin falls below the set reference margin. AgriStability provides coverage for margin declines greater than 15% for program years up to and including 2012.

Effective for program year 2013, the Growing Forward 2 agreement on agricultural policy has resulted in a simplified program, with one level of coverage available. A program benefit is paid to the participant when the participant's current production margin declines by more than 30% below the lower of the reference margin or the average adjusted expenses.

AgriStability is cost shared by Canada and Ontario at a basis of 60% and 40% respectively.

(b) Risk Management Program (RMP)

RMP was launched by the Ontario government as a permanent program effective April, 2011 and extended to additional sectors. RMP helps producers offset losses caused by low commodity prices and fluctuating production costs. RMP is fully funded by Ontario and is an advance against Ontario's share of AgriStability program costs and reduces its share of AgriStability payments. RMP includes the following plans:

RMP: Grains and Oilseeds (RMP-GO)

The plan provides Ontario grain and oilseed producers with commodity specific price support based on cost of production. To participate, producers must pay premiums, provide a premises identification number and participate in both AgriStability and Production Insurance, if available for their crop.

RMP for Livestock (RMP-LS)

RMP for Livestock includes individual plans for cattle, hogs, sheep and veal. The plans provide producers with commodity specific price support based on cost of production. To participate, producers must pay premiums, provide a premises identification number and participate in AgriStability.

RMP: Self-Directed Risk Management Plan: Edible Horticulture (RMP-SDRM)

Under the terms of the plan, producers of edible horticulture deposit into their account a percentage of their eligible net sales and a contribution is made into the account by the Ontario government. Funds can be withdrawn to cover risks to the farm business, such as a reduction in income or other farm-related expenses or losses. To participate, producers must make a deposit into their SDRM account, provide a premises identification number and participate in AgriStability.

Agricorp

Notes to the financial statements

Year ended March 31, 2014

(c) General Top-Up Program (GTUP)

GTUP was established under the Canada-Ontario Implementation Agreement and expired on March 31, 2008. Under the terms of the agreement, producers that participated in CAIS and received a payment under that program were eligible for a top-up payment based on a fixed percentage of their 2003 and 2004 CAIS government benefits.

(d) Canada-Ontario Apples and Tender Fruit Weather Risk Mitigation Strategy Initiative (ATM)

The ATM initiative came into effect January 7, 2013 under an agreement between OMAF and MRA and Agricorp that expired on March 31, 2014. The initiative provided a one-time payment to qualifying apple and tender fruit producers to support and encourage them to develop a weather risk mitigation strategy. ATM is fully funded by Ontario.

(e) Canada-Ontario Forage and Livestock Transportation Assistance Initiative (COFLTAI)

The COFLTAI initiative came into effect December 14, 2012 under an agreement between OMAF and MRA and Agricorp that expired on March 31, 2014. The initiative covered a portion of the extraordinary costs of transporting feed to Ontario livestock producers who faced severe forage shortages for their breeding herds, or transporting breeding herds to areas with surplus feed. This is an AgriRecovery initiative and is cost shared by Canada and Ontario, at a basis of 60% and 40% respectively, however, Canada has limited their administrative cost funding to \$60,000 with the balance funded by Ontario.

(f) Other programs

Agricorp administers several other programs, some of which are in the process of being wound down on behalf of OMAF and MRA and the federal government. These programs continue to be funded by OMAF and MRA and the federal government in accordance with each program delivery agreement. Examples of these programs include:

Risk Management Program pilot (RMP pilot)

RMP pilot came into effect August 16, 2007 and expired on March 31, 2013. The program provided Ontario grain and oilseed producers with commodity specific price support based on cost of production for the 2007, 2008, 2009 and 2010 crop years. The program was fully funded by Ontario and was an advance against Ontario's share of AgriStability program costs and reduced its share of AgriStability payments.

Agricorp

Notes to the financial statements

Year ended March 31, 2014

Self-Directed Risk Management Program (SDRM)

SDRM program delivery agreement between OMAF and MRA and Agricorp came into effect April 1, 2007 and expired on March 31, 2013. Under the terms of the program, producers deposited into the program account a percentage of their eligible net sales and a matching contribution was also made into the account by Canada and/or Ontario. Claims were paid out of the program account to participants, but the total payment amount for a program year could not exceed the total available funds in the account.

Farm Business Registration (FBR)

In accordance with the *Farm Registration and Organizations Funding Act, 1993*, farm businesses in Ontario whose gross farm income is equal to or greater than \$7,000 are required to register their farm business. In return for the registration, the farm business pays a reduced property tax rate on agricultural land (25% versus 100%), and is granted membership in an accredited farm organization of their choice. Agricorp collects the fee from the producer and remits it, less an administrative charge, to the chosen accredited farm organization.

The following summarizes the transactions related to the funds under administration:

| (\$ thousands) | Opening balance 2014 | Federal funding | Provincial funding | Other | Payments | Closing balance 2014 |
|----------------|----------------------------|--------------------|-----------------------|------------------|--------------------|----------------------------|
| AgriStability | \$ 57,888 | \$ 51,469 | \$ 28,498 | \$ 15,015 | \$ (86,079) | \$ 66,791 |
| RMP-GO | 63 | — | 10,063 | (18) | (10,072) | 36 |
| RMP-LS | 5,442 | — | 36,932 | 286 | (40,862) | 1,798 |
| RMP-SDRM | 3,621 | — | 20,165 | 3,980 | (20,224) | 7,542 |
| GTUP | 2,373 | — | — | 229 | (229) | 2,373 |
| ATM | — | — | 38 | — | (38) | — |
| COFLTAI | — | 163 | 109 | — | (272) | — |
| Other | 555 | — | 157 | 300 | (420) | 592 |
| Total | \$ 69,942 | \$ 51,632 | \$ 95,962 | \$ 19,792 | \$(158,196) | \$ 79,132 |

4. Accounts receivable

Accounts receivable are comprised primarily of amounts due from the governments of Canada and Ontario and amounts due from producers.

Agricorp

Notes to the financial statements

Year ended March 31, 2014

| (\$ thousands) | 2014 | 2013 |
|--------------------------------------|-----------|-----------|
| Government funding – Canada | \$ 10,086 | \$ 9,032 |
| Government funding – Ontario | 4,711 | 3,787 |
| Other | 936 | 2,193 |
| | 15,733 | 15,012 |
| Less Allowance for doubtful accounts | (1,899) | (1,891) |
| Total | \$ 13,834 | \$ 13,121 |

5. Investments

Legislation restricts Agricorp's investments to highly liquid, high-grade investments such as federal and provincial bonds, deposit notes issued by domestic financial institutions and other securities approved by the Minister of Finance.

(a) Portfolio profile

Investments, at carrying amount being fair value, are as follows:

| (\$ thousands) | 2014 | 2013 |
|------------------------------|------------|------------|
| Short-term | \$ 419,181 | \$ 230,926 |
| Long-term bonds | | |
| Government of Canada | 8,895 | 12,749 |
| Province of Ontario | 97,864 | 142,046 |
| Other provincial governments | 167,021 | 207,072 |
| Provincial utilities | 48,934 | 54,583 |
| Financial institutions | 22,715 | 55,492 |
| | 345,429 | 471,942 |
| Total investments | \$ 764,610 | \$ 702,868 |

Agricorp

Notes to the financial statements

Year ended March 31, 2014

(b) Maturity profile of the investment portfolio

| (\$ thousands) | 2014 | 2013 |
|----------------|------------|------------|
| <1 Year | \$ 419,181 | \$ 230,926 |
| 1-3 Years | 200,063 | 227,962 |
| 3-5 Years | 145,366 | 168,460 |
| >5 Years | – | 75,520 |
| Total | \$ 764,610 | \$ 702,868 |

(c) Fair value hierarchy

Fair market value of all investments was determined using Level 1 information (note 2(e) (i)).

6. Capital assets

| (\$ thousands) | Cost | Accumulated amortization | 2014 Net book value | 2013 Net book value |
|------------------------|-----------|--------------------------|------------------------|------------------------|
| Furniture and fixtures | \$ 1,213 | \$ 1,151 | \$ 62 | \$ 99 |
| Computer hardware | 8,340 | 7,653 | 687 | 1,076 |
| Computer software | 12,524 | 11,475 | 1,049 | 2,093 |
| Leasehold improvements | 1,945 | 1,907 | 38 | 55 |
| Total | \$ 24,022 | \$ 22,186 | \$ 1,836 | \$ 3,323 |

7. Financial instruments risk management

(a) Fair value of financial assets and financial liabilities

The carrying values of cash, investments with maturities under one year, accounts receivable, accounts payable and accrued liabilities and provisions for claims approximate their fair value due to the relatively short periods to maturity of the instruments.

The fair value of investments with maturities exceeding one year is based on quoted market values.

(b) Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on Agricorp's financial position, operations and cash flow.

Agricorp

Notes to the financial statements

Year ended March 31, 2014

Fluctuations in interest rates have a direct impact on the market valuation of Agricorp's fixed income securities portfolio. The average return on investments is 3.63% (2013 was 3.95%). Fluctuations in interest rates could have a significant impact on the fair value of the fixed income securities portfolio. Although investments are generally held to maturity, realized gains or losses could result if actual Production Insurance claim levels differ significantly from expected claims, and liquidation of long-term investments is required to meet obligations.

(c) Credit risk

Credit risk is the risk that other parties fail to perform as contracted. Agricorp is exposed to credit risk principally through balances receivable from the federal and provincial governments and producers as well as through its investment securities. Agricorp is exposed to credit risk on the reinsurance contracts that are placed with reinsurers. In order to minimize this risk, Agricorp places reinsurance with a number of different reinsurers and evaluates the financial condition of each of these reinsurers in order to minimize exposure to a significant loss from any one reinsurer in the event of insolvency. Reinsurers are typically required to have a minimum financial strength rating of A-based on the rating agencies A.M. Best, and Standard and Poor's. Based on professional judgement, management sets limits to establish the maximum amount of business that can be placed with a single reinsurer.

Credit risk on balances receivable arises from the possibility that the entities which owe funds to Agricorp may not fulfill their obligation. Collectability is reviewed regularly and an allowance for doubtful accounts is established to recognize the impairment risks identified.

Credit risk on investment securities arises from Agricorp's positions in term deposits, corporate debt securities and government bonds. Legislation restricts the types of investments Agricorp may hold to high grade Canadian debt instruments and investments approved by the Ministry of Finance which significantly reduces credit risk.

8. Operating funding – Ontario and Canada

The governments of Canada and Ontario have agreed to share the costs of administering Production Insurance, AgriStability, COFLTAI and GTUP at the rate of 60% and 40% respectively. For COFLTAI, Canada has limited their administrative cost funding to \$60,000 with the balance of the funding to be paid by Ontario. The costs to administer RMP-GO, RMP-LS, RMP-SDRM and ATM programs are funded by Ontario.

Agricorp

Notes to the financial statements

Year ended March 31, 2014

9. Unearned premiums and revenue

Unearned premiums represent premiums of \$17.7 million (2013 – \$25.6 million) paid in advance to Production Insurance for crops that have yet to be harvested. These crops are not harvested until after the date of the statement of financial position, giving rise to the deferral of the premiums received. Unearned revenue includes operating funding related primarily to the unamortized value of capital assets of \$1.8 million (2013 – \$3.3 million) and other unearned amounts of \$3.2 million (2013 – \$4.8 million).

10. Reinsurance agreement

Agricorp has an ongoing program of reinsurance with a number of insurance carriers. This program provides for the reinsuring companies to assume Production Insurance losses based on negotiated thresholds. Agricorp purchased reinsurance to mitigate a fixed percentage of losses for 2013 Production Insurance claims in excess of \$380 million to a maximum of \$556 million. As actual claims for the 2013 crop year were less than the minimum threshold, no reinsurance payments were received by Agricorp.

Agricorp signed an agreement in December 2013 whereby it purchased reinsurance through a number of carriers for the 2014 crop year. The amount purchased under this agreement is to mitigate a fixed percentage of losses between 14% and 19% of insured liability, subject to a maximum of \$3.5 billion (2013 – \$4.21 billion).

11. Pension plan

Agricorp has a mandatory contributory defined benefit plan for its full time and part time employees. The changes for the defined benefit plan of Agricorp during the year are as follows:

| (\$ thousands) | 2014 | 2013 |
|----------------------------|-----------|-----------|
| Accrued benefit obligation | | |
| Balance, beginning of year | \$ 31,006 | \$ 26,680 |
| Current service cost | 2,100 | 2,183 |
| Interest cost | 2,236 | 1,798 |
| Employee contributions | 1,621 | 1,561 |
| Benefits paid | (666) | (993) |
| Actuarial (gain) loss | (58) | (223) |
| Balance, end of year | \$ 36,239 | \$ 31,006 |

Agricorp

Notes to the financial statements

Year ended March 31, 2014

| (\$ thousands) | 2014 | 2013 |
|-------------------------------|-----------|-----------|
| Plan assets | | |
| Fair value, beginning of year | \$ 34,822 | \$ 29,298 |
| Actual return on plan assets | 5,471 | 1,099 |
| Employer contributions | 3,773 | 3,857 |
| Employee contributions | 1,621 | 1,561 |
| Benefits paid | (666) | (993) |
| Fair value, end of year | \$ 45,021 | \$ 34,822 |

| (\$ thousands) | 2014 | 2013 |
|-----------------------------------|----------|----------|
| Funded status | | |
| Plan surplus | \$ 8,782 | \$ 3,816 |
| Unamortized actuarial (gain) loss | (2,424) | 727 |
| Accrued pension asset | \$ 6,358 | \$ 4,543 |

The significant actuarial assumptions adopted in measuring the accrued benefit obligations of Agricorp are as follows:

| | 2014 % | 2013 % |
|---|-----------|-----------|
| Discount rate to determine accrued benefit obligation | 6.5 | 6.5 |
| Discount rate to determine benefit cost | 6.5 | 6.5 |
| Expected long-term rate of return on plan assets | 6.5 | 6.5 |
| Rate of compensation increase | 4.0 | 4.0 |

The net benefit plan expense is as follows:

| (\$ thousands) | 2014 | 2013 |
|-----------------------------------|----------|----------|
| Current service cost | \$ 2,100 | \$ 2,183 |
| Interest cost | 2,236 | 1,798 |
| Expected return on plan assets | (2,417) | (2,048) |
| Amortization of unrecognized loss | 38 | – |
| Net benefit plan expense | \$ 1,957 | \$ 1,933 |

Agricorp

Notes to the financial statements

Year ended March 31, 2014

The percentage of total fair value of plan assets by category is as follows:

| Security type | 2014 % of plan | 2013 % of plan |
|---------------------------|-------------------|-------------------|
| Canadian equities | 33.2 | 34.0 |
| US equities | 15.3 | 17.6 |
| International equities | 15.3 | 11.2 |
| Bonds | 22.8 | 25.9 |
| Real estate | 4.4 | 4.7 |
| Cash and cash equivalents | 9.0 | 6.2 |
| Other | 0.0 | 0.4 |
| Total fund | 100.0 | 100.0 |

An external investment advisor manages the investments held by the pension plan.

The most recent pension plan actuarial valuation was as of January 1, 2014 and at that time, the plan had a going concern actuarial surplus of \$7.4 million and had a solvency and wind up surplus of \$2.5 million. These estimates are determined under the provisions of Section 76 of the Regulations to the Pension Benefits Act, 1990 (Ontario). The next actuarial valuation is expected to be completed as of January 1, 2017.

12. Commitments and contingencies

(a) Lease commitments

Agricorp is committed to several leases for office space, weather data and sites, print services, mainframe support and operating leases for vehicles. The minimum aggregate costs for the unexpired terms of these leases are:

| (\$ thousands) | | |
|----------------|-----------|--------------|
| 2015 | \$ | 3,035 |
| 2016 | | 2,415 |
| 2017 | | 377 |
| 2018 | | 34 |
| 2019 | | — |
| Total | \$ | 5,861 |

Agricorp

Notes to the financial statements

Year ended March 31, 2014

(b)Contingencies

During the normal course of business, certain claims or program payments may be denied by Agricorp. As a result, various claims or proceedings have been, or may be, initiated against Agricorp. The disposition of the matters that are pending or asserted is not expected by management to have a material effect on the financial position of Agricorp or on its results of operations.

13. Related party transactions

Agricorp has entered into several agreements to acquire services from OMAF and MRA. The cost for administrative, legal and internal auditing services amounted to \$299,377 (2013 – \$213,000). In addition, Agricorp rents its head office location from Ontario Infrastructure and Lands Corporation for a total cost for the year of \$1.7 million (2013 – \$1.6 million). Agricorp earned revenue of \$62.7 million (2013 – \$58.6 million) from OMAF and MRA as their share of Production Insurance premium and operating funding.

14. Board remuneration and salary disclosure (in actual dollars)

Total remuneration to members of the Board of Directors was \$36,333 during calendar 2013 (2012 – \$33,647). *The Public Sector Salary Disclosure Act, 1996*, requires Agricorp to disclose employees paid an annual salary in excess of \$100,000. The complete disclosure for Agricorp is included in the “Public Sector Salary Disclosure 2014: Crown Agencies” listing on the Government of Ontario website:

<http://www.fin.gov.on.ca/en/publications/salarydisclosure/pssd>. For the 2013 calendar year, the amounts paid to the five employees with the highest annual salaries are:

| Name | Position | Salary | Taxable benefits |
|----------------|--|------------|---------------------|
| Beifuss, Erich | Chief Financial Officer | \$ 163,643 | \$ 606 |
| Jackiw, Randy | Chief Executive Officer | 184,360 | 3,984 |
| LaRose, Doug | Chief Information Officer | 185,850 | 688 |
| Meneray, Debra | Senior Director, Program Delivery | 146,000 | 557 |
| Sayer, Greg | Senior Counsel and Director Legal Services | 158,948 | 602 |

The taxable benefit for the Chief Executive Officer is comprised mainly of a taxable benefit for a vehicle, provided under the terms of his employment contract, and is an “allowable special consideration” under the government directives.

Agricorp

Notes to the financial statements

Year ended March 31, 2014

15. Restructuring Costs

During the fourth quarter of the fiscal year, Agricorp, as part of ongoing efforts to streamline operations and increase efficiency, incurred one-time costs of \$2.2 million to reduce the workforce and to exit certain premises before the end of the lease terms. These costs are comprised of \$1.6 million in salaries and benefits and \$0.6 million in facilities costs and are included in total administration costs (Note 16).

16. Administration

The following is a summary of the administration costs for the year:

| (\$ thousands) | 2014 | 2013 |
|-----------------------------|------------------|------------------|
| Salaries and benefits | \$ 35,866 | \$ 34,734 |
| Facilities | 2,572 | 1,889 |
| Amortization | 2,488 | 2,589 |
| Equipment and maintenance | 2,353 | 2,484 |
| Consulting and professional | 2,142 | 2,544 |
| Telephone and postage | 1,072 | 1,173 |
| Office | 699 | 804 |
| Vehicle and travel | 588 | 589 |
| Other | 237 | 268 |
| Total | \$ 48,017 | \$ 47,074 |

The Agricultural Research Institute of Ontario

Management's Responsibility for Financial Reporting

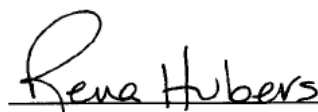
The accompanying financial statements of the Agricultural Research Institute of Ontario (ARIO) have been prepared in accordance with Canadian generally accepted accounting principles. Management is responsible for the accuracy, integrity, and objectivity of the information contained in the financial statements.

The preparation of financial statements necessarily involves the use of estimates based on management's best judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. These financial statements have been prepared within reasonable limits of materiality with information available up to and including June 13, 2014.

In discharging its responsibility for the integrity of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained.

The financial statements have been examined by RLB LLP, independent external auditors appointed by the Ontario Ministry of Agriculture and Food on behalf of ARIO. The external auditors' responsibility is to express an opinion on whether the financial statements are presented fairly in accordance with generally accepted accounting principles. The Auditors' Report outlines the scope of their examination and opinion.

On behalf of management:


Rena Hubers
Director of Research


Heather Harrison
Corporate Controller



Chartered Accountants
and Business Advisors

People Count.

INDEPENDENT AUDITOR'S REPORT

To the members of: Agricultural Research Institute of Ontario

We have audited the accompanying financial statements of Agricultural Research Institute of Ontario, which comprise the statement of financial position as at March 31, 2014 and the statements of revenues and expenditures and changes in fund balances, remeasurement losses 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 public sector accounting standards 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 in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Agricultural Research Institute of Ontario as at March 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

RLB LLP

Guelph, Ontario
June 13, 2014

Chartered Accountants
Licensed Public Accountants

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2014

| | 2014 (schedule 1) | 2013 |
|---|-----------------------------|----------------------|
| ASSETS | | |
| CURRENT | | |
| Cash | \$ 1,494,683 | \$ 3,985,879 |
| Investments | 29,856,175 | 12,327,500 |
| Accounts receivable | <u>154,906</u> | <u>172,045</u> |
| | 31,505,764 | 16,485,424 |
| CAPITAL ASSETS UNDER CONSTRUCTION | 22,155,506 | 24,790,842 |
| CAPITAL ASSETS (note 5) | <u>59,059,056</u> | <u>57,375,167</u> |
| | <u>\$ 112,720,326</u> | <u>\$ 98,651,433</u> |
| LIABILITIES | | |
| CURRENT | | |
| Accounts payable and accruals | \$ 1,736,885 | \$ 1,520,026 |
| Holdbacks payable | 458,609 | 417,773 |
| Unclaimed expenditures | 5,798,706 | 2,882,327 |
| Deferred revenue | <u>381,091</u> | <u>3,065</u> |
| | 8,375,291 | 4,823,191 |
| DEFERRED CAPITAL FUNDED CONTRIBUTIONS (note 6) | 49,273,486 | 37,063,396 |
| DEFERRED CAPITAL CONTRIBUTIONS (note 7) | <u>32,188,072</u> | <u>34,242,104</u> |
| | <u>89,836,849</u> | <u>76,128,691</u> |
| NET ASSETS | | |
| FUND BALANCES | 8,879,681 | 8,542,270 |
| ACCUMULATED REMEASUREMENT LOSSES | (33,487) | (56,811) |
| CONTRIBUTED ASSETS (note 4) | <u>14,037,283</u> | <u>14,037,283</u> |
| | <u>22,883,477</u> | <u>22,522,742</u> |
| | <u>\$ 112,720,326</u> | <u>\$ 98,651,433</u> |

See notes to the financial statements

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO

STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED MARCH 31, 2014

| | 2014 (schedule 2) | 2013 |
|--|----------------------|----------------------|
| REVENUES | | |
| Research | | |
| Grants - provincial (note 9) | \$ 2,980,000 | \$ 3,500,000 |
| Grants - other | 378,000 | 280,000 |
| Intellectual property | <u>1,117,877</u> | <u>1,085,306</u> |
| | <u>4,475,877</u> | <u>4,865,306</u> |
| Property | | |
| Grants - provincial - minor capital (note 9) | 4,131,184 | 3,218,581 |
| Rental income - provincial | 834,302 | 865,909 |
| Rental income - private industry | 677,380 | 661,289 |
| Transfer payments - payments in lieu of taxes | 750,000 | 750,000 |
| Payments in lieu of taxes | 187,754 | 252,175 |
| Amortization of deferred capital contribution | <u>2,394,158</u> | <u>2,393,613</u> |
| | <u>8,974,778</u> | <u>8,141,567</u> |
| Other | | |
| Investment income | <u>207,631</u> | <u>271,241</u> |
| | <u>13,658,286</u> | <u>13,278,114</u> |
| EXPENDITURES | | |
| Research | | |
| Research project\program | 2,303,064 | 1,948,406 |
| Intellectual property | <u>708,370</u> | <u>731,496</u> |
| | <u>3,011,434</u> | <u>2,679,902</u> |
| Property | | |
| Payments in lieu of taxes | 884,271 | 797,685 |
| Minor capital | 3,368,690 | 3,058,824 |
| Operations and maintenance | 733,495 | 772,330 |
| Amortization of capital assets | <u>2,394,158</u> | <u>2,393,613</u> |
| | <u>7,380,614</u> | <u>7,022,452</u> |
| Other | <u>12,448</u> | <u>10,110</u> |
| | <u>10,404,496</u> | <u>9,712,464</u> |
| EXCESS OF REVENUE OVER EXPENDITURES for the year | 3,253,790 | 3,565,650 |
| NET AMOUNT TRANSFERRED (TO)/FROM UNCLAIMED EXPENDITURES | <u>(2,916,379)</u> | <u>1,657,393</u> |
| | 337,411 | 5,223,043 |
| FUND BALANCES, beginning of year | 22,522,742 | 17,360,306 |
| NET REMEASUREMENT GAINS (LOSSES) for the year | 23,324 | (56,811) |
| LAND TRANSFERRED TO TOWNSHIP OF ALFRED | <u>0</u> | <u>(3,796)</u> |
| FUND BALANCES, end of year | <u>\$ 22,883,477</u> | <u>\$ 22,522,742</u> |

See notes to the financial statements

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO
STATEMENT OF REMEASUREMENT LOSSES
FOR THE YEAR ENDED MARCH 31, 2014

| | 2014 | 2013 |
|--|--------------------|--------------------|
| ACCUMULATED REMEASUREMENT LOSSES, beginning of year | \$ (56,811) | \$ 0 |
| Adjustment upon adoption of financial instruments section | 0 | 0 |
| Unrealized gains (losses) attributable to temporary investments | 69,483 | (56,811) |
| Amounts reclassified to the statement of operations: Realized losses on temporary investments | (46,159) | 0 |
| Net remeasurement gains (losses) for the year | 23,324 | (56,811) |
| ACCUMULATED REMEASUREMENT LOSSES, end of year | <u>\$ (33,487)</u> | <u>\$ (56,811)</u> |

See notes to the financial statements

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2014

| | 2014 | 2013 |
|--|---------------------|---------------------|
| CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | | |
| Excess of revenue over expenditures for the year | \$ 3,253,790 | \$ 3,565,650 |
| Items not requiring an outlay of cash | | |
| Amortization | 2,394,158 | 2,393,613 |
| Deferred capital contributions | (2,054,032) | (2,053,488) |
| Loss on disposal of capital | 126,104 | 0 |
| Accumulated remeasurement losses | <u>23,324</u> | <u>(56,811)</u> |
| | 3,743,344 | 3,848,964 |
| Changes in non-cash working capital | | |
| Accounts receivable | 17,139 | (13,912) |
| Investments | (17,528,675) | (4,819,689) |
| Accounts payable and accruals | 216,859 | 111,419 |
| Deferred capital funded contributions | 12,210,090 | 18,627,888 |
| Holdbacks payable | 40,836 | 46,331 |
| Deferred revenue | <u>378,026</u> | <u>(24,722)</u> |
| | <u>(922,381)</u> | <u>17,776,279</u> |
| CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES | | |
| Additions to capital assets | (1,568,815) | (475,563) |
| Proceeds on transfer of land | 0 | 2 |
| Capital assets under construction | <u>0</u> | <u>(16,300,000)</u> |
| | <u>(1,568,815)</u> | <u>(16,775,561)</u> |
| NET (DECREASE) INCREASE IN CASH for the year | (2,491,196) | 1,000,718 |
| CASH, beginning of year | <u>3,985,879</u> | <u>2,985,161</u> |
| CASH, end of year | <u>\$ 1,494,683</u> | <u>\$ 3,985,879</u> |

See notes to the financial statements

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED MARCH 31, 2014**

1. NATURE OF BUSINESS

The Agricultural Research Institute of Ontario (ARIO) is a non-profit corporate body reporting directly to the Ministry of Agriculture and Food (OMAF), formerly the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA). ARIO is a non-profit organization within the meaning of the Income Tax Act (Canada) and is exempt from income taxes. It was created by the ARIO Act with specific responsibilities over the co-ordination and direction of agricultural research programs in Ontario. These programs relate to a broad range of commodities and disciplines, covering all aspects of the agri-food system.

Funding for programs supported by ARIO is available from various sources. The Ontario Government, through the Ministry of Agriculture and Food, is the primary source of funding. The Ontario Government also provides funding for the open research programs. Under the ARIO Act, ARIO may accept grants and donations for research. Other funds usually come from commercial sources (such as agri-business, marketing boards, and producer associations) and can be either designated for specific projects or non-designated. In addition, with the approval of the Minister of Agriculture and Food, ARIO is able to hold patents and earn royalties on research developments.

All receipts are held in trust by the Director of Research and are allocated in accordance with the terms of the funds.

The current research trust funds managed by the secretariat to ARIO are as follows:

- Agricultural Research Institute of Ontario (ARIO)
- New Directions Research Program (New Directions)
- Food Safety Research Program (Food Safety)
- Infrastructure

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board ("PSAB for Government NPOs") and include the following significant accounting policies:

(a) BASIS OF ACCOUNTING

ARIO follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue of the appropriate research trust fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate research trust fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) FINANCIAL INSTRUMENTS

Measurement of financial instruments

The organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments, which are measured at fair value. Changes in fair value are recognized in the statement of remeasurement losses.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accruals, holdbacks payable, unclaimed expenditures, deferred capital funded contributions and deferred capital contributions.

The organization's financial assets measured at fair value include the investments.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. If an impairment has occurred, the carrying amount of financial assets measured at amortized cost is reduced to the greater of the discounted future cash flows expected or the proceeds that could be realized from the sale of the financial asset. The amount of the write-down is recognized in the statement of revenues and expenditures. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of revenues and expenditures.

Transaction costs

The organization recognizes its transaction costs in expenditures in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

(c) UNCLAIMED EXPENDITURES

Unclaimed expenditures are defined as the total approved budget for open research projects less expenses incurred to date.

(d) CAPITAL ASSETS

Capital assets are recorded at cost and are amortized using the following annual rates and method:

| | |
|--------------------------|--------------------------------|
| Buildings and components | - 25 to 40 years straight line |
|--------------------------|--------------------------------|

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) IMPAIRMENT OF LONG LIVED ASSETS

Long lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

(f) DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions are amortized at the same rate as the buildings to which they relate.

(g) RESTRICTIONS ON THE EXPENDITURE OF FUNDS

The purpose, funding, terms and conditions and duration of each research trust fund are stipulated in the relevant Order-in-Council, memorandum of understanding or Ministry correspondence.

(h) USE OF ESTIMATES

The preparation of financial statements in accordance with PSAB for Government NPOs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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 areas requiring the use of management estimates and assumptions relate to the valuation of accounts payable and accruals and the useful life of capital assets. Actual results could differ from those estimates.

3. FINANCIAL INSTRUMENTS

(a) Fair value

For certain of ARIO's financial instruments, the carrying amounts of cash, accounts receivable and accounts payable and accruals, approximate fair value due to the short term maturity of these financial instruments.

PS3450, Financial Instruments - Disclosures requires disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

- | | |
|---------|---|
| Level 1 | Unadjusted quoted prices in active markets for identical assets or liabilities. |
| Level 2 | Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and |
| Level 3 | Inputs that are not based on observable market data. |

ARIO's financial instruments are all classified as Level 1 as at March 31, 2014 and 2013.

There were no transfers in or out of Level 1 for the years ended March 31, 2014 and 2013.

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

3. FINANCIAL INSTRUMENTS (continued)

(b) Associated risks

(i) Market price risk

Market price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. As all of ARIO's financial instruments are carried at fair value with fair value changes recognized in the statement of remeasurement losses, all changes in market conditions will directly affect the increase (decrease) in accumulated remeasurement losses. Market price risk is managed by the Investment Manager through construction of a diversified portfolio of instruments traded on various markets and across various industries.

A 1% increase (decrease) in the value of the investments would increase (decrease) the asset value and the change in unrealized gains in investments by \$298,562 (2013 - \$123,275). The price of the investments is affected by changes in market values, foreign exchange rates and interest rates impacting the underlying financial instruments held within the individual investments managed by the Investment Manager.

(ii) Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Institute's cash flows, financial position and income. Interest rate changes have an indirect impact on the investment assets in ARIO. ARIO uses investment diversification to manage this risk.

(iii) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

All of ARIO's fixed income securities are considered to be readily realizable as they can be quickly liquidated at amounts close to their fair value in order to meet liquidity requirements.

(iv) Foreign currency risk

Foreign currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. ARIO is not exposed to significant foreign currency risk.

(v) Credit risk

Credit risk is the risk that a customer or counterpart may be unable or unwilling to meet a commitment that it has entered into with ARIO. ARIO is not exposed to significant credit risk.

4. CONTRIBUTED ASSETS

Contributed assets of \$14,037,283 (2013 - \$14,037,283) are recorded in the Infrastructure Fund and represent the cost of the land transferred to ARIO from the Government of Ontario.

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

5. CAPITAL ASSETS

| | Cost | Accumulated Amortization | Net 2014 | Net 2013 |
|---------------------|----------------------|-------------------------------------|----------------------|----------------------|
| Land: | | | | |
| Simcoe railway line | \$ 9,793 | \$ 0 | \$ 9,793 | \$ 9,793 |
| Regional campuses | 3,092,104 | 0 | 3,092,104 | 3,092,104 |
| Research stations | 10,967,029 | 0 | 10,967,029 | 10,967,029 |
| | <u>14,068,926</u> | <u>0</u> | <u>14,068,926</u> | <u>14,068,926</u> |
| Buildings: | | | | |
| Regional campuses | 38,410,502 | 9,109,601 | 29,300,901 | 26,703,249 |
| Research stations | 22,037,911 | 6,348,682 | 15,689,229 | 16,602,992 |
| | <u>60,448,413</u> | <u>15,458,283</u> | <u>44,990,130</u> | <u>43,306,241</u> |
| | <u>\$ 74,517,339</u> | <u>\$ 15,458,283</u> | <u>\$ 59,059,056</u> | <u>\$ 57,375,167</u> |

As at March 6, 2007, the titles for capital assets (land and buildings) with a carrying value of approximately \$60.9 million were transferred to ARIO from the Government of Ontario. Carrying value is being used as the transfer value since the transfer took place between non-arm's length parties, is non-monetary in nature and does not have commercial substance. As an agency of the Government of Ontario, ARIO reports these capital assets (and other assets and liabilities) in consolidation with the Ministry of Agriculture and Food on an annual basis.

During the year, capital additions with a carrying value of \$1,200,000 (2013 - \$72,294) were contributed to the organization by external stakeholders. Carrying value is determined as the cost of the contributed assets to the contributors which approximates fair value due to the relatively short period between the date of purchase by the contributor and the asset being contributed to the organization.

6. DEFERRED CAPITAL FUNDED CONTRIBUTIONS

Deferred capital contributions relating to construction of capital funded projects represents the amount of grants and other restricted funding received by ARIO for construction projects.

| | 2014 | 2013 |
|---|----------------------|----------------------|
| Balance, beginning of the year | \$ 37,063,396 | \$ 18,435,508 |
| Less amortization for the year | (340,125) | (340,125) |
| Add contributions received for capital purposes | <u>12,550,215</u> | <u>18,968,013</u> |
| Balance, end of the year | <u>\$ 49,273,486</u> | <u>\$ 37,063,396</u> |

The funding sources are as follows:

| | 2014 | 2013 |
|------------|----------------------|----------------------|
| Federal | \$ 1,312,500 | \$ 1,347,500 |
| Provincial | 43,440,544 | 32,335,236 |
| Industry | <u>4,520,442</u> | <u>3,380,660</u> |
| | <u>\$ 49,273,486</u> | <u>\$ 37,063,396</u> |

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2014

7. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of the net book value of the buildings transferred to ARIO from the Government of Ontario in 2007. The amortization of capital contributions is recorded as revenue in the statement of revenues and expenditures. The changes in the deferred capital contributions are as follows:

| | 2014 | 2013 |
|--------------------------------|----------------------|----------------------|
| Balance, beginning of the year | \$ 34,242,104 | \$ 36,295,592 |
| Less amortization for the year | <u>(2,054,032)</u> | <u>(2,053,488)</u> |
| Balance, end of the year | <u>\$ 32,188,072</u> | <u>\$ 34,242,104</u> |

8. ARIO RESEARCH FUND

| | Seed Royalty | Technology Royalty | Unpledged Equity | Total 2014 | Total 2013 |
|---------------------------------|---------------------|-----------------------|---------------------|---------------------|---------------------|
| Revenue | | | | | |
| Intellectual property | \$ 948,613 | \$ 169,264 | 0 | \$ 1,117,877 | \$ 1,085,306 |
| Investment income | <u>54,889</u> | <u>45,987</u> | <u>0</u> | <u>100,876</u> | <u>116,129</u> |
| | 1,003,502 | 215,251 | 0 | 1,218,753 | 1,201,435 |
| Expenses | <u>700,692</u> | <u>20,126</u> | <u>0</u> | <u>720,818</u> | <u>741,606</u> |
| Net surplus for the year | 302,810 | 195,125 | 0 | 497,935 | 459,829 |
| Fund balance, beginning of year | 1,653,492 | 1,991,799 | 0 | 3,645,291 | 3,200,851 |
| Remeasurement losses | <u>2,770</u> | <u>1,822</u> | <u>0</u> | <u>4,592</u> | <u>(15,389)</u> |
| Fund balance, end of year | <u>\$ 1,959,072</u> | <u>\$ 2,188,746</u> | <u>\$ 0</u> | <u>\$ 4,147,818</u> | <u>\$ 3,645,291</u> |

9. GRANTS RECEIVED FROM THE PROVINCIAL GOVERNMENT

The following grants have been received from the Ontario Ministry of Agriculture, Food and Rural Affairs and successor ministries:

| | 2014 | 2013 |
|--|----------------------|----------------------|
| New Directions Research Program | \$ 2,480,000 | \$ 3,000,000 |
| Food Safety Research Program | <u>500,000</u> | <u>500,000</u> |
| | 2,980,000 | 3,500,000 |
| Minor capital | 4,500,000 | 4,500,000 |
| Elora Livestock Environmental and Energy Complex | 10,981,400 | 16,214,300 |
| Payments in lieu of taxes | <u>750,000</u> | <u>750,000</u> |
| | <u>\$ 19,211,400</u> | <u>\$ 24,964,300</u> |

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

9. GRANTS RECEIVED FROM THE PROVINCIAL GOVERNMENT (continued)

The following Provincial Government capital transfer payment grants have been partially capitalized as Deferred Capital Funded Contributions and partially recognized as Revenues as follows:

| | 2014 | 2013 |
|---|---------------------|---------------------|
| Minor capital: | | |
| Funding received | \$ 4,500,000 | \$ 4,500,000 |
| Capitalized - Deferred Capital Funding Contribution | <u>(368,816)</u> | <u>(1,281,419)</u> |
| Net revenue | <u>\$ 4,131,184</u> | <u>\$ 3,218,581</u> |
| Elora Livestock Environmental and Energy Complex: | | |
| Funding received | \$ 10,981,400 | \$ 16,214,300 |
| Capitalized- Deferred Capital Funding Contribution | <u>(10,981,400)</u> | <u>(16,214,300)</u> |
| Net revenue | <u>\$ 0</u> | <u>\$ 0</u> |

Algonquin Forestry Authority Year ended March 31, 2014

Management's Responsibility for Financial Information

Management and the Board of Directors of the Algonquin Forestry Authority are responsible for the financial statements and all other information presented in this Annual Report. The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and, where appropriate, include amounts based on Management's best estimates and judgements.

The Algonquin Forestry Authority is dedicated to the highest standards of integrity in its business. To safeguard the Authority's assets, the Authority has a sound and dynamic set of internal financial controls and procedures that balance benefits and costs. Management has developed and maintains financial and management controls, information systems and management practices to provide reasonable assurance of the reliability of financial information in accordance with the *Algonquin Forestry Authority Act*.

The Board of Directors ensures that Management fulfills its responsibilities for financial information and internal control. The Board of Directors meets regularly to oversee the financial activities of the Authority and at least annually to review the financial statements and the external auditors' report thereon, and recommends them to the Minister of Natural Resources for approval.

The financial statements have been examined by the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian public sector accounting standards. The Independent Auditor's Report outlines the scope of the Auditor's examination and opinion.



Tim Doyle, CPA, CA
Treasurer

Jeff W. Leavey
General Manager



Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To the Members, Algonquin Forestry Authority
and to the Minister of Natural Resources and Forestry

I have audited the accompanying financial statements of the Algonquin Forestry Authority, which comprise the statement of financial position as at March 31, 2014, and the statements of operations, changes in net assets 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 public sector accounting standards, 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Algonquin Forestry Authority as at March 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Gary Peall, CPA, CA, LPA
Deputy Auditor General

Toronto, Ontario
July 21, 2014

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ALGONQUIN FORESTRY AUTHORITY

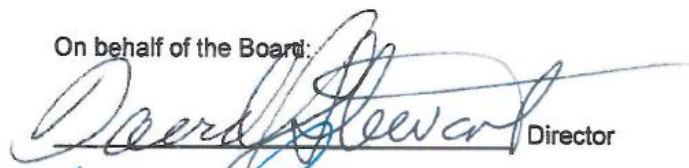
Statement of Financial Position

March 31, 2014, with comparative information for 2013

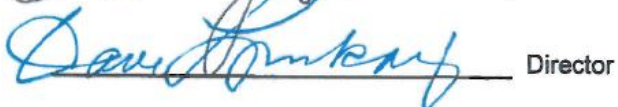
| | 2014 | 2013 |
|--|----------------------|---------------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 1,032,342 | \$ 1,523,614 |
| Accounts receivable (note 2) | 10,351,267 | 7,543,495 |
| Inventories held for sale | 324,938 | 376,230 |
| Prepaid expenses | 1,962 | 1,962 |
| | 11,710,509 | 9,445,301 |
| Capital assets (note 3) | 304,263 | 334,458 |
| | \$ 12,014,772 | \$ 9,779,759 |
| Liabilities and Net Assets | | |
| Current liabilities: | | |
| Demand line of credit (note 13) | \$ 1,000,000 | \$ - |
| Accounts payable and accrued liabilities | 1,892,721 | 1,537,628 |
| Contractors' performance holdbacks | 94,609 | 75,931 |
| Due to Consolidated Revenue Fund (note 14) | 374,519 | 375,967 |
| Deferred contributions (note 4) | 146,069 | 274,636 |
| | 3,507,918 | 2,264,162 |
| Obligation for employee future benefits (note 5) | 398,779 | 436,356 |
| Deferred capital contributions (note 6) | 60,025 | 115,591 |
| | 3,966,722 | 2,816,109 |
| Net assets: | | |
| Restricted - Forest Renewal Fund (notes 7 and 9) | 2,665,010 | 2,500,000 |
| Invested in capital assets (note 8) | 244,239 | 218,867 |
| Unrestricted - General Fund | 5,138,801 | 4,244,783 |
| | 8,048,050 | 6,963,650 |
| | \$ 12,014,772 | \$ 9,779,759 |

See accompanying notes to financial statements.

On behalf of the Board:



 Director



 Director

ALGONQUIN FORESTRY AUTHORITY

Statement of Operations

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

| | General Fund | Forest Renewal Fund | 2014 Total | 2013 Total |
|--|-----------------|---------------------------|---------------|---------------|
| Revenue: | | | | |
| Product sales | \$ 20,012,778 | \$ - | \$ 20,012,778 | \$ 15,619,773 |
| Forest renewal activity | - | 1,583,053 | 1,583,053 | 1,255,078 |
| Standing timber sales | 186,238 | - | 186,238 | 242,860 |
| Other (note 10) | 2,348,951 | 263,571 | 2,612,522 | 2,662,993 |
| | 22,547,967 | 1,846,624 | 24,394,591 | 19,780,704 |
| Expense: | | | | |
| Direct program costs | 17,167,249 | 1,431,626 | 18,598,875 | 15,745,928 |
| Crown timber stumpage charges | 2,451,932 | - | 2,451,932 | 1,895,588 |
| Public access road maintenance | 428,567 | - | 428,567 | 440,590 |
| Operations planning | 146,745 | - | 146,745 | 128,972 |
| Wood measurement | 37,558 | - | 37,558 | 32,672 |
| | 20,232,051 | 1,431,626 | 21,663,677 | 18,243,750 |
| Operating income | 2,315,916 | 414,998 | 2,730,914 | 1,536,954 |
| Administrative and other: | | | | |
| Salaries and benefits | 1,295,487 | 214,431 | 1,509,918 | 1,535,530 |
| Amortization of capital assets | 138,258 | 15,926 | 154,184 | 168,286 |
| Office supplies and other | 98,718 | 252 | 98,970 | 91,766 |
| Office rent | 43,443 | 11,918 | 55,361 | 54,532 |
| Directors' allowances | 53,560 | - | 53,560 | 27,409 |
| Insurance | 16,519 | 6,255 | 22,774 | 22,269 |
| Staff travel and training | 24,149 | 1,206 | 25,355 | 17,555 |
| Public relations | 22,006 | - | 22,006 | 10,509 |
| Consulting, legal and miscellaneous | 6,231 | - | 6,231 | 1,318 |
| Interest charges | 7,031 | - | 7,031 | - |
| | 1,705,402 | 249,988 | 1,955,390 | 1,929,174 |
| Excess (deficiency) of revenue over expenses before the undernoted | 610,514 | 165,010 | 775,524 | (392,220) |
| Workplace Safety and Insurance Board Appeals Tribunal settlement | 308,876 | - | 308,876 | - |
| Excess (deficiency) of revenue over expenses | \$ 919,390 | \$ 165,010 | \$ 1,084,400 | \$ (392,220) |

See accompanying notes to financial statements.

ALGONQUIN FORESTRY AUTHORITY

Statements of Changes in Net Assets

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

| | Invested in Capital Assets | Restricted - Forest Renewal Fund | Unrestricted - General Fund | Total |
|--|----------------------------------|---|-----------------------------------|--------------|
| 2014 | | | | |
| Balance, beginning of year | \$ 218,867 | \$ 2,500,000 | \$ 4,244,783 | \$ 6,963,650 |
| Excess (deficiency) of revenue over expenses (note 8) | (98,618) | 165,010 | 1,018,008 | 1,084,400 |
| Investment in capital assets (note 8) | 123,990 | - | (123,990) | - |
| Balance, end of year | \$ 244,239 | \$ 2,665,010 | \$ 5,138,801 | \$ 8,048,050 |
| 2013 | | | | |
| Balance, beginning of year | \$ 210,309 | \$ 2,500,000 | \$ 4,645,561 | \$ 7,355,870 |
| Excess (deficiency) of revenue over expenses (note 8) | (105,151) | (235,041) | (52,028) | (392,220) |
| Interfund transfer (note 9) | - | 235,041 | (235,041) | - |
| Investment in capital assets (note 8) | 113,709 | - | (113,709) | - |
| Balance, end of year | \$ 218,867 | \$ 2,500,000 | \$ 4,244,783 | \$ 6,963,650 |

See accompanying notes to financial statements.

ALGONQUIN FORESTRY AUTHORITY

Statement of Cash Flows

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

| | 2014 | 2013 |
|--|--------------|--------------|
| Cash flows from operating activities: | | |
| Excess (deficiency) of revenue over expenses | \$ 1,084,400 | \$ (392,220) |
| Adjustments for: | | |
| Amortization of capital assets | 154,184 | 168,286 |
| Amortization of deferred capital contributions | (55,566) | (63,135) |
| Gain on sale of capital assets | (14,763) | (20,677) |
| Obligation for employee future benefits | (37,577) | (4,931) |
| | 1,130,678 | (312,677) |
| Change in non-cash working capital: | | |
| Accounts receivable | (2,807,772) | (1,300,257) |
| Inventories held for sale | 51,292 | 127,509 |
| Accounts payable and accrued liabilities | 355,093 | 498,906 |
| Contractors' performance holdbacks | 18,678 | 3,275 |
| Due to Consolidated Revenue Fund | (1,448) | 219,506 |
| Deferred contributions | (128,567) | (162,182) |
| | (1,382,046) | (925,920) |
| Cash flows from financing activities: | | |
| Increase in demand line of credit | 1,000,000 | - |
| Cash flows from capital activities: | | |
| Acquisition of capital assets | (123,989) | (113,709) |
| Proceeds from sale of capital assets | 14,763 | 20,677 |
| | (109,226) | (93,032) |
| Decrease in cash | (491,272) | (1,018,952) |
| Cash, beginning of year | 1,523,614 | 2,542,566 |
| Cash, end of year | \$ 1,032,342 | \$ 1,523,614 |

See accompanying notes to financial statements.

ALGONQUIN FORESTRY AUTHORITY

Notes to Financial Statements

Year ended March 31, 2014

Algonquin Forestry Authority (the "Authority") is a Crown Agency which was established by the Ontario Government on January 4, 1975 under the Algonquin Forestry Authority Act, 1974. The Authority is responsible for forest management in Algonquin Provincial Park and operates on a not-for-profit basis. The Authority is exempt from income taxes under the Income Tax Act.

1. Significant accounting policies:

(a) Basis of accounting:

The Authority's financial statements are prepared by management in accordance with Canadian Public Sector Accounting Standards including the 4200 standards for government not-for-profit organizations.

(b) Fund accounting:

The General Fund accounts for the Authority's revenue generating and administrative activities. The Forest Renewal Fund accounts for the forest management activities, including silvicultural work.

(c) Revenue recognition:

Revenue from product sales and forest renewal charges are recognized when the wood is delivered, and the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed and determinable.

The Authority accounts for contributions, which include government grants, under the deferral method of accounting as follows:

Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of a period are accrued. Grants relating to future periods are deferred and recognized in the subsequent period when the related activity occurs. Unrestricted contributions are recognized as revenue when received or receivable if the amounts can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the period in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on the same basis and at rates corresponding to those of the related capital assets.

Other income is recognized when earned.

ALGONQUIN FORESTRY AUTHORITY

Notes to Financial Statements (continued)

Year ended March 31, 2014

1. Significant accounting policies (continued):

(d) Inventories held for sale:

Inventories held for sale, which consist of harvested wood not yet delivered to customers, are measured at the lower of cost and net realizable value with cost being determined on the first-in, first-out basis. Cost includes all acquisition costs incurred in bringing inventory to its present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

(e) Capital assets:

Capital assets are stated at cost. Amortization is provided on the straight-line basis using the following annual rates:

| Asset | Rate |
|---------------------------|------|
| Automotive equipment | 25% |
| Portable steel structures | 20% |
| Technical equipment | 10% |
| Furniture and fixtures | 10% |
| Trailers | 10% |
| Leasehold improvements | 10% |

The cost of bridges and access roads is amortized over the estimated number of operating seasons for which the bridges and roads are to be used, with a maximum amortization period of 10 years. Forest renewal assets are amortized on the same basis and at the same rates as the assets mentioned above.

(f) Financial instruments:

The Authority's financial assets and financial liabilities are accounted for as follows:

- Cash is subject to an insignificant risk of change in value so carrying value approximates fair value.
- Accounts receivable are recorded at amortized cost less any amount for valuation allowance. Valuation allowances are made to reflect accounts receivable at the lower of amortized cost and the net recoverable value, when collectability and risk of loss exists. Changes in valuation allowances are recognized in the Statement of Operations.
- Accounts payable and accrued liabilities, Contractors' performance holdbacks and Due to Consolidated Revenue Fund are recorded at cost.

The Authority does not use derivative financial instruments.

ALGONQUIN FORESTRY AUTHORITY

Notes to Financial Statements (continued)

Year ended March 31, 2014

1. Significant accounting policies (continued):

(g) Employee future benefits:

The Authority provides termination benefits to qualifying employees. The Authority accrues its obligations under this benefit plan as the employees render the services necessary to earn the benefit.

Defined contribution plan accounting is applied to a multi-employer defined benefit plan for which the Authority has insufficient information to apply defined benefit plan accounting.

(h) Measurement uncertainty:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include determination of the allowance for doubtful accounts receivable. Actual results could differ from those estimates. These estimates are reviewed periodically and as adjustments become necessary, they are reported in the statement of operations in the year in which they become known.

2. Accounts receivable:

| | 2014 | 2013 |
|--------------------------------------|---------------|--------------|
| Trade | \$ 9,488,526 | \$ 7,299,897 |
| Other | 900,655 | 281,512 |
| | 10,389,181 | 7,581,409 |
| Less allowance for doubtful accounts | (37,914) | (37,914) |
| | \$ 10,351,267 | \$ 7,543,495 |

ALGONQUIN FORESTRY AUTHORITY

Notes to Financial Statements (continued)

Year ended March 31, 2014

3. Capital assets:

| 2014 | Cost | Accumulated amortization | Net book value |
|---------------------------|---------------------|-----------------------------|-------------------|
| Bridges and access roads | \$ 5,346,800 | \$ 5,346,800 | \$ - |
| Portable steel structures | 681,278 | 558,890 | 122,388 |
| Forest renewal assets | 367,174 | 322,603 | 44,571 |
| Automotive equipment | 418,316 | 290,047 | 128,269 |
| Technical equipment | 199,564 | 191,071 | 8,493 |
| Data processing equipment | 149,267 | 149,267 | - |
| Furniture and fixtures | 83,358 | 83,358 | - |
| Leasehold improvements | 44,803 | 44,261 | 542 |
| Trailers | 13,690 | 13,690 | - |
| | \$ 7,304,250 | \$ 6,999,987 | \$ 304,263 |

| 2013 | Cost | Accumulated amortization | Net book value |
|---------------------------|---------------------|-----------------------------|-------------------|
| Bridges and access roads | \$ 5,346,800 | \$ 5,345,832 | \$ 968 |
| Portable steel structures | 654,578 | 503,326 | 151,252 |
| Forest renewal assets | 326,271 | 309,680 | 16,591 |
| Automotive equipment | 419,643 | 265,457 | 154,186 |
| Technical equipment | 199,564 | 189,367 | 10,197 |
| Data processing equipment | 149,267 | 149,267 | - |
| Furniture and fixtures | 83,358 | 83,212 | 146 |
| Leasehold improvements | 44,803 | 43,826 | 977 |
| Trailers | 13,690 | 13,548 | 141 |
| | \$ 7,237,974 | \$ 6,903,515 | \$ 334,458 |

ALGONQUIN FORESTRY AUTHORITY

Notes to Financial Statements (continued)

Year ended March 31, 2014

4. Deferred contributions:

Deferred contributions represent unspent resources received from the Ministry of Natural Resources in the current period and which relate to expenses of future periods. Changes in the deferred contributions balance are as follows:

| | 2014 | 2013 |
|---|------------|------------|
| Public access road maintenance: | | |
| Balance, beginning of year | \$ 274,636 | \$ 316,699 |
| Add: contributions received in the year | 300,000 | 300,000 |
| Less: amount spent in the year | (428,567) | (342,063) |
| Balance, end of year | 146,069 | 274,636 |
| Other park-related projects: | | |
| Balance, beginning of year | - | 120,119 |
| Less: amount spent in the year | - | (120,119) |
| Balance, end of year | - | - |
| | \$ 146,069 | \$ 274,636 |

ALGONQUIN FORESTRY AUTHORITY

Notes to Financial Statements (continued)

Year ended March 31, 2014

5. Employee future benefits:

(a) Multi-employer pension plan:

The Authority's full-time employees participate in the Public Service Pension Fund ("PSPF") which is a defined benefit pension plan for certain employees of the Province and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPF, determines the Authority's annual payments to the PSPF. As the sponsor is responsible for ensuring that the pension funds are financially viable, any surpluses or unfunded liabilities arising from the statutory actuarial funding valuations are not assets or obligations of the Authority. The Authority's annual payments of \$115,986 (2013 - \$132,533) are included in salaries and benefits in the Statement of Operations.

(b) Termination benefits:

The Authority provides termination benefits to qualifying employees. All full-time employees qualify for a severance payment equal to one week of salary for each year of continuous service with the Authority, to a maximum of one-half of the employees' annual salary. The total obligation for vested severance payments amounts to \$398,779 (2013 - \$436,356) at year end.

(c) Non-pension post-retirement benefits:

The cost of other non-pension post-retirement benefits is the responsibility of the Province of Ontario, a related party, and accordingly is not accrued or included in the Statement of Operations.

6. Deferred capital contributions:

Deferred capital contributions related to capital assets represent the unamortized amount of grants received for the purchase of capital assets. The amortization of capital contributions is recorded as other revenue in the statement of operations.

| | 2014 | 2013 |
|-----------------------------------|------------|------------|
| Balance, beginning of year | \$ 115,591 | \$ 178,726 |
| Less amounts amortized to revenue | (55,566) | (63,135) |
| Balance, end of year | \$ 60,025 | \$ 115,591 |

ALGONQUIN FORESTRY AUTHORITY

Notes to Financial Statements (continued)

Year ended March 31, 2014

7. Forest renewal fund:

Effective April 1, 2002, the Authority renewed its 20 year agreement with the Ministry of Natural Resources, a related party, to perform forest management activities, including silvicultural work. Funding, on a cost recovery basis, for these activities is derived from stumpage charges levied under the Crown Forest Sustainability Act and grants from the Forestry Futures Fund.

The agreement also requires the Authority to maintain a minimum balance of \$1,500,000 in the Forest Renewal Fund.

8. Investment in capital assets:

(a) Investment in capital assets is calculated as follows:

| | 2014 | 2013 |
|--------------------------------|------------|------------|
| Capital assets | \$ 304,263 | \$ 334,458 |
| Amounts financed by: | | |
| Deferred capital contributions | (60,025) | (115,591) |
| - | \$ 244,238 | \$ 218,867 |

(b) Change in net assets invested in capital assets is calculated as follows:

| | 2014 | 2013 |
|--|-------------|--------------|
| Deficiency of revenues over expenses: | | |
| Amortization of deferred contributions related to capital assets | \$ 55,566 | \$ 63,135 |
| Amortization of capital assets | (154,184) | (168,286) |
| | \$ (98,618) | \$ (105,151) |
| Net change in investment in capital assets: | | |
| Purchase of capital assets | \$ 123,990 | \$ 113,709 |
| Amounts funded by: | | |
| Deferred capital contributions | - | - |
| | \$ 123,990 | \$ 113,709 |

ALGONQUIN FORESTRY AUTHORITY

Notes to Financial Statements (continued)

Year ended March 31, 2014

9. Interfund transfer:

The Board of Directors has approved, by resolution, that any loss incurred in the Forest Renewal Fund resulting from forest renewal activity expenses exceeding revenue, net of related capital asset amortization, during the year which cannot be funded by the Forest Renewal Fund without causing the Forest Renewal Fund balance to fall below \$2,500,000 shall be funded by the General Fund. No amount has been transferred during the year (2013 - \$235,041).

10. Road maintenance funding:

Included in General Fund Other Revenue is revenue of \$1.34 million (2013 - \$1.65 million) received by the Authority pursuant to an agreement with the Ontario Ministry of Natural Resources. The purpose of the agreement is to provide the Authority with reimbursement of road construction and maintenance costs on eligible primary and secondary forest access roads where access to those roads is not limited to the forest industry. A portion of the Ministry funding was passed on to the Authority's customers through a rebate allocated on the basis of sales volumes. In fiscal year 2014, \$572,900 (2013 - \$413,600) was passed on to the Authority's customers and is netted in product sales in the Statement of Operations.

11. Remuneration of appointments:

Total remuneration of the Board members of the Authority was approximately \$23,800 during the fiscal year (2013 - \$11,500).

12. Financial risks and concentration of credit risk:

(a) Liquidity risks:

Liquidity risk is the risk that the Authority will be unable to fulfil its obligations on a timely basis or at a reasonable cost. The Authority manages its liquidity risk by monitoring its operating requirements. The Authority prepares budget and cash forecasts to ensure it has sufficient funds to fulfil its obligations. There has been no change to the risk exposures from 2013.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Authority is exposed to credit risk with respect to the accounts receivable. The Authority assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

ALGONQUIN FORESTRY AUTHORITY

Notes to Financial Statements (continued)

Year ended March 31, 2014

13. Demand line of credit:

As part of its financial arrangements, the Authority has negotiated a line of credit in the amount of \$1,500,000 with its banker. The line of credit is unsecured, due on demand and bears interest at the bank's prime rate minus .50%. As at March 31, 2014, the amount outstanding under this facility is \$1,000,000 (2013 - \$nil).

14. Due to Consolidated Revenue Fund:

Due to Consolidated Revenue Fund represents amounts owed by the Authority for Crown Stumpage charges and Forestry Futures Stumpage charges incurred in the normal course of operations. Year-end balances are normally settled in full in the first quarter of the following year.

Cancer Care Ontario

Action Cancer Ontario

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June 19, 2014

Management's Responsibility for Financial Information

Management and the Board of Directors are responsible for the financial statements and all other information presented in this financial statement. The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and, where appropriate, include amounts based on management's best estimates and judgements.

Cancer Care Ontario is dedicated to the highest standards of integrity and patient care. To safeguard Cancer Care Ontario's assets, a sound and dynamic set of internal financial controls and procedures that balance benefits and costs has been established. Management has developed and maintains financial and management controls, information systems and management practices to provide reasonable assurance of the reliability of financial information. Internal audits are conducted to assess management systems and practices, and reports are issued to the Audit Finance Committee.

For the fiscal year ended March 31, 2014, Cancer Care Ontario's Board of Directors, through the Audit Finance Committee, was responsible for ensuring that management fulfilled its responsibilities for financial reporting and internal controls. The Committee meets regularly with management, the internal auditor and the Auditor General to satisfy itself that each group had properly discharged its respective responsibility, and to review the financial statements before recommending approval by the Board of Directors. The Auditor General had direct and full access to the Audit Finance Committee, with and without the presence of management, to discuss their audit and their findings as to the integrity of Cancer Care Ontario's financial reporting and the effectiveness of the system of internal controls.

The financial statements have been examined by the Office of the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian public sector accounting standards. The Auditor's Report outlines the scope of the Auditor's examination and opinion.

On behalf of Cancer Care Ontario Management,



Michael Sherar, PhD
President and CEO



Elham Roushani, BSc, CPA, CA
Vice President & Chief Financial Officer



Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To Cancer Care Ontario
and to the Minister of Health and Long-Term Care

I have audited the accompanying financial statements of Cancer Care Ontario, which comprise the statement of financial position as at March 31, 2014 and the statements of operations, changes in 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 public sector accounting standards, 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Cancer Care Ontario as at March 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Bonnie Lysyk, MBA, CPA, CA, LPA
Auditor General

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Toronto, Ontario
June 19, 2014

Cancer Care Ontario

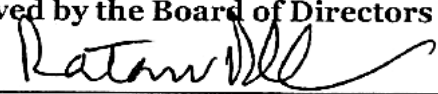
Statement of Financial Position

As at March 31, 2014

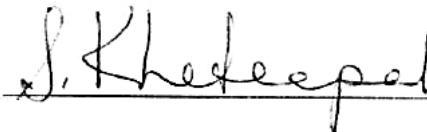
(in thousands of dollars)

| | 2014 \$ | 2013 \$ |
|--|----------------|----------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents (note 3) | 75,124 | 91,164 |
| Investments (note 4) | 93,962 | 102,921 |
| Receivables and prepaid expenses (note 5) | 31,171 | 54,989 |
| | <u>200,257</u> | <u>249,074</u> |
| Capital assets (note 6) | <u>152,437</u> | <u>160,147</u> |
| | <u>352,694</u> | <u>409,221</u> |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (note 7) | <u>144,931</u> | <u>189,624</u> |
| Non-current liabilities | | |
| Deferred contributions related to capital assets (note 8) | 153,393 | 169,278 |
| Post-employment benefits other than pension plan (note 9(b)) | <u>2,371</u> | <u>2,380</u> |
| | <u>155,764</u> | <u>171,658</u> |
| Fund Balances | | |
| Endowment (note 2) | 1,288 | 1,288 |
| Internally restricted (note 2) | 1,012 | 1,550 |
| Externally restricted (note 2) | 1,749 | 2,469 |
| General - unrestricted (note 2) | 44,666 | 37,543 |
| Invested in capital assets (note 10) | <u>3,284</u> | <u>5,089</u> |
| | <u>51,999</u> | <u>47,939</u> |
| | <u>352,694</u> | <u>409,221</u> |
| Commitments (note 15) | | |
| Contingencies (note 16) | | |
| Guarantees (note 17) | | |

Approved by the Board of Directors



Director



Director

The accompanying notes are an integral part of these financial statements.

Cancer Care Ontario

Statement of Operations

For the year ended March 31, 2014

(in thousands of dollars)

| | Restricted | | General | | Total | |
|--|-------------------|--------------|------------------|------------------|------------------|------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenue | | | | | | |
| Ministry of Health and Long-Term Care | - | - | 1,479,491 | 959,244 | 1,479,491 | 959,244 |
| Amortization of deferred contributions related to capital assets (note 8) | - | - | 39,115 | 34,687 | 39,115 | 34,687 |
| Ministry of Health and Long-Term Care capital funding for Integrated Cancer Programs | - | - | 7,569 | 8,125 | 7,569 | 8,125 |
| Investment income (note 11) | 18 | 17 | 2,730 | 2,626 | 2,748 | 2,643 |
| Other revenue (note 12) | 1,915 | 2,293 | 5,634 | 8,611 | 7,549 | 10,904 |
| | 1,933 | 2,310 | 1,534,539 | 1,013,293 | 1,536,472 | 1,015,603 |
| Expenses | | | | | | |
| Chronic kidney disease services | - | - | 573,605 | 174,861 | 573,605 | 174,861 |
| Integrated Cancer Programs Services | - | 7 | 310,497 | 300,191 | 310,497 | 300,198 |
| Drugs | - | - | 281,370 | 232,323 | 281,370 | 232,323 |
| Salaries and benefits | 1,902 | 1,772 | 79,100 | 68,124 | 81,002 | 69,896 |
| Surgical services - hospitals | - | - | 78,401 | 70,955 | 78,401 | 70,955 |
| Amortization of capital assets | - | - | 41,064 | 36,037 | 41,064 | 36,037 |
| Medical services | 32 | 6 | 35,472 | 28,232 | 35,504 | 28,238 |
| Purchased services | 857 | 937 | 27,102 | 22,642 | 27,959 | 23,579 |
| Mammography equipment funding | - | - | 24,624 | - | 24,624 | - |
| Screening services | - | - | 18,476 | 17,588 | 18,476 | 17,588 |
| Hospital systemic therapy services | - | - | 16,123 | 17,761 | 16,123 | 17,761 |
| Capital contributions to Integrated Cancer Programs | - | - | 12,897 | 13,712 | 12,897 | 13,712 |
| Pension (note 9(a)) | - | - | 6,536 | 5,679 | 6,536 | 5,679 |
| Occupancy costs | 1 | - | 4,273 | 4,554 | 4,274 | 4,554 |
| Consulting services | 27 | 17 | 3,898 | 4,893 | 3,925 | 4,910 |
| Professional fees | - | - | 797 | 608 | 797 | 608 |
| Post-employment benefits other than pension plan (note 9(b)) | - | - | 221 | 141 | 221 | 141 |
| Net loss on disposal of capital assets | - | - | 415 | - | 415 | - |
| Other operating expenses (note 13) | 301 | 194 | 14,421 | 12,641 | 14,722 | 12,835 |
| | 3,120 | 2,933 | 1,529,292 | 1,010,942 | 1,532,412 | 1,013,875 |
| Excess (deficiency) of revenue over expenses | (1,187) | (623) | 5,247 | 2,351 | 4,060 | 1,728 |

The accompanying notes are an integral part of these financial statements.

Cancer Care Ontario

Statement of Changes in Fund Balances

For the year ended March 31, 2014

(in thousands of dollars)

| | Restricted | | | General unrestricted | Invested in capital assets | Total |
|---|-------------------|-------------------|-------------------|---------------------------------|---|--------------|
| | Endowment | Internally | Externally | | | |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Fund balances - March 31, 2013 | 1,288 | 1,550 | 2,469 | 37,543 | 5,089 | 47,939 |
| Excess (deficiency) of revenue over expenses | - | (484) | (703) | 5,247 | - | 4,060 |
| Net change in invested in capital assets (note 10) | - | - | - | 1,805 | (1,805) | - |
| Interfund transfers (note 14) | - | (54) | (17) | 71 | - | - |
| Fund balances - March 31, 2014 | 1,288 | 1,012 | 1,749 | 44,666 | 3,284 | 51,999 |

The accompanying notes are an integral part of these financial statements.

Cancer Care Ontario

Statement of Cash Flows

For the year ended March 31, 2014

(in thousands of dollars)

| | 2014 \$ | 2013 \$ |
|--|-----------------|-----------------|
| Cash provided by (used in) | | |
| Operating activities | | |
| Excess of revenue over expenses | 4,060 | 1,728 |
| Amortization of capital assets | 41,064 | 36,037 |
| Amortization of deferred contributions related to capital assets | (39,115) | (34,687) |
| Net loss on disposal of capital assets | 415 | - |
| Post-employment benefits expense other than pension plan | 221 | 141 |
| Post-employment benefits paid other than pension plan | (230) | (273) |
| Change in non-cash operating working capital | | |
| Receivables and prepaid expenses | 23,818 | (26,111) |
| Accounts payable and accrued liabilities | (44,693) | (23,810) |
| | <u>(14,460)</u> | <u>(46,975)</u> |
| Capital activities | | |
| Purchase of capital assets | (33,857) | (62,036) |
| Proceeds on disposal of capital assets | 88 | - |
| | <u>(33,769)</u> | <u>(62,036)</u> |
| Investing activities | | |
| Proceeds from maturity of investments | 102,096 | 91,428 |
| Purchase of investments | (93,137) | (72,238) |
| | <u>8,959</u> | <u>19,190</u> |
| Financing activities | | |
| Amounts received related to capital assets | 23,230 | 63,501 |
| Decrease in cash and cash equivalents during the year | (16,040) | (26,320) |
| Cash and cash equivalents - Beginning of year | 91,164 | 117,484 |
| Cash and cash equivalents - End of year | <u>75,124</u> | <u>91,164</u> |

The accompanying notes are an integral part of these financial statements.

Cancer Care Ontario

Notes to Financial Statements

March 31, 2014

(in thousands of dollars)

1 Nature of operations

Cancer Care Ontario (the Organization) is the provincial government agency responsible for driving health system performance improvement for Ontario's cancer and chronic kidney disease health systems. The Organization also supports achievement of Ontario's Wait Time and Emergency Room/Alternate Level of Care Strategies through the collection and provision of information that enables the government to measure, manage and improve access quality and efficiency of care. With this mandate, the Organization is responsible for the funding to continually improve health system performance to ensure that patients receive the right care, at the right time, in the right place, at every step of their journey.

The Organization's role includes working with healthcare providers in every region across the province to plan services that will meet current and future patient needs; to support providers in delivering the highest-quality care aligned to evidence-based standards and guidelines; and to work with administrators, doctors and other care providers to improve system efficiency and effectiveness.

The Organization also leads the development and implementation of innovative payment models; implements provincial programs designed to raise screening participation rates; translates research and evidence into standards and guidelines; puts information into the hands of the provincial policy makers; and ensures Ontarians have cancer and renal care systems that are accountable, efficient and of the highest quality by measuring and reporting on the performance of services.

The Organization is a registered charity under the Income Tax Act (Canada) and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act are met. Members of the Board of Directors and Board Committees are volunteers who service without remuneration. The Organization and the Ministry of Health and Long-Term Care (MOHLTC) entered into a Memorandum of Understanding, effective December 31, 2009. The Organization is primarily funded by the Province of Ontario through the MOHLTC.

During the 2013/14 fiscal year, the Organization's mandate regarding the chronic kidney disease health system was expanded to that of managing all renal services in Ontario as part of the MOHLTC Health System Funding Reform initiative. In addition, the Organization received funding from the MOHLTC, which it flowed to various health care providers, to replace Computer Radiography machines with Direct Radiography machines as they have the ability to detect a wider variety of cancers.

2 Significant accounting policies

Basis of presentation

These financial statements have been prepared in accordance with Public Sector Accounting Standards for government not-for-profit organizations as issued by the Public Sector Accounting Board.

Cancer Care Ontario

Notes to Financial Statements

March 31, 2014

(in thousands of dollars)

Fund accounting

The Endowment Fund reports contributions subject to externally imposed stipulations specifying that the resources contributed be maintained permanently, unless specifically disendowed by the donor. Restricted investment income earned on Endowment Fund resources is recognized as revenue of the Externally Restricted Fund.

The Internally Restricted Fund reports funds internally restricted by the Board of Directors for education, research or other special purposes.

The Externally Restricted Fund reports donations and grants which have restrictions placed on their use by the donor, primarily related to research. The Organization ensures, as part of its fiduciary responsibility, that all funds received with a restricted purpose are expended for the purpose for which they were provided.

The General Fund accounts for the Organization's MOHLTC and other funded programs. This Fund reports unrestricted resources, all restricted grants from MOHLTC, and restricted grants from others for which the Organization has no corresponding restricted fund.

Contributions

The Organization follows the restricted fund method of accounting for its restricted contributions. Restricted contributions are recognized as revenue of the Restricted Fund if the amount to be received can be reasonably estimated and ultimate collection is reasonably assured. Restricted contributions for which there is no corresponding Restricted Fund (including MOHLTC and other funded programs) are recognized as revenue in the General Fund using the deferral method.

Unrestricted contributions are recognized as revenue of the General Fund when the amount is reasonably estimable and collection is probable.

Unrestricted contributions received for the purpose of capital assets are recorded as deferred capital contributions related to capital assets and are amortized on the same basis as the related capital assets.

Contributions for endowment are recognized as revenue of the Endowment Fund in the year of receipt.

Cash and cash equivalents

The Organization considers deposits in banks, certificates of deposit and short-term investments with original maturities of three months or less as cash and cash equivalents.

Cancer Care Ontario

Notes to Financial Statements

March 31, 2014

(in thousands of dollars)

Financial instruments

Financial instruments are measured at fair value when acquired or issued. In subsequent periods, financial instruments (including investments) are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when there is objective evidence of impairment. When there has been a loss in value of investments that is other than a temporary decline, the investment is written down and the loss is recorded in the statement of operations. For receivables, when a loss is considered probable, the receivable is reflected at its estimated written down amount to the lower of its cost and its estimated net recoverable amount, with the loss reported on the statement of operations. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items subsequently measured at fair value and charged to the financial instrument for those measured at amortized cost.

Capital assets

Capital assets are recorded at cost, less accumulated amortization and accumulated impairment losses, if any. Third party and internal labour costs are capitalized under software in connection with the development of information technology projects.

All capital assets are amortized on a straight-line basis at rates based on the estimated useful lives of the assets.

Therapeutic and other technical equipment are amortized over periods ranging from 4 years to 9 years; office furniture and equipment are amortized over periods ranging from 3 years to 5 years; and leasehold improvements are amortized over the term of the leases. Software is amortized over periods ranging from 3 years to 4 years.

Land and buildings for four lodges donated by the Canadian Cancer Society - Ontario Division are recorded at nominal value, as the fair value was not reasonably determinable at the time of the donation.

When a capital asset no longer has any long-term service potential to the Organization, the differential of its net carrying amount and any residual value, is recognized as a gain or loss, as appropriate, in the statement of operations.

Expenses

Expenses are recorded on an accrual basis.

Pension benefits and post-employment benefits other than pension plan**i) Pension costs**

The Organization accounts for its participation in the Healthcare of Ontario Pension Plan (HOOPP), a multi-employer defined benefit pension plan, as a defined contribution plan, as the Organization has insufficient information to apply defined benefit plan accounting. Therefore, the Organization's contributions are accounted for as if the plan were a defined contribution plan with the Organization's contributions being expensed in the period they come due.

Cancer Care Ontario

Notes to Financial Statements

March 31, 2014

(in thousands of dollars)

ii) Post-employment benefits other than pension plan

The cost of post-employment benefits other than pension plan is actuarially determined using the projected benefit method pro-rated on services and expensed as employment services are rendered. Adjustments to these costs arising from changes in estimates and actuarial experience gains and losses are amortized over the estimated average remaining service life of the employee groups on a straight-line basis.

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 revenue and expenses during the year. Items subject to such estimates and assumptions include the impairment assessment in the carrying amount of capital assets, amortization of capital assets and accruals and receivables related to drug expenditures. Actual results could differ from those estimates.

3 Cash and cash equivalents - restricted

Cash and cash equivalents include \$416 (2013 - \$412), which is restricted, as it relates to a pension plan that has been dissolved and is being held in escrow in the event that former members put forth a claim. These funds are subject to externally imposed restrictions and are not available for general use.

4 Investments

| | 2014 \$ | 2013 \$ |
|---|---------------|----------------|
| Guaranteed investment certificates | | |
| Interest at 1.95%, maturing September 5, 2014 | 43,259 | - |
| Interest at 1.80%, redeemable on demand, maturing May 11, 2015 | 20,142 | - |
| Interest at 1.80%, maturing October 2, 2014 | 10,443 | - |
| Interest at 1.80%, maturing October 30, 2014 | 10,076 | - |
| Interest at 1.80%, maturing January 7, 2015 | 10,042 | - |
| Interest at 1.50%, maturing September 5, 2013 | - | 42,516 |
| Interest at 1.89%, redeemable on demand, maturing September 5, 2013 | - | 30,041 |
| Interest at 1.75%, maturing October 2, 2013 | - | 10,262 |
| Interest at 1.35%, maturing May 9, 2013 | - | 10,053 |
| Interest at 1.75%, redeemed on March 14, 2014 | - | 10,049 |
| | <u>93,962</u> | <u>102,921</u> |

Guaranteed investment certificates that have a maturity beyond one year but are redeemable on demand have been included as current.

Cancer Care Ontario

Notes to Financial Statements

March 31, 2014

(in thousands of dollars)

5 Receivables and prepaid expenses

| | 2014 \$ | 2013 \$ |
|---------------------|-------------------|-------------------|
| Accounts receivable | 13,138 | 12,639 |
| Due from MOHLTC | 16,100 | 39,817 |
| Prepaid expenses | 1,933 | 2,533 |
| | 31,171 | 54,989 |

6 Capital assets

| | 2014 | | |
|---|-------------------|---|---------------------------------|
| | Cost \$ | Accumulated amortization \$ | Net book value \$ |
| Therapeutic and other technical equipment | 308,520 | 173,498 | 135,022 |
| Office furniture and equipment | 6,146 | 4,748 | 1,398 |
| Leasehold improvements | 4,415 | 4,148 | 267 |
| Land and building | 1 | - | 1 |
| Software | 51,352 | 35,603 | 15,749 |
| | 370,434 | 217,997 | 152,437 |
| | 2013 | | |
| | Cost \$ | Accumulated amortization \$ | Net book value \$ |
| Therapeutic and other technical equipment | 322,480 | 189,761 | 132,719 |
| Office furniture and equipment | 6,097 | 3,630 | 2,467 |
| Leasehold improvements | 4,284 | 3,802 | 482 |
| Land and buildings | 1 | - | 1 |
| Software | 44,990 | 20,512 | 24,478 |
| | 377,852 | 217,705 | 160,147 |

The cost of capital assets includes software under development of \$997 (2013 - \$3,112) and deposits for equipment and leasehold improvements of \$24,281 (2013 - \$36,526). Amortization of these amounts will commence when the asset is available for use.

Cancer Care Ontario

Notes to Financial Statements

March 31, 2014

(in thousands of dollars)

7 Accounts payable and accrued liabilities

| | 2014 \$ | 2013 \$ |
|-------------------------|-------------------|-------------------|
| Trade payables | 69,182 | 125,340 |
| Accrued liabilities | 53,724 | 46,208 |
| Payable to MOHLTC | 21,609 | 17,664 |
| Pension escrow (note 3) | 416 | 412 |
| | <u>144,931</u> | <u>189,624</u> |

8 Deferred contributions related to capital assets

Deferred contributions related to capital assets represent the unamortized and unspent amount of funds received for the purchase of capital assets. The changes in the deferred contributions related to capital assets balance for the year are as follows:

| | 2014 \$ | 2013 \$ |
|--|-------------------|-------------------|
| Balance - beginning of year | 169,278 | 140,464 |
| Amounts received related to capital assets | 23,230 | 63,501 |
| Amounts recognized as revenue | (39,115) | (34,687) |
| | <u>153,393</u> | <u>169,278</u> |

The balance of deferred capital contributions related to capital assets consists of the following:

| | 2014 \$ | 2013 \$ |
|---|-------------------|-------------------|
| Unamortized capital contributions used to purchase capital assets | 149,153 | 155,058 |
| Unspent contributions | 4,240 | 14,220 |
| | <u>153,393</u> | <u>169,278</u> |

9 Pension benefits and post-employment benefits**a) Pension plan**

Employees of the Organization are members of HOOPP, which is a multi-employer contributory defined benefit pension plan. HOOPP members receive benefits based on length of service and the average annualized earnings during the five consecutive years that provide the highest earnings prior to retirement, termination or death.

Cancer Care Ontario

Notes to Financial Statements

March 31, 2014

(in thousands of dollars)

Contributions to HOOPP made during the year by the Organization on behalf of its employees amounted to \$6,403 (2013 - \$5,679) and are included in the pension expenses, which reflect all amounts owing for the year, in the statement of operations.

b) Post-employment benefits plan other than pension plan

Prior to January 1, 2006, the Organization offered non-pension, post-employment health and dental benefits to its active and retired employees. Effective January 1, 2006, the Organization offers non-pension, post-employment benefits only to its retired employees, who retired prior to January 1, 2006. Benefits paid during the year under this unfunded plan were \$230 (2013 - \$273). The actuarial valuation for the post-employment benefits other than pension plan is dated April 1, 2013 and has been extrapolated to March 31, 2014.

Information about the Organization's post-employment benefits other than pension plan is as follows:

| | 2014 \$ | 2013 \$ |
|--|-------------------|-------------------|
| Accrued benefit obligation - end of year | 3,388 | 2,754 |
| Plan assets - end of year | - | - |
| | <hr/> | <hr/> |
| Plan deficit | 3,388 | 2,754 |
| Unamortized net accrual | (1,017) | (374) |
| | <hr/> | <hr/> |
| Accrued liability - end of year | 2,371 | 2,380 |
| | <hr/> | <hr/> |
| | 2014 \$ | 2013 \$ |
| Interest cost | 122 | 122 |
| Amortization of experience losses | 99 | 19 |
| | <hr/> | <hr/> |
| Total benefit expense | 221 | 141 |
| | <hr/> | <hr/> |

The actuarially determined present value of the accrued benefit obligation is measured using management's best estimates based on assumptions that reflect the most probable set of economic circumstances and planned courses of action as follows:

| | 2014 | 2013 |
|---|---|---|
| Discount rate | 4.36% | 3.94% |
| Drug cost trend rate | 7.5% in 2014 to 5% in 2018 and after | 7.5% in 2013 to 5% in 2018 and after |
| Hospital, dental and other medical costs trend rate | 4% per annum | 4% per annum |
| Employee average remaining lifetime (years) | 11.22 | 10.21 |

Cancer Care Ontario

Notes to Financial Statements

March 31, 2014

(in thousands of dollars)

10 Invested in capital assets

| | 2014 \$ | 2013 \$ |
|---|-------------------|-------------------|
| Capital assets | 152,437 | 160,147 |
| Amounts financed by deferred capital contributions (note 8) | (149,153) | (155,058) |
| | <u>3,284</u> | <u>5,089</u> |

Change in net assets invested in capital assets is calculated as follows:

| | 2014 \$ | 2013 \$ |
|--|-------------------|-------------------|
| Purchase of capital assets | 33,857 | 62,036 |
| Increase in deferred contributions related to capital assets | (33,210) | (59,216) |
| Amortization of deferred contributions related to capital assets | 39,115 | 34,687 |
| Amortization of capital assets | (41,064) | (36,037) |
| Disposal of capital assets | (503) | - |
| | <u>(1,805)</u> | <u>1,470</u> |

11 Net investment income

Net investment income earned on the Endowment Fund resources in the amount of \$18 (2013 - \$17) is included in the Restricted Fund.

12 Other revenue

| | 2014 \$ | 2013 \$ |
|-----------------------|-------------------|-------------------|
| General fund | | |
| eHealth Ontario | 1,355 | 4,080 |
| Public Health Ontario | 2,366 | 2,319 |
| Salary recovery | 131 | 171 |
| Other income | 1,782 | 2,041 |
| | <u>5,634</u> | <u>8,611</u> |
| Restricted Fund | | |
| Grants | <u>1,915</u> | <u>2,293</u> |

Cancer Care Ontario

Notes to Financial Statements

March 31, 2014

(in thousands of dollars)

13 Other operating expenses

| | 2014 \$ | 2013 \$ |
|----------------------------|-------------------|-------------------|
| Restricted fund | | |
| Travel | 119 | 71 |
| Education and publications | 71 | 42 |
| General office | 61 | 44 |
| Equipment | 49 | 37 |
| Other expenses | 1 | - |
| | <u>301</u> | <u>194</u> |
| General fund | | |
| Equipment | 5,528 | 6,095 |
| Education and publications | 2,607 | 2,465 |
| General office | 4,082 | 2,077 |
| Travel | 1,207 | 948 |
| Patient service | 800 | 800 |
| Other expenses | 197 | 256 |
| | <u>14,421</u> | <u>12,641</u> |

14 Interfund transfers

| | 2014 \$ | 2013 \$ |
|--|-------------------|-------------------|
| Transfer to (from) the General Fund from (to) the Internally Restricted Fund | 54 | (133) |
| Transfer to (from) the General Fund from (to) the Externally Restricted Fund | 17 | (24) |
| | <u>71</u> | <u>(157)</u> |

Transfers to the General Fund from the Endowment and Restricted Funds represent the release of externally and internally restricted reserves approved by the donor or the Organization's Board of Directors, respectively.

Cancer Care Ontario

Notes to Financial Statements

March 31, 2014

(in thousands of dollars)

15 Commitments

- a) The minimum rental payments for lease space and computer and office equipment under the terms of the operating leases are estimated as follows for the years ending March 31:

| | \$ |
|------|---------------|
| 2015 | 7,250 |
| 2016 | 5,639 |
| 2017 | 4,799 |
| 2018 | 2,451 |
| | <u>20,139</u> |

- b) The Organization has committed \$5,087 (2013 - \$6,180) for the purchase of equipment, which is net of deposits disclosed in note 6.

16 Contingencies

The Organization is a member of the Healthcare Insurance Reciprocal of Canada (HIROC), which was established by hospitals and other organizations to self-insure. If the aggregate premiums paid are not sufficient to cover claims, the Organization will be required to provide additional funding on a participatory basis.

Since the inception, HIROC has accumulated an unappropriated surplus, which is the total of premiums paid by all subscribers plus investment income less the obligation for claims reserves and expenses and operating expenses. Each subscriber which has an excess of premium plus investment income over the obligation for their allocation of claims reserves and expenses and operating expenses may be entitled to receive distributions of their share of the unappropriated surplus at the time such distributions are declared by the Board of Directors of HIROC. There are no distributions declared by HIROC as of March 31, 2014.

17 Guarantees

a) Director/officer indemnification

The Organization's general by-laws contain an indemnification of its directors/officers, former directors/officers and other persons who have served on board committees against all costs incurred by them in connection with any action, suit or other proceeding in which they are sued as a result of their service, as well as all other costs sustained in or incurred by them in relation to their service. This indemnity excludes costs that are occasioned by the indemnified party's own dishonesty, wilful neglect or default.

Cancer Care Ontario

Notes to Financial Statements

March 31, 2014

(in thousands of dollars)

The nature of the indemnification prevents the Organization from making a reasonable estimate of the maximum amount that it could be required to pay to counterparties. To offset any potential future payments, the Organization has purchased from HIROC directors' and officers' liability insurance to the maximum available coverage. The Organization has not made any payments under such indemnifications, and no amount has been accrued in the accompanying financial statements with respect to the contingent aspect of these indemnities.

b) Other indemnification agreements

In the normal course of its operations, the Organization executes agreements that provide for indemnification to third parties. These include, without limitation: indemnification of the landlords under the Organization's leases of premises; indemnification of the MOHLTC from claims, actions, suits or other proceedings based upon the actions or omissions of the representative groups of medical, radiation and gynaecology/oncology physicians under certain Alternate Funding Agreements; and indemnification of the Integrated Cancer Program host hospitals from claims, actions, costs, damages and expenses brought about as a result of any breach by the Organization of its obligations under the Cancer Program Integration Agreement and the related documentation.

While the terms of these indemnities vary based upon the underlying contract, they normally extend for the term of the contract. In most cases, the contract does not provide a limit on the maximum potential amount of indemnification, which prevents the Organization from making a reasonable estimate of its maximum potential exposure. The Organization has not made any payments under such indemnifications, and no amount has been accrued in the accompanying financial statements with respect to the contingent aspect of these indemnities.

18 Financial instruments

The Organization's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk, and liquidity risk. There have been no significant changes from the previous year in the exposure to these risks or in methods used to measure these risks.

Credit risk

Credit risk arises from cash and cash equivalents and investments held with financial institutions and credit exposures on outstanding receivables. Cash and cash equivalents and investments are held at major financial institutions that have high credit ratings assigned to them by credit-rating agencies minimizing any potential exposure to credit risk. The Organization assesses the credit quality of the counterparties, taking into account their financial position and other factors. It is management's opinion that the risk related to receivables is minimal as most of the receivables are from federal and provincial governments and organizations controlled by them.

Cancer Care Ontario

Notes to Financial Statements

March 31, 2014

(in thousands of dollars)

The Organization's maximum exposure to credit risk related to accounts receivable at year-end was as follows:

| | 0 to 30 days \$ | 31 to 60 days \$ | 61 to 90 days \$ | 91 + days \$ | Total \$ |
|---------------------|-----------------------|------------------------|------------------------|--------------------|-------------|
| Accounts receivable | 13,112 | 21 | 5 | - | 13,138 |
| Due from MOHLTC | 16,100 | - | - | - | 16,100 |
| Amount receivable | 29,212 | 21 | 5 | - | 29,238 |

As there is no indication that the Organization will not be able to recover these receivables, an impairment allowance has not been recognized.

Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of financial instruments will fluctuate due to changes in market interest rates. The Organization currently is only exposed to interest rate risk from its investments. The Organization does not expect fluctuations in market interest rates to have a material impact on its financial performance and does not use derivative instruments. The Organization mitigates interest rate risk on its investments by purchasing guaranteed investment certificates with short-term maturities and demand features.

As at March 31, 2014, a 1% fluctuation in interest rates, with all other variables held constant, will have an estimated impact on the value of investments of (\$437) to \$441.

Liquidity risk

Liquidity risk is the risk the Organization will not be able to meet its cash flow obligations as they fall due. The Organization mitigates this risk by maintaining no debt and monitoring cash activities and expected outflows through budgeting and maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise. The following table sets out the contractual maturities (representing undiscounted contractual cashflows) of financial liabilities:

| | 0 to 30 days \$ | 31 to 60 days \$ | 61 to 90 days \$ | 91 + days \$ | Total \$ |
|---------------------|-----------------------|------------------------|------------------------|--------------------|-------------|
| Trade payables | 69,529 | 12 | (3) | (356) | 69,182 |
| Accrued liabilities | 53,587 | - | 137 | - | 53,724 |
| Payable to MOHLTC | - | - | 21,609 | - | 21,609 |
| Pension escrow | - | - | - | 416 | 416 |
| Amount payable | 123,116 | 12 | 21,743 | 60 | 144,931 |

**THE CENTENNIAL CENTRE OF SCIENCE AND TECHNOLOGY
(ONTARIO SCIENCE CENTRE)**

The Centennial Centre of Science and Technology (Ontario Science Centre) financial statements for the year ended March 31, 2014 were not available at the time of printing. When available, they will be posted to the website: www.fin.gov.on.ca/en/.

**Education Quality and
Accountability Office**

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MANAGEMENT REPORT**Management's Responsibility for Financial Reporting**

The accompanying financial statements of the Education Quality Accountability Office for the year ended March 31, 2014 are the responsibility of management and have been prepared in accordance with accounting principles generally accepted in Canada. The significant accounting policies followed by the Education Quality Accountability Office are described in the Summary of Significant Accounting Policies contained in Note 1 in the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been prepared within reasonable limits of materiality and in light of information available up to June 17, 2014.

Management maintained a system of internal controls designed to provide reasonable assurance that the assets were safeguarded and that reliable information was available on a timely basis. The system included formal policies and procedures and an organizational structure that provided for the appropriate delegation of authority and segregation of responsibilities.

These financial statements have been examined by KPMG LLP, a firm of independent external auditors appointed by the Board of Directors. The external auditors' responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with the generally accepted accounting principles in Canada. The Auditor's Report, which follows, outlines the scope of their examination and their opinion.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

On behalf of management,

A handwritten signature in black ink, reading 'Bruce Rodrigues'.

Bruce Rodrigues
Chief Executive Officer

A handwritten signature in black ink, reading 'Tony Saini'.

Tony Saini
Director, Corporate and Public Affairs

Toronto, Canada
June 17, 2014



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Education Quality and Accountability Office

We have audited the accompanying financial statements of the Education Quality and Accountability Office, which comprise the statement of financial position as at March 31, 2014, the statements of operations and accumulated surplus, changes in net financial 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 public sector accounting standards, 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 Education Quality and Accountability Office as at March 31, 2014, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants, Licensed Public Accountants

June 17, 2014
Toronto, Canada

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Statement of Financial Position

March 31, 2014, with comparative information for 2013

| | 2014 | 2013 |
|--|---------------|---------------|
| Financial Assets | | |
| Current assets: | | |
| Cash | \$ 2,465,219 | \$ 2,728,486 |
| Cash - board restricted (note 3(b)) | 7,519,706 | 7,444,020 |
| Accounts receivable (note 4) | 509,291 | 1,426,702 |
| | 10,494,216 | 11,599,208 |
| Financial Liabilities | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | 1,699,144 | 1,932,336 |
| Net financial assets | 8,795,072 | 9,666,872 |
| Non-Financial Assets | | |
| Prepaid expenses (note 5) | 779,608 | 792,311 |
| Tangible capital assets (note 6) | 856,098 | 311,524 |
| | 1,635,706 | 1,103,835 |
| Accumulated surplus | \$ 10,430,778 | \$ 10,770,707 |

See accompanying notes to financial statements.

On behalf of the Board:



Chair



Chief Executive Officer

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Statement of Operations and Accumulated Surplus

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

| | 2014 Budget (note 11) | 2014 Actual | 2013 Actual |
|--|-----------------------------|----------------|----------------|
| Revenue: | | | |
| Ministry of Education: | | | |
| Base allocation payments | \$ 34,197,215 | \$ 32,077,100 | \$ 31,855,682 |
| Other | – | 585,322 | 552,805 |
| | 34,197,215 | 32,662,422 | 32,408,487 |
| Expenses: | | | |
| Service and rental | 17,296,125 | 17,214,265 | 15,317,704 |
| Salaries and wages | 12,421,334 | 12,033,560 | 11,801,670 |
| Transportation and communication | 3,894,492 | 2,970,677 | 1,734,925 |
| Supplies and equipment | 585,264 | 783,849 | 519,479 |
| | 34,197,215 | 33,002,351 | 29,373,778 |
| Annual surplus (deficit) before the undernoted | – | (339,929) | 3,034,709 |
| Recognition of deferred revenue (note 2) | – | – | 2,175,404 |
| Annual surplus (deficit) | – | (339,929) | 5,210,113 |
| Accumulated surplus, beginning of year | 10,770,707 | 10,770,707 | 5,560,594 |
| Accumulated surplus, end of year | \$ 10,770,707 | \$ 10,430,778 | \$ 10,770,707 |
| Accumulated surplus is comprised of: | | | |
| Externally restricted | | \$ 2,911,072 | \$ 3,326,687 |
| Internally restricted (note 3(b)) | | 7,519,706 | 7,444,020 |
| | | \$ 10,430,778 | \$ 10,770,707 |

See accompanying notes to financial statements.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Statement of Changes in Net Financial Assets

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

| | 2014 Budget (note 11) | 2014 Actual | 2013 Actual |
|---|-----------------------------|----------------|----------------|
| Annual surplus (deficit) | \$ — | \$ (339,929) | \$ 5,210,113 |
| Acquisition of tangible capital assets | — | (876,795) | (66,735) |
| Amortization of tangible capital assets | 313,149 | 332,221 | 242,712 |
| | 313,149 | (544,574) | 175,977 |
| Acquisition of prepaid expenses | — | (779,608) | (792,311) |
| Use of prepaid expenses | — | 792,311 | 709,949 |
| | — | 12,703 | (82,362) |
| Increase (decrease) in net financial assets | 313,149 | (871,800) | 5,303,728 |
| Net financial assets, beginning of year | 9,666,872 | 9,666,872 | 4,363,144 |
| Net financial assets, end of year | \$ 9,980,021 | \$ 8,795,072 | \$ 9,666,872 |

See accompanying notes to financial statements.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Statement of Cash Flows

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

| | 2014 | 2013 |
|--|--------------|--------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Annual surplus (deficit) | \$ (339,929) | \$ 5,210,113 |
| Amortization of tangible capital assets which does not affect cash | 332,221 | 242,712 |
| | (7,708) | 5,452,825 |
| Change in non-cash operating working capital: | | |
| Accounts receivable | 917,411 | (948,684) |
| Accounts payable and accrued liabilities | (233,192) | (1,240,361) |
| Deferred revenue | — | (2,175,404) |
| Prepaid expenses | 12,703 | (82,362) |
| | 689,214 | 1,006,014 |
| Financing activities: | | |
| Acquisition of tangible capital assets | (876,795) | (66,735) |
| Investing activities: | | |
| Change to board restricted fund | (75,686) | (1,883,426) |
| Decrease in cash | (263,267) | (944,147) |
| Cash, beginning of year | 2,728,486 | 3,672,633 |
| Cash, end of year | \$ 2,465,219 | \$ 2,728,486 |

See accompanying notes to financial statements.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Notes to Financial Statements
Year ended March 31, 2014

The Education Quality and Accountability Office (the "Agency") was established by the Province of Ontario by the EQAO Act, June 1996. The Agency was created to assure greater accountability and to contribute to the enhancement of the quality of education in Ontario. This is done through assessments and reviews based on objective, reliable and relevant information, and the timely public release of that information along with recommendations for system improvement.

1. Significant accounting policies:

These financial statements, which have been prepared in accordance with Canadian public sector accounting standards, as established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada ("CPA Canada") and, where applicable, the recommendations of the Accounting Standards Board of CPA Canada, reflect the accounting policies set out below:

(a) Revenue recognition:

The Agency is funded by the Ministry of Education in accordance with established budget arrangements. The Agency receives base allocation payments in accordance with the fiscal year's approved budget. These transfer payments are recognized in the financial statements in the year in which the transfer is authorized and all eligibility criteria have been met, except when a transfer gives rise to a liability.

Other revenue is recognized at the time the service is rendered.

(b) Tangible capital assets:

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

| | |
|------------------------|---------|
| Computer equipment | 3 years |
| Computer software | 5 years |
| Furniture and fixtures | 5 years |

For assets acquired or brought into use during the year, amortization is calculated from the month following that in which additions come into operation.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Notes to Financial Statements (continued)

Year ended March 31, 2014

1. Significant accounting policies (continued):

The Agency considers the carrying value of tangible capital assets when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the Agency expects an asset to generate cash flows less than the asset's carrying value, at the lowest level of identifiable cash flows, the Agency recognizes a loss for the difference between the asset's carrying value and its fair value.

(c) Measurement uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Such estimates include providing for amortization of capital assets. Actual results could differ from those estimates.

2. Change in accounting policy:

In fiscal 2013, the Agency adopted the revised standard PS3410, Government Transfers on a Prospective Basis, commencing April 1, 2012. As a result of adopting the standard, the Agency reviewed the composition of the deferred revenue balance and recognized \$2,175,404 as an increase to net assets in fiscal 2013.

No deferred revenue balance exists for fiscal 2014.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Notes to Financial Statements (continued)
Year ended March 31, 2014

3. Accumulated surplus:

(a) Externally restricted accumulated surplus:

The Agency receives base allocation payments in accordance with the year's approved budget. Actual expenses incurred in the year could differ from the budgeted amounts. The difference between base allocation payments received and actual expenses incurred are tracked separately as externally restricted accumulated surplus.

(b) Internally restricted accumulated surplus:

A board restricted fund was established by a Board of Directors' resolution for the purpose of examining assessment processes and researching emerging methodologies in large scale assessment in order to maintain Ontario's high quality assessment programs as best of class. The fund is currently invested in a Royal Bank of Canada current account. The Agency has the authority to retain any revenue that is not provincial funding according to the EQAO Act, the Agency Establishment and Accountability Directive and the Financial Administration Act.

| | 2014 | 2013 |
|--|--------------|--------------|
| Balance, beginning of year | \$ 7,444,020 | \$ 5,560,594 |
| Appropriation of other income | 458,000 | 418,264 |
| Interest income earned on funds | 126,064 | 134,550 |
| Cost associated with fee-based administration (note 9) | (43,381) | (88,623) |
| Costs associated to IT strategy | (464,997) | — |
| Recognition of deferred revenue (note 2) | — | 1,419,235 |
| Balance, end of year | \$ 7,519,706 | \$ 7,444,020 |

During the year, the Board approved a motion to fully restrict the internally restricted accumulated surplus for the Board approved IT strategy.

4. Accounts receivable:

Included in accounts receivable is a transfer payment in the amount of nil (2013 - \$1,039,031) due from the Ministry of Education.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Notes to Financial Statements (continued)
Year ended March 31, 2014

5. Prepaid expenses:

Prepaid expenses are paid in cash and recorded as assets before they are used or consumed. As at year end, the balance is made up of the following amounts:

| | 2014 | 2013 |
|-------------------|-------------------|-------------------|
| Prepaid expenses | \$ 91,884 | \$ 156,411 |
| Prepaid secondees | 687,724 | 635,900 |
| | <u>\$ 779,608</u> | <u>\$ 792,311</u> |

6. Tangible capital assets:

| | | | 2014 | 2013 |
|------------------------|---------------------|--------------------------|-------------------|-------------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Computer equipment | \$ 2,571,426 | \$ 2,017,768 | \$ 553,658 | \$ 294,615 |
| Computer software | | | | |
| under development | 282,985 | — | 282,985 | — |
| Furniture and fixtures | 271,763 | 252,308 | 19,455 | 16,909 |
| | <u>\$ 3,126,174</u> | <u>\$ 2,270,076</u> | <u>\$ 856,098</u> | <u>\$ 311,524</u> |

Amortization of tangible capital assets recorded in the current year amounts to \$332,221 (2013 - \$242,712).

7. Lease commitments:

The Agency leases premises under a long-term lease that expires on December 31, 2017. Under the terms of the lease, the Agency is required to pay an annual base rent, which is predetermined based on square footage rates plus operating and maintenance charges. Future minimum annual scheduled payments are as follows:

| | |
|------|---------------------|
| 2015 | \$ 1,115,064 |
| 2016 | 1,008,219 |
| 2017 | 989,279 |
| 2018 | 503,519 |
| | <u>\$ 3,616,081</u> |

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Notes to Financial Statements (continued)
Year ended March 31, 2014

8. Financial instruments:

The Agency's financial instruments consist of cash, board restricted fund, accounts receivable and accounts payable and accrued liabilities. Financial instruments are recorded at fair value on initial recognition. The fair values of these financial instruments approximate their carrying values due to their short-term nature.

It is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from these financial instruments.

9. Allocation of expenses:

Incremental administration expenses are allocated to fee-based administration revenue. Expenses are allocated proportionately based on the number of assessments administered.

10. Liquidity risk:

Liquidity risk is the risk that the Agency will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Agency manages its liquidity risk by monitoring its operating requirements. The Agency prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

There have been no significant changes to the liquidity risk exposure from 2013.

11. Budget:

The budget information has been derived from the budget approved by the Board of Directors. This note reconciles the approved budget to the budget information reported in these financial statements.



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June 26, 2014

The accompanying financial statements of eHealth Ontario are the responsibility of management and have been prepared in accordance with Canadian public sector accounting standards. The preparation of financial statements necessarily involves the use of estimates and assumptions based on management's judgement that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the reporting period. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 26, 2014.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, 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.

The Board of Directors of eHealth Ontario is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Board generally meets periodically with management to satisfy itself that such responsibilities have been fulfilled.

The financial statements for the year ended March 31, 2014 have been audited by Ernst & Young LLP ("E&Y"). E&Y's responsibility is to express an opinion on whether the financial statements present fairly, in all material respects, the financial position of eHealth Ontario as at March 31, 2014 and the results of its operations and its cash flow for the year then ended in accordance with Canadian public sector accounting standards. The Auditors' Report dated June 26, 2014 outlines the scope of E&Y's examination and opinion on the financial statements.

On behalf of management,

A handwritten signature in black ink, appearing to read "M. Watt", written over a horizontal line.

Chief Executive Officer Designate

A handwritten signature in blue ink, appearing to read "Allan Gunn", written over a horizontal line.

Allan Gunn
Acting Chief Administrative Officer

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
eHealth Ontario

We have audited the accompanying financial statements of **eHealth Ontario**, which comprise the statement of financial position as at March 31, 2014 and the statement of operations and changes in net assets 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 public sector accounting standards, 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 the auditors' 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 auditors 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 **eHealth Ontario** as at March 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Toronto, Canada,
June 26, 2014.

The signature is written in a cursive, handwritten style in black ink. It reads "Ernst & Young LLP".

Chartered Accountants
Licensed Public Accountants

eHealth Ontario

STATEMENT OF FINANCIAL POSITION*[in thousands of dollars]*

As at March 31

| | 2014 \$ | 2013 \$ |
|---|----------------|------------|
| ASSETS | | |
| Current | | |
| Cash | 19,993 | 92,044 |
| Prepaid expenses | 10,526 | 7,489 |
| Due from Ministry of Health and Long-Term Care [note 3[b]] | 6,411 | 4,234 |
| HST and other receivables | 8,673 | 7,781 |
| Total current assets | 45,603 | 111,548 |
| Capital assets, net [note 4] | 62,792 | 69,198 |
| Prepaid expenses | 3,042 | 2,750 |
| | 111,437 | 183,496 |
| LIABILITIES AND NET ASSETS | | |
| Current | | |
| Accounts payable and accrued liabilities | 38,936 | 71,630 |
| Due to Ministry of Health and Long-Term Care | 9,709 | 42,668 |
| Total current liabilities | 48,645 | 114,298 |
| Deferred capital contributions [note 5] | 62,792 | 69,198 |
| Total liabilities | 111,437 | 183,496 |
| Commitments and contingencies [note 6] | | |
| Net assets | — | — |
| | 111,437 | 183,496 |

See accompanying notes

On behalf of the Board:



F. David Rounthwaite
Chief Executive Officer Designate



Raymond V. Hession
Chair of the Board of Directors

eHealth Ontario

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

[in thousands of dollars]

Year ended March 31

| | 2014 \$ | 2013 \$ |
|--|----------------|----------------|
| REVENUE | | |
| Government grants <i>[note 3[a]]</i> | 326,991 | 359,913 |
| Amortization of deferred capital contributions <i>[note 5]</i> | 24,046 | 42,566 |
| | 351,037 | 402,479 |
| EXPENSES <i>[note 7]</i> | | |
| Core business | 151,920 | 175,480 |
| Technology services | 108,896 | 120,269 |
| Corporate functions and shared support services | 66,175 | 64,164 |
| | 326,991 | 359,913 |
| Impairment charge <i>[note 4]</i> | — | 26,985 |
| Amortization of capital assets <i>[note 4]</i> | 24,046 | 15,581 |
| | 351,037 | 402,479 |
| Excess of revenue over expenses for the year | — | — |
| Net assets, beginning of year | — | — |
| Net assets, end of year | — | — |

See accompanying notes

eHealth Ontario

STATEMENT OF CASH FLOWS*[in thousands of dollars]*

Year ended March 31

| | 2014 \$ | 2013 \$ |
|--|-----------------|------------|
| OPERATING ACTIVITIES | | |
| Excess of revenue over expenses for the year | — | — |
| Add (deduct) items not involving cash | | |
| Amortization of deferred capital contributions | (24,046) | (42,566) |
| Impairment charge | — | 26,985 |
| Amortization of capital assets | 24,046 | 15,581 |
| Changes in non-cash working capital balances related to operations | | |
| Prepaid expenses | (3,329) | (535) |
| HST and other receivables | (892) | (4,674) |
| Accounts payable and accrued liabilities <i>[note 8]</i> | (23,601) | 5,213 |
| Due to/from Ministry of Health and Long-Term Care | (35,136) | 42,850 |
| Cash (used in) provided by operating activities | (62,958) | 42,854 |
| INVESTING ACTIVITIES | | |
| Purchase of capital assets | (26,733) | (14,886) |
| Cash used in investing activities | (26,733) | (14,886) |
| FINANCING ACTIVITIES | | |
| Contributions used to fund capital assets | 17,640 | 22,857 |
| Cash provided by financing activities | 17,640 | 22,857 |
| Net (decrease) increase in cash during the year | (72,051) | 50,825 |
| Cash, beginning of year | 92,044 | 41,219 |
| Cash, end of year | 19,993 | 92,044 |

See accompanying notes

eHealth Ontario**NOTES TO FINANCIAL STATEMENTS***[in thousands of dollars]*

March 31, 2014

1. NATURE OF OPERATIONS

eHealth Ontario is designated as an operational service agency established under the Ontario Regulation made under the Development Corporations Act (O. Reg. 43/02). Subsection 2(3) of O. Reg. 43/02 provides that eHealth Ontario is, for all purposes, an agency of Her Majesty within the meaning of the Crown Agency Act and its powers may be exercised only as an agency of Her Majesty. Subsection 6(1) of O. Reg. 43/02 provides that the Board of Directors is composed of the members appointed by the Lieutenant-Governor in Council on the recommendation of the Minister of Health and Long-Term Care. The Lieutenant-Governor in Council can appoint up to 12 members to eHealth Ontario's Board of Directors. Pursuant to subsection 7(1) of O. Reg. 43/02 and subject to any directions given by the Minister of Health and Long-Term Care under section 8, the affairs of eHealth Ontario are under the management and control of the Board of Directors. Subsection 9(1) of O. Reg. 43/02 provides that the Chief Executive Officer of eHealth Ontario be appointed by the Lieutenant-Governor in Council.

The objectives of eHealth Ontario are as follows:

- [a] to provide eHealth Ontario services and related support for the effective and efficient planning, management and delivery of health care in Ontario;
- [b] to develop eHealth Ontario services strategy and operational policy; and
- [c] to protect the privacy of individuals whose personal information or personal health information is collected, transmitted, stored or exchanged by and through eHealth Ontario, in accordance with the Freedom of Information and Protection of Privacy Act, the Personal Health Information Protection Act, 2004 and any other applicable law (O. Reg. 339/08, s.4).

eHealth Ontario and the Ministry of Health and Long-Term Care [the "Ministry"] entered into a Memorandum of Understanding and Transfer Payment Agreement effective April 1, 2009. The Transfer Payment Agreement expired on March 31, 2011 and an Accountability Agreement with the Ministry was signed on March 31, 2011 for a one-year term. Effective April 1, 2012, eHealth Ontario and the Ministry entered into a new Accountability Agreement for a three-year period ending March 31, 2015.

eHealth Ontario is funded by the Province of Ontario through the Ministry. Any surplus balance must be repaid in the following fiscal year. Any deficit balance reduces the funding allocation in the following fiscal year.

As a Crown agency, eHealth Ontario is exempt from income taxes.

eHealth Ontario**NOTES TO FINANCIAL STATEMENTS***[in thousands of dollars]*

March 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements were prepared in accordance with the Public Sector Accounting Handbook, which sets out generally accepted accounting principles for government not-for-profit organizations in Canada. eHealth Ontario has chosen to use the standards for government not-for-profit organizations that include Section PS 4200 to PS 4270. The financial statements have been prepared based on the significant accounting policies described below.

Revenue recognition

eHealth Ontario follows the deferral method of accounting for contributions. Contributions are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions with respect to the purchase of capital assets are deferred and recognized as funding in the year in which the amortization expense is recognized.

Allocation of expenses

The costs of each function include the costs of personnel and other expenses that are directly related to the function. General support and other costs are included in shared services expenses.

Capital assets

Capital assets are recorded at cost, net of accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

| | |
|--------------------------------|-----------------------------|
| Computer hardware | 3 to 5 years |
| Computer software | 3 to 10 years |
| Furniture and office equipment | 5 years |
| Leasehold improvements | Over the term of the leases |

Capital assets that no longer have any long-term service potential for eHealth Ontario are written down to residual value, if any. The excess of the carrying value over the residual value of such assets is recognized as amortization in the statement of operations and changes in net assets.

Internal labour costs are capitalized in connection with the development of information technology projects.

eHealth Ontario

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2014

Employee future benefits

Contributions to a defined contribution plan are expensed on an accrual basis.

3. GOVERNMENT OF ONTARIO

[a] Funding from the Ministry recognized as revenue is calculated as follows:

| | 2014 | 2013 |
|---|-----------------|-------------|
| | \$ | \$ |
| Funding for eHealth Ontario operating/capital expenditures | 234,144 | 290,003 |
| Funding for transfer payments to eHealth Ontario partners | 119,756 | 134,997 |
| Total funding | 353,900 | 425,000 |
| Amounts used to fund capital assets and recorded as deferred capital contributions <i>[note 5]</i> | (17,640) | (22,857) |
| Interest earned during the year repayable to the Ministry | 440 | 438 |
| Interest earned and funding not used recorded as due to Ministry | (9,709) | (42,668) |
| Amount recognized as revenue | 326,991 | 359,913 |

[b] Due from the Ministry consists of amounts due from the Ministry's Health Services I&IT Cluster related to the purchase of certain hardware and software on its behalf by eHealth Ontario and labour and other operating costs related to services provided by eHealth Ontario.

eHealth Ontario

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2014

4. CAPITAL ASSETS

| | 2014 | | |
|--------------------------------|----------------|-----------------------------------|----------------------------|
| | Cost \$ | Accumulated amortization \$ | Net book value \$ |
| Computer hardware | 65,271 | 47,195 | 18,076 |
| Computer software | 82,222 | 44,107 | 38,115 |
| Furniture and office equipment | 6,203 | 4,829 | 1,374 |
| Leasehold improvements | 4,464 | 3,776 | 688 |
| Work-in-process | 4,539 | — | 4,539 |
| | 162,699 | 99,907 | 62,792 |

| | 2013 | | |
|--------------------------------|----------------|-----------------------------------|----------------------------|
| | Cost \$ | Accumulated amortization \$ | Net book value \$ |
| Computer hardware | 66,673 | 42,047 | 24,626 |
| Computer software | 63,419 | 30,778 | 32,641 |
| Furniture and office equipment | 5,845 | 4,253 | 1,592 |
| Leasehold improvements | 4,258 | 3,559 | 699 |
| Work-in-process | 9,640 | — | 9,640 |
| | 149,835 | 80,637 | 69,198 |

In the current year, certain assets no longer in use with a total cost of \$4,455 [2013 - \$10,847], accumulated amortization of \$4,445 [2013 - \$10,484] and a net book value of \$10 [2013 - \$363] were written off and included in amortization of capital assets.

During the year ended March 31, 2013, impairment charges of \$26,985 were recognized for the write-down of work-in-process in connection with projects that were redefined. No such impairment charge was recognized in the current year.

eHealth Ontario

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2014

5. DEFERRED CAPITAL CONTRIBUTIONS

| | 2014 | 2013 |
|---|-----------------|----------|
| | \$ | \$ |
| Balance, beginning of year | 69,198 | 88,907 |
| Contributions used to fund capital asset purchases <i>[note 3[a]]</i> | 17,640 | 22,857 |
| Amortization | (24,046) | (42,566) |
| Balance, end of year | 62,792 | 69,198 |

6. COMMITMENTS AND CONTINGENCIES

[a] eHealth Ontario has various multi-year contractual commitments for services. Payments required on these commitments are as follows:

| | \$ |
|---------------------|----------------|
| 2015 | 53,194 |
| 2016 | 24,153 |
| 2017 | 18,059 |
| 2018 | 10,190 |
| 2019 | 2,282 |
| 2020 and thereafter | 7,417 |
| | 115,295 |

[b] Ontario Realty Corporation, a Crown Corporation of the Province of Ontario, holds leases on the office space occupied by eHealth Ontario. eHealth Ontario is responsible for all of the operating lease payments. The payments required to the date of expiry are as follows:

| | \$ |
|------|---------------|
| 2015 | 5,460 |
| 2016 | 4,170 |
| 2017 | 1,281 |
| 2018 | 168 |
| | 11,079 |

eHealth Ontario**NOTES TO FINANCIAL STATEMENTS***[in thousands of dollars]*

March 31, 2014

- [c] eHealth Ontario has entered into transfer payment agreements with eHealth Ontario partners that require future payments once defined eligibility requirements have been met. Work has begun under many of these arrangements and progress against the eligibility requirements is monitored regularly. Total future payments in connection with these contracts are approximately \$81.4 million, of which \$74.2 million is expected to be paid in fiscal 2015. These payments are payable over the period ending March 31, 2018.
- [d] eHealth Ontario participates in the Healthcare Insurance Reciprocal of Canada ["HIROC"]. HIROC is a pooling of the public liability insurance risks of its members who are all Canadian not-profit health care organizations. All members of the HIROC pool pay annual premiums which are actuarially determined. All members are subject to assessment for losses, if any, experienced by the pool for the years in which they are members. Since its creation, HIROC has never assessed its members and none have been made for the year ended March 31, 2014.
- [e] In the normal course of operations, eHealth Ontario is subject to various claims and potential claims. Management has recorded its best estimate of the potential liability related to these claims where potential liability is likely and able to be estimated. In other cases, the ultimate outcome of the claims cannot be determined at this time.

Any additional losses related to claims will be recorded in the year during which the liability is able to be estimated or adjustments to any amount recorded are determined to be required.

7. EMPLOYEE FUTURE BENEFITS

eHealth Ontario has a defined contribution pension plan for its employees. eHealth Ontario's contributions to this plan during the year amounted to \$3,647 [2013 - \$3,592].

eHealth Ontario**NOTES TO FINANCIAL STATEMENTS***[in thousands of dollars]*

March 31, 2014

8. SUPPLEMENTAL CASH FLOW INFORMATION

The change in accounts payable and accrued liabilities related to the purchase of capital assets for the year ended March 31, 2014 of \$9,093 [2013 - \$7,971] has been excluded from the statement of cash flows.

9. FINANCIAL INSTRUMENTS**Credit risk**

eHealth Ontario is exposed to credit risk in connection with its accounts receivable because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation.

eHealth Ontario manages and controls credit risk with respect to accounts receivable by only dealing with recognized, creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis. As at March 31, 2014, there are no significant amounts that are past due or impaired.

Liquidity risk

eHealth Ontario is exposed to the risk that it will encounter difficulty in meeting obligations associated with its financial liabilities. eHealth Ontario derives all of its operating revenue from the Government of Ontario with no firm commitment of funding in future years. To manage liquidity risk, eHealth Ontario keeps sufficient resources readily available to meet its obligations.

Accounts payable mature within six months.

10. COMPARATIVE FINANCIAL STATEMENTS

Certain comparative figures have been reclassified from statements previously presented to conform to the presentation of the 2014 financial statements.

FOREST RENEWAL TRUST

Forest Renewal Trust financial statements for the year ended March 31, 2014 were not available at the time of printing. When available, they will be posted to the website: www.fin.gov.on.ca/en/.



MINISTRY OF INFRASTRUCTURE GENERAL REAL ESTATE PORTFOLIO (GREP)

June 19, 2014

Independent Auditor's Report

To the Minister of Infrastructure

We have audited the accompanying financial statements of Ministry of Infrastructure, General Real Estate Portfolio (See note 1), which comprise the statement of financial position as at March 31, 2014 and March 31, 2013 the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information for the years then ended.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, 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 audits. We conducted our audits 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP

PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2

T: +1 416 863 1133, F: +1 416 365 8215, www.pwc.com/ca

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ministry of Infrastructure, General Real Estate Portfolio as at March 31, 2014 and March 31, 2013 and the results of its operations, its re-measurement gains and losses, changes in its net financial assets and its cash flows for the years then ended in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

**MINISTRY OF INFRASTRUCTURE
GENERAL REAL ESTATE PORTFOLIO
STATEMENT OF FINANCIAL POSITION
As at March 31, 2014 and March 31, 2013
(in thousands of dollars)**

| | 2014 | 2013 As restated (Note 2) |
|--|---------------------|------------------------------|
| Financial assets | | |
| Cash and cash equivalents (Note 3) | \$ 197,907 | \$ 172,562 |
| Trade and other receivables (Note 4) | 117,756 | 87,409 |
| Accounts receivable – Humber River Hospital (Note 4) | 2,700 | - |
| AFP receivables | 1,391,080 | 1,419,055 |
| Receivables under capital leases (Note 5) | 388,391 | 395,428 |
| Due from related parties (Note 6) | 37,593 | 76,125 |
| Projects receivables (Note 7) | 37,800 | 22,575 |
| Assets held for sale (Note 8) | 2,173 | 16,125 |
| | 2,175,400 | 2,189,279 |
| Liabilities | | |
| Accounts payable and other liabilities | 167,762 | 152,315 |
| AFP liabilities | 1,380,448 | 1,399,944 |
| Customers' deposits | 780 | 1,563 |
| Capital lease obligations (Note 5) | 388,391 | 395,428 |
| Due to related parties (Note 6) | - | 24,309 |
| | 1,937,381 | 1,973,559 |
| Net financial assets | 238,019 | 215,720 |
| Non-financial assets | | |
| Tangible capital assets (Note 9) | 5,796,384 | 5,291,558 |
| Prepays, deposits and other assets | 5,445 | 4,448 |
| | 5,801,829 | 5,296,006 |
| Accumulated surplus | \$ 6,039,848 | \$ 5,511,726 |
| Contingent liabilities (Note 10) | | |
| Commitments (Note 11) | | |

The accompanying notes are an integral part of these financial statements

**MINISTRY OF INFRASTRUCTURE
GENERAL REAL ESTATE PORTFOLIO
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
For the years ended March 31, 2014 and March 31, 2013
(in thousands of dollars)**

| | For the year ended March 31 | | |
|---|-----------------------------|------------------|---------------------------------|
| | Budget | Actual | Actual |
| | 2014 | 2014 | 2013 As restated (Note 2) |
| Revenue | | | |
| Rent (Note 6) | \$ 801,188 | \$ 803,539 | \$ 733,135 |
| Cost recoveries (Note 6) | 116,872 | 175,633 | 134,437 |
| Interest income | 1,400 | 1,905 | 1,659 |
| | 919,460 | 981,077 | 869,231 |
| Operating expenses | | | |
| Facilities (Note 6) | 704,410 | 744,242 | 713,205 |
| Recoverable costs (Note 6) | 119,042 | 174,685 | 133,284 |
| Property disposition costs | 6,759 | 4,983 | 25,960 |
| General and administration | 2,768 | 1,948 | 890 |
| Interest | 84,015 | 82,312 | 36,140 |
| | 916,994 | 1,008,170 | 909,479 |
| Gain on sale of tangible capital assets (Note 9) | - | 20,924 | 84,235 |
| Gain on sale of assets held for sale (Note 8) | 13,274 | 32,230 | 34,023 |
| | 13,274 | 53,154 | 118,258 |
| Operating surplus before amortization and write-down of tangible capital assets | 15,740 | 26,061 | 78,010 |
| Amortization of tangible capital assets | (204,153) | (205,043) | (164,858) |
| Write down of tangible capital assets | (14,320) | (2,987) | (516) |
| | (218,473) | (208,030) | (165,374) |
| Deficit | (202,733) | (181,969) | (87,364) |
| Accumulated surplus, beginning of year, as previously reported | | 5,788,241 | 5,291,152 |
| Change in accounting policies (Note 2) | | (276,515) | (17,208) |
| Accumulated surplus, beginning of year, as restated | | 5,511,726 | 5,273,944 |
| Contributions from ministries | | 805,354 | 459,930 |
| Contributions from Humber River Hospital | | 10,789 | - |
| Contributions from other government organizations | | 6,965 | 13,743 |
| Distributions to the Province of Ontario | | (113,017) | (148,527) |
| Net contributions | | 710,091 | 325,146 |
| Accumulated surplus, end of period | \$ | 6,039,848 | \$ 5,511,726 |

The accompanying notes are an integral part of these financial statements

MINISTRY OF INFRASTRUCTURE
GENERAL REAL ESTATE PORTFOLIO
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
For the years ended March 31, 2014 and March 31, 2013
(in thousands of dollars)

| | 2014 | 2013 As restated (note 2) |
|--|-------------------|------------------------------|
| Deficit for the period | \$ (181,969) | \$ (87,364) |
| Acquisition of tangible capital assets | (781,115) | (448,721) |
| Transfer of tangible capital assets to held for sale | (11,930) | 14,459 |
| Amortization of tangible capital assets | 205,043 | 164,858 |
| Gain on sale of tangible capital assets | (20,924) | (84,235) |
| Proceeds on sale of tangible capital assets | 27,239 | 113,388 |
| Transfer of tangible capital assets | 73,874 | - |
| Write down of tangible capital assets | 2,987 | 516 |
| | (686,795) | (327,099) |
| (Decrease)/increase in prepaids, deposits and other assets | (997) | 20,924 |
| Contributions from ministries | 805,354 | 459,930 |
| Contributions from other government organizations | 6,965 | 13,743 |
| Contributions from Humber River Hospital | 10,789 | - |
| Distributions to the Province of Ontario | (113,017) | (148,527) |
| Increase in net financial assets | 22,299 | 18,971 |
| Net financial assets, beginning of period | 215,720 | 196,749 |
| Net financial assets, end of period | \$ 238,019 | \$ 215,720 |

The accompanying notes are an integral part of these financial statements

**MINISTRY OF INFRASTRUCTURE
GENERAL REAL ESTATE PORTFOLIO
STATEMENT OF CASH FLOWS
For the years ended March 31, 2014 and March 31, 2013
(in thousands of dollars)**

| | 2014 | 2013 As restated (Note 2) |
|---|-------------------|------------------------------|
| Operating activities | | |
| Deficit for the period | \$ (181,969) | \$ (87,364) |
| Changes in non cash items | | |
| Amortization of tangible capital assets | 205,043 | 164,858 |
| Gain on sale of tangible capital assets | (20,924) | (84,235) |
| Gain on sale of assets held for sale | (32,230) | (34,023) |
| Write down of tangible capital assets | 2,987 | 516 |
| Changes in non cash working capital balances | | |
| (Increase)/decrease in trade and other receivables | (30,347) | 11,170 |
| (Increase) in trade and other receivables-HRH | (2,700) | - |
| Decrease/(increase) in due from related parties | 38,532 | (19,751) |
| Decrease/(increase) in AFP receivables | 27,975 | (160,652) |
| (Increase) in projects receivables | (15,225) | (2,593) |
| Increase/(decrease) in accounts payable and other liabilities | 15,447 | (9,354) |
| (Decrease)/increase in AFP liabilities | (19,496) | 170,890 |
| (Decrease)/increase in customers' deposits | (783) | 1,169 |
| (Decrease) in due to related parties | (24,309) | (5,683) |
| (Increase)/decrease in prepaids, deposits and other assets | (997) | 20,924 |
| | (38,996) | (34,128) |
| Capital activities | | |
| Proceeds from sale of tangible capital assets | 27,239 | 113,388 |
| Acquisition of tangible capital assets | (163,764) | (160,661) |
| | (136,525) | (47,273) |
| Investing activities | | |
| Proceeds from disposition of assets held for sale | 34,252 | 35,760 |
| Financing activities | | |
| Contributions from ministries | 241,036 | 185,613 |
| Contributions from Humber River Hospital | 8,089 | - |
| Distributions to the Province of Ontario | (82,511) | (148,527) |
| | 166,614 | 37,086 |
| Net change in cash and cash equivalents | 25,345 | (8,555) |
| Cash and cash equivalents, beginning of the year | 172,562 | 181,117 |
| Cash and cash equivalents, end of period | \$ 197,907 | \$ 172,562 |

The accompanying notes are an integral part of these financial statements

**MINISTRY OF INFRASTRUCTURE
GENERAL REAL ESTATE PORFOLIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2014 and 2013
(in thousands of dollars)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of organization

The Ministry of Infrastructure General Real Estate Portfolio (GREP) consists of certain realty assets owned and/or leased by Her Majesty the Queen, in Right of Ontario, as represented by the Minister of Infrastructure and managed by Ontario Infrastructure and Lands Corporation (Infrastructure Ontario). Certain real estate assets and liabilities in the Ministry of Infrastructure's portfolio are not reflected in these statements.

Basis of accounting

The financial statements are prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada (Canadian public sector accounting standards).

Cash equivalents

Cash equivalents are comprised of treasury bills with maturity dates of less than 90 days. These are held to meet short-term cash commitments and are not intended for investments. Risk due to changes in market value is insignificant.

Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes the costs directly attributable to the acquisition, design, construction, development, improvement or betterment of the asset such as material, labour and capitalized interest.

Capitalization of cost associated with the assets under construction cease when the asset is ready for its intended use or ready for occupancy.

All tangible capital assets, except construction work in progress (CIP), land and land improvements are amortized on a straight line basis over their estimated useful lives. The useful lives of GREP's tangible capital assets have been estimated as:

| | |
|--|----------------|
| Buildings, AFP Buildings and AFP assets under capital leases | 20 to 40 years |
| Yardworks, including airport runways, parking lots and a dam | 12 to 40 years |

Land includes land acquired for transportation infrastructure, parks, buildings and other program use, as well as land improvements that have an indefinite life and are not being amortized. Land excludes Crown lands acquired by right.

Buildings include administrative and service structures. Leased premises are excluded. Alternative Financing and Procurement (AFP) buildings represent the value of AFP projects completed and transferred from sponsoring ministries.

CIP includes new buildings under construction and alterations to existing buildings.

The carrying value of tangible capital assets is written down to the asset's residual value if it can no longer contribute to the Province's ability to provide service and the impairment is permanent in nature, or when the value of the future economic benefit is less than the carrying value of the tangible capital asset. Write downs are recognized in the statement of operations and are not reversed.

**MINISTRY OF INFRASTRUCTURE
GENERAL REAL ESTATE PORTFOLIO
NOTES TO FINANCIAL STATEMENTS
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(in thousands of dollars)**

Interest capitalization

The cost of tangible capital assets constructed or developed by the Province includes interest costs incurred by the Province during the development or construction period.

All interest incurred by the Province to fund the capital projects during the construction period is capitalized to tangible capital assets. There is no capitalization threshold.

The interest rate to be used in calculating the interest cost incurred during construction in any given year is the Weighted Average Cost of Capital (WACC) of the Province. The Ontario Financing Authority (OFA) provides the appropriate WACC. For fiscal year 2014, the WACC is 3.8% (2013 – 3.7%).

Capitalization of interest ceases once the asset is ready for use, even though the asset may be put to use at a later date. If construction of the tangible capital asset is terminated or deferred indefinitely before completion, the costs capitalized to date are expensed, unless there is an alternative use for the tangible capital asset.

AFP assets and liabilities

AFP receivables represent the amount owed from the sponsoring ministries on account of the construction and other costs incurred by the consortium for the completed projects and projects under construction at the financial statement date. GREP invoices ministries and recovers these receivables as payments are made to the consortium per terms of the project agreement.

AFP liabilities represent the amounts owed to the construction consortium for the value of AFP projects completed and those under construction at the financial statement date. These amounts are paid to the consortium as per terms of the project agreement, which consists of a partial payment at substantial completion and the remaining amounts through monthly service payments.

Construction costs for AFP projects under construction are recorded in the accounts of sponsoring ministries.

Assets held for sale

Assets that meet the following criteria are categorized as held for sale; the asset has been authorized or committed to be sold, is in a saleable condition, publicly seen to be available for sale, have an active market, with a plan in place for sale and is reasonably anticipated to be sold to a purchaser external to the Province within one year of the financial statement date.

Assets held for sale are recorded at the lower of carrying value and net realizable value. Cost includes all costs of acquisition and capitalized improvements on property, net of amortization.

AFP assets under capital lease

Ministry of Infrastructure has entered into contractual agreements with third parties to finance, design, build and manage certain assets on behalf of sponsoring ministries. These projects meet the criteria for, and are classified as capital leases. Value of assets acquired under capital leases are recorded as tangible capital assets and a lease liability is recorded as capital lease obligations at the present value of the minimum lease payments. Lease payments are receivable from sponsoring ministries and are recorded as receivable under capital leases. The terms and conditions are the same for both receivables under capital leases from the sponsoring ministries and the capital leases obligation to the construction consortium.

**MINISTRY OF INFRASTRUCTURE
GENERAL REAL ESTATE PORFOLIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2014 and 2013
(in thousands of dollars)**

Revenue recognition

Revenue is recognized in the period in which the event that generates the revenue occurs.

Rent consists of income earned from leasing of GREP owned and third party landlord leased properties to government ministries, private sector tenants and operating funding from Ministry of Infrastructure. Rental revenue includes base rent, cost recoveries for operating expenses, property taxes and parking revenues. Free rent, lease increments and fixturing allowances related to third party leased buildings are recognized in the period in which they occur. Rent includes capital lease costs and monthly service payments for AFP properties recovered from ministries. Rent also includes direct cost recoveries from ministries for tenant specific requirements over and above services defined in the lease agreements.

Cost recoveries are recoveries from ministries of costs for construction, improvements or other real estate related projects undertaken as requested by ministries. Cost recovery revenue is recognized as services are provided. Cost recoveries also include operating funding allocations from the Ministry of Infrastructure and are recognized as invoiced.

Interest income represents interest earned on cash and cash equivalents and is recognized on a time proportion basis.

Operating expenses

Operating expenses are recorded as incurred under the accrual basis of accounting.

Facilities operating expenses include recoverable rental expenses paid to third party landlords as well as expenses incurred on the operation and maintenance of owned properties, property taxes, management fees paid to Infrastructure Ontario, and non-recoverable repairs and maintenance expenses on owned properties.

Recoverable costs include costs incurred for construction or asset improvement as well as costs for other real estate projects undertaken as requested by ministries. All costs are recoverable from the respective ministry. Recoverable costs are recognized based on value of work completed.

Property disposition costs are costs incurred to bring the specific assets identified for sale to a marketable condition. The costs are expensed as incurred. Costs include property planning, marketing, environmental assessment, zoning, permits, and settlements.

Interest expense relates to the interest on debt outstanding on AFP liabilities including AFP assets under capital lease obligations, which are recovered in full from the sponsoring ministries.

Contributions from ministries

Ministry contributions represent funds received from (a) the Ministry of Infrastructure's capital allocations, (b) the value of assets, asset improvements and betterments funded by other ministries that are capitalized to the tangible capital assets of GREP and (c) the value of in service AFP assets funded by sponsoring ministries and transferred to GREP. These amounts are recorded as an addition to the accumulated surplus.

Contributions from other government organizations

Contributions from other government organizations include the values of assets, asset improvements and betterments capitalized to the cost of the property in GREP and funded by government organizations other than ministries. The amounts are recorded as contributions and additions to the accumulated surplus.

**MINISTRY OF INFRASTRUCTURE
GENERAL REAL ESTATE PORFOLIO
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Distributions to Province of Ontario

Distributions represent the payment of funds collected by GREP, from private sector and non-government sources, to the Consolidated Revenue Fund in accordance with the requirements of the Financial Administration Act.

Use of estimates

These policies require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the balance sheet and the reported amounts of revenues and expenses during the reporting period. Major areas where management made subjective estimation include those relating to useful lives of tangible capital assets, accruals for value of work completed related to ministry recoverable and capital repair projects, allowance for doubtful receivables and accrued expenses. Actual results could differ from these estimates.

2. CHANGE IN ACCOUNTING POLICY

The Province changed its accounting policy for the Pan Para-Pan Am Athlete's Village project during the year and transferred AFP assets under construction related to this project from the accounts of GREP to the sponsoring ministry's accounts. Although the project had not reached substantial completion, they were previously recorded in the accounts of GREP at the direction of the Province. As a result, the CIP related to this project and the related contribution from the ministry has been removed from the accounts of GREP.

GREP also changed its accounting policy for property disposition costs during the year. Costs incurred on specific assets to bring them to a marketable condition such as planning, marketing, environmental assessments, zoning, permits, settlements etc. were previously deferred and expensed in the year the specific asset was sold. To conform to Canadian Public Sector Accounting Standards, GREP changed its accounting policy to expense these costs as incurred in the statement of operations and accumulated surplus.

The changes has been accounted on a retroactive basis with prior period restatements as follows:

| | March 31, 2013 (Previously reported) | Prior Period Adjustment | March 31, 2013 (As restated) |
|--|---|------------------------------------|---|
| Statement of financial position | | | |
| Tangible capital assets | \$ 5,550,247 | \$ (258,689) | \$ 5,291,558 |
| Prepays, deposits and other assets | 22,274 | (17,826) | 4,448 |
| Accumulated surplus | 5,788,241 | (276,515) | 5,511,726 |
| | | | |
| | March 31, 2013 (Previously reported) | Prior Period Adjustment | March 31, 2013 (As restated) |
| Statement of operations and accumulated surplus | | | |
| Property disposition costs | \$ 25,342 | \$ 618 | \$ 25,960 |
| Deficit | (86,746) | (618) | (87,364) |
| Accumulated surplus, beginning of the year | 5,291,152 | (17,208) | 5,273,944 |
| Contribution from ministries | 718,619 | (258,689) | 459,930 |
| Accumulated surplus, end of the year | 5,788,241 | (276,515) | 5,511,726 |

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include short-term treasury bills of \$75,722 (March 31, 2013 - \$75,278) issued by the OFA with a weighted average effective interest rate of 0.96% (March 31, 2013 - 0.98%).

**MINISTRY OF INFRASTRUCTURE
GENERAL REAL ESTATE PORFOLIO
NOTES TO FINANCIAL STATEMENTS
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4. TRADE AND OTHER RECEIVABLES

Trade and other receivables include receivables from government and private sector tenants for charge for accommodation (CFA), AFP monthly service payments (MSP), project service receivables related to cost recoveries, HST rebate receivables and other receivables including those from private sector tenants. Allowances for doubtful accounts are recorded for specific balances, which are determined uncollectible to reduce their values to the amount expected to be recovered. The balance consists of the following:

| | March 31 2014 | March 31 2013 |
|---------------------------------|--------------------------|--------------------------|
| CFA receivables | \$ 45,286 | \$ 6,527 |
| AFP MSP receivables | 13,272 | 25,621 |
| Project services receivables | 26,319 | 26,662 |
| HST receivable | 23,633 | 20,506 |
| Other receivables | 10,143 | 8,635 |
| Allowance for doubtful accounts | (897) | (542) |
| | \$ 117,756 | \$ 87,409 |

Accounts Receivable – Humber River Hospital

Accounts Receivable - Humber River Hospital (HRH) represent an amount owing from HRH related to infrastructure development work at the Downsview site. An invoice was issued by Infrastructure Ontario to HRH and will remit the funds to GREP when received from HRH.

5. RECEIVABLES UNDER CAPITAL LEASES AND CAPITAL LEASE OBLIGATIONS

| | March 31 2014 | March 31 2013 |
|---|--------------------------|--------------------------|
| Due March 2040, repayable in blended monthly installments of \$1,026, interest at 5.19%, secured by the tangible capital assets under the AFP project. | \$ 175,253 | \$ 178,370 |
| Due November 2039, repayable in blended monthly installments of \$1,244, interest at 5.11%, secured by the tangible capital assets under the AFP project. | 213,138 | 217,058 |
| | \$ 388,391 | \$ 395,428 |

Future minimum lease payments under capital leases are as follows:

| | Amount |
|------------------------------|-------------------|
| 2015 | \$ 27,233 |
| 2016 | 27,233 |
| 2017 | 27,233 |
| 2018 | 27,233 |
| 2019 | 27,233 |
| Thereafter | 566,493 |
| Total minimum lease payments | 702,658 |
| Less: Imputed interest | (314,267) |
| | \$ 388,391 |

**MINISTRY OF INFRASTRUCTURE
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6. RELATED PARTY TRANSACTIONS

GREP generates revenue through providing real estate accommodation and project management services to ministries, crown agencies and other government organizations for their program needs through Ministry of

Infrastructure owned and third party leased real estate assets. Infrastructure Ontario manages the real estate portfolio and provides project management services for a management fee. The two related parties are the Ministry of Infrastructure and Infrastructure Ontario.

Ministry of Infrastructure funds GREP for its operating and capital needs in addition to the income generated by operations. Funding is provided for strategic advisory fees, project management fees, operating and maintenance funding for vacant third party lease space, corporate space, payment in lieu of taxes for non leasable lands etc. Capital funding includes funding for various real estate programs such as the Capital Repair Program and the realty planning and development, Toronto Accommodation program etc. For the year ended March 31, 2014, GREP received operating funding of \$45,583 (March 31, 2013 - \$43,345) which was recorded as revenue under rent and cost recoveries.

For the year ended March 31, 2014 GREP received capital funding of \$104,670 (March 31, 2013 - \$142,463) which was recorded as contributions from ministries or cost recoveries.

Due from related parties consists of \$27,832 (March 31, 2013 - \$76,125) due from Ministry of Infrastructure related to CFA, project services, operating and capital funding allocations and \$9,761 (March 31, 2013 - \$0) receivable from Infrastructure Ontario. Receivable from Infrastructure Ontario include \$10,000 received by Infrastructure Ontario from Pan Para-Pan American Games Secretariat and held as holdback payable to the construction consortium payable on substantial completion of Pan Para-Pan Am Athletes' Village offset by amounts owing to Infrastructure Ontario. The amounts are due on demand, unsecured and non-interest bearing.

There were no amounts due to related parties as at March 31, 2014 (March 31, 2013 - \$24,309).

Infrastructure Ontario manages the real estate portfolio and provides project administration and management services for a management fee. Infrastructure Ontario fees for the year include a real estate management fee at 15% of the operating and maintenance budget for the owned portfolio totaling \$29,450 (2013 - \$29,088), operations management fee for AFP operating projects \$965 (2013 - \$410), and a project administration and management fees \$8,489 (2013 - \$10,208) all of which were recorded as facility operating expenses, as well as a strategic asset management fee of \$10,583 (2013 - \$12,047), calculated based on the net book value of the assets under management and recorded as recoverable costs.

7. PROJECTS RECEIVABLES

Projects receivables totaling \$37,800 (March 31, 2013 - \$22,575) consists of accrued project costs related to ministry recoverable projects and small works incurred up to March 31, 2014, but yet not invoiced. All amounts were invoiced to the ministries subsequent to the period end.

8. ASSETS HELD FOR SALE

Assets held for sale are real estate assets that have been declared surplus to the needs of the Province and have been approved for sale by an Order-in-Council. It is reasonably anticipated that assets held for sale will be sold outside the reporting entity within one year of the balance sheet date. Assets held for sale as are summarized below.

**MINISTRY OF INFRASTRUCTURE
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(in thousands of dollars)

| | March 31 2014 | March 31 2013 |
|--------------------------|--------------------------|------------------|
| Land | \$ 1,156 | \$ 6,807 |
| Buildings | 3,202 | 18,749 |
| | 4,358 | 25,556 |
| Accumulated amortization | (2,185) | (9,431) |
| Net book value | \$ 2,173 | \$ 16,125 |

25 properties (March 31, 2013 - 19 properties) with a carrying value of \$2,022 (March 31, 2013 - \$1,737) were sold for net proceeds of \$34,252 (March 31, 2013 - \$35,760) generating a net gain on sale of \$32,230 (March 31, 2013 - \$34,023).

9. TANGIBLE CAPITAL ASSETS

| | Land | Yard- works | Buildings | CIP | AFP Buildings | AFP CIP | AFP Assets under Capital Lease | Total |
|---|-------------------|----------------|------------------|----------------|------------------|------------|---|---------------------|
| Cost | | | | | | | | |
| Balance as at April 1, 2013 | \$ 577,345 | 39,555 | 3,917,306 | 482,760 | 1,381,291 | - | 501,807 | \$ 6,900,064 |
| Additions | 15,830 | 2,943 | 71,001 | 139,528 | 640,806 | - | 283 | 870,391 |
| Transfer out from CIP | - | - | - | (89,276) | - | - | - | (89,276) |
| Disposals | (775) | - | (6,040) | - | - | - | - | (6,815) |
| Retirements, write downs and Transfers | (4,137) | | (52,129) | (61,063) | - | - | - | (117,329) |
| Transfer to/from held for sale | 4,314 | - | 14,270 | - | - | - | - | 18,584 |
| Balance as at March 31, 2014 | 592,577 | 42,498 | 3,944,408 | 471,949 | 2,022,097 | - | 502,090 | 7,575,619 |
| Accumulated Amortization | | | | | | | | |
| Balance as at April 1, 2013 | - | 5,528 | 1,542,677 | - | 14,309 | - | 45,992 | 1,608,506 |
| Additions | - | 1,948 | 150,064 | - | 40,445 | - | 12,586 | 205,043 |
| Disposals | - | - | (500) | - | - | - | - | (500) |
| Retirements, write downs and Transfers | | | (40,467) | | | | | (40,467) |
| Transfer to/from held for sale | - | - | 6,653 | - | - | - | - | 6,653 |
| Balance as at March 31, 2014 | - | 7,476 | 1,658,427 | - | 54,754 | - | 58,578 | 1,779,235 |
| Net book value at March 31, 2014 | \$ 592,577 | 35,022 | 2,285,981 | 471,949 | 1,967,343 | - | 443,512 | \$ 5,796,384 |

**MINISTRY OF INFRASTRUCTURE
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March 31, 2014 and 2013
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| | Land | Yard- works | Buildings | CIP | AFP Buildings | AFP CIP | AFP Assets under Capital Lease | Total As restated (Note 2) |
|-------------------------------------|------------|----------------|-----------|-----------|------------------|-------------|---|----------------------------------|
| Cost | | | | | | | | |
| Balance as at April 1, 2012 | \$ 556,366 | 35,723 | 3,707,732 | 639,362 | 82,592 | 1,043,118 | 501,807 | \$ 6,566,700 |
| Additions | 41,290 | 6,858 | 301,594 | 122,755 | 1,298,699 | - | - | 1,771,196 |
| Transfer out from CIP | - | - | - | (279,357) | - | (1,043,118) | - | (1,322,475) |
| Disposals | (14,357) | (3,026) | (75,961) | - | - | - | - | (93,344) |
| Transfer to held for sale | (5,954) | - | (16,059) | - | - | - | - | (22,013) |
| Balance as at March 31, 2013 | 577,345 | 39,555 | 3,917,306 | 482,760 | 1,381,291 | - | 501,807 | 6,900,064 |
| Accumulated Amortization | | | | | | | | |
| Balance as at April 1, 2012 | - | 6,875 | 1,473,139 | - | 1,450 | - | 33,413 | 1,514,877 |
| Additions | - | 1,679 | 137,741 | - | 12,859 | - | 12,579 | 164,858 |
| Disposals | - | (3,026) | (60,649) | - | - | - | - | (63,675) |
| Transfer to held for sale | - | - | (7,554) | - | - | - | - | (7,554) |
| Balance as at March 31, 2013 | - | 5,528 | 1,542,677 | - | 14,309 | - | 45,992 | 1,608,506 |
| Net book value as at March 31, 2013 | \$ 577,345 | 34,027 | 2,374,629 | 482,760 | 1,366,982 | - | 455,815 | \$ 5,291,558 |

Four AFP projects valued at \$616,738 achieved substantial completion in the year (2013- four projects), and were transferred to GREP by the sponsoring ministries and were capitalized to AFP buildings during the year.

Six properties (2013 - 18 properties) with a carrying value of \$6,315 (2013 - \$29,153) and ten easements (2013 - 14 easements) were disposed for net proceeds of \$27,239 (2013 - \$113,388) generating a net gain on sale of \$20,924 (2013 - \$84,235).

10. CONTINGENT LIABILITIES

Prior to the amalgamation of Stadium Corporation of Ontario Limited (STADCO) with Infrastructure Ontario and Ontario Realty Corporation on June 6, 2011, all assets, liabilities and operations of STADCO were transferred to GREP, including ground leases dated June 3, 1989 with Canada Lands Company for the SkyDome Lands and the sublease to Rogers Stadium Limited Partnership (sub-tenant). Under the terms of the ground lease, GREP is responsible for base rent, realty taxes, utilities and certain operating costs, which are assumed by the-sub tenant under the terms of the sub-lease. In the event of a default by the sub-tenant, the potential financial impact to GREP is estimated to be the base rent in the range of \$300 to \$400 annually plus realty taxes, utilities and certain operating costs.

11. COMMITMENTS

GREP has entered into contractual obligations and does so on a continuing basis for building leases, construction contracts and annual service payments on AFP properties. The building leases are lease contracts with third party landlords to provide accommodation to the ministries and government organizations. Commitments for construction contracts are determined based on management's estimate of costs to be incurred over the construction period. Contractual obligations for AFP annual service payments include interest due on debt, operations and maintenance costs and lifecycle costs. Contractual obligations as at March 31, 2014 are as follows:

**MINISTRY OF INFRASTRUCTURE
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NOTES TO FINANCIAL STATEMENTS
March 31, 2014 and 2013**
(in thousands of dollars)

| | | Building Leases | | Construction Contracts | | AFP Annual Service Payments |
|---------------------|----|--------------------|----|---------------------------|----|-----------------------------------|
| 2015 | \$ | 269,400 | \$ | 136,162 | \$ | 134,626 |
| 2016 | | 230,930 | | 45,890 | | 135,387 |
| 2017 | | 182,196 | | 7,282 | | 134,627 |
| 2018 | | 145,324 | | - | | 136,700 |
| 2019 | | 108,284 | | - | | 136,841 |
| 2020 and thereafter | | 527,781 | | - | | 3,022,782 |
| | \$ | 1,463,915 | \$ | 189,334 | \$ | 3,700,963 |

12. PRIOR YEAR COMPARATIVE FIGURES

Certain prior year comparative figures have been reclassified to conform to the current year's financial statement presentation.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Management Report

Management's Responsibility for Financial Reporting

The accompanying financial statements of the Independent Electricity System Operator are the responsibility of management and have been prepared in accordance with Canadian public sector accounting standards. The significant accounting policies followed by the Independent Electricity System Operator are described in the Summary of Significant Accounting Policies contained in Note 2 in the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been prepared within reasonable limits of materiality and in light of information available up to February 13, 2014.

Management maintained a system of internal controls designed to provide reasonable assurance that the assets were safeguarded and that reliable information was available on a timely basis. The system included formal policies and procedures and an organizational structure that provided for the appropriate delegation of authority and segregation of responsibilities.

These financial statements have been examined by KPMG LLP, a firm of independent external auditors appointed by the Board of Directors. The external auditors' responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles in Canada. The Auditors' Report, which follows, outlines the scope of their examination and their opinion.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

On behalf of management,



Bruce Campbell
President and Chief Executive Officer
Toronto, Canada
February 13, 2014



Ted Leonard
Vice President, Markets
Chief Financial Officer and Treasurer
Toronto, Canada
February 13, 2014

Independent Auditors' Report

To the Board of Directors of the Independent Electricity System Operator (IESO)

We have audited the accompanying financial statements of IESO, which comprise the statement of financial position as at December 31, 2013, the statements of operations and accumulated deficit, remeasurement gains and losses, change in net debt 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 public sector accounting standards, 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 IESO as at December 31, 2013, and its results of operations and the changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Chartered Professional Accountants, Licensed Public Accountants

February 13, 2014

Waterloo, Canada

Statement of Financial Position

As at (in thousands of Canadian dollars)

December 31, 2013 December 31, 2012

| | \$ | \$ |
|--|------------------|------------------|
| FINANCIAL ASSETS | | |
| Cash and cash equivalents | 9,569 | 6,863 |
| Accounts receivable | 17,592 | 16,833 |
| Long-term investments (Note 3) | 31,801 | 27,721 |
| TOTAL FINANCIAL ASSETS | 58,962 | 51,417 |
| LIABILITIES | | |
| Accounts payable and accrued liabilities (Note 4) | 24,178 | 21,308 |
| Accrued interest on debt | 266 | 346 |
| Rebates due to market participants (Note 5) | 25,755 | 13,107 |
| Debt (Note 6) | 124,200 | 133,200 |
| Accrued pension liability (Note 7) | 35,139 | 41,600 |
| Accrued liability for employee future benefits other than pension (Note 7) | 74,069 | 69,255 |
| TOTAL LIABILITIES | 283,607 | 278,816 |
| NET DEBT | (224,645) | (227,399) |
| NON-FINANCIAL ASSETS | | |
| Net tangible capital assets (Note 8) | 91,636 | 87,607 |
| Prepaid expenses | 4,455 | 3,688 |
| TOTAL NON-FINANCIAL ASSETS | 96,091 | 91,295 |
| ACCUMULATED SURPLUS/(DEFICIT) | | |
| Accumulated deficit from operations (Note 5) | (132,698) | (137,651) |
| Accumulated remeasurement gains | 4,144 | 1,547 |
| ACCUMULATED DEFICIT | (128,554) | (136,104) |

On behalf of the Board:



Tim O'Neill
Chair
Toronto, Canada



William Museler
Director
Toronto, Canada

Statement of Operations and Accumulated Deficit

For the year ended December 31 (in thousands of Canadian dollars)

| | 2013 | 2013 | 2012 |
|--|------------------|------------------|------------------|
| | Budget \$ | Actual \$ | Actual \$ |
| WHOLESALE MARKET OPERATIONS | | | |
| System fees | 123,914 | 115,683 | 116,257 |
| Other revenue (Note 9) | 3,919 | 3,143 | 3,958 |
| Interest and investment income | 938 | 1,601 | 350 |
| Wholesale market operation revenues | 128,771 | 120,427 | 120,565 |
| Wholesale market operation expenses (Note 10) | (125,078) | (118,422) | (116,727) |
| Wholesale market operations annual surplus | 3,693 | 2,005 | 3,838 |
| MARKET SANCTIONS AND PAYMENT ADJUSTMENTS | | | |
| Market sanctions and payment adjustments | – | 3,191 | 1,087 |
| Customer education and market enforcement expenses (Note 10) | (307) | (3,856) | (670) |
| Market sanctions and payment adjustments annual surplus/(deficit) | (307) | (665) | 417 |
| SMART METERING ENTITY | | | |
| Smart metering charge | 30,138 | 30,144 | – |
| Smart metering expenses (Note 10) | (31,591) | (26,531) | (23,734) |
| Smart metering entity annual surplus/(deficit) | (1,453) | 3,613 | (23,734) |
| ANNUAL SURPLUS/(DEFICIT) | 1,933 | 4,953 | (19,479) |
| ACCUMULATED DEFICIT FROM OPERATIONS, BEGINNING OF PERIOD | (137,651) | (137,651) | (118,172) |
| ACCUMULATED DEFICIT FROM OPERATIONS, END OF PERIOD | (135,718) | (132,698) | (137,651) |

Statement of Remeasurement Gains and Losses

For the year ended December 31 (in thousands of Canadian dollars)

| | 2013 | 2012 |
|--|--------------|--------------|
| | Actual \$ | Actual \$ |
| ACCUMULATED REMEASUREMENT LOSSES, BEGINNING OF PERIOD | 1,547 | (374) |
| UNREALIZED GAINS ATTRIBUTABLE TO: | | |
| Foreign exchange – derivatives | – | – |
| Foreign exchange – other | 178 | 35 |
| Portfolio investments (Note 3) | 2,454 | 1,025 |
| AMOUNTS RECLASSIFIED TO THE STATEMENT OF OPERATIONS: | | |
| Foreign exchange – derivatives | – | (2) |
| Foreign exchange – other | (35) | (46) |
| Portfolio investments | – | 909 |
| NET REMEASUREMENT GAINS FOR THE PERIOD | 2,597 | 1,921 |
| ACCUMULATED REMEASUREMENT GAINS, END OF PERIOD | 4,144 | 1,547 |

Statement of Change in Net Debt

For the year ended December 31 (in thousands of Canadian dollars)

| | 2013 | 2013 | 2012 |
|---|------------------|------------------|------------------|
| | Budget \$ | Actual \$ | Actual \$ |
| ANNUAL SURPLUS/(DEFICIT) | 1,933 | 4,953 | (19,479) |
| CHANGE IN NON-FINANCIAL ASSETS | | | |
| Acquisition of tangible capital assets | (23,559) | (22,196) | (16,244) |
| Amortization of tangible capital assets | 18,431 | 18,167 | 16,539 |
| Change in prepaid expenses | 177 | (767) | (585) |
| TOTAL CHANGE IN NON-FINANCIAL ASSETS | (4,951) | (4,796) | (290) |
| NET REMEASUREMENT GAINS FOR THE PERIOD | 908 | 2,597 | 1,921 |
| CHANGE IN NET DEBT | (2,110) | 2,754 | (17,848) |
| NET DEBT, BEGINNING OF PERIOD | (227,399) | (227,399) | (209,551) |
| NET DEBT, END OF PERIOD | (229,509) | (224,645) | (227,399) |

Statement of Cash Flows

For the year ended December 31 (in thousands of Canadian dollars)

| | 2013 | 2012 |
|--|-----------------|-----------------|
| | \$ | \$ |
| OPERATING TRANSACTIONS | | |
| Annual Surplus/(Deficit) | 4,953 | (19,479) |
| Changes in non-cash items: | | |
| Amortization | 18,167 | 16,539 |
| Pension expense | 10,800 | 11,985 |
| Other employee future benefits expense | 6,907 | 6,482 |
| Change in fair value of long-term investments | – | 876 |
| | 35,874 | 35,882 |
| Changes in non-cash balances related to operations: | | |
| Change in accounts payable and accrued liabilities | (2,146) | 1,138 |
| Change in accounts receivable | (759) | (2,698) |
| Change in rebates due to market participants | 12,648 | 9,590 |
| Change in prepaid expenses | (767) | (585) |
| | 8,976 | 7,445 |
| Other: | | |
| Contribution to pension fund | (17,261) | (25,313) |
| Payment of employee future benefits | (2,093) | (1,768) |
| | (19,354) | (27,081) |
| Cash provided by (applied to) operating transactions | 30,449 | (3,233) |
| CAPITAL TRANSACTIONS | | |
| Acquisition of tangible capital assets | (22,196) | (16,244) |
| Change in accounts payable & accrued liabilities | 4,936 | 47 |
| Cash applied to capital transactions | (17,260) | (16,197) |
| INVESTING TRANSACTIONS | | |
| Purchase of long-term investments | (1,626) | (2,322) |
| Cash applied to investing transactions | (1,626) | (2,322) |
| FINANCING TRANSACTIONS | | |
| Change in debt | (9,000) | 23,000 |
| Cash provided by (applied to) financing transactions | (9,000) | 23,000 |
| INCREASE IN CASH AND CASH EQUIVALENTS | 2,563 | 1,248 |
| CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD | 6,863 | 5,626 |
| Change in unrealized foreign exchange – other for the period | 143 | (11) |
| CASH AND CASH EQUIVALENTS – END OF PERIOD | 9,569 | 6,863 |

Notes to Financial Statements

1. NATURE OF OPERATIONS

Independent Electricity System Operator (IESO) is a not-for-profit, non-taxable corporation, created by statute effective on April 1, 1999 pursuant to Part II of the *Electricity Act, 1998*. As set out in the *Electricity Act, 1998*, the IESO operates pursuant to a licence granted by the Ontario Energy Board (OEB). The objects of the IESO as contained in the *Electricity Act, 1998* and amended, in the *Electricity Restructuring Act, 2004* and Ontario Regulation 452/06, are as follows:

- to exercise the powers and perform the duties assigned to the IESO under the *Electricity Restructuring Act, 2004*, the market rules and its licence;
- to enter into agreements with transmitters giving the IESO the authority to direct the operation of their transmission systems;
- to direct the operation and maintain the reliability of the IESO-controlled grid to promote the purposes of the *Electricity Restructuring Act, 2004*;
- to participate in the development, by any standards authority, of standards and criteria relating to the reliability of the transmission systems;
- to work with the responsible authorities outside Ontario to co-ordinate the IESO's activities with their activities;
- to collect and provide information to the Ontario Power Authority (OPA) and the public relating to the current and short-term electricity needs of Ontario and the adequacy and reliability of the integrated power system to meet those needs;
- to operate the IESO-administered markets to promote the purposes of the *Electricity Restructuring Act, 2004*;
- to plan, manage and implement the smart metering initiative or any aspect of the initiative;
- to oversee, administer and deliver the smart metering initiative or any aspect of the initiative; and
- to establish and enforce standards and criteria relating to the reliability of transmission systems.

The IESO was designated the Smart Metering Entity by Ontario Regulation 393/07 under the *Electricity Act, 1998* on March 28, 2007. The regulation came into effect on July 26, 2007.

The objects of the Smart Metering Entity (SME), as contained in the *Electricity Act, 1998*, are as follows:

- to plan and implement and, on an ongoing basis, oversee, administer and deliver any part of the smart metering initiative as required by regulation under this or any Act or directive made pursuant to sections 28.3 or 28.4 of the *Ontario Energy Board Act, 1998*, and, if so authorized, to have the exclusive authority to conduct these activities;
- to collect and manage and to facilitate the collection and management of information and data and to store the information and data related to the metering of consumers' consumption or use of electricity in Ontario, including data collected from distributors and, if so authorized, to have the exclusive authority to collect, manage and store the data;
- to establish, to own or lease and to operate one or more databases to facilitate collecting, managing, storing and retrieving smart metering data;

- to provide and promote non-discriminatory access, on appropriate terms and subject to any conditions in its licence relating to the protection of privacy, by distributors, retailers, the OPA and other persons,
 - i. to the information and data referred to above, and
 - ii. to the telecommunication system that permits the Smart Metering Entity to transfer data about the consumption or use of electricity to and from its databases, including access to its telecommunication equipment, systems and technology and associated equipment, systems and technologies
- to own or to lease and to operate equipment, systems and technology, including telecommunication equipment, systems and technology that permit the Smart Metering Entity to transfer data about the consumption or use of electricity to and from its databases, including owning, leasing or operating such equipment, systems and technology and associated equipment, systems and technologies, directly or indirectly, including through one or more subsidiaries, if the Smart Metering Entity is a corporation;
- to engage in such competitive procurement activities as are necessary to fulfill its objects or business activities;
- to procure, as and when necessary, meters, metering equipment, systems and technology and any associated equipment, systems and technologies on behalf of distributors, as an agent or otherwise, directly or indirectly, including through one or more subsidiaries, if the Smart Metering Entity is a corporation;
- to recover, through just and reasonable rates, the costs and an appropriate return approved by the Ontario Energy Board associated with the conduct of its activities; and
- to undertake any other objects that are prescribed by associated regulation.

The IESO is required to submit its proposed expenditures, revenue requirements, and fees for the coming year to the OEB for review and approval. The submission may be made only with the approval or deemed approval of the IESO business plan by the Minister of Energy (Minister).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of financial statement preparation

The accompanying financial statements have been prepared on a going concern basis and in accordance with Canadian public sector accounting standards and reflect the following significant accounting policies.

b) Revenue recognition

System fees earned by the IESO are based on approved rates for each megawatt of electricity withdrawn from the IESO-controlled grid, including exports. System fees are recognized as revenue at the time the electricity is withdrawn. Rebates are recognized in the year in which the approved regulatory deferral account, before such rebates, exceeds regulated limits.

These financial statements do not include the financial transactions of market participants within the IESO-administered markets.

Other revenue represents amounts that accrue to the IESO relating to services the IESO performs and charges on a cost recovery basis, investment income on funds passing through market settlement accounts, as well as application fees. Such revenue is recognized as is earned.

Interest and investment income represents realized interest income and investment gains or losses on cash, cash equivalents, short-term investments and long-term investments.

Market sanctions represent funds received and payments disbursed related to penalties, damages, fines and payment adjustments arising from resolved settlement disputes.

c) Financial instruments

The IESO records cash and cash equivalents, investment portfolio, and foreign currency exchange forward contracts at fair value. The cumulative change in fair value of these financial instruments is recorded in accumulated surplus as remeasurement gains and losses and is included in the value of the respective financial instrument shown in the statement of financial position and the statement of remeasurement gains and losses. Upon disposition of the financial instruments, the cumulative remeasurement gains and losses are reclassified to the statement of operations and all other gains and losses associated with the disposition of the financial instrument are recorded in the statement of operations. Transaction costs are charged to operations as incurred.

Cash and cash equivalents comprise cash, term deposits and other short-term, highly-rated investments with original maturity dates of less than 90 days.

The IESO records accounts receivable, accounts payable and debt at amortized cost.

d) Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts directly attributable to the acquisition, construction, development or betterment of the asset. The IESO capitalizes applicable interest as part of the cost of tangible capital assets.

e) Assets under construction

Assets under construction generally relates to the costs of physical facilities, hardware and software, and includes costs paid to vendors, internal and external labour, consultants and interest related to funds borrowed to finance the project. Costs relating to assets under construction are transferred to tangible capital assets when the asset under construction is deemed to be ready for use.

f) Amortization

The capital cost of tangible capital assets in service is amortized on a straight-line basis over their estimated service lives.

The estimated service lives in years, from the date the assets were acquired, are:

| Class | Estimated Average Service Life 2013 | Estimated Average Service Life 2012 |
|----------------------------------|--|--|
| Facilities | 38 | 38 |
| Market systems and applications | 4 to 10 | 4 to 11 |
| Infrastructure and other assets | 4 to 7 | 4 to 7 |
| Meter data management/repository | 10 | 10 |

Gains and losses on sales or premature retirements of tangible capital assets are charged to operations.

The estimated service lives of tangible capital assets are subject to periodic review. The effects of changes in the estimated lives are amortized on a prospective basis. The most recent review was completed in fiscal 2012.

g) Pension, other post-employment benefits and compensated absences

The IESO's post-employment benefit programs include pension, group life insurance, health care, long-term disability and workers compensation benefits.

The IESO accrues obligations under pension and other post-employment benefit (OPEB) plans and the related costs, net of plan assets. Pension and OPEB expenses and obligations are determined annually by independent actuaries using the projected benefit method and management's best estimate of expected return on plan assets, salary escalation, retirement ages of employees, mortality and expected health-care costs. The discount rate used to value liabilities is based on the expected rate of return on plan assets as at the measurement date of September 30.

The expected return on plan assets is based on management's long-term best estimate using a market-related value of plan assets. The market-related value of plan assets is determined using the average value of assets over three years (2012 – five years) as at the measurement date of September 30.

Pension and OPEB expenses are recorded during the year in which employees render services. Pension and OPEB expenses consist of current service costs, interest expense on liabilities, expected return on plan assets and the cost of plan amendments in the period. Actuarial gains/(losses) arise from, among other things, the difference between the actual rate of return on plan assets for a period and the expected long-term rate of return on plan assets for that period or from changes in actuarial assumptions used to determine the accrued benefit obligations. Actuarial gains/(losses) are amortized over the expected average remaining service life of the employees covered by the plan.

The expected average remaining service life of employees covered by the pension plans is 13 years (2012 – 13 years) and OPEB plans is 14 years (2012 – 14 years).

The IESO sick pay benefits accumulate but do not vest. The IESO accrues sick pay benefits based on the expectation of future utilization, and records the accrual within accounts payable and accrued liabilities.

h) Foreign currency exchange

Transactions denominated in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing on the date of the transaction. Items on the statement of financial position denominated in foreign currency are translated to Canadian dollars at the rate of exchange as of the financial statements date. The cumulative unrealized foreign currency exchange gains and losses of items continuing to be recognized on the statement of financial position are recorded in accumulated deficit as remeasurement gains and losses and shown in the statement of financial position and the statement of remeasurement gains and losses. Upon settlement of the item denominated in a foreign currency, the cumulative remeasurement gains and losses are reclassified to the statement of operations and all other gains and losses associated with the disposition of the financial instrument are recorded in the statement of operations.

i) Use of estimates

The preparation of the financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements. The IESO's accounts which involve a greater degree of uncertainty include the carrying values of tangible capital assets, rebates to market participants, accrued pension liability, and accrual for employee future benefits other than pensions. Actual results could differ from those estimates.

3. LONG-TERM INVESTMENTS

Long-term investments in a balanced portfolio of pooled funds are valued by the pooled funds manager based on published price quotations and amount to \$31,683 thousand (2012 – \$27,721 thousand). As at December 31, the market value allocation of these long-term investments was 65.0% equity securities and 35.0% debt securities (2012 – 60.5% and 39.5% respectively).

Balanced portfolio of pooled funds

| As at December 31 (in thousands of Canadian dollars) | 2013 | 2012 |
|--|---------------|---------------|
| | \$ | \$ |
| Opening balance | 27,721 | 24,341 |
| Purchase of investments | 1,508 | 2,322 |
| Change in fair value | 2,454 | 1,058 |
| Closing balance | 31,683 | 27,721 |

In addition to the balanced portfolio of pooled funds, the IESO has a long-term deposit with Canada Revenue Agency in the amount of \$118 thousand pertaining to the Retirement Compensation Arrangements Trust (Note 6).

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| As at December 31 (in thousands of Canadian dollars) | 2013 | 2012 |
|--|---------------|---------------|
| | \$ | \$ |
| Relating to operations | 17,020 | 19,086 |
| Relating to tangible capital assets | 7,158 | 2,222 |
| | 24,178 | 21,308 |

5. REBATES DUE TO MARKET PARTICIPANTS AND ACCUMULATED DEFICIT

In 2013, the IESO recognized \$12,648 thousand in rebates due to market participants of system fees (2012 – \$9,590 thousand), due to net operating surplus in 2013. As at December 31, 2013 rebates due to market participants were \$25,755 thousand (2012 – \$13,107 thousand). The IESO's approved regulatory deferral account balance is maintained at a maximum of \$5.0 million.

As at December 31, the components of the accumulated deficit were as follows:

Accumulated Deficit

| As at December 31 (in thousands of Canadian dollars) | 2013 | 2012 |
|--|------------------|------------------|
| | \$ | \$ |
| Regulatory deferral account (a) | 5,000 | 5,000 |
| Accumulated market sanctions and payment adjustments (b) | 706 | 1,371 |
| Smart metering entity – accumulated deficit (c) | (78,745) | (82,358) |
| PSAB transition items (d) | (55,515) | (60,117) |
| Accumulated deficit – end of year | (128,554) | (136,104) |

a) Approved Regulatory Deferral Account

| As at December 31 (in thousands of Canadian dollars) | 2013 | 2012 |
|--|--------------|--------------|
| | \$ | \$ |
| Accumulated surplus – beginning of year | 5,000 | 5,000 |
| Revenues (before rebates due to market participants) | 133,075 | 130,155 |
| Rebates due to market participants | (12,648) | (9,590) |
| Wholesale market operation expenses | (118,422) | (116,727) |
| Change in accumulated remeasurement gains | 2,597 | 1,921 |
| Recovery of PSAB transition items | (4,602) | (5,759) |
| Accumulated surplus – end of year | 5,000 | 5,000 |

b) Accumulated Market Sanctions and Payment Adjustments

| As at December 31 (in thousands of Canadian dollars) | 2013 | 2012 |
|--|------------|--------------|
| | \$ | \$ |
| Accumulated surplus – beginning of year | 1,371 | 954 |
| Market sanctions and payment adjustments | 3,191 | 1,087 |
| Customer education and market enforcement expenses | (3,856) | (670) |
| Accumulated surplus – end of year | 706 | 1,371 |

c) Smart Metering Entity – Accumulated Deficit

| As at December 31 (in thousands of Canadian dollars) | 2013 | 2012 |
|--|-----------------|-----------------|
| | \$ | \$ |
| Accumulated deficit – beginning of year | (82,358) | (58,624) |
| Smart metering charge | 30,144 | – |
| Smart metering expenses | (26,531) | (23,734) |
| Accumulated deficit – end of year | (78,745) | (82,358) |

d) PSAB Transition Item – Accumulated Deficit

| As at December 31 (in thousands of Canadian dollars) | 2013 | 2012 |
|--|-----------------|-----------------|
| | \$ | \$ |
| Accumulated deficit – beginning of year | (60,117) | (65,876) |
| Recovery of PSAB transition items | 4,602 | 5,759 |
| Accumulated deficit – end of year | (55,515) | (60,117) |

Effective January 1, 2011, the IESO adopted Canadian public sector accounting standards (PSAB) with a transition date of January 1, 2010. The adoption of PSAB was accounted for by retroactive application with restatement of prior periods subject to the requirements in Section PS 2125, *First-time Adoption by Government Organizations*. The corresponding change to pension and other-post employment benefits resulted in previously unrecognized actuarial losses and past service costs of \$80,617 thousand at the date of transition being charged to the accumulated deficit.

The IESO includes a portion of the accumulated deficit resulting from the PSAB transition items in the annual proposed expenditures to the OEB for recovery through system fees.

6. DEBT

Note payable to Ontario Electricity Finance Corporation (OEFC)

In May 2013, the IESO entered into a one-year note payable with the OEFC. The note payable is unsecured, bears interest at a fixed rate of 1.62% per annum and is repayable in full on April 30, 2014. Interest accrues daily and is payable in arrears semi-annually in April and November of each year. As at December 31, 2013, the note payable to the OEFC was \$78.2 million (December 31, 2012 – \$78.2 million).

For the year ended December 31, 2013, the interest expense on the note payable was \$1,430 thousand (2012 – \$1,756 thousand).

Credit facility

The IESO has an unsecured credit facility agreement with the OEFC, which will make available to the IESO an amount up to \$110.0 million. Advances are payable at a variable interest rate equal to the Province of Ontario's cost of borrowing for a 30 day term plus 0.50% per annum, with draws, repayments and interest payments due monthly. The credit facility expires April 30, 2014. As at December 31, 2013, \$46.0 million was drawn on the credit facility (December 31, 2012 – \$55.0 million).

For the year ended December 31, 2013, the interest expense on the credit facility was \$790 thousand (2012 – \$505 thousand).

As of February 13, 2014, the IESO is in the process of refinancing its debt with the OEFC and is confident this will be in place for May 1, 2014.

Retirement Compensation Arrangements Trust

In July 2013, the IESO established a Retirement Compensation Arrangements Trust (RCA) to provide security for the IESO's obligations under the terms of the supplemental employee retirement plan for its employees. As at December 31, 2013, the IESO has provided the RCA trustee with a bank letter of credit of \$26,831,000 the trustee can draw on if the IESO is in default under the terms of this plan.

7. POST-EMPLOYMENT BENEFIT PLANS

The IESO provides pension and other employee post-employment benefits, comprising group life insurance, long-term disability and group medical and dental plans, for the benefit of current and retired employees.

Pension plans

The IESO provides a contributory defined benefit, indexed, registered pension plan. In addition to the funded, registered, pension plan, the IESO provides certain non-registered defined benefit pensions through an unfunded, indexed, non-registered plan.

Other employee future benefits

The group life insurance, long-term disability and group medical and dental benefits are provided through unfunded, non-registered defined benefit plans.

Summary of accrued benefit obligations and plan assets

| (in thousands of Canadian dollars) | 2013 Pension Benefits | 2012 Pension Benefits | 2013 Other Benefits | 2012 Other Benefits |
|--|--------------------------|--------------------------|------------------------|------------------------|
| | \$ | \$ | \$ | \$ |
| Accrued benefit obligation | 443,562 | 405,323 | 82,848 | 71,715 |
| Fair value of plan assets | 390,934 | 360,017 | – | – |
| Funded status as of measurement date | (52,628) | (45,306) | (82,848) | (71,715) |
| Employer contribution/other benefits payments after measurement date | 4,647 | 4,314 | 570 | 480 |
| Unrecognized actuarial (gain)/loss | 12,842 | (608) | 8,209 | 1,980 |
| Accrued liability recognized in the statement of financial position | (35,139) | (41,600) | (74,069) | (69,255) |

Registered pension plan assets

As at the measurement date of September 30, the proportion of the fair value of registered pension plan assets held in each asset class was as follows:

| | 2013 | 2012 |
|------------------------------------|---------------|---------------|
| Canadian equity securities | 20.0% | 19.3% |
| Foreign equity securities | 44.0% | 38.9% |
| Canadian debt securities | 35.1% | 40.5% |
| Cash equivalents | 0.7% | 1.0% |
| Forward foreign exchange contracts | 0.2% | 0.3% |
| | 100.0% | 100.0% |

Principal assumptions used to calculate benefit obligations at the end of the year are determined at that time and are as follows:

| | 2013 Pension Benefits | 2012 Pension Benefits | 2013 Other Benefits | 2012 Other Benefits |
|--|--------------------------|--------------------------|------------------------|------------------------|
| Discount rate at the end of the period | 6.25% | 6.50% | 6.25% | 6.50% |
| Rate of compensation increase | 3.75% | 4.00% | 3.75% | 4.00% |
| Rate of indexing | 2.25% | 2.50% | 2.25% | 2.50% |

The assumed hospital and drug cost increase was 10.0% for 2013 grading down 0.5% per year to 4.75% in 2024. Dental costs are assumed to increase by 4.25% per year.

Benefit costs and plan contributions for pension and other plans are summarized as follows:

| (in thousands of Canadian dollars) | 2013 Pension Benefits | 2012 Pension Benefits | 2013 Other Benefits | 2012 Other Benefits |
|------------------------------------|--------------------------|--------------------------|------------------------|------------------------|
| | \$ | \$ | \$ | \$ |
| Current service cost (employer) | 6,750 | 6,279 | 2,053 | 1,923 |
| Interest cost | 26,383 | 25,317 | 4,713 | 4,410 |
| Expected return on plan assets | (22,911) | (20,402) | — | — |
| Amortization of net actuarial loss | 578 | 791 | 141 | 149 |
| Benefit cost | 10,800 | 11,985 | 6,907 | 6,482 |

| (in thousands of Canadian dollars) | 2013 Pension Benefits | 2012 Pension Benefits | 2013 Other Benefits | 2012 Other Benefits |
|--|--------------------------|--------------------------|------------------------|------------------------|
| | \$ | \$ | \$ | \$ |
| Employer contribution/other benefit payments | 17,261 | 25,313 | 2,093 | 1,768 |
| Plan participants' contributions | 3,476 | 3,525 | — | — |
| Benefits paid | 21,109 | 18,300 | 2,093 | 1,768 |

The most recent actuarial valuation of the registered pension plan for funding purposes was at January 1, 2011, and the date of the next required valuation is January 1, 2014.

Principal assumptions used to calculate benefit costs for the year are determined at the beginning of the period and are as follows:

| | 2013 Pension Benefits | 2012 Pension Benefits | 2013 Other Benefits | 2012 Other Benefits |
|--|--------------------------|--------------------------|------------------------|------------------------|
| Discount rate at the beginning of the period | 6.50% | 6.50% | 6.50% | 6.50% |
| Rate of compensation increase | 4.00% | 4.00% | 4.00% | 4.00% |
| Rate of indexing | 2.50% | 2.50% | 2.50% | 2.50% |

8. TANGIBLE CAPITAL ASSETS

Net tangible capital assets consist of the following:

Tangible Capital Assets

| (in thousands of Canadian dollars) | As at December 31, 2012 | Additions | Disposals | As at December 31, 2013 |
|------------------------------------|----------------------------|---------------|-----------|----------------------------|
| | \$ | \$ | \$ | \$ |
| Facilities | 50,315 | 288 | – | 50,603 |
| Market systems and applications | 240,967 | 9,131 | – | 250,098 |
| Infrastructure and other assets | 52,814 | 4,595 | – | 57,409 |
| Meter data management/repository | 31,215 | 1,393 | – | 32,608 |
| Total cost | 375,311 | 15,407 | – | 390,718 |

Accumulated Amortization

| (in thousands of Canadian dollars) | As at December 31, 2012 | Amortization Expense | Disposals | As at December 31, 2013 |
|---------------------------------------|----------------------------|-------------------------|-----------|----------------------------|
| | \$ | \$ | \$ | \$ |
| Facilities | (17,279) | (1,285) | – | (18,564) |
| Market systems and applications | (214,574) | (10,267) | – | (224,841) |
| Infrastructure and other assets | (47,107) | (2,779) | – | (49,886) |
| Meter data management/repository | (13,425) | (3,836) | – | (17,261) |
| Total accumulated amortization | (292,385) | (18,167) | – | (310,552) |

Net Book Value

| (in thousands of Canadian dollars) | As at December 31, 2012 | As at December 31, 2013 |
|------------------------------------|----------------------------|----------------------------|
| | \$ | \$ |
| Facilities | 33,036 | 32,039 |
| Market systems and applications | 26,393 | 25,257 |
| Infrastructure and other assets | 5,707 | 7,523 |
| Meter data management/repository | 17,790 | 15,347 |
| Total net book value | 82,926 | 80,166 |
| Assets under construction | 4,681 | 11,470 |
| Net tangible capital assets | 87,607 | 91,636 |

In 2013, there were no adjustments to management's estimates of remaining asset service lives and hence there was no impact on amortization expense in the year (2012 – \$381 thousand decrease)

Interest capitalized to assets under construction during 2013 was \$44 thousand (2012 – \$4 thousand).

9. OTHER REVENUE

In its administration of the IESO-administered markets, the IESO directs the investment of market funds in highly-rated short-term investments throughout the settlement cycle. The IESO is entitled to receive the investment interest and investment gains, net of investment losses earned on funds passing through the real-time market settlement accounts. The IESO is not entitled to the principal on real-time market investments.

The IESO recognized investment income earned in the market settlement accounts of \$1,386 thousand in 2013 (2012 – \$1,269 thousand).

The IESO recognizes revenue as it is earned relating to services the IESO performs and charges on a cost recovery basis. Cost recovery revenue in 2013 was \$1,742 thousand (2012 – \$2,676 thousand).

10. SEGMENT DISCLOSURES

Expenses by object for 2013 are comprised of the following:

| (in thousands of Canadian dollars) | Wholesale market operations 2013 | Customer education and market enforcement 2013 | Smart metering entity 2013 | Total 2013 |
|--|--|---|----------------------------------|----------------|
| | \$ | \$ | \$ | \$ |
| Labour | 76,165 | 2,591 | 2,634 | 81,390 |
| Computer services, support and equipment | 9,194 | – | 810 | 10,004 |
| Contract services and consultants | 7,309 | 1,244 | 17,650 | 26,203 |
| Telecommunications | 3,237 | 3 | 7 | 3,247 |
| Other costs | 7,274 | 18 | 33 | 7,325 |
| Amortization | 14,331 | – | 3,836 | 18,167 |
| Interest expense and financing charges | 912 | – | 1,561 | 2,473 |
| Total expenses | 118,422 | 3,856 | 26,531 | 148,809 |

Expenses by object for 2012 are comprised of the following:

| (in thousands of Canadian dollars) | Wholesale market operations 2012 | Customer education and market enforcement 2012 | Smart metering entity 2012 | Total 2012 |
|--|--|---|----------------------------------|----------------|
| | \$ | \$ | \$ | \$ |
| Labour | 77,075 | 357 | 2,608 | 80,040 |
| Computer services, support and equipment | 8,686 | – | 719 | 9,405 |
| Contract services and consultants | 7,061 | 312 | 15,303 | 22,676 |
| Telecommunications | 3,033 | 1 | 3 | 3,037 |
| Other costs | 7,036 | – | 3 | 7,039 |
| Amortization | 12,981 | – | 3,558 | 16,539 |
| Interest expense and financing charges | 855 | – | 1,540 | 2,395 |
| Total expenses | 116,727 | 670 | 23,734 | 141,131 |

11. CAPITAL DISCLOSURES

The IESO's primary objectives are to maintain and enhance the reliability of Ontario's power system, administer the wholesale electricity market, and serve the needs of market participants and stakeholders. In order to fulfill its mandate, the IESO receives fees from market participants (Note 1). The IESO has limited ability to accumulate a surplus from these fees.

The IESO submitted its proposed 2014 expenditures, revenue requirements, and fees to the OEB for review on November 4, 2013 after approval by the Minister. The Minister provided formal approval of the IESO's 2014 – 2016 Business Plan on October 22, 2013. As of February 13, 2014, the OEB has not approved the IESO's proposed expenditures, revenue requirements, and fees for 2014.

The IESO is also the SME and expects to fund its SME operating costs and capital investment in the meter data management/repository through fees from users of smart meters in Ontario. On March 28, 2013 the OEB approved that the Smart Metering Entity charge of \$0.788 per month be levied and collected by the Smart Metering Entity from all distributors for each of their residential and general service less than 50 kilowatt customers. This charge is intended to cover the costs of developing and operating the MDM/R to date and until October 31, 2018. The rate was effective May 1, 2013.

12. RELATED PARTY TRANSACTIONS

The Province of Ontario is a related party as it is the controlling entity of the IESO. The OEFC, OPA, OEB, Hydro One and Ontario Power Generation Inc. (OPG) are related parties of the IESO, through the common control of the Province of Ontario. Transactions between these parties and the IESO were as follows:

The IESO holds a note payable and an unsecured credit facility agreement with the OEFC (Note 6). Interest payments made by the IESO in 2013 for the note payable was \$1,511 thousand (2012 – \$1,756 thousand) and for the credit facility was \$789 thousand (2012 – \$485 thousand). As of December 31, 2013 the IESO had an accrued interest payable balance with the OEFC of \$266 thousand (2012 – \$346 thousand).

The IESO performs system studies for the OPA in support of their Power System Planning requirements. In addition, the IESO also provides support to the OPA's Demand Response program. In 2013, the IESO invoiced the OPA \$137 thousand (2012 – \$276 thousand) for services associated with these programs. In 2013, the OPA has provided a secondment resource for market enforcement activities and the IESO incurred costs of \$117 thousand (2012 – \$13 thousand) for these services. As of December 31, 2013 the IESO had a net payable balance with the OPA due to invoice adjustments of \$42 thousand (2012 – net payable balance of \$58 thousand).

Under the *Ontario Energy Board Act, 1998*, the IESO incurs registration and licence fees. The total of the transactions with the OEB were \$612 thousand in 2013 (2012 – \$514 thousand).

The IESO performed connection assessments and approvals and technical feasibility studies for Hydro One in 2013. In 2013, the IESO invoiced Hydro One \$504 thousand (2012 – \$696 thousand). The IESO procures short circuit studies as part of connection assessments and approvals and meter services on IESO owned interconnected revenue meters from Hydro One. In 2013, the IESO incurred costs of \$522 thousand (2012 – \$130 thousand) for these services. As of December 31, 2013 the IESO had a net receivable balance with Hydro One of \$296 thousand (2012 – net receivable balance of \$279 thousand).

In 2013, the IESO performed connection assessment and approvals for OPG; administered telecommunication services to market participants to connect to the real time market systems and performed technical feasibility studies. In 2013, OPG was invoiced \$102 thousand (2012 – \$144 thousand). As of December 31, 2013 the IESO had a net receivable balance with OPG of \$96 thousand (2012 – \$6 thousand).

13. FINANCIAL RISK MANAGEMENT

The IESO is exposed to financial risks in the normal course of its business operations, including market risks resulting from volatilities in equity, debt, and foreign currency exchange markets, as well as credit risk and liquidity risk. The nature of the financial risks and the IESO's strategy for managing these risks has not changed significantly from the prior year.

a) Market Risk

Market risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate to cause changes in market prices. The IESO is exposed to three types of market risk: currency risk, interest rate risk and equity risk. The IESO monitors its exposure to market risk fluctuations and may use financial instruments to manage these risks as it considers appropriate. The IESO does not use derivative instruments for trading or speculative purposes.

i) Currency Risk

The IESO conducts certain transactions in US dollars, primarily related to vendors' payments, and maintains a US dollar denominated bank account. From time to time, the IESO may utilize forward purchase contracts to purchase US dollars for delivery at a specified date in the future at a fixed exchange rate. In addition, the IESO utilizes US dollar spot rate purchases in order to satisfy any current accounts. As at December 31, 2013, the IESO did not have any outstanding forward purchase contracts.

ii) Interest Rate Risk

The IESO is exposed to movements or changes in interest rates primarily through its short-term variable rate credit facility, cash equivalents' securities, and long-term investments. Long-term investments include investments in a pooled Canadian bond fund. The potential impact to the securities' value had the prevailing interest rates changed by 25 basis points, assuming a parallel shift in the yield curve, with all other variables held constant is estimated at \$0.4 million as at December 31, 2013 (2012 – \$0.4 million).

iii) Equity Risk

The IESO is exposed to changes in equity prices through its long-term investments. Long-term investments include investments in pooled equity funds. A 30% change in the valuation of equities as at December 31, 2013 would have resulted in a change for the year (before the impact of adjustments to the approved regulatory deferral account (Note 5) of approximately \$6.2 million (2012 – \$5.0 million). The fair values of all financial instruments measured at fair value are derived from quoted prices (unadjusted) in active markets for identical assets.

b) Credit Risk

Credit risk refers to the risk that one party to a financial instrument may cause a financial loss for the other party by failing to meet its obligations under the terms of the financial instrument. The IESO is exposed directly to credit risk related to cash equivalents' securities and accounts receivable, and indirectly through its exposure to the long-term investments in a Canadian bond pooled fund. The IESO manages credit risk associated with cash equivalents' securities through an approved management policy which limits investments to investment grade investments with counterparty-specific limits. The accounts receivable balance as at December 31, 2013 included no material items past due and substantially all of the balance was collected within 30 days from December 31, 2013. The long-term Canadian bond pooled fund is comprised of primarily investment grade securities.

c) Liquidity Risk

Liquidity risk refers to the risk that the IESO will encounter financial difficulty in meeting obligations associated with its financial liabilities when due. The IESO manages liquidity risk by forecasting cash flows to identify cash flows and financing requirements. Cash flows from operations, short-term investments, long-term investments, and maintaining appropriate credit facilities help to reduce liquidity risk. The IESO's long-term investments are normally able to be redeemed within three business days however; the investment manager of the pooled funds has the authority to require a redemption in-kind rather than cash and has the ability to suspend redemptions if deemed necessary.

14. COMMITMENTS AND CONTINGENCIES

Operating commitments

The obligations of the IESO with respect to non-cancellable operating leases over the next five years are as follows:

As at December 31 (thousands of Canadian dollars)

| | \$ |
|------|-------|
| 2014 | 2,277 |
| 2015 | 2,126 |
| 2016 | 1,813 |
| 2017 | 1,822 |
| 2018 | 1,622 |

Contingencies

The IESO is subject to various claims, legal actions, and investigations that arise in the normal course of business. While the final outcome of such matters cannot be predicted with certainty, management believes that the resolution of such claims, actions and investigations will not have a material impact on the IESO's financial position or results of operations.



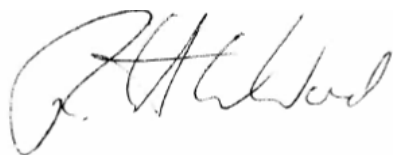
Management's Statement of Responsibility

The Management of Legal Aid Ontario is responsible for the preparation, presentation and integrity of the accompanying financial statements, Management's Discussion and Analysis and all other information contained in this Annual Report. This responsibility includes the selection and consistent application of appropriate accounting principles and methods in addition to making the judgements and best estimates necessary to prepare the financial statements in accordance with Canadian generally accepted accounting principles, with appropriate consideration to materiality. The significant accounting policies followed by Legal Aid Ontario are described in the financial statements.

Management has developed and maintains a system of internal control, business practices and financial reporting to provide reasonable assurance that assets are safeguarded and that relevant and reliable financial information is produced on a timely basis. Internal auditors, who are employees of Legal Aid Ontario, review and evaluate internal controls on management's behalf.

The Board of Directors of Legal Aid Ontario ensures that management fulfils its responsibilities for financial information and internal control through an Audit and Finance Committee. This Committee meets regularly with management and the auditor to discuss internal controls, audit findings and the resulting opinion on the adequacy of internal controls, and the quality of financial reporting issues. The auditors have access to the Audit and Finance Committee, without management present, to discuss the results of their work.

The accompanying financial statements have been examined by the Office of the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditor's Report outlines the scope of the Auditor General's examination and opinion.



Robert W. Ward
President and
Chief Executive Officer

May 28, 2014



Michelle Séguin
Chief Administrative Officer
and Vice President

May 28, 2014



Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To Legal Aid Ontario
and to the Attorney General of Ontario

I have audited the accompanying financial statements of Legal Aid Ontario, which comprise the balance sheet as at March 31, 2014 and the statements of operations and changes in net assets/(deficit) 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 public sector accounting standards, 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position of Legal Aid Ontario as at March 31, 2014, and the results of its operations, changes in its net assets/(deficit), and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Bonnie Lysyk, MBA, CPA, CA, LPA
Auditor General

Toronto, Ontario
May 28, 2014

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Legal Aid Ontario Balance Sheet

| March 31, 2014 (\$000's) | March 31, 2013 (\$000's) |
|--|--|
|--|--|

ASSETS**Current Assets**

| | | | | | |
|--|----|--------|--|----|--------|
| Cash and cash equivalents | \$ | 24,648 | | \$ | 19,509 |
| Investments, Short-term (Note 4) | | 24,758 | | | 12,133 |
| Prepaid expenses and other assets | | 1,714 | | | 1,347 |
| Client accounts receivable (Note 3(a)) | | 16,762 | | | 18,092 |
| Other receivables (Note 3(b)) | | 18,795 | | | 19,506 |

| | | | | | |
|--|----|--------|--|----|--------|
| | \$ | 86,677 | | \$ | 70,587 |
|--|----|--------|--|----|--------|

| | | | | | |
|--|----|--------|--|---|--------|
| Investments, Long-term (Note 4) | \$ | 3,900 | | - | |
| Long-term client accounts receivable (Note 3(a)) | | 21,886 | | | 22,637 |
| Capital assets (Note 5) | | 5,190 | | | 4,883 |

TOTAL ASSETS

| | | | | | |
|--|----|---------|--|----|--------|
| | \$ | 117,653 | | \$ | 98,107 |
|--|----|---------|--|----|--------|

LIABILITIES AND NET ASSETS (DEFICIT)**Current Liabilities**

| | | | | | |
|---|----|--------|--|----|--------|
| Accounts payable and accrued liabilities (Note 6) | \$ | 92,726 | | \$ | 91,404 |
| Deferred contribution (Note 7) | | 5,600 | | | 1,750 |
| Deferred grants (Note 8) | | 2,388 | | | 2,418 |
| Accrued pension liability (Note 12) | | 918 | | | 666 |

| | | | | | |
|-------------------------------|----|---------|--|----|--------|
| | \$ | 101,632 | | \$ | 96,238 |
| Contingency reserve (Note 13) | | 6,400 | | | 6,400 |

Net Assets (Deficit)

| | | | | | |
|-------------------------------------|----|-------|--|----|---------|
| Net accumulated surplus (deficit) | \$ | 4,431 | | \$ | (9,414) |
| Invested in capital assets (Note 9) | | 5,190 | | | 4,883 |

| | | | | | |
|--|--|-------|--|--|---------|
| | | 9,621 | | | (4,531) |
|--|--|-------|--|--|---------|

TOTAL LIABILITIES AND NET ASSETS (DEFICIT)

| | | | | | |
|--|----|---------|--|----|--------|
| | \$ | 117,653 | | \$ | 98,107 |
|--|----|---------|--|----|--------|

On behalf of the Board:



Chair

Legal Aid Ontario Statement of Operations

For the year ended March 31

| | 2014 (\$000's) | 2013 (\$000's) |
|--|-------------------|-------------------|
| REVENUE | | |
| Total government funding (Note 1(a)) | \$ 350,235 | \$ 347,549 |
| The Law Foundation of Ontario (Note 8) | 25,618 | 22,295 |
| Client contributions | 10,002 | 12,069 |
| Client and other recoveries | 1,123 | 675 |
| Investment income (Note 4) | 409 | 253 |
| Miscellaneous income | 660 | 585 |
| TOTAL REVENUE | \$ 388,047 | \$ 383,426 |
| EXPENSES | | |
| Client Programs | | |
| Certificate Program | | |
| Criminal - Big cases | \$ 25,560 | \$ 22,733 |
| Criminal - others | 78,764 | 84,089 |
| Sub-total | 104,324 | 106,822 |
| Family | 45,245 | 49,166 |
| Immigration and refugee | 15,167 | 19,590 |
| Other civil | 5,422 | 5,606 |
| Sub-total | 170,158 | 181,184 |
| Settlement conferences | 85 | 101 |
| Family law offices | 6,444 | 5,602 |
| Criminal law offices | 755 | 839 |
| Refugee law office | 2,431 | 1,686 |
| Articling students | 2,190 | 2,060 |
| Nishnawbe-Aski legal services corporation | 1,791 | 1,767 |
| Sub-total | 183,854 | 193,239 |
| Duty Counsel Program | | |
| Duty counsel fees and disbursements | 45,173 | 45,260 |
| Expanded duty counsel | 1,511 | 1,232 |
| Sub-total | 46,684 | 46,492 |
| Clinic Program and Special Services | | |
| Clinic law services (Note 10) | 72,093 | 68,567 |
| Student legal aid services societies | 3,390 | 3,200 |
| Clinic information management project | 34 | 568 |
| Sub-total | 75,517 | 72,335 |
| Service Innovation Projects | | |
| Other | 745 | 571 |
| Sub-total | 745 | 571 |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

Legal Aid Ontario Statement of Operations (Continued)

| For the year ended March 31 | 2014 (\$000's) | 2013 (\$000's) |
|--|-------------------|-------------------|
| EXPENSES (continued) | | |
| Program Support | | |
| Regional operations | 1,887 | 1,599 |
| District/Area office services | 13,766 | 13,149 |
| Client service centre | 5,607 | 5,474 |
| Sub-total | 21,260 | 20,222 |
| TOTAL CLIENT PROGRAMS | 328,060 | 332,859 |
| Service Provider Support | | |
| Research facilities | 3,365 | 3,293 |
| Lawyers services and payments | 1,948 | 1,874 |
| Sub-total | 5,313 | 5,167 |
| Administrative and Other Costs | | |
| Provincial office | 32,301 | 30,203 |
| Amortization expense | 1,915 | 1,630 |
| Bad debt expense | 6,306 | 4,386 |
| Sub-total | 40,522 | 36,219 |
| TOTAL EXPENSES | \$ 373,895 | \$ 374,245 |
| Surplus of revenue over expenses for the year | \$ 14,152 | \$ 9,181 |

Legal Aid Ontario

Statement of Changes in Net Assets/(Deficit)

For the year ended March 31,

| | Invested in capital assets (Note 9) | Accumulated surplus (deficit) (Note 1(c)) | 2014 Total | 2013 Total |
|---|--|--|---------------|---------------|
| (\$000's) | | | | |
| Net accumulated surplus/(deficit), beginning of year | \$ 4,883 | \$ (9,414) | \$ (4,531) | \$ (13,712) |
| Surplus of revenue over expenses for the year | - | 14,152 | 14,152 | 9,181 |
| Net change in investment in capital assets | 307 | (307) | - | - |
| Net accumulated surplus/(deficit), end of year | \$ 5,190 | \$ 4,431 | \$ 9,621 | \$ (4,531) |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Legal Aid Ontario Statement of Cash Flows

For the year ended March 31

2014
(\$000's)2013
\$000's)**Cash provided by (used in)****OPERATING ACTIVITIES**

| | | |
|---|------------------|-----------|
| Surplus of revenue over expenses for the year | \$ 14,152 | \$ 9,181 |
| Adjustments to reconcile surplus of revenue over expenses to net cash provided by operating activities: | | |
| Amortization of capital assets | 1,915 | 1,630 |
| Employer pension contributions | (2,918) | (2,544) |
| Pension expense | 3,170 | 2,684 |
| Changes in non-cash balances: | | |
| Client accounts receivable | 1,330 | (4,634) |
| Other receivable | 711 | (7,781) |
| Prepaid expenses | (367) | 35 |
| Accounts payable and accrued liabilities | 1,322 | 3,689 |
| Accrued interest on investments | (125) | (2) |
| Deferred contribution | 3,850 | - |
| Deferred grants | (30) | (568) |
| Long-term client accounts receivable | 751 | 3,281 |
| Contingency Reserve | - | 6,400 |
| | \$ 23,761 | \$ 11,371 |

INVESTING ACTIVITIES

| | | |
|-------------------------|--------------------|---|
| Purchase of investments | \$ (16,400) | - |
|-------------------------|--------------------|---|

CAPITAL ACTIVITIES

| | | |
|----------------------------|-------------------|------------|
| Purchase of capital assets | \$ (2,222) | \$ (1,728) |
|----------------------------|-------------------|------------|

Net increase in cash and cash equivalents during the year

5,139 9,643

Cash and cash equivalents, beginning of year

19,509 9,866

Cash and cash equivalents, end of year**\$ 24,648** \$ 19,509

Legal Aid Ontario

Summary of Significant Accounting Policies

March 31, 2014

NATURE OF OPERATIONS

On December 18, 1998, the Ontario Legislative Assembly enacted the *Legal Aid Services Act, 1998* whereby Legal Aid Ontario (the "Corporation") was incorporated without share capital under the laws of Ontario. The Corporation began operations on April 1, 1999 and is tax exempt under the Income Tax Act (Canada).

The *Legal Aid Services Act, 1998* establishes the following mandate for the Corporation:

- To promote access to justice throughout Ontario for low-income individuals by providing high quality legal aid services
- To encourage and facilitate flexibility and innovation in the provision of legal aid services
- To recognize the diverse legal needs of low-income individuals and disadvantaged communities
- To operate within a framework of accountability for the expenditure of public funds

The affairs of the Corporation are governed and managed by a Board of eleven Directors appointed by the Lieutenant Governor in Council. While the Corporation operates independently from the Province of Ontario and the Law Society of Upper Canada, it is accountable for the expenditure of public funds and for the provision of legal aid services in a manner that both meets the needs of low-income individuals and is cost-effective and efficient.

BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with the Public Sector Handbook ["PS"] of the Chartered Professional Accountants of Canada ["CPA Canada"] Handbook supplemented by the standards for government not-for-profit organizations included in PS 4200 to PS 4270, which constitutes generally accepted accounting principles for government not-for-profit organizations in Canada and includes the significant accounting policies summarized below.

Legal Aid Ontario
Summary of Significant Accounting Policies
(Continued)

March 31, 2014

FINANCIAL INSTRUMENTS

Financial instruments are classified in one of the following categories (i) fair value or (ii) cost or amortized cost. The entity determines the classification of its financial instruments at initial recognition.

Investments reported at fair value consist of equity instruments that are quoted in an active market as well as investments in pooled funds and any investments in fixed income securities that the Corporation designates upon purchase to be measured at fair value. Transaction costs are recognized in the statement of operations in the period during which they are incurred. Investments at fair value are remeasured at their fair value at the end of each reporting period. Any revaluation gains and losses are recognized in the statement of remeasurement gains and losses and are cumulatively reclassified to the statement of operations upon disposal or settlement.

Investments in fixed income securities not designated to be measured at fair value are initially recorded at fair value plus transaction costs and are subsequently measured at amortized cost using the straight-line method, less any provision for impairment.

All investment transactions are recorded on a trade date basis.

Other financial instruments, including accounts receivable and accounts payable, are initially recorded at their fair value and are subsequently measured at cost, net of any provisions for impairment.

REVENUE RECOGNITION

The Corporation 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 if the amount to be received can be reasonably estimated and collection is reasonably assured. Due to uncertainty surrounding the amounts to be billed, client contributions are recognized as revenue when the Corporation accrues a lawyer's invoice on behalf of a client. Judgments, costs and settlements are recognized as revenue when awarded.

Investment income, which consists of interest, is recorded in the statement of operations as earned.

EXPENSE RECOGNITION

Expenses are recognized on an accrual basis. Certificate program costs include amounts billed to the Corporation by lawyers and an estimate of amounts for work performed by lawyers but not yet billed to the Corporation.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and balances with banks plus highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturities typically 1 year or less.

Legal Aid Ontario
Summary of Significant Accounting Policies
(Continued)

March 31, 2014

CAPITAL ASSETS

Capital assets are recorded at cost less accumulated amortization. Amortization is provided on the straight-line basis over the estimated useful life of the asset as follows:

| | |
|--------------------------------|--------------------------|
| Furniture and office equipment | - 5 years |
| Computer hardware and software | - 3 years |
| Custom-designed software | - 3 years |
| Enterprise-wide software | - 7 years |
| Leasehold improvements | - over the term of lease |

EMPLOYEE BENEFIT PLANS

The Corporation accrues its obligations under a defined benefit employee plan and the related costs. The cost of post-employment benefits earned by employees is actuarially determined using the projected unit credit actuarial cost method prorated on service and management's best estimate assumptions. The cost of non-vesting sick leave benefits are also actuarially determined using management's best estimate assumptions. Actuarial gains (losses) are amortized on a straight-line basis over the estimated average remaining service period of the active employees. Past service costs are expensed when incurred. Liabilities are measured using a discount rate determined by reference to the Corporation's cost of borrowing.

USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Significant estimates in the financial statements include the allowance for client accounts receivable, accruals related to legal work performed but not yet billed and accrued pension benefits.

Legal Aid Ontario Notes to Financial Statements

March 31, 2014

1. Government Funding

Section 71 of the *Legal Aid Services Act, 1998* requires the Corporation and the Attorney General of Ontario to enter into a Memorandum of Understanding ("MOU") every five years. The purpose of the MOU is to clarify the operational, administrative, financial, and other relationships between The Ministry of the Attorney General ("MAG") and the Corporation.

The most recent Memorandum of Understanding was signed on December 10, 2008. The agreement expired on December 10, 2013. A new agreement is in draft and is expected to be signed in fiscal year 2015.

- (a) The Corporation is economically dependent on the Province of Ontario, and contributions recognized from the Province were as follows:

| | 2014 (\$000's) | 2013 (\$000's) |
|---------------|-------------------|-------------------|
| | <u> </u> | <u> </u> |
| Contributions | \$ 350,235 | \$ 347,549 |

As part of the 2013 budget announcement in August 2013, the Province of Ontario is providing the Corporation with new funding of \$30 million over a three-year period starting in 2013/14. This amount is to be used to enhance family law services and capacity in more communities and legal clinics. In 2013/14 \$10 million was provided, however the Corporation was not able to fully implement this initiative and utilize the entire amount earmarked for the year. The Corporation therefore requested MAG to approve the deferral of \$5.6 million and the approval was received (Note 7). Included in the \$350.2 million received from the Province of Ontario is \$4.4 million for this new initiative.

- (b) Included in contributions from the Province of Ontario for the year ended March 31, 2014 is an amount of \$51.1 million (2013 - \$51.1 million) representing an allocation of funds from a lump sum transfer by the Federal Government to the Province in connection with criminal law, the Youth Criminal Justice Act, Immigration and Refugee expenditures for unique pressures through a cost-sharing arrangement.
- (c) Subsection 66(3) of the *Legal Aid Services Act, 1998* allows the Corporation to allocate any surplus or deficit in a fiscal year to either or both of the two subsequent fiscal years with the approval of the Attorney General, unless under Subsection 69(2) it is ordered by the Minister of Finance to pay its surplus into the Consolidated Revenue Fund.

2. Line of Credit

The Corporation has a interest bearing (prime rate) operating line of credit in the amount of \$5.0 million to cover temporary bank overdrafts. This facility remained unused at March 31, 2014. On April 28, 2014, the line of credit was cancelled.

Legal Aid Ontario
Notes to Financial Statements
(Continued)

March 31, 2014

3. Accounts Receivable

(a) Client accounts receivable

The Corporation has a client contribution program for legal aid applicants who do not meet the Corporation's financial eligibility requirements for a non-contributory certificate. These applicants receive the assistance they need by entering into a contribution agreement, by which they undertake to repay the Corporation over time for the services provided to them. Contribution agreements may include monthly payments and/or liens on property.

| March 31, 2014 (\$000's) | Total \$ | 1-30 Days | 31-60 Days | 61-90 Days | Over 90 Days |
|------------------------------------|---------------------------|------------------|-----------------------------|-----------------------------|-------------------------------|
| Client accounts receivables | \$ 70,761 | \$ 131 | \$ 308 | \$ 406 | \$ 69,916 |
| Less: impairment allowance | (32,113) | (54) | (130) | (181) | (31,748) |
| Net receivables | \$ 38,648 | \$ 77 | \$ 178 | \$ 225 | \$ 38,168 |

| March 31, 2013 (\$000's) | Total \$ | 1-30 Days | 31-60 Days | 61-90 Days | Over 90 Days |
|------------------------------------|---------------------------|------------------|-----------------------------|-----------------------------|-------------------------------|
| Client accounts receivables | \$ 75,866 | \$ 785 | \$ 524 | \$ 218 | \$ 74,339 |
| Less: impairment allowance | (35,137) | (426) | (210) | (98) | (34,403) |
| Net receivables | \$ 40,729 | \$ 359 | \$ 314 | \$ 120 | \$ 39,936 |

Represented by

Current (non-lien) client accounts receivable
Long-term (lien) client accounts receivable

| March 31, 2014 (\$000's) | March 31, 2013 (\$000's) |
|--|--|
| 16,762 | 18,092 |
| 21,886 | 22,637 |
| \$ 38,648 | \$ 40,729 |

Legal Aid Ontario
Notes to Financial Statements
(Continued)

March 31, 2014

(b) Other receivables

Other receivables are mainly comprised of amounts due from the Law Foundation of Ontario, Canada Revenue Agency (CRA) and both the Federal Department of Justice (DOJ) and MAG for protocol cases.

| March 31, 2014 (\$000's) | Total \$ | 1-30 Days | 31-60 Days | 61-90 Days | Over 90 Days |
|------------------------------------|---------------------------|------------------|-------------------|-------------------|-------------------------------|
| MAG protocol cases | \$ 4,752 | \$ 1,798 | \$ - | \$ - | \$ 2,954 |
| DOJ protocol cases | 479 | 276 | - | 203 | - |
| HST receivable | 9,991 | 4,840 | 2,507 | 101 | 2,543 |
| The Law Foundation of Ontario | 3,240 | 3,240 | - | - | - |
| Other receivables | 333 | 259 | - | - | 74 |
| Total other receivables | \$ 18,795 | \$ 10,413 | \$ 2,507 | \$ 304 | \$ 5,571 |

| March 31, 2013 (\$000's) | Total \$ | 1-30 Days | 31-60 Days | 61-90 Days | Over 90 Days |
|------------------------------------|---------------------------|------------------|-------------------|-------------------|-------------------------------|
| MAG protocol cases | \$ 8,482 | \$ 7,158 | \$ - | \$ - | \$ 1,324 |
| DOJ protocol cases | 1,817 | 1,817 | - | - | - |
| HST receivable | 6,661 | 4,452 | 2,209 | - | - |
| The Law Foundation of Ontario | 1,811 | 1,811 | - | - | - |
| Other receivables | 735 | 735 | - | - | - |
| Total other receivables | \$ 19,506 | \$ 15,973 | \$ 2,209 | \$ - | \$ 1,324 |

Legal Aid Ontario
Notes to Financial Statements
(Continued)

March 31, 2014

4. Investments

| | March 31, 2014 (\$000's) | March 31, 2013 (\$000's) |
|--|---|--------------------------------|
| Guaranteed investment certificates | \$ 28,400 | \$ 12,000 |
| Accrued interest | \$ 258 | \$ 133 |
| | \$ 28,658 | \$ 12,133 |
| Investments, Short-term | 24,758 | 12,133 |
| Investments, Long-term maturing June 1, 2015 | \$ 3,900 | - |

The Corporation has developed an investment policy in accordance with the statutory requirements outlined in Sections 7(1), 7(2), 7(3) and 7(4) of Ontario Regulation 107/99 made under the *Legal Aid Services Act, 1998*. The Corporation's short-term and long-term investment policy is to invest in highly liquid investments in Canadian federal government securities, Canadian provincial government securities or other guaranteed investment certificates issued or guaranteed by Canadian financial institutions with a rating of A or above. The investments held by the Corporation as at March 31, 2014 are in compliance with the statutory requirements. The long-term investment of \$3.9M (2013 - \$0), is at a fixed rate. There is \$24.5M (2013 - \$12M) in short term investments, of which \$2.5M (2013 - \$0) is at a fixed rate and the remaining \$22M, (2013 - \$12M) is invested at variable interest rates.

The Corporation earned total investment income of \$0.409 million in 2014 (2013 - \$0.253 million).

Legal Aid Ontario
Notes to Financial Statements
(Continued)

March 31, 2014

5. Capital Assets

| | March 31, 2014 (\$000's) | | March 31, 2013 (\$000's) | |
|--------------------------------|---|-------------------------------------|---|-------------------------------------|
| | Cost | Accumulated Amortization | Cost | Accumulated Amortization |
| Furniture and office equipment | \$ 908 | \$ 808 | \$ 880 | \$ 722 |
| Computer hardware and software | 5,197 | 2,775 | 3,766 | 1,410 |
| Enterprise-wide software | 15,628 | 15,628 | 15,628 | 15,628 |
| Leasehold improvements | 5,086 | 2,418 | 4,323 | 1,954 |
| | <u>\$ 26,819</u> | <u>\$ 21,629</u> | <u>\$ 24,597</u> | <u>\$ 19,714</u> |
| Net book value | | <u>\$ 5,190</u> | | <u>\$ 4,883</u> |

6. Accounts Payable and Accrued Liabilities

| | March 31, 2014 (\$000's) | March 31, 2013 (\$000's) |
|---|---|---|
| Legal accounts | | |
| - accruals for billings received but not paid | \$ 17,997 | \$ 21,185 |
| - estimate of work performed but not yet billed | 61,376 | 60,840 |
| Rent inducements | 1,002 | 1,143 |
| Trade and other payables | 11,357 | 7,286 |
| Vacation pay | 994 | 950 |
| | <u>\$ 92,726</u> | <u>\$ 91,404</u> |

Legal Aid Ontario
Notes to Financial Statements
(Continued)

March 31, 2014

7. Deferred Contribution

The Corporation has received the following funds which have been deferred to future periods:

| | March 31, 2014 (\$000's) | March 31, 2013 (\$000's) |
|---|---|--------------------------------|
| Balance, beginning of year | \$ 1,750 | \$ 1,750 |
| Provincial Funding received (Note 1(a)) | 10,000 | |
| Amounts recognized as revenue | (6,150) | - |
| Balance, end of year | \$ 5,600 | \$ 1,750 |

8. Deferred Grants

The Corporation has received the following funds from The Law Foundation of Canada for future projects:

| | March 31, 2014 (\$000's) | March 31, 2013 (\$000's) |
|-------------------------------|---|--------------------------------|
| Balance, beginning of year | \$ 2,418 | \$ 2,986 |
| Amounts recognized as revenue | (30) | (568) |
| Balance, end of year | \$ 2,388 | \$ 2,418 |

9. Changes in Net Assets Invested in Capital Assets

| | March 31, 2014 (\$000's) | March 31, 2013 (\$000's) |
|----------------------------|---|--------------------------------|
| Balance, beginning of year | \$4,883 | \$4,785 |
| Amortization | (1,915) | (1,630) |
| Purchase of capital assets | 2,222 | 1,728 |
| Balance, end of year | \$ 5,190 | \$ 4,883 |
| Represented by | | |
| Capital assets (Note 5) | \$ 5,190 | \$ 4,883 |

Legal Aid Ontario
Notes to Financial Statements
(Continued)

March 31, 2014

10. Clinic Law Services

The Corporation provides funding to community clinics enabling them to provide poverty law services to the community they serve on a basis other than fee for service. The community clinics are organizations structured as corporations without share capital and are governed and managed by a board of directors. Community Clinics are independent from, but accountable to, the Corporation under Sections 33 to 39 of the *Legal Aid Services Act, 1998*. Each community clinic is independently audited and is required to provide audited financial statements to the Corporation for the funding period.

The total funding to community clinics consists of direct funding transfers and the cost of centrally provided support services.

| | 2014 (\$000's) | 2013 (\$000's) |
|--------------------------------------|--------------------------|-------------------|
| Payments to and on behalf of clinics | \$ 72,093 | \$ 68,567 |

11. Commitments and Contingencies

- (a) The Corporation issues certificates to individuals seeking legal aid assistance. Each certificate issued authorizes legal services to be performed within the tariff guidelines. At March 31, 2014, management estimates that a potential \$59.4 million (2013 - \$53.6 million) could still be incurred on certificates issued on or before March 31, 2014 over and above the billings received to date and management's estimate of work performed but not yet billed.
- (b) The Corporation leases various office premises and equipment throughout the Province. The rent and estimated operating costs are based on prior period information for leases held over the next five years and thereafter as follows:

| | Base Rent (\$000's) | Operating Cost (\$000's) | Total (\$000's) |
|------------|-------------------------------|------------------------------------|---------------------------|
| 2015 | \$ 2,011 | \$ 2,382 | \$ 4,393 |
| 2016 | 1,880 | 2,316 | 4,196 |
| 2017 | 1,650 | 2,126 | 3,776 |
| 2018 | 1,502 | 1,998 | 3,500 |
| 2019 | 731 | 1,006 | 1,737 |
| Thereafter | 194 | 212 | 406 |
| | \$ 7,968 | \$ 10,040 | \$ 18,008 |

Legal Aid Ontario
Notes to Financial Statements
(Continued)

March 31, 2014

11. Commitments and Contingencies (continued)

- (c) The Corporation is the defendant in a number of lawsuits arising in the ordinary course and conduct of business. The outcome and ultimate disposition of these actions are not likely to be significant. Losses, if any, will be accounted for in the period of settlement.

Some of the above lawsuits are covered by insurance after the application of a deductible of up to \$50 thousand; depending on when the event of the claim occurred and the nature of the claim.

12. Pensions

The Corporation has two pension plans providing retirement benefits for its employees. There are two components to the regular plan: a defined contribution and a defined benefit component. In addition there is also a non-registered supplementary (executive) plan.

Defined Contribution Component

The defined contribution component of the plan covers 822 (2013 - 744) employees. The Corporation makes pension contributions to the defined contribution component of the plan which is limited to making regular payments to match the amount contributed by the employees for current service. The Corporation's pension expense for the year relating to this component of the plan was \$2.821 million (2013 - \$2.402 million).

Defined Benefit Component

The defined benefit component of the plan covers a total of 17 employees; there are 4 active (2013 - 4) participants and 13 retirees (2013 - 11). Under this benefit plan, benefits at retirement are related to years of service and remuneration during the years of employment. The plan is subject to actuarial valuations for funding purposes at intervals of not more than three years. The actuarial valuation for the new three year period starting January 1, 2014 has not been completed. The Corporation makes pension contributions to this component of the plan in amounts recommended by the actuary.

The Corporation measures its accrued benefit obligation for accounting purposes as at March 31 of each year.

| | 2014 (\$000's) | 2013 (\$000's) |
|--------------------------------|--------------------------|-------------------|
| Accrued benefit obligation | \$ 3,597 | \$ 3,328 |
| Fund assets at market value | 3,954 | 3,512 |
| Funded status - plan surplus | 357 | 184 |
| Unamortized net actuarial loss | 239 | 398 |
| Accrued pension asset | \$ 596 | \$ 582 |

Legal Aid Ontario
Notes to Financial Statements
(Continued)

March 31, 2014

12. Pensions (continued)

The expense related to the Corporation's defined benefit component of the plan consists of the following:

| | 2014 (\$000's) | 2013 (\$000's) |
|----------------------------------|-------------------|-------------------|
| Current period benefit cost | 26 | 30 |
| Amortization of actuarial losses | 67 | 87 |
| Interest (revenue) expense | (10) | 1 |
| | 83 | 118 |

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligation and benefit expense are as follows:

| | 2014 % | 2013 % |
|-----------------------------------|-----------|-----------|
| Accrued benefit obligation | | |
| Discount rate | 5.25% | 5.00% |
| Rate of compensation increase | 3.00% | 3.00% |

| | 2014 | 2013 |
|--|-------|-------|
| Benefit expense | | |
| Discount rate | 5.00% | 5.00% |
| Expected long-term rate of return on plan assets | 5.00% | 6.50% |
| Rate of compensation increase | 3.00% | 3.00% |

Other information about the defined benefit plan is as follows:

| | 2014 (\$000's) | 2013 (\$000's) |
|------------------------|-------------------|-------------------|
| Employer contributions | 96 | 142 |
| Employee contributions | 11 | 12 |
| Benefits paid | 186 | 160 |

Legal Aid Ontario
Notes to Financial Statements
(Continued)

March 31, 2014

12. Pensions (continued)

Supplementary Executive Benefit Plan

The Board of the Corporation has also approved the establishment of a supplementary pension benefit plan for a designated executive member. Under the supplementary pension benefit plan, benefits at retirement are related to years of service and remuneration during the years of employment. The plan is unfunded and the benefits will be paid by the Corporation as they become due. The accounting valuation for the unfunded retirement plan has been performed as at March 31, 2014.

The significant actuarial assumptions adopted in measuring the accrued benefit obligation and expense for the period are as follows:

| | 2014 | 2013 |
|---------------|--------------|-------|
| Discount rate | 4.00% | 4.00% |
| Inflation | 1.50% | 1.50% |

The Corporation's pension expense for the year was \$0.266 million (2013 - \$0.164 million). The accrued benefit obligation and the accrued benefit liability as at March 31, 2014 was \$1.514 million (2013 - \$1.248 million). During the year, the Corporation made no payments to the plan.

| | 2014 (\$000's) | 2013 (\$000's) |
|--|---------------------------------|-------------------|
| Accrued Pension Asset (Liability) | | |
| Defined Benefit Plan | 596 | 582 |
| Supplementary Executive Benefit Plan | (1,514) | (1,248) |
| | (918) | (666) |

Legal Aid Ontario
Notes to Financial Statements
(Continued)

March 31, 2014

13. Contingency Reserve

Section 66(4) of the Legal Aid Services Act, 1998, requires the Corporation to maintain a contingency reserve fund as prescribed by section 6 of Ontario Regulation 107/99. This fund was established on April 1, 1999 with a balance of \$20 million which was funded by the Corporation. The Regulation also requires the Corporation to obtain advance approval from the Attorney General for any withdrawal beyond \$5 million of this capital amount and for the Corporation to provide of why the withdrawal is needed, a schedule for repayment, and a statement of the Corporation's plans for preventing a similar need from arising in the future.

| | 2014 (\$000's) | 2013 (\$000's) |
|------------------------------------|-------------------|-------------------|
| Balance, beginning and end of year | \$ 6,400 | \$ 6,400 |

14. Financial Instruments

The Corporation is exposed to various financial risks through transactions in financial instruments.

Credit risk

The Corporation is exposed to credit risk in connection with its accounts and other receivables and its fixed income investments because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation.

Liquidity risk

The Corporation is exposed to the risk that it will encounter difficulty in meeting obligations associated with its financial liabilities. The Corporation derives a significant portion of its operating revenue from the Ontario government and other funders with no firm commitment of funding in future years. To manage liquidity risk, the Corporation keeps sufficient resources readily available to meet its obligations.

Accounts payable mature within 21 days on certificates. The maturities of other financial liabilities are provided in notes to the financial statements related to these liabilities.

Interest rate risk

The Corporation is exposed to interest rate risks with respect to its investments held at variable interest rate.

Investments of \$22.0M (\$12M – 2013) have interest rates ranging from 1.20% to 1.35% with multiple maturity dates between April 3, 2014 and Jan 22, 2015. These interest rates vary with the Canadian prime rate, however, the risk is low as the prime rate has been stable over the past few years.

Legal Aid Ontario
Notes to Financial Statements
(Continued)

March 31, 2014

15. Comparative Figures

Certain comparative figures have been reclassified in order to conform with current year presentation.

Central LHIN

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Management's Responsibility for the Financial Statements

May 27, 2014


The management of the Central Local Health Integration Network is responsible for the preparation and for the integrity and objectivity of the accompanying financial statements and the notes thereto. Management believes that the financial statements present fairly the Central Local Health Integration Network's financial position as at March 31, 2014 and the statements of financial operations, changes in net debt, and cash flows the year then ended.

The financial statements have been prepared in compliance with legislation and in accordance with Generally Accepted Accounting Principles (GAAP) and Public Sector Accounting Board (PSAB) requirements.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has developed and maintains a system of internal control designed to provide reasonable assurance that Central Local Health Integration Network's assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of financial statements.

The Board of Directors carries out its responsibility for review of the financial statements through its Audit Committee. This committee meets with management and with external auditors to discuss the results of audit examinations and financial reporting matters. The external auditors have full access to the Audit Committee with and without the presence of the management. The Board of Directors of the Central Local Health Integration Network has approved the financial statements.

The financial statements for the year ended March 31, 2014 have been audited and reported on by Deloitte and Touche LLP, independent external auditors appointed by the Board of Directors.



Kim Baker
Chief Executive Officer



Karin Dschankilic
Senior Director Performance, Contracts & CFO



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Independent Auditor's Report

To the Members of the Board of Directors of the
Central Local Health Integration Network

We have audited the accompanying financial statements of the Central Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2014, and the statements of operations, change in net debt, 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 public sector accounting standards, 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 the LHIN as at March 31, 2014, and the results of its operations, change in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
May 27, 2014

Central Local Health Integration Network

Statement of financial position as at March 31, 2014

| | 2014 | 2013 |
|--|------------------|------------------|
| | \$ | \$ |
| Financial assets | | |
| Cash | 388,311 | 827,473 |
| Due from Ministry of Health and Long-Term Care ("MOHLTC") | 7,308,787 | 3,746,803 |
| Accounts receivable | 87,215 | 154,169 |
| | 7,784,313 | 4,728,445 |
| Liabilities | | |
| Accounts payable and accrued liabilities | 393,418 | 425,042 |
| Due to Health Service Providers ("HSPs") | 7,308,787 | 3,746,803 |
| Due to Ministry of Health and Long-Term Care ("MOHLTC") (Note 3) | 135,006 | 589,608 |
| Due to Central West LHIN (Note 4) | 1,884 | - |
| Due to the LHIN Shared Services Office (Note 4) | 1,383 | - |
| Deferred capital contributions (Note 5) | 154,164 | 188,172 |
| | 7,994,642 | 4,949,625 |
| Net debt | (210,329) | (221,180) |
| Commitments (Note 6) | | |
| Non-financial assets | | |
| Prepaid expenses | 56,165 | 33,008 |
| Tangible capital assets (Note 7) | 154,164 | 188,172 |
| | 210,329 | 221,180 |
| Accumulated surplus | - | - |

Approved by the Board



John Langs, Chairman of the Board of Directors



John Rogers, Director

The accompanying notes to the financial statements are an integral part of these financial statements.

Central Local Health Integration Network

Statement of operations
year ended March 31, 2014

| | Budget (Note 8) | 2014 Actual | 2013 Actual |
|--|--------------------|----------------|----------------|
| | \$ | \$ | \$ |
| Revenue | | | |
| MOHLTC funding | | | |
| HSP transfer payments (Note 9) | 1,802,164,100 | 1,886,989,082 | 1,839,520,964 |
| LHIN Operations and Initiatives | | | |
| General and administrative | 4,189,100 | 4,188,182 | 4,077,803 |
| Emergency Room/Alternative Level of Care ("ER - ALC") Funding | 100,000 | 100,000 | 100,000 |
| Primary Care Lead | - | 75,000 | 75,000 |
| Aboriginal Initiative | 10,000 | 10,000 | 345 |
| Emergency Department Lead | 75,000 | 72,000 | 72,000 |
| French Language Health Services | 106,000 | 102,769 | 96,354 |
| Critical Care Lead | 75,000 | 72,000 | 63,000 |
| Enabling Technologies for Integration | | | |
| Project Management Office | - | 392,193 | 199,501 |
| Diabetes Strategy | 939,900 | 818,228 | 5,689 |
| Amortization of deferred capital contributions (Note 5) | 65,400 | 62,007 | 73,756 |
| Total LHIN Operations and Initiatives | 5,560,400 | 5,892,379 | 4,763,448 |
| | 1,807,724,500 | 1,892,881,461 | 1,844,284,412 |
| Expenses | | | |
| Transfer payments to HSPs (Note 9) | 1,802,164,100 | 1,886,989,082 | 1,839,520,964 |
| Operations | | | |
| General and administrative (Note 11) | 4,189,100 | 4,188,182 | 4,077,803 |
| ER - ALC funding (Note 10) | 100,000 | 100,000 | 100,000 |
| Primary Care Lead (Note 10) | - | 75,000 | 75,000 |
| Aboriginal Initiative (Note 10) | 10,000 | 10,000 | 345 |
| Emergency Department Lead (Note 10) | 75,000 | 72,000 | 72,000 |
| French Language Health Services (Note 10) | 106,000 | 102,769 | 96,354 |
| Critical Care Lead (Note 10) | 75,000 | 72,000 | 63,000 |
| Enabling Technologies for Integration | | | |
| Project Management Office (Note 10) | - | 392,193 | 199,501 |
| Diabetes Strategy (Note 10) | 939,900 | 818,228 | 5,689 |
| Amortization of tangible capital assets (Note 9) | 65,400 | 62,007 | 73,756 |
| | 1,807,724,500 | 1,892,881,461 | 1,844,284,412 |
| Annual surplus | - | - | - |
| Accumulated surplus, beginning of year | - | - | - |
| Accumulated surplus, end of year | - | - | - |

The accompanying notes to the financial statements are an integral part of these financial statements.

Central Local Health Integration Network

Statement of change in net debt
year ended March 31, 2014

| | 2014 Actual | 2013 Actual |
|---|----------------|----------------|
| | \$ | \$ |
| Annual surplus | - | - |
| Acquisition of tangible capital assets | 27,999 | 94,188 |
| Amortization of tangible capital assets | (62,007) | (73,756) |
| Change in other non-financial assets | 23,157 | 13,351 |
| (Decrease) increase in net debt | (10,851) | 33,783 |
| Net debt, beginning of year | 221,180 | 187,397 |
| Net debt, end of year | 210,329 | 221,180 |

The accompanying notes to the financial statements are an integral part of these financial statements.

Central Local Health Integration Network

Statement of cash flows year ended March 31, 2014

| | 2014 | 2013 |
|---|----------------|----------------|
| | \$ | \$ |
| Operating transactions | | |
| Annual surplus | - | - |
| Less items not affecting cash | | |
| Amortization of capital assets | (62,007) | (73,756) |
| Amortization of deferred capital contributions (Note 5) | 62,007 | 73,756 |
| | - | - |
| Changes in non-cash operating items | | |
| Increase in due from MOHLTC | (3,561,984) | (1,882,503) |
| Decrease (increase) in accounts receivable | 66,954 | (122,757) |
| (Decrease) increase in accounts payable and accrued liabilities | (31,624) | 134,993 |
| Increase in due to Central West LHIN | 1,884 | - |
| (Decrease) increase in due to the MOHLTC | (454,602) | 144,374 |
| Increase in due to HSPs | 3,561,984 | 1,882,503 |
| Increase (decrease) in due to the LHIN Shared Services Office | 1,383 | (98,795) |
| Increase in prepaid expenses | (23,157) | (13,351) |
| | (439,162) | 44,464 |
| Capital transaction | | |
| Acquisition of tangible capital assets | (27,999) | (94,188) |
| Financing transaction | | |
| Deferred capital contributions received (Note 5) | 27,999 | 94,188 |
| Net (decrease) increase in cash | (439,162) | 44,464 |
| Cash, beginning of year | 827,473 | 783,009 |
| Cash, end of year | 388,311 | 827,473 |

The accompanying notes to the financial statements are an integral part of these financial statements.

Central Local Health Integration Network

Notes to the financial statements

March 31, 2014

1. Description of business

The Central Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the Local Health System Integration Act, 2006 (the "Act") as the Central Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The mandate of the LHIN is to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers most of North York, York Region and South Simcoe. The LHIN enters into service accountability agreements with health service providers.

The LHIN has also entered into an accountability agreement with the Ministry of Health and Long Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

Commencing April 1, 2007, all funding payments to LHIN managed Health Service Providers have flowed through the LHIN's financial statements. Throughout the years, funding payments authorized by the LHIN to Health Service Providers, are recorded in the LHIN's Financial Statements as revenue from the MOHLTC and as transfer payment expenses to Health Service Providers.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues and expenses in the fiscal year that the events giving rise to the revenues or expenses occur, and the revenues and expenses are earned or incurred and measurable. Through the accrual basis of accounting expenses include non-cash items, such as the amortization of tangible capital assets.

Ministry of Health and Long-Term Care Funding

The LHIN is funded by the Province of Ontario in accordance with the Ministry-LHIN Performance Agreement ("MLPA"), which describes budgetary arrangements established by the MOHLTC. The Financial Statements reflect funding arrangements approved by the MOHLTC. The LHIN cannot authorize payments in excess of the budgetary allocation set by the MOHLTC. Due to the nature of the Performance Agreement, the LHIN is economically dependent on the MOHLTC.

Transfer payment amounts to Health Service Providers are based on the terms of the Health Service Provider Accountability Agreements with the LHIN, including any amendments made throughout the year. During the year, the LHIN authorizes the transfer of cash to the Health Service Providers. The cash associated with the transfer payment flows directly from the MOHLTC and does not flow through the LHIN bank account.

LHIN Financial Statements do not include transfer payment funds not included in the Ministry-LHIN Performance Agreement.

Central Local Health Integration Network

Notes to the financial statements

March 31, 2014

2. Significant accounting policies (continued)

Government transfers

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the transfer is authorized and all eligibility criteria have been met.

Transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work.

Deferred capital contributions

Amounts received that are used to fund capital asset purchases are recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset. The amount recorded as revenue in the Statement of Operations is consistent with the amortization expense of the related capital asset.

Tangible capital assets

Expenses greater than \$3000 with a useful life longer than one year will be capitalized as assets and amortized. The value of the asset is determined on an individual basis, for example each software license, not on the total invoice value. Tangible capital assets are recorded at cost. Cost includes the purchase price of the asset and other acquisition costs such as design, construction, and duties. Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a tangible capital asset are capitalized.

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives as follows:

| | |
|------------------------------------|------------------------------------|
| Computer equipment and development | 3 years straight-line method |
| Leasehold improvements | Life of lease straight-line method |
| Office furniture and fixtures | 5 years straight-line method |

Use of estimates

The preparation of Financial Statements in conformity with Canadian Public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimate and assumptions include valuation of accrued liabilities and useful lives of the tangible capital assets. Actual results could differ from those estimates.

Segment disclosures

A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the Statement of Operations and within the related notes for both the prior and current year sufficiently disclose information of all appropriate segments and, therefore, no additional disclosure is required.

Central Local Health Integration Network

Notes to the financial statements

March 31, 2014

3. Funding repayable to the MOHLTC

In accordance with the MLPA, the LHIN is required to be in a balanced position at year end. Revenue has only been recognized to the extent that eligible expenses have been incurred. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

Funding repayable to the MOHLTC is as follows:

| | | | 2014 | 2013 |
|---------------------------|------------------|--------------------|-----------|-----------|
| | Funding received | Revenue recognized | Repayable | Repayable |
| | \$ | \$ | \$ | \$ |
| Transfer payments to HSPs | 1,886,989,082 | 1,886,989,082 | - | - |
| LHIN operations | 4,188,467 | 4,188,182 | 285 | 14,995 |
| Special program funding | 1,380,909 | 1,249,997 | 130,912 | 194,114 |
| Enabling Technologies | - | - | - | 380,499 |
| Other recoveries | - | - | 3,809 | - |
| | 1,892,558,458 | 1,892,427,261 | 135,006 | 589,608 |

4. Related party transactions

LHIN Shared Services Offices and LHIN Collaborative

In accordance with the Memorandum of Understanding between the MOHLTC and the LHIN, LHINs are required to centrally source and share services for Legal Services, Audit Services, HR Services, IM & IT Infrastructure Development and Management and Management of Recorded Information. The LHINs accordingly formed the LHIN Shared Services Office ("LSSO") as a division of the Toronto Central LHIN. The cost of providing these services is allocated and charged to the LHINs. Any portion of the LSSO operating under paid by the LHIN at year end is recorded as a payable to the LSSO.

The LHIN Collaborative (LHINC) was formed in fiscal 2010 to strengthen relationships between and among health service providers, associations and the LHINs, and to support system alignment. The cost of providing these services is allocated and charged to the LHINs. Any portion of the LHINC operating costs overpaid (or under paid) by the LHINs at year end, are recorded as a receivable (payable) from (to) the LHINC.

During the year, the LHIN made payments to LSSO and LHINC of \$436,018 (2013 - \$390,710)

Enabling Technologies for Integration Project Management Office

Effective February 1, 2012, the LHIN entered into an agreement with Central, Central West, Central East, Toronto Central, Mississauga Halton and North Simcoe Muskoka (the "Cluster") in order to enable the effective and efficient delivery of e-health programs and initiatives within the geographic area of the Cluster. Under the agreement, decisions related to the financial and operating activities of the Enabling Technologies for Integration Project Management Office are shared. No LHIN is in a position to exercise unilateral control.

The LHIN's financial statement reflects its share of the MOHLTC funding for Enabling Technologies for Integration Project Management Offices for its Cluster and related expenses. During the year, the LHIN received funding from Central West LHIN of \$392,193 (2013 - \$Nil).

Central Local Health Integration Network

Notes to the financial statements

March 31, 2014

5. Deferred capital contributions

| | 2014 | 2013 |
|--|----------|----------|
| | \$ | \$ |
| Balance, beginning of year | 188,172 | 167,740 |
| Capital contributions received during the year | 27,999 | 94,188 |
| Amortization for the year | (62,007) | (73,756) |
| | 154,164 | 188,172 |

6. Commitments

The LHIN has commitments under various operating leases as follows:

| | Office space | Equipment | Total |
|----------------|--------------|-----------|---------|
| | \$ | \$ | \$ |
| 2015 | 291,912 | 2,413 | 294,325 |
| 2016 | 324,076 | 2,413 | 326,489 |
| 2017 | 307,960 | 1,005 | 308,965 |
| 2018 | 317,327 | - | 317,327 |
| 2019 and after | 355,985 | - | 355,985 |

The LHIN enters into accountability agreements with Health Service Providers which include planned funding targets. The actual funding provided by the LHIN is contingent on the MOHLTC providing the funding.

7. Tangible capital assets

| | | | 2014 | 2013 |
|-------------------------------|---------|-----------------------------|-------------------|-------------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| | \$ | \$ | \$ | \$ |
| Office furniture and fixtures | 449,299 | 317,634 | 131,665 | 148,483 |
| Computer equipment | 20,030 | 20,030 | - | 2,813 |
| Leasehold improvements | 66,553 | 44,054 | 22,499 | 36,876 |
| | 535,882 | 381,718 | 154,164 | 188,172 |

8. Budget figures

Budget amounts have been reported in the Statement of Operations to comply with PSAB reporting requirements and reflect the initial budget at April 1, 2013. The budgets were approved by the Government of Ontario.

| | 2014 | 2013 |
|---|-----------------|-----------------|
| | \$ | \$ |
| LHIN total budget | 1,807,659,100 | 1,812,133,000 |
| Less Health Service Provider budget (a) | (1,802,164,100) | (1,807,421,300) |
| LHIN operating budget (b) | 5,495,000 | 4,711,700 |

Central Local Health Integration Network

Notes to the financial statements

March 31, 2014

8. Budget figures (continued)

a) Health Service Provider budget

| | |
|---|----------------------|
| | \$ |
| Initial HSP budget | 1,802,164,100 |
| Adjustments due to announcements made during the year | 89,954,724 |
| | <u>1,892,118,824</u> |

The total budget by sector is as follows:

| | |
|--|----------------------|
| Hospitals | 1,129,402,800 |
| Long Term Care Homes | 331,258,800 |
| Community Care Access Centres | 258,423,700 |
| Community Support Services | 80,872,500 |
| Community Health Centres | 11,644,200 |
| Community Mental Health and Addictions | 80,212,100 |
| Initiatives | 304,724 |
| Total budget | <u>1,892,118,824</u> |

b) LHIN operating budget

| | |
|--|------------------|
| | \$ |
| Initial budget as reported on the statement of operations | 5,495,000 |
| Additional funding received in-year | 494,537 |
| Funding for capital asset purchased transferred to deferred capital contributions | (27,999) |
| Closing budget | <u>5,961,538</u> |

9. Transfer payments to Health Service Providers

The LHIN authorized transfer payments of \$1,886,989,082 (2013 - \$1,839,520,964) to the following sectors:

| | 2014 | 2013 |
|--|----------------------|----------------------|
| | \$ | \$ |
| Hospitals | 1,128,142,640 | 1,127,771,450 |
| Long Term Care Homes | 330,282,084 | 317,942,980 |
| Community Care Access Centres | 258,379,710 | 240,775,028 |
| Community Support Services | 80,252,415 | 72,281,825 |
| Community Mental Health and Addictions | 78,343,289 | 71,939,565 |
| Community Health Centres | 11,588,944 | 8,810,116 |
| | <u>1,886,989,082</u> | <u>1,839,520,964</u> |

Central Local Health Integration Network

Notes to the financial statements

March 31, 2014

10. Operations of LHIN - Project Funds

The LHIN received funds for various initiatives listed in the Statement of Operations. The following table classifies the initiatives expenses by object:

| | 2014 | 2013 |
|---|------------------|----------------|
| | \$ | \$ |
| Salaries and benefits | 1,102,269 | 390,803 |
| Professional services | 294,000 | 210,000 |
| Shared services | 112,490 | - |
| Occupancy | 53,179 | 5,689 |
| Public relations and community engagement | 11,377 | 2,493 |
| Supplies | 10,126 | - |
| Mail, courier and telecommunications | 1,349 | 1,240 |
| Other | 57,400 | 1,664 |
| | 1,642,190 | 611,889 |

Diabetes strategy operational expenses included in the project fund expenses above are as follows:

| | Budget 2014 | Actual 2014 | Actual 2013 |
|-----------------------|----------------|----------------|----------------|
| | \$ | \$ | \$ |
| Salaries and benefits | 677,500 | 635,702 | - |
| Others | 262,400 | 182,526 | 5,689 |
| | 939,900 | 818,228 | 5,689 |

11. General and administrative expenses

The Statement of Operations presents the expenses by function. The following table classifies the general and administrative expenses by object:

| | 2014 | 2013 |
|---|------------------|------------------|
| | \$ | \$ |
| Salaries and benefits | 2,940,484 | 2,875,270 |
| Shared services | 413,218 | 390,710 |
| Occupancy | 230,484 | 253,332 |
| Supplies | 118,140 | 97,219 |
| Board expenses (see below) | 91,180 | 91,720 |
| Public relations and community engagement | 77,933 | 71,956 |
| Professional services | 61,897 | 28,822 |
| Consulting services | 43,325 | - |
| Mail, courier and telecommunications | 33,656 | 42,836 |
| Other | 177,865 | 225,938 |
| | 4,188,182 | 4,077,803 |

Central Local Health Integration Network

Notes to the financial statements

March 31, 2014

11. General and administrative expenses (continued)

Board expenses included in general operating expenses above include per diem costs and other Board expenses as follows:

| | Budget 2014 | Actual 2014 | Actual 2013 |
|--------------------------------------|----------------|----------------|----------------|
| | \$ | \$ | \$ |
| Board Chair per diem expense | 27,300 | 31,500 | 29,900 |
| Other Board members per diem expense | 38,400 | 22,700 | 21,200 |
| Governance costs and travel | 25,500 | 36,980 | 40,620 |
| | 91,200 | 91,180 | 91,720 |

12. Pension agreements

The LHIN makes contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 29 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2014 was \$313,872 (2013 - \$230,724) for current service costs and is included as an expense in the 2014 Statement of Financial Operations. The last actuarial valuation was completed for the plan as of December 31, 2013. At that time, the plan was fully funded.

13. Guarantees

The LHIN is subject to the provisions of the Financial Administration Act. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the Financial Administration Act and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the Local Health System Integration Act, 2006 and in accordance with s. 28 of the *Financial Administration Act*.

14. Comparative figures

Certain comparative numbers have been reclassified to conform to the current year presentation.

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Télécopieur : 905 427-9659
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Central East LHIN

Management's Responsibility for the Financial Statements

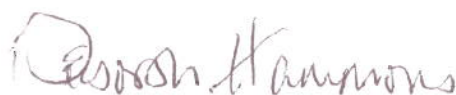
March 31, 2014

The integrity and objectivity of the accompanying financial statements of the Central East Local Health Integration Network ("the LHIN") is the responsibility of management. These financial statements have been prepared by management in compliance with legislation and in accordance with Canadian Generally Accepted Accounting Principles and, where appropriate, include amounts based on management's best estimates and judgments.

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Audit Committee and Board of Directors.

Management meets with the external auditors and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The financial statements have been audited by Deloitte LLP, independent external auditors appointed by the Board of Directors.



Deborah Hammons
Chief Executive Officer



Marco Aguila CHRP
Manager, Corporate Services



Deloitte LLP
5140 Yonge Street
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Canada

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Independent Auditor's Report

To the Members of the Board of Directors of the
Central East Local Health Integration Network

We have audited the accompanying financial statements of the Central East Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2014, and the statements of operations, change in net debt, 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 public sector accounting standards, 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 the LHIN as at March 31, 2014, and the results of its operations, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
May 28, 2014

Central East Local Health Integration Network

Statement of financial position as at March 31, 2014

| | 2014 | 2013 |
|---|-------------------|------------------|
| | \$ | \$ |
| Financial assets | | |
| Cash | 672,385 | 692,314 |
| Due from Ministry of Health and Long Term Care ("MOHLTC") | 14,644,300 | 4,507,430 |
| Accounts receivable | 46,133 | 45,680 |
| Due from LHIN Shared Services Office ("LSSO") | 7,266 | 40,267 |
| | 15,370,084 | 5,285,691 |
| Liabilities | | |
| Accounts payable and accrued liabilities | 533,612 | 541,153 |
| Due to LSSO | 1,464 | - |
| Due to Health Service Providers ("HSP") | 14,644,300 | 4,507,430 |
| Due to MOHLTC (Note 3b) | 44,335 | 268,988 |
| Due to Central West LHIN (Note 3c) | 172,238 | - |
| Deferred capital contributions (Note 5) | 211,679 | 212,202 |
| | 15,607,628 | 5,529,773 |
| Net debt | (237,544) | (244,082) |
| Commitments (Note 6) | | |
| Non-financial assets | | |
| Prepaid expenses | 25,865 | 31,880 |
| Tangible capital assets (Note 7) | 211,679 | 212,202 |
| | 237,544 | 244,082 |
| Accumulated surplus | - | - |

Approved by the Board



Director



Director

The accompanying notes to the financial statements are an integral part of these financial statements.

Central East Local Health Integration Network

Statement of financial operations
year ended March 31, 2014

| | Budget (Note 8) | 2014 Actual | 2013 Actual |
|---|--------------------|----------------|----------------|
| | \$ | \$ | \$ |
| Revenue | | | |
| Ministry of Health and Long Term Care ("MOHLTC") funding | | | |
| Health Service Provider ("HSP") transfer payments (Note 9) | 2,084,259,282 | 2,207,469,168 | 2,163,791,335 |
| Operations of LHIN | 4,534,130 | 4,472,532 | 4,388,751 |
| Emergency Department ("ED") Lead (Note 10a) | | 75,000 | 75,000 |
| Emergency Room/Alternative Level of Care ("ER/ALC") (Note 10b) | | 100,000 | 100,000 |
| Aboriginal Planning (Note 10c) | | 20,000 | 20,000 |
| eHealth (Note 10d) | | 802,027 | 580,000 |
| Critical Care (Note 10e) | | 75,000 | 75,000 |
| French Language Services (Note 10f) | | 106,000 | 106,000 |
| Diabetes & Vascular Health (Note 10g) | | 779,061 | 127,717 |
| Diabetes & Vascular Health OT (Note 10g) | | 30,000 | 122,100 |
| Physio Funding (Note 10h) | | 27,344 | - |
| Primary Care (Note 10i) | | 75,000 | 75,000 |
| Amortization of deferred capital contributions (Note 5) | | 124,356 | 170,700 |
| | 2,088,793,412 | 2,214,155,488 | 2,169,631,603 |
| Funding repayable to the MOHLTC (Note 3a) | | (216,573) | (268,988) |
| | 2,088,793,412 | 2,213,938,915 | 2,169,362,615 |
| Expenses | | | |
| Transfer payments to HSPs (Note 9) | 2,084,259,282 | 2,207,469,168 | 2,163,791,335 |
| General and administrative (Note 11) | 4,534,130 | 4,586,844 | 4,540,884 |
| ED Lead (Note 10a) | | 72,000 | 72,000 |
| ER/ALC (Note 10b) | | 91,753 | 75,955 |
| Aboriginal Planning (Note 10c) | | 11,489 | 1,525 |
| eHealth (Note 10d) | | 629,789 | 460,669 |
| Critical Care (Note 10e) | | 72,000 | 72,000 |
| French Language Services (Note 10f) | | 106,000 | 106,000 |
| Diabetes & Vascular Health (Note 10g) | | 767,528 | 78,357 |
| Diabetes & Vascular Health OT (Note 10g) | | 30,000 | 88,890 |
| Physio Funding (Note 10h) | | 27,344 | - |
| Primary Care (Note 10i) | | 75,000 | 75,000 |
| | 2,088,793,412 | 2,213,938,915 | 2,169,362,615 |
| Annual surplus and accumulated surplus, end of year | - | - | - |

The accompanying notes to the financial statements are an integral part of these financial statements.

Central East Local Health Integration Network

Statement of change in net debt
year ended March 31, 2014

| | Budget | 2014 Actual | 2013 Actual |
|---|--------|------------------|----------------|
| | \$ | \$ | \$ |
| Annual surplus | - | - | - |
| Acquisition of tangible capital assets | - | (123,833) | (145,379) |
| Amortization of tangible capital assets | - | 124,356 | 170,700 |
| Change in other non-financial assets | - | 6,015 | 3,809 |
| Decrease in net debt | - | 6,538 | 29,130 |
| Net debt, beginning of year | - | (244,082) | (273,212) |
| Net debt, end of year | - | (237,544) | (244,082) |

The accompanying notes to the financial statements are an integral part of these financial statements.

Central East Local Health Integration Network

Statement of cash flows year ended March 31, 2014

| | 2014 | 2013 |
|---|----------------|----------------|
| | \$ | \$ |
| Operating transactions | | |
| Annual surplus | - | - |
| Less items not affecting cash | | |
| Amortization of tangible capital assets | 124,356 | 170,700 |
| Amortization of deferred capital contributions (Note 5) | (124,356) | (170,700) |
| | - | - |
| Changes in non-cash operating items | | |
| Increase in due from MOHLTC | (10,136,870) | (1,413,630) |
| (Increase) decrease in accounts receivable | (453) | 187,911 |
| Decrease in due from LHIN Shared Services Office ("LSSO") | 33,001 | - |
| (Decrease) increase in accounts payable and accrued liabilities | (7,541) | 202,943 |
| Increase in due to LSSO | 1,464 | - |
| Increase in due to HSPs | 10,136,870 | 1,413,630 |
| Decrease in due to the MOHLTC | (224,653) | (240,312) |
| Increase in due to Central West LHIN | 172,238 | - |
| Decrease in prepaid expenses | 6,015 | 3,809 |
| | (19,929) | 154,351 |
| Capital transaction | | |
| Acquisition of tangible capital assets | (123,833) | (145,379) |
| Financing transaction | | |
| Capital contributions received (Note 5) | 123,833 | 145,379 |
| Net (decrease) increase in cash | (19,929) | 154,351 |
| Cash, beginning of year | 692,314 | 537,963 |
| Cash, end of year | 672,385 | 692,314 |

The accompanying notes to the financial statements are an integral part of these financial statements.

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2014

1. Description of business

The Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act, 2006* (the "Act") as the Central East Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The Central East LHIN ("CE LHIN") is a mix of urban and rural geography and is the sixth-largest LHIN in land area in Ontario (16,673 km²). In densely populated urban cities, suburban towns, rural farm communities, cottage country villages and remote settlements, the Central East LHIN stretches from Victoria Park to Algonquin Park. The neighbourhoods in our planning zones boast a rich diversity of community values, ethnicity, language and socio-demographic characteristics. The LHIN has also entered into an accountability agreement with the Ministry of Health and Long Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

The LHIN is funded by the Province of Ontario in accordance with the Ministry LHIN Performance Agreement ("MLPA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC. The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account.

The LHIN's financial statements do not include any MOHLTC managed programs.

The Central East LHIN is also funded by eHealth Ontario in accordance with the eHealth Ontario - LHIN Transfer Payment Agreement ("TPA"), which describes budget arrangements established by eHealth Ontario. These financial statements reflect agreed funding arrangements approved by eHealth Ontario. The Central East LHIN cannot authorize an amount in excess of the budget allocation set by eHealth Ontario.

Commencing April 1, 2007, all funding payments to LHIN managed health service providers in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized Health Service Providers ("HSP") are expensed in the LHIN's financial statements for the year ended March 31, 2014.

The LHIN enters into service accountability agreements with service providers.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the LHIN are as follows:

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2014

2. Significant accounting policies (continued)

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable, expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of tangible capital assets.

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and the reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Funding payments to Health Service Providers in the LHIN geographic area flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized Health Service Providers ("HSPs") are expensed in the LHIN's financial statements for the year ended March 31, 2014.

Deferred capital contributions

Any amounts received that are used to fund expenses that are recorded as tangible capital assets, are recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the Statement of Operations, is in accordance with the amortization policy applied to the related tangible capital asset recorded.

Tangible capital assets

Tangible capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. The cost of tangible capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed tangible capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the tangible capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a capital asset are capitalized. Computer software is recognized as an expense when incurred.

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives as follows:

| | |
|-------------------------------|------------------------------------|
| Computer equipment | 3 years straight-line method |
| Leasehold improvements | Life of lease straight-line method |
| Office furniture and fixtures | 5 years straight-line method |
| Web development | 3 years straight-line method |

For assets acquired or brought into use during the year, amortization is provided for a full year.

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2014

2. Significant accounting policies (continued)

Segment disclosures

A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the Statement of Operations and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and, therefore, no additional disclosure is required.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimate and assumptions include valuation of accrued liabilities and useful lives of the tangible capital assets. Actual results could differ from those estimates.

3. Funding repayable to the MOHLTC

In accordance with the TPA, the Central East LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC or to eHealth Ontario, respectively.

- a) The amount repayable to the MOHLTC related to current year activities is made up of the following components:

| | | | 2014 | 2013 |
|---|------------------|-------------------|----------------|----------------|
| | Funding received | Eligible expenses | Excess funding | Excess funding |
| | \$ | \$ | \$ | \$ |
| Transfer payments to HSPs | 2,207,469,168 | 2,207,469,168 | - | - |
| LHIN operations | 4,596,888 | 4,586,844 | 10,044 | 18,567 |
| ER/ALC | 100,000 | 91,753 | 8,247 | 24,045 |
| ED/Lead | 75,000 | 72,000 | 3,000 | 3,000 |
| Critical Care | 75,000 | 72,000 | 3,000 | 3,000 |
| Enabling technologies | - | - | - | 119,331 |
| Aboriginal Planning | 20,000 | 11,489 | 8,511 | 18,475 |
| French Language Services | 106,000 | 106,000 | - | - |
| Diabetes & Vascular Health | 779,061 | 767,528 | 11,533 | 49,360 |
| Diabetes & Vascular Health OT | 30,000 | 30,000 | - | 33,210 |
| Behavioural Supports | 27,344 | 27,344 | - | - |
| Primary Care Lead | 75,000 | 75,000 | - | - |
| Repayable directly to MOHLTC | 2,213,353,461 | 2,213,309,126 | 44,335 | 268,988 |
| Enabling technologies repayable to MOHLTC through Central West LHIN | 802,027 | 629,789 | 172,238 | - |
| | 2,214,155,488 | 2,213,938,915 | 216,573 | 268,988 |

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2014

3. Funding repayable to the MOHLTC (continued)

b) The amount due to the MOHLTC at March 31 is made up as follows:

| | 2014 | 2013 |
|--|-----------|-----------|
| | \$ | \$ |
| Due to MOHLTC, beginning of year | 268,988 | 331,749 |
| Recovery by MOHLTC during the year | (268,988) | (331,749) |
| Funding repayable to the MOHLTC related to current year activities (Note 3a) | 44,335 | 268,988 |
| Due to MOHLTC, end of year | 44,335 | 268,988 |

c) Effective February 1, 2012, the LHIN entered into an agreement with Central, Central West, Central East, Toronto Central, Mississauga Halton and North Simcoe Muskoka (the "Cluster") in order to enable the effective and efficient delivery of e-health programs and initiatives within the geographic area of the Cluster. Under the agreement, decisions related to the financial and operating activities of the Enabling Technologies for Integration Project Management Office are shared. No LHIN is in a position to exercise unilateral control.

The LHIN's financial statement reflects its share of the MOHLTC funding for Enabling Technologies for Integration Project Management Offices for its Cluster and related expenses.

The following provides condensed financial information:

| | 2014 | 2013 |
|-------------------------------------|---------|------|
| | \$ | \$ |
| Revenue | 802,027 | - |
| Expenses | 629,789 | - |
| Accumulated surplus due to the LHIN | 172,238 | - |

4. Related party transactions

The LHIN Shared Services Office (the "LSSO") and the Local Health Integration Network Collaborative (the "LHINC") are divisions of the Toronto Central LHIN and are subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO and LHINC, on behalf of the LHINs are responsible for providing services to all LHINs. The full costs of providing these services are billed to all the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN at the year-end are recorded as a receivable (payable) from (to) the LSSO. This is all done pursuant to the shared service agreement the LSSO has with all LHINs.

5. Deferred capital contributions

| | 2014 | 2013 |
|--|-----------|-----------|
| | \$ | \$ |
| Balance, beginning of year | 212,202 | 237,523 |
| Capital contributions received during the year | 123,833 | 145,379 |
| Amortization for the year | (124,356) | (170,700) |
| Balance, end of year | 211,679 | 212,202 |

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2014

6. Commitments

The LHIN has commitments under various operating leases related to building and equipment. Lease renewals are likely. Minimum lease payments due to October 31, 2020 are as follows:

| | |
|-----------------|------------------|
| | \$ |
| 2015 | 250,361 |
| 2016 | 251,511 |
| 2017 | 254,721 |
| 2018 | 257,948 |
| 2019 and beyond | 677,433 |
| | <u>1,691,974</u> |

The LHIN also has funding commitments to HSPs associated with accountability agreements. The Transfer Payment Planning Targets to HSPs based on the current accountability agreements are as follows:

| | |
|------|----------------------|
| | \$ |
| 2015 | 2,152,849,191 |
| 2016 | <u>2,152,434,291</u> |

The actual amounts which will ultimately be paid are contingent upon actual LHIN funding received from the MOHLTC.

7. Tangible capital assets

| | | | 2014 | 2013 |
|-------------------------------|------------------|-----------------------------|-------------------|-------------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| | \$ | \$ | \$ | \$ |
| Office furniture and fixtures | 741,340 | 556,600 | 184,740 | 150,382 |
| Computer equipment | 317,847 | 300,325 | 17,522 | 11,107 |
| Web development | 36,100 | 28,507 | 7,593 | 7,593 |
| Leasehold improvements | 668,028 | 666,204 | 1,824 | 43,120 |
| | <u>1,763,315</u> | <u>1,551,636</u> | <u>211,679</u> | <u>212,202</u> |

8. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported in the Statement of Operations reflect the initial budget at April 1, 2013. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. During the year the government approved budget adjustments. The following reflects the adjustments for the LHIN during the year:

The total HSP funding budget of \$2,207,469,168 is made up of the following:

| | |
|--|----------------------|
| | \$ |
| Initial HSP funding budget | 2,084,259,282 |
| Additional funding due to announcements made during the year | <u>123,209,886</u> |
| Total HSP funding budget | <u>2,207,469,168</u> |

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2014

8. Budget figures (continued)

The total revised operating budget of \$6,685,802 is made up of the following:

| | \$ |
|--|------------------|
| Initial budget as represented on the statement of financial activities | 4,534,130 |
| Additional funding received for one time initiatives | |
| ER/ALC | 100,000 |
| ED/Lead | 75,000 |
| Critical Care | 75,000 |
| Enabling Technologies | 802,027 |
| Aboriginal Planning | 20,000 |
| French Language Services | 106,000 |
| Diabetes & Vascular Health | 871,301 |
| Primary Care | 75,000 |
| Physio Funding | 27,344 |
| Total budget | 6,685,802 |

9. Transfer payments to HSPs

The LHIN has authorization to allocate the funding of \$2,207,469,168 (2013 - \$2,163,791,335) to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in 2014 as follows:

| | 2014 | 2013 |
|---|----------------------|----------------------|
| | \$ | \$ |
| Health Infrastructure Renewal Fund | | - |
| Operation of hospitals | 1,260,843,365 | 1,263,345,821 |
| Grants to compensate for municipal taxation - public hospitals | 279,675 | 281,250 |
| Long term care homes | 428,323,700 | 414,237,631 |
| Community care access centres | 252,697,822 | 241,514,062 |
| Community support services | 41,483,398 | 34,631,413 |
| Assisted living services in supportive housing | 14,634,683 | 13,880,255 |
| Community health centres | 29,231,688 | 22,142,397 |
| Community mental health addictions program | 64,683,560 | 59,747,858 |
| Specialty psychiatric hospitals | 113,654,937 | 112,515,437 |
| Acquired brain injury | 1,610,915 | 1,469,786 |
| Grants to compensate for municipal taxation - psychiatric hospitals | 25,425 | 25,425 |
| | 2,207,469,168 | 2,163,791,335 |

10. Separate funding amounts received by the Central East LHIN from the MOHLTC and eHealth Ontario for specific initiatives

a) ED Lead

The LHIN received funding of \$75,000 (2013 - \$75,000) related to the ED Lead project. ED Lead expenses incurred during the year consist of \$72,000 (2013 - \$72,000) of consulting services.

b) ER/ALC

The LHIN received funding of \$100,000 (2013 - \$100,000) related to the ER/ALC project. ER/ALC expenses incurred during the year consist of \$90,000 (2013 - \$75,133) of salaries and benefits and \$1,753 (2013 - \$822) of other expenses.

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2014

10. Separate funding amounts received by the Central East LHIN from the MOHLTC and eHealth Ontario for specific initiatives (continued)

c) *Aboriginal Planning*

The LHIN received funding of \$20,000 (2013 - \$20,000) related to the Aboriginal Planning project. Aboriginal Planning project expenses incurred during the year consist of \$11,489 (2013 - \$1,525) of other expenses.

d) *Enabling Technologies for Integration Project Management Office*

The LHIN received funding of \$802,027 (Note 3(c)) (2013 - \$580,000) related to the Enabling technologies project. Enabling technologies project expenses incurred during the year are as follows:

| | 2014 | 2013 |
|-----------------------|----------------|----------------|
| | \$ | \$ |
| Consulting services | 3,359 | - |
| Salaries and benefits | 308,260 | 315,773 |
| Meetings | 1,297 | 5,410 |
| Supplies and other | 316,874 | 139,486 |
| | 629,790 | 460,669 |

e) *Critical Care*

The LHIN received funding of \$75,000 (2013 - \$75,000) related to the Critical Care project. Critical Care project expenses incurred during the year consist of \$72,000 of consultant expenses (2013 - \$72,000).

f) *French Language Services*

The LHIN received funding of \$106,000 (2013 - \$106,000) related to the French Language project. French Language project expenses incurred during the year consist of \$95,188 of salaries and benefits (2013 - \$100,478) and \$10,812 of other expenses (2013 - \$5,523).

g) *Diabetes & Vascular Health*

The LHIN received funding of \$841,301 (2013 - \$249,817) in base funding and \$30,000 in one time funding, of which \$809,061 is included in the Statement of operations and \$62,240 is included in Deferred capital contributions on the Statement of financial position. Expenses incurred of \$797,528 are made up as follows:

| | 2014 | 2013 |
|-----------------------|----------------|----------------|
| | \$ | \$ |
| Salaries and benefits | 539,126 | 57,051 |
| Operating expense | 228,402 | 21,306 |
| One time expense | 30,000 | 88,890 |
| | 797,528 | 167,247 |

In addition, capital asset purchases of \$62,240 are included in tangible capital assets on the Statement of financial position.

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2014

10. Separate funding amounts received by the Central East LHIN from the MOHLTC and eHealth Ontario for specific initiatives (continued)

h) *Physiotherapy*

During fiscal 2014, the LHIN received funding of \$27,344 (2013 - \$Nil) towards resources to support the Physiotherapy Initiative. Project expenses incurred during the year consist of \$27,344 (2013 - \$Nil) of consulting expenses.

i) *Primary Care*

The LHIN received funding of \$75,000 (2013 - \$75,000) related to the Primary Care project. Primary Care project expenses incurred during the year consist of \$74,851 (2013 - \$75,000) of consulting fees and \$149 (2013 - \$Nil) of meeting expenses.

11. General and administrative expenses

The Statement of operations presents the expenses by function, the following classifies these same expenses by object:

| | 2014 | 2013 |
|--------------------------------------|------------------|------------------|
| | \$ | \$ |
| Salaries and benefits | 3,431,592 | 3,338,338 |
| Occupancy | 254,138 | 175,397 |
| Amortization | 124,356 | 170,700 |
| Shared services | 406,019 | 429,020 |
| Community engagement | 12,048 | 15,352 |
| Consulting services | 29,702 | 74,029 |
| Supplies | 131,616 | 95,930 |
| Board member expenses | 90,405 | 90,979 |
| Mail, courier and telecommunications | 1,922 | 2,262 |
| Other | 105,046 | 148,877 |
| | 4,586,844 | 4,540,884 |

Included in board member expenses are board per diems and expenses as follows:

| | 2014 Budget | 2014 | 2013 |
|--------------------------------------|----------------|---------------|---------------|
| | \$ | \$ | \$ |
| Board chair per diem expense | 74,000 | 30,100 | 28,110 |
| Other board members per diem expense | 50,000 | 36,525 | 46,067 |
| Governance costs and travel | 20,000 | 23,780 | 16,802 |
| Total expenses | 144,000 | 90,405 | 90,979 |

12. Pension agreements

The LHIN makes contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 33 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2014 was \$329,175 (2013 - \$276,327) for current service costs and is included as an expense in the Statement of Operations. The last actuarial valuation of the plan was completed for the plan as of December 31, 2013. At that time, the plan was fully funded.

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2014

13. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

14. Comparative figures

Certain comparative numbers have been reclassified to conform to the current year presentation.

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Brampton, ON L6X 4J2
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Toll Free: 1 866 370-5446
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Sans frais : 1 866 370-5446
Télécopieur : 905 455-0427
www.rlisscentre-ouest.on.ca

Central West Local Health Integration Network (Central West LHIN)

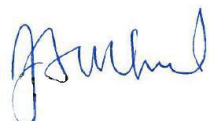
Management Responsibility for Financial Information

Management and the Board of Directors are responsible for the financial statements and all other information presented in the Annual Report. The financial statements have been prepared by Management in accordance with Canadian generally accepted accounting principles and, where appropriate, include amounts based on Management's best estimates and judgment. Management is responsible for the integrity and objectivity of these financial statements. The financial information presented elsewhere in this Annual Report is consistent with that in the financial statements in all material respects.

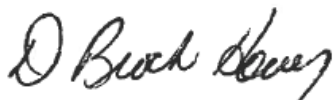
The Central West Local Health Integration Network is dedicated to the highest standards of integrity in its business. To safeguard the Central West LHIN'S assets and assure the reliability of financial information, the Central West LHIN follows sound management practices and procedures, and maintains appropriate information systems and internal financial controls.

The Board of Directors ensures that Management fulfills its responsibilities for financial information and internal controls. The financial statements have been reviewed by the Central West LHIN Board Audit Committee and approved by the Board of Directors.

Deloitte & Touche LLP, the independent auditors appointed by the Board of Directors, have been engaged to conduct an examination of the financial statements in accordance with Canadian generally accepted auditing standards and have expressed their opinion on these statements. During the course of their audit, Deloitte & Touche LLP reviewed the LHINs system of internal controls to the extent necessary to render their opinion on the financial statements. The Auditor's Report outlines the scope of the Auditor's examination and opinion.



Scott McLeod
Chief Executive Officer



Brock Hovey
Senior Director, Health System Performance

May 28, 2014



Deloitte LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

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Independent Auditor's Report

To the Members of the Board of Directors of the
Central West Local Health Integration Network

We have audited the accompanying financial statements of Central West Local Health Integration Network, which comprise the statement of financial position as at March 31, 2014, and the statements of operations, change in net debt 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 public sector accounting standards, 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 Central West Local Health Integration network as at March 31, 2014 and the results of its operations, changes in its net debt, and its cash flows for the years then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in cursive script that reads "Deloitte LLP".

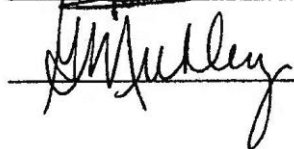
Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
May 28, 2014

Central West Local Health Integration Network

Statement of financial position as at March 31, 2014

| | 2014 | 2013 |
|--|------------------|------------------|
| | \$ | \$ |
| Financial assets | | |
| Cash | 545,357 | 713,180 |
| Accounts receivable | | |
| Ministry of Health and Long-Term Care ("MOHLTC") - | | |
| Health Service Providers ("HSP") | 2,807,196 | 4,926,008 |
| Due from other LHINs - Enabling Technologies for Integration (Note 3b) | 230,414 | - |
| Due from other LHINs | - | 214,351 |
| Other | 89,027 | 117,020 |
| | 3,671,994 | 5,970,559 |
| Liabilities | | |
| Accounts payable and accrued liabilities | 496,537 | 518,910 |
| Due to MOHLTC (Note 3c) | 412,446 | 524,722 |
| Due to HSP | 2,807,196 | 4,926,008 |
| Due to the LHIN Shared Services Office (Note 4) | 958 | 13,276 |
| Deferred capital contributions (Note 5) | 60,909 | 108,595 |
| | 3,778,046 | 6,091,511 |
| Net debt | (106,052) | (120,952) |
| Commitments (Note 6) | | |
| Non-financial assets | | |
| Prepaid expenses | 45,143 | 12,357 |
| Tangible capital assets (Note 7) | 60,909 | 108,595 |
| | 106,052 | 120,952 |
| Accumulated surplus | - | - |

Approved by the Board

 **BOARD CHAIR** Director
 Director

The accompanying notes to the financial statements are an integral part of these financial statements.

Central West Local Health Integration Network

Statement of operations
year ended March 31, 2014

| | Budget (Note 8) | 2014 Actual | 2013 Actual |
|--|--------------------|----------------|----------------|
| | \$ | \$ | \$ |
| Revenue | | | |
| MOHLTC funding | | | |
| Health Service Provider ("HSP") transfer payments (Note 9) | 809,846,345 | 844,700,998 | 831,241,347 |
| Operations of LHIN | 4,181,828 | 4,172,928 | 4,126,215 |
| eHealth-Enabling Technologies for Integration (Note 10a) | - | 397,401 | 580,000 |
| French Language Services (Note 10b) | 106,000 | 106,000 | 75,603 |
| ER/ALC Performance Lead (Note 10c) | 100,000 | 100,000 | 100,000 |
| Emergency Department Lead (Note 10d) | 75,000 | 75,000 | 75,000 |
| Aboriginal Health (Note 10e) | 7,500 | 7,500 | 2,500 |
| Primary Care Lead (Note 10f) | - | 75,000 | 75,000 |
| Critical Care Lead (Note 10g) | 75,000 | 75,000 | 75,000 |
| Diabetes Regional Coordination (Note 10h) | 993,401 | 568,728 | 192,817 |
| Physiotherapy Planning Funds (Note 10i) | - | 27,344 | - |
| Amortization of deferred capital contributions (Note 5) | - | 56,585 | 62,288 |
| | 815,385,074 | 850,362,484 | 836,605,770 |
| Funding repayable to the MOHLTC (Note 3a) | - | (182,032) | (524,722) |
| | 815,385,074 | 850,180,452 | 836,081,048 |
| Expenses | | | |
| Transfer payments to HSPs (Note 9) | 809,846,345 | 844,700,998 | 831,241,347 |
| General and administrative (Note 11) | 4,181,828 | 4,159,057 | 4,155,314 |
| eHealth-Enabling Technologies for Integration (Note 10a) | - | 357,262 | 244,823 |
| French Language Services (Note 10b) | 106,000 | 78,367 | 65,000 |
| ER/ALC Performance Lead (Note 10c) | 100,000 | 100,000 | 100,000 |
| Emergency Department Lead (Note 10d) | 75,000 | 72,367 | 72,327 |
| Aboriginal Health (Note 10e) | 7,500 | 1,718 | - |
| Primary Care Lead (Note 10f) | - | 72,295 | 72,558 |
| Critical Care Lead (Note 10g) | 75,000 | 72,000 | 72,000 |
| Diabetes Regional Coordination (Note 10h) | 993,401 | 544,750 | 57,679 |
| Physiotherapy Planning Funds (Note 10i) | - | 21,638 | - |
| | 815,385,074 | 850,180,452 | 836,081,048 |
| Annual surplus | - | - | - |
| Accumulated surplus, beginning of year | - | - | - |
| Accumulated surplus, end of year | - | - | - |

The accompanying notes to the financial statements are an integral part of these financial statements.

Central West Local Health Integration Network

Statement of changes in net debt year ended March 31, 2014

| | 2014 | 2013 |
|---|------------------|------------------|
| | \$ | \$ |
| Annual surplus | - | - |
| Acquisition of tangible capital assets | (8,899) | (25,750) |
| Amortization of tangible capital assets | 56,585 | 62,288 |
| Change in other non-financial assets | (32,786) | 12,664 |
| Decrease in net debt | 14,900 | 49,202 |
| Net debt, beginning of year | (120,952) | (170,154) |
| Net debt, end of year | (106,052) | (120,952) |

The accompanying notes to the financial statements are an integral part of these financial statements.

Central West Local Health Integration Network

Statement of cash flows year ended March 31, 2014

| | 2014 | 2013 |
|---|----------------|----------------|
| | \$ | \$ |
| Operating transactions | | |
| Annual surplus | - | - |
| Less items not affecting cash | | |
| Amortization of capital assets | (56,585) | (62,288) |
| Amortization of deferred capital contributions (Note 5) | 56,585 | 62,288 |
| Changes in non-cash operating items | | |
| Decrease (increase) in accounts receivable - MOHLTC | 2,118,812 | (3,956,608) |
| (Decrease) increase in due to the MOHLTC | (112,276) | 88,431 |
| (Decrease) increase in due to HSP's | (2,118,812) | 3,956,608 |
| Increase in due from other LHINs | (16,063) | - |
| Decrease (increase) in accounts receivable - other | 27,993 | (218,490) |
| (Increase) decrease in prepaid expenses | (32,786) | 12,664 |
| (Decrease) increase in accounts payable | (22,373) | 136,210 |
| (Decrease) increase in due to the LHIN Shared Services Office | (12,318) | 12,220 |
| | (167,823) | 31,035 |
| Capital transaction | | |
| Acquisition of capital assets | 8,899 | 25,750 |
| Financing transaction | | |
| Deferred capital contributions (Note 5) | (8,899) | (25,750) |
| Net (decrease) increase in cash | (167,823) | 31,035 |
| Cash, beginning of year | 713,180 | 682,145 |
| Cash, end of year | 545,357 | 713,180 |

The accompanying notes to the financial statements are an integral part of these financial statements.

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2014

1. Description of business

The Central West Local Health Integration Network was incorporated by Letters Patent on June 9, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the Local Health System Integration Act, 2006 (the "Act") as the Central West Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers Dufferin County, the northern portion of Peel Region, part of York Region, and a small part of the City of Toronto. The LHIN enters into service accountability agreements with service providers.

The LHIN is funded by the Province of Ontario in accordance with the Ministry LHIN Performance Agreement ("MLPA"), which describes budget arrangements established by the Ministry of Health and Long-Term Care ("MOHLTC") and provides the framework for the LHIN accountabilities and activities. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to Health Services Providers ("HSP"), effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account. Commencing April 1, 2007, all funding payments to LHIN managed HSPs in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized HSPs are expensed in the LHIN's financial statements for the year ended March 31, 2014.

The LHIN statements do not include any MOHLTC managed programs.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, and they are measurable. Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of tangible capital assets.

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2014

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Funding payments to HSPs in the LHIN geographic area flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized HSPs are expensed in the LHIN's financial statements for the year ended March 31, 2014.

Deferred capital contributions

Any amounts received that are used to fund expenses that are recorded as tangible capital assets, are recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the statement of operations, is in accordance with the amortization policy applied to the related tangible capital asset recorded.

Tangible capital assets

Tangible capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. The cost of tangible capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed tangible capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the tangible capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a tangible capital asset are capitalized. Computer software is recognized as an expense when incurred.

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives as follows:

| | |
|-------------------------------|------------------------------------|
| Office furniture and fixtures | 5 years straight-line method |
| Computer equipment | 3 years straight-line method |
| Leasehold improvements | Life of lease straight-line method |

For assets acquired or brought into use during the year, amortization is provided for a full year.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimate and assumptions include valuation of accrued liabilities and useful lives of the tangible capital assets. Actual results could differ from those estimates.

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2014

2. Significant accounting policies (continued)

Segment disclosures

A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the statement of operations and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and, therefore, no additional disclosure is required.

3. Funding repayable to the MOHLTC and eHealth Ontario

In accordance with the MLPA and TPA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC and eHealth Ontario, respectively.

- a) The amount repayable to the MOHLTC related to current year activities is made up of the following components:

| | | | 2014 | 2013 |
|--|------------------|-------------------|----------------|----------------|
| | Funding received | Eligible expenses | Excess funding | Excess funding |
| | \$ | \$ | \$ | \$ |
| Transfer Payments to HSP's | 844,700,998 | 844,700,998 | - | - |
| LHIN Operations (Note 11) | 4,172,928 | 4,102,472 | 70,456 | 33,189 |
| Capital contribution (Note 11) | 56,585 | 56,585 | - | - |
| eHealth - Enabling Technologies for Integration (Note 10a) | 397,401 | 357,262 | 40,139 | 335,177 |
| French Language Services (Note 10b) | 106,000 | 78,367 | 27,633 | 10,603 |
| ER/ALC Performance Lead (Note 10c) | 100,000 | 100,000 | - | - |
| Emergency Department Lead (Note 10d) | 75,000 | 72,367 | 2,633 | 2,673 |
| Aboriginal Health (Note 10e) | 7,500 | 1,718 | 5,782 | 2,500 |
| Primary Care Lead (Note 10f) | 75,000 | 72,295 | 2,705 | 2,442 |
| Critical Care Lead (Note 10g) | 75,000 | 72,000 | 3,000 | 3,000 |
| Diabetes Regional Co-ordination (Note 10h) | 568,728 | 544,750 | 23,978 | 135,138 |
| Physiotherapy Planning Funds (Note 10i) | 27,344 | 21,638 | 5,706 | - |
| | 850,362,484 | 850,180,452 | 182,032 | 524,722 |

- b) eHealth - Enabling Technologies for Integration

Effective April 1, 2013, the LHIN entered into an agreement with Central, Central West, Central East, Toronto Central, Mississauga Halton and North Simcoe Muskoka (the "Cluster") in order to enable the effective and efficient delivery of e-health programs and initiatives within the geographic area of the Cluster. Under the agreement, decisions related to the financial and operating activities of the Enabling Technologies for Integration Project Management Office are shared. No LHIN is in a position to exercise unilateral control.

The Central West LHIN is designated the Lead LHIN within this agreement and as such holds the accountability over the distribution of the funds and manages the shared Project Management Office. In the event that the Cluster experiences a surplus the Lead LHIN is responsible for returning those funds to the MOHLTC. The total Cluster funding received for the year ended March 31, 2014 is \$3,416,000 (net of \$64,000 in year recovery) less the funds utilized within the Central West LHIN of \$397,401 resulted in a total distribution of \$3,018,599.

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2014

3. Funding repayable to the MOHLTC and eHealth Ontario (continued)

b) eHealth - Enabling Technologies for Integration (continued)

The surplus from other LHINs is as follows:

| | | | 2014 | 2013 |
|---------------------------|------------------|-------------------|----------------|----------------|
| | Funding received | Eligible expenses | Excess funding | Excess funding |
| | \$ | \$ | \$ | \$ |
| Central LHIN | 394,077 | 392,193 | 1,884 | - |
| Central East LHIN | 802,026 | 629,789 | 172,237 | - |
| Toronto Central LHIN | 580,000 | 580,000 | - | - |
| Mississauga Halton LHIN | 676,453 | 620,160 | 56,293 | - |
| North Simcoe Muskoka LHIN | 566,043 | 566,043 | - | - |
| | 3,018,599 | 2,788,185 | 230,414 | - |

c) The amount due to the MOHLTC at March 31 is made up as follows:

| | 2014 | 2013 |
|--|----------------|----------------|
| | \$ | \$ |
| Due to MOHLTC, beginning of year | 524,722 | 289,216 |
| Funding repaid to MOHLTC prior year | (524,722) | (289,216) |
| Funding repayable to the MOHLTC related to | | |
| current year activities (Note 3a) | 182,032 | 524,722 |
| current year activities (Note 3b) | 230,414 | - |
| Due to MOHLTC, end of year | 412,446 | 524,722 |

4. Related party transactions

The LHIN Shared Services Office (the "LSSO") and the Local Health Integration Network Collaborative (the "LHINC") are divisions of the Toronto Central LHIN and are subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO and LHINC, on behalf of the LHINs are responsible for providing services to all LHINs. The full costs of providing these services are billed to all the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN at the year end are recorded as a receivable (payable) from (to) the LSSO. This is all done pursuant to the shared service agreement the LSSO has with all LHINs.

5. Deferred capital contributions

| | 2014 | 2013 |
|--|---------------|----------------|
| | \$ | \$ |
| Balance, beginning of year | 108,595 | 145,133 |
| Capital contributions received during the year | 8,899 | 25,750 |
| Amortization for the year | (56,585) | (62,288) |
| Balance, end of year | 60,909 | 108,595 |

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2014

6. Commitments

The LHIN has commitments under various operating leases related to building and equipment ending in 2017. Lease renewals are likely. Minimum lease payments due in each of the next two years are as follows:

| | |
|------|---------|
| | \$ |
| 2015 | 269,758 |
| 2016 | 100,488 |
| 2017 | 2,334 |

The LHIN also has funding commitments to some HSPs associated with accountability agreements for fiscal 2014. Minimum funding for HSPs related to the next two years, based on the fiscal 2014 accountability agreements, and are as follows:

| | |
|------|-------------|
| | \$ |
| 2015 | 832,440,843 |
| 2016 | 832,440,843 |

The actual amounts which will ultimately be paid are contingent upon actual LHIN funding received from the MOHLTC.

7. Tangible capital assets

| | | | 2014 | 2013 |
|-------------------------------|------------------|--------------------------|----------------|----------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| | \$ | \$ | \$ | \$ |
| Office furniture and fixtures | 284,229 | 274,811 | 9,418 | 18,835 |
| Computer equipment | 60,177 | 51,594 | 8,583 | 17,167 |
| Leasehold improvements | 712,468 | 669,560 | 42,908 | 72,593 |
| | 1,056,874 | 995,965 | 60,909 | 108,595 |

8. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported in the statement of operations reflect the final budget at April 30, 2013. The figures have been reported for the purposes of these statements to comply with PSAB reporting principles. During the year, the government approved budget adjustments. The following reflects the adjustments for the LHIN during the year:

The total HSP funding budget of \$844,700,998 is made up of the following:

| | |
|--|--------------------|
| | \$ |
| Initial HSP funding budget | 809,846,345 |
| Adjustment due to announcements made during the year | 34,854,653 |
| Total HSP funding budget | 844,700,998 |

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2014

8. Budget figures (continued)

The total operating budget, excluding HSP funding, is made up of the following:

| | \$ |
|--|------------------|
| Initial budget | 4,181,828 |
| Aboriginal Funding | 7,500 |
| French Language Services | 106,000 |
| ER/ALC Performance Lead | 100,000 |
| ED LHIN Lead | 75,000 |
| Critical Care Lead | 75,000 |
| Diabetes Regional Co-ordination | 993,401 |
| In Year Surplus returned to MOHLTC | (424,673) |
| Adjustment due to announcements made during the year | |
| eHealth - Enabling Technologies for Integration | 3,480,000 |
| In Year Surplus returned to MOHLTC | (64,000) |
| Primary Care Lead | 75,000 |
| Physiotherapy planning funds | 27,344 |
| Amount treated as capital contributions made during the year | 56,585 |
| Total budget | 8,688,985 |

9. Transfer payments to HSPs

The LHIN approved transfer payments to the various sectors in 2014 as follows:

| | 2014 | 2013 |
|---|--------------------|--------------------|
| | \$ | \$ |
| Operation of Hospitals | 525,342,510 | 531,748,267 |
| Grants to compensate for Municipal Taxation - Public Hospitals | 96,975 | 99,450 |
| Long-Term Care Homes | 150,094,501 | 148,870,896 |
| Community Care Access Centres | 104,175,929 | 93,211,762 |
| Community Support Services | 12,383,568 | 9,331,737 |
| Assisted Living Services in Supportive Housing | 8,182,096 | 6,585,023 |
| Community Health Centres | 12,099,866 | 10,138,849 |
| Community Mental Health Addictions Program | 32,325,553 | 31,255,363 |
| | 844,700,998 | 831,241,347 |

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2014

10. Specific initiatives

Separate funding amounts were received by the Central West LHIN from the MOHLTC for specific initiatives.

a) *eHealth - Enabling Technologies for Integration*

The LHIN received funding of \$397,401 (2013 - \$580,000) related to supporting the eHealth PMO office. eHealth expenses incurred during the year are as follows:

| | 2014 | 2013 |
|-----------------------|---------|---------|
| | \$ | \$ |
| Salaries and benefits | 223,987 | 225,083 |
| Staff travel | 4,991 | 2,436 |
| Communication expense | 1,792 | 1,831 |
| Consulting | 120,000 | - |
| Accommodation | 1,807 | 5,895 |
| Staff development | 1,561 | 253 |
| Meeting expenses | 1,839 | 142 |
| Recruitment | 529 | - |
| Supplies | 756 | 9,183 |
| | 357,262 | 244,823 |

The funding received for eHealth Enabling Technologies for integration is distributed as part of the Cluster agreement to which the Central West LHIN is the lead. Please refer back to Note 3b for further details.

b) *French Language Services*

The LHIN received base funding of \$106,000 (2013 - \$106,000 less one-time recovery of \$30,397 for \$75,603). Expenses incurred during the year of \$78,367 (2013 - \$65,000) related to running the program.

c) *ER/ALC Performance Lead*

The LHIN received funding of \$100,000 (2013 - \$100,000) related to the ER/ALC Performance Lead initiative. ER/ALC expenses incurred during the year of \$100,000 (2013 - \$100,000) related to salaries and benefits.

d) *Emergency Department Lead*

The LHIN received funding of \$75,000 (2013 - \$75,000) related to the Emergency Department Lead project. Emergency Department Lead expenses of \$72,367 (2013 - \$72,327) consist of \$72,000 (2013 - \$72,000) for Medical Professional Services and \$367 (2013 - \$327) related to development and travel expenses.

e) *Aboriginal Health*

The LHIN received base funding of \$7,500 (2013 - \$7,500 less one-time recovery of \$5,000 for \$2,500) related to the Aboriginal Health planning. Aboriginal Health planning expenses incurred during the year consist of \$1,718 (2013 - \$Nil) related to travel and meeting expenses.

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2014

10. Specific initiatives (continued)

f) Primary Care Lead

The LHIN received funding of \$75,000 (2013 - \$75,000) related to the Primary Care Lead project. Primary Care Lead expenses of \$72,295 (2013 - \$72,558) consist of \$72,000 (2013 - \$72,000) for Medical Professional Services and \$295 (2013 - \$558) related to travel expenses.

g) Critical Care Lead

The LHIN received funding of \$75,000 (2013 - \$75,000) related to the Critical Care Lead project. Critical Care Lead expenses incurred during the year consist of \$72,000 (2013 - \$72,000) for Medical Professional Services.

h) Diabetes Regional Co-ordination

The LHIN received funding of \$993,401 (2013 - \$192,817) this was further reduced by a one-time in year recovery of \$424,673 for a revised total revenue of \$568,728 for Diabetes Regional Co-ordination. Diabetes Regional Co-ordination expenses incurred during the year is as follows:

| | 2014 | 2013 |
|--------------------------|----------------|---------------|
| | \$ | \$ |
| Salaries and benefits | 389,156 | 21,765 |
| Staff travel | 2,202 | 246 |
| Communication expense | 5,153 | 21,503 |
| Accommodation | 34,152 | 5,350 |
| Staff development | 1,867 | 150 |
| Meeting expenses | - | 1,690 |
| Consulting | 73,340 | - |
| Recruitment | 13,934 | - |
| Shared Services | 10,150 | - |
| Printing and Translation | 5,182 | - |
| Supplies | 9,614 | 6,975 |
| | 544,750 | 57,679 |

i) Physiotherapy planning funds

The LHIN received funding of \$27,344 (2013 - Nil). Physiotherapy planning expenses incurred during the year consist of \$21,638 (2013 - Nil).

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2014

11. General and administrative expenses

The statement of operations presents expenses by function. The following classifies these same expenses by object:

| | 2014 | 2013 |
|--------------------------------------|------------------|------------------|
| | \$ | \$ |
| Salaries and benefits | 2,703,485 | 2,692,303 |
| Occupancy | 239,782 | 240,118 |
| Amortization | 56,585 | 62,288 |
| Shared services | 434,607 | 411,520 |
| LHIN Collaborative | 47,500 | 47,500 |
| Consulting services | 171,375 | 148,237 |
| Professional Fees | 26,286 | 25,115 |
| Supplies | 66,829 | 77,617 |
| Board Chair remuneration | 66,850 | 69,125 |
| Board member remuneration | 67,225 | 76,050 |
| Board expenses | 59,014 | 44,980 |
| Mail, courier and telecommunications | 65,222 | 61,697 |
| Other | 154,297 | 198,764 |
| | 4,159,057 | 4,155,314 |

12. Pension agreements

The LHIN makes contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 25 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2014 was \$306,497 (2013 - \$266,578) for current service costs and is included as an expense in the statement of operations. The last actuarial valuation was completed for the plan as at December 31, 2013. At that time, the plan was fully funded.

13. Guarantees

The LHIN is subject to the provisions of the Financial Administration Act. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the Financial Administration Act and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the Local Health System Integration Act, 2006 and in accordance with s. 28 of the *Financial Administration Act*.

14. Comparative figures

Certain comparative numbers have been reclassified to conform to the current year presentation.

Champlain Local Health Integration Network

Report of Management

The management of the Champlain Local Health Integration Network (LHIN) is responsible for the preparation and presentation of the accompanying financial statements in conformity with Canadian public sector accounting standards. In preparing these financial statements, management selects appropriate accounting policies and uses its judgment and best estimates to ensure that the financial statements are presented fairly, in all material respects.

The LHIN maintains a system of internal accounting controls designed to provide reasonable assurance, at a reasonable cost, that assets are safeguarded and that transactions are executed and recorded in accordance with the LHIN's policies for doing business. This system is supported by written policies and procedures for key business activities; the hiring of qualified, competent staff; and by a continuous planning and monitoring program.

Deloitte LLP, the independent auditors appointed by the Board of Directors, have been engaged to conduct an audit of the financial statements in accordance with generally accepted auditing standards, and have expressed their opinions on these statements. During the course of their audit, Deloitte LLP reviewed the LHIN's system of internal controls to the extent necessary to render their opinion on the financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control, and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Finance and Audit Committee. The Committee meets at least four times annually to review audited and unaudited financial information. Deloitte LLP has full and free access to the Finance and Audit Committee.

Management acknowledges its responsibility to provide financial information that is representative of the LHIN's operations, is consistent and reliable, and is relevant for the informed evaluation of the LHIN's activities.



Chantale LeClerc
Chief Executive Officer



Maureen Taylor-Greenly
*Senior Director
Health System Performance*

May 28, 2014



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Independent Auditor's Report

To the Members of the Board of Directors of the
Champlain Local Health Integration Network

We have audited the accompanying financial statements of the Champlain Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2014, and the statements of operations, change in net debt 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 public sector accounting standards 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 LHIN as at March 31, 2014, and the results of its operations, change in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
May 28, 2014

Champlain Local Health Integration Network

Statement of financial position as at March 31, 2014

| | 2014 | 2013 |
|---|------------------|------------------|
| | \$ | \$ |
| Financial assets | | |
| Cash | 387,222 | 904,583 |
| Accounts receivable | | |
| MOHLTC Transfer Payments for Health Service Providers | 8,769,918 | 2,159,012 |
| Other | 243,290 | 69,680 |
| | 9,400,430 | 3,133,275 |
| Liabilities | | |
| Accounts payable and accrued liabilities | 497,777 | 865,556 |
| Due to Health Service Providers | 8,769,918 | 2,159,012 |
| Due to MOHLTC (Note 3b) | 184,880 | 118,181 |
| Due to the LHIN Shared Services Office (Note 4) | 4,532 | 10,908 |
| Deferred capital contributions (Note 5) | 187,690 | 253,686 |
| | 9,644,797 | 3,407,343 |
| Net debt | (244,367) | (274,068) |
| Commitments (Note 15) | | |
| Non-financial assets | | |
| Prepaid expenses | 56,677 | 20,382 |
| Tangible capital assets (Note 6) | 187,690 | 253,686 |
| | 244,367 | 274,068 |
| Accumulated surplus | - | - |

Approved by the Board



Dr. Wilbert Keon, Board Chair



Marie Biron, Audit Committee Chair

The accompanying notes to the financial statements are an integral part of these financial statements.

Champlain Local Health Integration Network

Statement of operations
year ended March 31, 2014

| | | 2014 | 2013 |
|--|--------------------|---------------|---------------|
| | Budget (Note 7) | Actual | Actual |
| | \$ | \$ | \$ |
| Revenue | | | |
| MOHLTC funding | | | |
| HSP transfer payments (Note 8) | 2,554,712,000 | 2,540,467,597 | 2,498,991,902 |
| LHIN Operations | 5,131,790 | 5,125,843 | 4,905,076 |
| Enabling Technologies (Note 10) | - | 573,856 | 580,000 |
| Enabling Technologies - Alternate Level of Care / RMR (Note 10) | 272,000 | 232,000 | 204,000 |
| Emergency Department Physician Lead (Note 12) | 75,000 | 65,000 | 75,000 |
| Aboriginal Engagement (Note 12) | 35,000 | 35,000 | 35,000 |
| Emergency Room / Alternate Level of Care (Note 12) | 100,000 | 100,000 | 100,000 |
| French Language Services (Note 12) | 106,000 | 106,000 | 106,000 |
| FLHS Réseau des services de sante en francais (Note 12) | 993,837 | 993,837 | 993,837 |
| Orléans Health Hub (Note 12) | - | - | 217,200 |
| Primary Care LHIN Lead (Note 12) | - | 75,000 | 75,000 |
| Critical Care LHIN Lead (Note 12) | 75,000 | 75,000 | 75,000 |
| Physiotherapy (Note 12) | - | 27,333 | - |
| Diabetes Regional Coordination (Note 11) | 841,301 | 435,143 | 127,717 |
| Amortization of deferred capital contributions (Note 5) | - | 124,245 | 124,508 |
| | 2,562,341,928 | 2,548,435,854 | 2,506,610,240 |
| Funding repayable to the MOHLTC (Note 3b and 3c) | - | (81,006) | (118,181) |
| | 2,562,341,928 | 2,548,354,848 | 2,506,492,059 |
| Expenses | | | |
| Transfer payments to HSPs (Note 8) | 2,554,712,000 | 2,540,467,597 | 2,498,991,902 |
| LHIN Operations (Note 9) | 5,131,790 | 5,119,575 | 4,903,321 |
| Enabling Technologies (Note 10) | - | 560,410 | 580,000 |
| Enabling Technologies - Alternate Level of Care / RMR (Note 10) | 272,000 | 223,608 | 204,000 |
| Emergency Department Physician Lead (Note 12) | 75,000 | 61,628 | 75,000 |
| Aboriginal Engagement (Note 12) | 35,000 | 30,131 | 14,058 |
| Emergency Room / Alternate Level of Care (Note 12) | 100,000 | 100,000 | 100,000 |
| French Language Services (Note 12) | 106,000 | 106,000 | 97,140 |
| FLHS Réseau des services de sante en francais (Note 12) | 993,837 | 987,608 | 965,443 |
| Orléans Health Hub (Note 12) | - | - | 198,542 |
| Primary Care LHIN Lead (Note 12) | - | 72,117 | 74,665 |
| Critical Care LHIN Lead (Note 12) | 75,000 | 73,255 | 74,776 |
| Physiotherapy (Note 12) | - | 27,333 | - |
| Diabetes Regional Coordination (Note 11) | 841,301 | 401,341 | 88,704 |
| Amortization | - | 124,245 | 124,508 |
| | 2,562,341,928 | 2,548,354,848 | 2,506,492,059 |
| Annual and accumulated surplus, end of year | - | - | - |

The accompanying notes to the financial statements are an integral part of these financial statements.

Champlain Local Health Integration Network

Statement of change in net debt
year ended March 31, 2014

| | 2014 Actual | 2013 Actual |
|---|------------------|------------------|
| | \$ | \$ |
| Annual surplus | - | - |
| Acquisition of tangible capital assets | (58,249) | (226,714) |
| Amortization of tangible capital assets | 124,245 | 124,508 |
| Increase in prepaid expenses, net | (36,295) | (12,276) |
| Decrease (increase) in net debt | 29,701 | (114,482) |
| Net debt, beginning of year | (274,068) | (159,586) |
| Net debt, end of year | (244,367) | (274,068) |

The accompanying notes to the financial statements are an integral part of these financial statements.

Champlain Local Health Integration Network

Statement of cash flows year ended March 31, 2014

| | 2014 | 2013 |
|---|----------------|----------------|
| | \$ | \$ |
| Operating transactions | | |
| Annual surplus | - | - |
| Non-cash items | | |
| Amortization of tangible capital assets | 124,245 | 124,508 |
| Amortization of deferred capital contributions (Note 5) | (124,245) | (124,508) |
| Changes in non-cash working capital | | |
| (Increase) decrease in accounts receivable - MOHLTC HSP | (6,610,906) | 960,485 |
| (Increase) decrease in accounts receivable - Other | (173,610) | 127,315 |
| (Decrease) increase in accounts payable and accrued liabilities | (218,724) | 286,776 |
| Increase (decrease) in due to HSP | 6,610,906 | (960,485) |
| Decrease in due to e-Health Ontario | - | (104,224) |
| Increase (decrease) in due to MOHLTC | 66,699 | (216,658) |
| (Decrease) increase in due to LHIN Shared Services Office | (6,376) | 219 |
| Increase in prepaid expenses | (36,295) | (12,276) |
| | (368,306) | 81,152 |
| Capital transaction | | |
| Acquisition of tangible capital assets | (207,304) | (23,564) |
| Financing transaction | | |
| Capital contributions received (Note 5) | 58,249 | 226,714 |
| Net change in cash | (517,361) | 284,302 |
| Cash, beginning of year | 904,583 | 620,281 |
| Cash, end of year | 387,222 | 904,583 |

The accompanying notes to the financial statements are an integral part of these financial statements.

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2014

1. Description of business

The Champlain Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act*, 2006 (the "Act") as the Champlain Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished.

The LHIN is, and exercises its powers only as, an agent of the Crown. As an agent of the Crown, the LHIN is not subject to income taxation. Limits on the LHIN's ability to undertake certain activities are set out in both the Act and the Memorandum of Understanding between the LHIN and the Ministry of Health and Long-Term Care (the "MOHLTC").

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers Renfrew County, the City of Ottawa, Prescott & Russell, Stormont, Dundas & Glengarry, North Grenville and four parts of North Lanark. Most people live in the Ottawa area. Cornwall, Clarence-Rockland and Pembroke/Petawawa are also large communities. For more details, visit our website: www.champlainlhin.on.ca.

The LHIN has also entered into an Accountability Agreement with the MOHLTC, which provides the framework for LHIN accountabilities and activities.

The LHIN is funded by the Province of Ontario in accordance with the Ministry-LHIN Performance Agreement ("MLPA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to Health Service Providers ("HSP"), effective April 1, 2007.

The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. The LHIN cannot authorize in excess of the budget allocation set by the MOHLTC. Throughout the fiscal year, the LHIN authorizes MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account. Commencing April 1, 2007 all funding payments to LHIN-managed HSPs in the LHIN geographic area have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized HSPs are expensed in the LHIN's financial statements.

The LHIN statements do not include any Ministry managed programs.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of tangible capital assets.

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2014

2. Significant accounting policies (continued)

Government transfer payments (continued)

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at year end.

Deferred capital contributions

Any amounts received that are used to fund expenses that are recorded as tangible capital assets, are also recorded as deferred capital contributions and are recognized as revenue over the estimated useful life of the asset reflective of the provision of its services. This amortization revenue is in accordance with the amortization policy applied to the related tangible capital asset.

Tangible capital assets

Tangible capital assets are recorded at cost. Cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. The cost of contributed tangible capital assets is recorded at the estimated fair value on the date of contribution. Fair value of contributed tangible capital assets is estimated using the cost of the asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the contributed capital asset would be recognized at nominal value.

Betterments or improvements that significantly increase or prolong the service life or capacity of a capital asset are capitalized. Software purchases, maintenance and repair costs are recognized as an expense when incurred.

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized, on a straight line basis, over their estimated useful lives as follows:

| | |
|-------------------------------|---------------|
| Computer equipment | 3 years |
| Computer software | 3 years |
| Office furniture and fixtures | 5 years |
| Leasehold improvements | Life of lease |

For assets acquired or brought into use, during the year, amortization is provided for a full year.

Segment disclosures

A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the Statement of operations and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and, therefore, no additional disclosure is required.

Use of estimates

The preparation of financial statements in conformity with public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include valuation of accrued liabilities and useful lives of the tangible capital assets. Actual results could differ from those estimates.

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2014

3. Funding repayable to the MOHLTC

In accordance with the MLPA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

- a) The amount repayable to the MOHLTC is related to the current year activities in the following programs:

| | Funding received | Eligible expenses | Excess funding |
|--|-----------------------------|------------------------------|---------------------------|
| | \$ | \$ | \$ |
| Transfer payments to HSPs | 2,540,467,597 | 2,540,467,597 | - |
| LHIN Operations | 5,125,843 | 5,119,575 | 6,268 |
| Amortization | 124,245 | 124,245 | - |
| Enabling Technologies | 573,856 | 560,410 | 13,446 |
| Enabling Technologies Alternative Level of Care | | | |
| Resource Matching and Referral | 232,000 | 223,608 | 8,392 |
| Emergency Department Physician Lead | 65,000 | 61,628 | 3,372 |
| Aboriginal Engagement | 35,000 | 30,131 | 4,869 |
| Emergency Room/Alternate Level of Care | 100,000 | 100,000 | - |
| French Language Services | 106,000 | 106,000 | - |
| FLHS Réseau des services de santé en français | 993,837 | 987,608 | 6,229 |
| Primary Care LHIN Lead | 75,000 | 72,117 | 2,883 |
| Critical Care LHIN Lead | 75,000 | 73,255 | 1,745 |
| Physiotherapy | 27,333 | 27,333 | - |
| Diabetes Regional Coordination | 435,143 | 401,341 | 33,802 |
| | 2,548,435,854 | 2,548,354,848 | 81,006 |

- b) The amount due to the MOHLTC at March 31 consists of:

| | 2014 | 2013 |
|--|----------------|----------------|
| | \$ | \$ |
| Due to MOHLTC, beginning of year | 118,181 | 334,839 |
| Amount recovered during the year | (118,181) | (334,839) |
| Funding repayable to the MOHLTC related to current year activities | 81,006 | 118,181 |
| Funding repayable to the MOHLTC on behalf of the LHIN Enabling Technologies Cluster (other LHINs) | 103,874 | - |
| Due to MOHLTC, end of year | 184,880 | 118,181 |

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2014

4. Related party transactions

The LHIN Shared Services Office ("LSSO") is a division of the Toronto Central LHIN and, as such, is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO is an administrative body that provides centralized Human Resources, Information Technology, Legal and Finance support to all LHINs. The full costs of providing these services are billed to the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN at the year end are recorded as a receivable from (payable to) the LSSO. This is all done pursuant to the Shared Service Agreement the LSSO has with all the LHINs. In addition, the LSSO periodically incurs expenses on behalf of the LHINs and charges the appropriate LHINs to recover these costs. The amount contributed by the LHIN to LSSO for fiscal 2014 was \$351,662 (2013 - \$343,210). These costs were shared by the LHIN Operations, Enabling Technologies and Diabetes Regional Coordination Programs in fiscal 2014.

The LHIN Collaborative ("LHINC") was formed in fiscal 2010 to strengthen relationships between and among health service provider associations and the LHINs, and to support system alignment. LHINC is a LHIN-led organization and accountable to the LHINs. In the first year of operation, LHINC was funded by the LHINs with support from the MOHLTC. LHINC is a division of Toronto Central LHIN and as such is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The amount contributed by the LHIN to LHINC for fiscal 2014 was \$54,357 (2013 - \$47,500). These costs were shared by the LHIN Operations, Enabling Technologies and Diabetes Regional Coordination Programs in fiscal 2014.

5. Deferred capital contributions

| | 2014 | 2013 |
|-----------------------------------|-----------|-----------|
| | \$ | \$ |
| Balance, beginning of year | 253,686 | 151,480 |
| Capital contributions from MOHLTC | 58,249 | 226,714 |
| Amortization for the year | (124,245) | (124,508) |
| Balance, end of year | 187,690 | 253,686 |

In fiscal 2014 deferred capital contributions were recognized by the LHIN Operations (\$5,947), Enabling Technologies (\$6,144) and Diabetes Regional Coordination (\$46,158) programs for the purchase of tangible capital assets and leasehold improvements.

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2014

6. Tangible capital assets

| | | | 2014 | 2013 |
|------------------------|------------------|--------------------------|----------------|----------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| | \$ | \$ | \$ | \$ |
| Computer equipment | 128,202 | 125,864 | 2,338 | 5,928 |
| Computer software | 33,762 | 33,762 | - | - |
| Office equipment | 227,755 | 178,704 | 49,051 | 46,789 |
| Furniture and fixtures | 423,989 | 399,387 | 24,602 | 31,864 |
| Leasehold improvements | 1,351,908 | 1,240,209 | 111,698 | 169,105 |
| | 2,165,616 | 1,977,926 | 187,690 | 253,686 |

7. Budget

The budget figures reported on the Statement of operations comply with PSAB reporting requirements and reflect the initial budget approved by the Government of Ontario.

During the year the Government approves budget adjustments. The total funding budget is made up of the following:

| | | | 2014 | 2013 |
|--------------------------------|----------------------|---------------------|----------------------|----------------------|
| | Initial | Announcements | Total | Total |
| | \$ | \$ | \$ | \$ |
| HSP Transfer Payments | 2,554,712,000 | (14,244,403) | 2,540,467,597 | 2,498,991,902 |
| LHIN operations | 5,131,790 | - | 5,131,790 | 5,029,584 |
| Enabling technologies programs | - | 580,000 | 580,000 | 580,000 |
| Diabetes Regional Coordination | 841,301 | (360,000) | 481,301 | 127,717 |
| Other programs | 1,656,837 | 52,333 | 1,709,170 | 1,881,037 |
| | 2,562,341,928 | (13,972,070) | 2,548,369,858 | 2,506,610,240 |

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2014

8. Transfer payments to HSPs

The LHIN has authorization to allocate funding to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in fiscal 2014 and 2013 as follows:

| | 2014 | 2013 |
|--|---------------|---------------|
| | \$ | \$ |
| Operations of Hospitals | 1,680,502,054 | 1,681,528,785 |
| Grants to compensate for Municipal Taxation | | |
| Public Hospitals | 355,650 | 355,650 |
| Long-Term Care Homes | 331,778,452 | 320,082,110 |
| Community Care Access Centres | 220,375,673 | 205,168,199 |
| Community Support Services | 38,265,548 | 34,904,981 |
| Acquired Brain Injury | 2,321,035 | 1,887,557 |
| Assisted Living Services in Supportive Housing | 19,257,280 | 15,485,039 |
| Community Health Centres | 59,780,127 | 54,508,258 |
| Community Mental Health Addictions Program | 64,235,201 | 62,096,093 |
| Addictions Program | 23,064,339 | 22,797,974 |
| Specialty Psychiatric Hospitals | 98,973,012 | 97,311,412 |
| Grants to compensate for Municipal Taxation | | |
| Psychiatric Hospitals | 28,425 | 28,425 |
| | 2,538,936,796 | 2,496,154,483 |
| Long-Term Care Homes prior year settlements | 1,530,801 | 2,837,419 |
| | 2,540,467,597 | 2,498,991,902 |

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2014

9. LHIN Operations

The MOHLTC provides funds to the LHIN to cover personnel costs, project and program costs, as well as lease and office related costs. The funds are also used to subsidize the LHIN Shared Services Office as well as LHIN Collaborative (see Note 4). The expenses incurred are as follows:

| | 2014 | 2013 |
|------------------------------------|-----------|-----------|
| | \$ | \$ |
| Program based | | |
| Salary and benefits | 3,987,898 | 3,617,302 |
| Consulting and LHIN-based projects | 17,771 | 80,477 |
| Other program costs | 215,351 | 245,997 |
| | 4,221,020 | 3,943,776 |
| Occupancy | 330,055 | 355,572 |
| LHIN Shared services | 276,266 | 343,210 |
| LHIN Collaborative | 42,703 | 47,500 |
| Governance per diems | 99,188 | 73,836 |
| Office equipment and supplies | 108,433 | 76,463 |
| Other | 41,910 | 62,964 |
| | 5,119,575 | 4,903,321 |
| Amortization | 112,035 | 124,508 |
| | 5,231,610 | 5,027,829 |

Governance costs

Included in the above LHIN Operations results are costs to support the activities of the Board of Directors such as administrative support, travel, community engagement meetings, and other general costs. The expenses incurred are as follows:

| | 2014 | 2013 |
|------------------------------|---------|---------|
| | \$ | \$ |
| Chair per diems | 33,863 | 30,713 |
| Other Board member per diems | 65,325 | 43,123 |
| Other | 48,530 | 49,660 |
| | 147,718 | 123,496 |

10. Enabling Technologies for Integration Project Management Office and related programs

Enabling Technologies

In fiscal 2014, the LHIN entered into an agreement with the South East, North East and North West LHINs (the "Cluster") in order to enable the effective and efficient delivery of e-health programs and initiatives within the geographic area of the Cluster. Funding was provided to enable the cluster LHIN Project Management Offices to advance eHealth, information management and information technology initiatives as outlined in the ETI PMO Toolkit Business Case approved by the MOHLTC.

The LHIN's financial statement reflects its share of the MOHLTC funding for Enabling Technologies of \$580,000 in fiscal 2014. An amount of \$6,144 was transferred to deferred capital contributions. The total amount of funding for the Cluster in fiscal 2014 was \$2,320,000 and was received from the MOHLTC by the Champlain LHIN on behalf of the Cluster. The funding was split equitably amongst the South East, North East, North West and Champlain LHINs. In the event that the Cluster experiences a surplus the Lead LHIN (Champlain) is responsible for returning those funds to the MOHLTC. The following provides condensed financial information:

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2014

10. Enabling Technologies for Integration Project Management Office and related programs (continued)

Enabling Technologies (continued)

| | | 2014 | 2013 |
|---------------------|---------------|----------------|----------------|
| | Cluster Total | LHIN's portion | LHIN's portion |
| | \$ | \$ | \$ |
| Revenue | 2,320,000 | 573,856 | 580,000 |
| Expenses | 2,202,680 | 560,410 | 580,000 |
| Accumulated surplus | 117,320 | 13,446 | - |

Expenses incurred by the LHIN are:

| | 2014 | 2013 |
|-----------------------|---------|---------|
| | \$ | \$ |
| Salaries and benefits | 472,522 | 411,393 |
| Consulting services | - | 159,419 |
| Other Program Costs | 87,889 | 9,188 |
| | 560,410 | 580,000 |
| Amortization | 1,313 | - |
| | 561,723 | 580,000 |

Alternate Level of Care Resource Matching and Referral

RM&R is an electronic information and referral system that matches patient/clients to the earliest available services that best meet their individual needs. RM&R improves the patient/client experience and is designed to ensure all individuals have equitable access to safe and high quality services.

Expenses incurred are as follows:

| | 2014 | 2013 |
|-----------------------|---------|---------|
| | \$ | \$ |
| Salaries and benefits | 204,564 | 197,362 |
| Consulting services | (2,300) | 2,300 |
| Other Program Costs | 21,344 | 4,338 |
| | 223,608 | 204,000 |

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2014

11. Diabetes Regional Coordination

In 2009 the MOHLTC established a Diabetes Regional Coordination Centre in each LHIN to support the goals of the Ontario Diabetes Strategy. These goals include: the identification of regional and local service needs, the engagement of primary care and other diabetes service providers across the region to facilitate the adoption of standards and best practices, and the coordination of regional services for adults with pre-diabetes and diabetes to support a more integrated system. In February 2013, the operational mandate, functions and funding for the delivery of this program were transferred to the LHIN. Expenses incurred are as follows:

| | 2014 | 2013 |
|-----------------------|---------|--------|
| | \$ | \$ |
| Salaries and benefits | 291,835 | 75,888 |
| Other Program Costs | 109,506 | 12,816 |
| | 401,341 | 88,704 |
| Amortization | 10,896 | - |
| | 412,237 | 88,704 |

In fiscal 2014 the Champlain LHIN received \$127,500 (2013 - \$127,500) in one time funding to support transition costs for Diabetes Regional Coordination. This funding was directed to the Champlain LHIN Operations and spent as directed by the Ministry of Health and Long Term Care.

12. Other programs

Emergency Department Physician Lead

Since fiscal 2008 the MOHLTC has worked closely with the LHINs, Ontario hospitals and healthcare professionals to implement a comprehensive Emergency Department Strategy. To support the improvements required by this strategy, the MOHLTC and the LHIN jointly retained an Emergency Department Physician Lead. The funds received have been used to compensate the Physician Lead and to cover related business expenses.

Aboriginal engagement

The MOHLTC provided funding for Aboriginal community engagement. The LHIN allocated the funds to support the Aboriginal Health Circle Forum and community engagement activities to improve Aboriginal health across the region.

Emergency Room/Alternate Level of Care Performance Lead (ER/ALC)

Improving Emergency Department wait times and reducing hospital ALC days are key provincial priorities. The LHIN received funds to hire a staff resource to implement the ER/ALC Overarching Plan and the ER Pay for Results Action Plan, and to advance the implementation of a standard performance management approach.

French Language Health Services (FLHS) Program

The objectives of the FLHS Program are to improve access to quality health services for Francophone's of the Champlain region as well as to support the LHIN in meeting its legal obligations (under the French Language Services Act (FLSA) and the Local Health System Integration Act (LHSA)) and in implementing provincial priorities with respect to French Language Services at the regional and local levels.

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2014

12. Other programs (continued)

FLHS Réseau des services en français

Following the adoption of the LHSIA in 2006, the MOHLTC prescribed the Réseau des services de santé en français de l'Est de l'Ontario as the French Language Health Planning Entity (FLHPE) for the Champlain and South East LHINs. In March 2011, the Champlain and South-East LHINs and the Réseau entered a five-year funding and accountability agreement. This Agreement defines the respective roles and responsibilities of all 3 parties relating to the provision of advice by the Entity on the engagement of the Francophone community in the planning for and integration of health services that reflect the health needs and priorities of the Francophone communities.

Primary Care LHIN Lead

The LHIN received funding for a Primary Care Physician Lead who has a mandate to facilitate linkages between the primary care sector and the LHIN and lead specific initiatives with primary care in an effort to improve health system outcomes within the Champlain region. These initiatives will help to advance health system integration and contribute to improvements in LHIN performance measures.

Critical Care LHIN Lead

The Critical Care project, which began in 2011-12, includes a review of the needs of our rural, community, and tertiary-level critical care programs in our region. This incorporates an understanding of operational processes with other programs such as Emergency Medical Services (paramedics) and Critical Care. Priorities to-date have included planning for Ventilator Assisted Pneumonia (VAP) and Central Line Infection Prevention (CLI) Toolkit updates, Surge Capacity Protocol updates, the Extramural Critical Care Response Team, Life or Limb policy including repatriation, Ventilator Stock Pile, scorecards and quality measures.

Physiotherapy

In fiscal 2014 the LHIN received one time funding to support the implementation of a regional physiotherapy initiative. These funds were used to support additional staffing for program planning and implementation.

Other program expenses are as follows:

| | 2014 | 2013 |
|-----------------------|------------------|------------------|
| | \$ | \$ |
| Salaries and benefits | 253,972 | 209,316 |
| Consulting services | 201,000 | 399,606 |
| Other Program Costs | 1,003,100 | 990,702 |
| | 1,458,072 | 1,599,624 |

13. Pension agreements

The LHIN makes contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 42 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed by the LHIN to HOOPP for fiscal 2014 was \$372,528 (2013 - \$348,762) for current service costs and is included as an expense in the Statement of operations. The last actuarial valuation was completed for the plan as of December 31, 2011. At that time, the plan was fully funded.

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2014

14. Guarantees

The LHIN is subject to the provisions of the Financial Administration Act. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the Financial Administration Act and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

15. Commitments

The LHIN has commitments under various operating leases expiring at various dates to 2016 related to office space and to 2018 related to equipment. Lease renewals are likely; however, there are no commitments extending beyond 2018 at this time. Minimum lease payments due are as follows:

| | |
|------|----------------|
| | \$ |
| 2015 | 462,945 |
| 2016 | 233,751 |
| 2017 | 6,629 |
| 2018 | 5,167 |
| | <u>708,492</u> |

The LHIN also has funding commitments to HSPs associated with accountability agreements. Minimum commitment to HSPs, based on the current accountability agreements, is as follows:

| | |
|------|--------------------|
| | \$ |
| 2015 | 2,466,989,778 |
| 2016 | 758,252,626 |
| 2017 | <u>425,486,476</u> |

The actual amounts that will ultimately be paid to HSP's are contingent on receipt of anticipated levels of funding from the MOHLTC. At this time, the Champlain LHIN has agreements with hospitals that have been extended to June 30, 2014, and community sector providers that extend until March 31, 2017. The agreements for the long term care providers have been renewed until March 31, 2016. Renewal of accountability agreements is anticipated; however, there are no commitments extending beyond 2017 at this time.

Erie St. Clair Local Health Integration Network

Management Responsibility Report

The management of the Erie St. Clair Local Health Integration Network (LHIN) is responsible for preparing the accompanying financial statements in conformity with generally accepted accounting principles. In preparing these financial statements, management selects appropriate accounting policies and uses its judgment and best estimates to report events and transactions as they occur. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Financial data included throughout this Annual Report is prepared on a basis consistent with that of the financial statements.

The LHIN maintains a system of internal accounting controls designed to provide reasonable assurance, at a reasonable cost, that assets are safeguarded and that transactions are executed and recorded in accordance with the LHIN's policies for doing business.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control, and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee. The Committee meets approximately four times annually to review audited and unaudited financial information. Deloitte & Touche LLP has full and free access to the Audit Committee.

Management acknowledges its responsibility to provide financial information that is representative of the LHIN's operations, is consistent and reliable, and is relevant for the informed evaluation of the LHIN's activities.



Mr. Gary Switzer
Chief Executive Officer



Mr. Matthew Little, CPA, CMA, MBA
Chief Financial Officer

May 27, 2014



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Independent Auditor's Report

To the Members of the Board of Directors of the
Erie St. Clair Local Health Integration Network

We have audited the accompanying financial statements of Erie St. Clair Local Health Integration Network, which comprise the statement of financial position as at March 31, 2014, and the statements of operations, change in net debt 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 public sector accounting standards, 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 in our audit 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 Erie St. Clair Local Health Integration Network as at March 31, 2014 and the results of its operations and its cash flows for the years then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
May 27, 2014

Erie St. Clair Local Health Integration Network

Statement of financial position
as at March 31, 2014

| | 2014 | 2013 |
|---|------------------|------------------|
| | \$ | \$ |
| Financial assets | | |
| Cash | 835,963 | 624,974 |
| Due from Ministry of Health and Long-Term Care ("MOHLTC") (Note 8) | 240,400 | 28,500 |
| Accounts receivable | 71,105 | 53,316 |
| | 1,147,468 | 706,790 |
| Liabilities | | |
| Accounts payable and accrued liabilities | 786,005 | 672,469 |
| Due to MOHLTC (Note 11b) | 150,645 | 6,305 |
| Due to Health Service Providers ("HSPs") (Note 8) | 240,400 | 28,500 |
| Due to the LHIN Shared Services Office (Note 4) | 291 | 3,398 |
| Deferred capital contributions (Note 5) | 518,670 | 336,404 |
| | 1,696,011 | 1,047,076 |
| Net debt | (548,543) | (340,286) |
| Commitments (Note 14) | | |
| Non-financial assets | | |
| Prepaid expenses | 29,873 | 3,882 |
| Tangible capital assets (Note 6) | 518,670 | 336,404 |
| Accumulated surplus | - | - |



Director



Director

The accompanying notes to the financial statements are an integral part of this financial statement.

Erie St. Clair Local Health Integration Network

Statement of operations
year ended March 31, 2014

| | Budget (Note 7) | 2014 Actual | 2013 Actual |
|--|--------------------|----------------|----------------|
| | \$ | \$ | \$ |
| Revenue | | | |
| MOHLTC funding | | | |
| HSP transfer payments (Note 8) | 1,080,197,506 | 1,123,759,065 | 1,101,919,942 |
| Operations of LHIN | 5,483,100 | 5,213,821 | 4,231,879 |
| Emergency Department Lead (Note 10a) | 75,000 | 75,000 | 75,000 |
| Critical Care Lead (Note 10b) | 75,000 | 75,000 | 75,000 |
| Primary Care Lead (Note 10c) | 75,000 | 75,000 | 75,000 |
| French Language Health Planning Entities Fund (Note 10d) | 425,500 | 425,533 | 425,533 |
| Enabling Technologies (Note 10e) | 580,000 | 852,000 | 784,000 |
| Amortization of deferred capital contributions (Note 5) | - | 157,161 | 72,062 |
| | 1,086,911,106 | 1,130,632,580 | 1,107,658,416 |
| Funding repayable to the MOHLTC (Note 11) | - | (150,645) | (69,945) |
| | 1,086,911,106 | 1,130,481,935 | 1,107,588,471 |
| Expenses | | | |
| Transfer payments to HSPs (Note 8) | 1,080,197,506 | 1,123,759,065 | 1,101,919,942 |
| General and administrative (Note 9) | 5,483,100 | 5,220,904 | 4,303,941 |
| Emergency Department Lead (Note 10a) | 75,000 | 74,433 | 75,000 |
| Critical Care Lead (Note 10b) | 75,000 | 75,000 | 68,695 |
| Primary Care Lead (Note 10c) | 75,000 | 75,000 | 75,000 |
| French Language Health Planning Entities Fund (Note 10d) | 425,500 | 425,533 | 425,533 |
| Enabling Technologies (Note 10e) | 580,000 | 852,000 | 720,360 |
| | 1,086,911,106 | 1,130,481,935 | 1,107,588,471 |
| Annual surplus and accumulated surplus, end of year | - | - | - |

The accompanying notes to the financial statements are an integral part of this financial statement.

Erie St. Clair Local Health Integration Network

Statement of change in net debt
year ended March 31, 2014

| | Budget (Note 7) | 2014 Actual | 2013 Actual |
|---|--------------------|------------------|------------------|
| | \$ | \$ | \$ |
| Annual surplus | | | - |
| Prepaid expenses incurred | - | (29,873) | (3,882) |
| Prepaid expenses expired | - | 3,882 | 12,513 |
| Acquisition of tangible capital assets | (350,000) | (339,427) | (374,977) |
| Amortization of tangible capital assets | 150,000 | 157,161 | 72,062 |
| Increase in net debt | (200,000) | (208,257) | (294,284) |
| Net debt, beginning of year | (340,286) | (340,286) | (46,002) |
| Net debt, end of year | (540,286) | (548,543) | (340,286) |

The accompanying notes to the financial statements are an integral part of this financial statement.

Erie St. Clair Local Health Integration Network

Statement of cash flows year ended March 31, 2014

| | 2014 | 2013 |
|---|----------------|----------------|
| | \$ | \$ |
| Operating transactions | | |
| Annual surplus | - | - |
| Less items not affecting cash | | |
| Amortization of tangible capital assets | (157,161) | 72,062 |
| Amortization of deferred capital contributions (Note 5) | 157,161 | (72,062) |
| Changes in non-cash operating items | | |
| (Increase) decrease in due from MOHLTC | (211,900) | 1,435,200 |
| (Increase) decrease in accounts receivable | (17,789) | 164,882 |
| Increase in due from LHIN Shared Services Office | - | 2,729 |
| Increase (decrease) in accounts payable and accrued liabilities | 113,536 | (29,478) |
| Increase (decrease) in due to MOHLTC | 144,340 | (18,900) |
| Increase (decrease) in due to HSPs | 211,900 | (1,435,200) |
| (Decrease) increase in due to LHIN Shared Services Office | (3,107) | 3,398 |
| (Increase) decrease in prepaid expenses | (25,991) | 8,631 |
| | 210,989 | 131,262 |
| Capital transaction | | |
| Acquisition of tangible capital assets | (339,427) | (374,977) |
| Financing transaction | | |
| (Decrease) increase in deferred capital contributions (Note 5) | 339,427 | 374,977 |
| Net increase in cash | 210,989 | 131,262 |
| Cash, beginning of year | 624,974 | 493,712 |
| Cash, end of year | 835,963 | 624,974 |

The accompanying notes to the financial statements are an integral part of this financial statement.

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2014

1. Description of business

The Erie St. Clair Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the Local Health System Integration Act, 2006 (the "Act") as the Erie St. Clair Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The LHIN has also entered into an Accountability Agreement with the Ministry of Health and Long Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

Commencing April 1, 2007, all funding payments to LHIN managed health service providers in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized Health Service Providers ("HSPs") are expensed in the LHIN's financial statements for the year ended March 31, 2014.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers the Municipalities of Essex, Lambton and Chatham-Kent. The LHIN enters into service accountability agreements with service providers.

The LHIN is funded by the Province of Ontario in accordance with the Ministry-LHIN Performance Agreement ("MLPA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account.

The LHIN financial statements do not include any MOHLTC managed programs.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA"). Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of tangible capital assets and losses in the value of assets.

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2014

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. Unspent amounts are recorded as payable to the MOHLTC at period end. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed.

Deferred capital contributions

Any amounts received that are used to fund expenses that are recorded as tangible capital assets, are recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the statement of operations, is in accordance with the amortization policy applied to the related capital asset recorded.

Segment disclosures

A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the statement of operations and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and, therefore, no additional disclosure is required.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include valuation of accrued liabilities and useful lives of the tangible capital assets. Actual results could differ from those estimates.

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2014

3. Changes in accounting estimate

Tangible capital assets

Tangible capital assets are recorded at cost. Cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of capital assets. The cost of capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed tangible capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the tangible capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a tangible capital asset are capitalized. Computer software is recognized as an expense when incurred.

Tangible capital assets are stated at cost less accumulated amortization. A modification was made to the capital asset policy surrounding the amortization of leasehold improvements to reflect a 5-year period. Tangible capital assets are amortized over their estimated useful lives as follows:

| | |
|------------------------|------------------------------|
| Office equipment | 5 years straight-line method |
| Computer equipment | 3 years straight-line method |
| Leasehold improvements | 5 years straight-line method |

For assets acquired or brought into use during the year, amortization is provided for a full year.

4. Related party transactions

The LHIN Shared Services Office (the "LSSO") is a division of the Toronto Central LHIN and is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs is responsible for providing services to all LHINs. The full costs of providing these services are billed to all the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHINs at the year end is recorded as a receivable (payable) from (to) the LSSO. This is all done pursuant to the shared service agreement the LSSO has with all the LHINs.

The LHIN Collaborative (the "LHINC") was formed in fiscal 2010 to strengthen relationships between and among health service providers, associations and the LHINs, and to support system alignment. The purpose of LHINC is to support the LHINs in fostering engagement of the health service provider community in support of collaborative and successful integration of the health care system; their role as system manager; where appropriate, the consistent implementation of provincial strategy and initiatives; and the identification and dissemination of best practices. LHINC is a LHIN-led organization and accountable to the LHINs. LHINC is funded by the LHINs with support from the MOHLTC.

5. Deferred capital contributions

| | 2014 | 2013 |
|--|-----------|----------|
| | \$ | \$ |
| Balance, beginning of year | 336,404 | 33,489 |
| Capital contributions received during the year | 339,427 | 374,977 |
| Amortization for the year | (157,161) | (72,062) |
| Balance, end of year | 518,670 | 336,404 |

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2014

6. Tangible capital assets

| | | | 2014 | 2013 |
|------------------------|------------------|--------------------------|----------------|----------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| | \$ | \$ | \$ | \$ |
| Office equipment | 778,010 | 539,802 | 238,208 | 141,027 |
| Computer equipment | 210,259 | 176,169 | 34,090 | 67,366 |
| Leasehold improvements | 903,609 | 657,237 | 246,372 | 128,011 |
| | 1,891,878 | 1,373,208 | 518,670 | 336,404 |

7. Budget figures

The budget was approved by the Government of Ontario. The budget figures reported in the statement of operations reflect the initial budget at April 1, 2013. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. During the year the government approved budget adjustments. The following reflects the adjustments for the LHIN during the year:

The final HSP funding budget of \$1,123,022,919 is derived as follows:

| | |
|--|----------------------|
| | \$ |
| Initial budget | 1,080,197,506 |
| Adjustment due to announcements made during the year | 43,561,559 |
| | 1,123,759,065 |

The final LHIN budget, excluding the HSP funding, of \$6,716,354 is derived as follows:

| | |
|--|------------------|
| | \$ |
| Initial budget | 6,713,600 |
| Change in funding from the MOHLTC during the year | 456,739 |
| Amount treated as capital contributions made during the year | (339,427) |
| | 6,830,912 |

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2014

8. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$1,123,759,065 (2013 - \$1,101,919,942) to various HSPs in its geographic area. The LHIN approved transfer payments to various sectors in 2014 as follows:

| | 2014 | 2013 |
|---|----------------------|----------------------|
| | \$ | \$ |
| Operation of hospitals | 689,900,515 | 697,996,636 |
| Grants to compensate for municipal taxation - public hospitals | 172,500 | 167,625 |
| Long-term care homes | 195,821,372 | 184,146,983 |
| Community care access centres | 130,322,363 | 122,251,743 |
| Community support services | 20,743,340 | 18,352,826 |
| Assisted living services in supportive housing | 9,460,183 | 8,326,183 |
| Community health centres | 31,630,431 | 25,903,474 |
| Community mental health addictions programs | 11,637,690 | 10,921,946 |
| Community mental health programs | 34,070,671 | 33,852,526 |
| | 1,123,759,065 | 1,101,919,942 |

The LHIN receives money from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2014, an amount of \$240,000 (2013 - \$28,500) was receivable from the MOHLTC and payable to HSPs. These amounts have been reflected as revenue and expenses in the statement of operations and are included in the table above.

9. General and administrative expenses

The statement of operations presents the expenses by function. The following classifies general and administrative expenses by object:

| | 2014 | 2013 |
|--------------------------------------|------------------|------------------|
| | \$ | \$ |
| Salaries and benefits | 3,709,410 | 2,950,868 |
| Occupancy | 382,300 | 286,711 |
| Amortization | 157,161 | 72,062 |
| Shared services | 351,662 | 393,210 |
| Public relations | 27,958 | 62,775 |
| Consulting services | 56,223 | 25,144 |
| Supplies | 39,123 | 29,334 |
| Board Chair per diems | 15,375 | 22,600 |
| Board member per diems | 47,600 | 37,375 |
| Board member expenses | 48,346 | 58,762 |
| Mail, courier and telecommunications | 77,280 | 68,578 |
| LHIN collaborative | 47,500 | 47,500 |
| Other | 260,966 | 249,022 |
| | 5,220,904 | 4,303,941 |

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2014

9. General and administrative expenses (Continued)

Diabetes Regional Coordination Centres

The LHIN received \$888,328 (2013 - \$106,800) in base funding and \$246,800 (2013 - \$126,555) in one-time funding, which is included in the operating expenses of the LHIN, related to the assumption of work plan deliverables for diabetes and chronic disease management planning effective February 1, 2013. Expenses incurred of \$867,054 (2013 - \$106,800) are included in general and administrative expenses in the statement of operations and capital asset purchase of \$121,909 (2013 - \$126,555) are included in general and administrative expenses in the statement of operations and included in tangible capital asset is made up as follows:

| | 2014 | 2013 |
|---------------------------------------|---------|---------|
| | \$ | \$ |
| Salaries and benefits | 665,210 | 52,400 |
| Operating expenses | 201,844 | 54,400 |
| General and administrative expenses | 867,054 | 106,800 |
| One-time expenses - Capital Purchases | 121,909 | 126,555 |
| | 988,963 | 233,355 |

The unspent amount of \$146,165 is repayable tot the MOHLTC, see Note 11 a).

10. Programs

a) *Emergency Department Lead*

The MOHLTC provided the LHIN with \$75,000 (2013 - \$75,000) to hire a LHIN representative for emergency department planning. The representative provided professional advisory services and travel expenses totaling \$74,433 (2013 - \$75,000) and the amount of \$567 is recorded as repayable to the MOHLTC.

b) *Critical Care Lead*

The MOHLTC provided the LHIN with \$75,000 (2013 - \$75,000) to hire a LHIN representative for critical care planning. The representative provided professional advisory services and travel expenses totaling \$75,000 (2013 - \$68,695).

c) *Primary Care Lead*

The MOHLTC provided the LHIN with \$75,000 (2013 - \$75,000) to hire a LHIN representative for primary care planning. The representative provided professional advisory services and travel expenses totaling \$75,000 (2013 - \$75,000).

d) *French Language Health Planning Entity*

The MOHLTC provided the LHIN with \$425,533 (2013 - \$425,533) to continue to fund the French Language Planning Entity on behalf of the Southwest and Erie St. Clair LHINs. All funds were expended by Entité De Planification Erié St-Clair Sud Ouest.

e) *Enabling Technologies*

Effective February 1, 2012, an agreement was formed with Erie St. Clair, South West, Waterloo Wellington and Hamilton Niagara Haldimand Brant LHINs (the "Cluster") in order to enable the effective and efficient delivery of e-health programs and initiatives within the geographic area of the Cluster. Under the agreement, decisions related to the financial and operating activities of the Enabling Technologies for Integration Project Management Office are shared. No LHIN is in a position to exercise unilateral control.

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2014

10. Programs (continued)

e) *Enabling Technologies (continued)*

The LHIN's financial statement reflects its share of the MOHLTC funding for Enabling Technologies for Integration Project Management Offices for its Cluster and related expenses. During the year, the LHIN received funding from South West LHIN of \$852,000 (2013 - \$784,000). The LHIN had a contract and retained services of the Transform Share Services Organization ("TSSO") during 2014 and with Consolidated Health Information Services ("CHIS") during 2013. CHIS is now a division within the TSSO effective January 1, 2013. All funds were expended.

11. Funding repayable to the MOHLTC

In accordance with the MLPA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

In accordance with the TPA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to MOHLTC.

- a) The amount repayable to the MOHLTC related to current year activities is made up of the following components:

| | Funding received | Eligible expenses | 2014 Funding excess | 2013 Funding excess |
|--|-----------------------------|------------------------------|------------------------------------|------------------------------------|
| | \$ | \$ | \$ | \$ |
| Transfer payments to HSPs | 1,123,759,065 | 1,123,759,065 | - | - |
| LHIN operations | 5,213,821 | 5,063,743 | 150,078 | - |
| French Language Health Planning Entities Fund | 425,533 | 425,533 | - | - |
| Critical Care Lead Fund | 75,000 | 74,433 | 567 | 6,305 |
| Primary Care Lead Fund | 75,000 | 75,000 | - | - |
| Emergency Department Lead | 75,000 | 75,000 | - | - |
| Enabling Technologies | 852,000 | 852,000 | - | 63,640 |
| | 1,130,475,419 | 1,130,324,774 | 150,645 | 69,945 |

- b) The continuity of the amount due to the MOHLTC at March 31 is as follows:

| | 2014 | 2013 |
|--|----------------|--------------|
| | \$ | \$ |
| Due to MOHLTC, beginning of year | 6,305 | 25,205 |
| Funding repayable to the MOHLTC related to current year activities (Note 10a) | 150,645 | 69,945 |
| Amounts repaid to MOHLTC during the year | (6,305) | (88,845) |
| Due to MOHLTC, end of year | 150,645 | 6,305 |

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2014

12. Pension agreements

The LHIN makes contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 25 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2014 was \$262,561 (2013 - \$212,520) for current service costs and is included as an expense in the statement of operations. The last actuarial valuation was completed for the plan as at December 2013. At that time, the plan was fully funded.

13. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favor of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act*, 2006 and in accordance with s. 28 of the *Financial Administration Act*.

14. Commitments

The LHIN has funding commitments to health service providers associated with accountability agreements. The LHIN had the following funding commitments as of March 31, 2014.

| | \$ |
|------|------------|
| 2015 | 46,001,969 |
| 2016 | 46,001,969 |
| 2017 | 46,001,969 |

The LHIN also has commitments under various operating leases related to building and equipment, which will be renewed in accordance with standard lease terms. Minimum lease payments due in each of the next five years are as follows:

| | \$ |
|------|---------|
| 2015 | 365,873 |
| 2016 | 356,199 |
| 2017 | 339,175 |
| 2018 | 327,175 |
| 2019 | 327,175 |

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Hamilton Niagara Haldimand Brant **LHIN**

Management's Responsibility for the Financial Statements

March 31, 2014

The integrity and objectivity of the accompanying financial statements of the Hamilton Niagara Haldimand Brant Local Health Integration Network (HNNHBLHIN) is the responsibility of management. These financial statements have been prepared in compliance with legislation and in accordance with Generally Accepted Account Principles (GAAP) and under Public Sector Accounting Board (PSAB).

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Audit Committee and Board of Directors.

The external auditors meet with Management and the Audit Committee to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements by the Board of Directors.

The financial statements have been audited by Deloitte & Touche LP, independent external auditors appointed by the Board of Directors.



Donna Cripps
Chief Executive Officer



Derek Bodden
Director, Finance

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Independent Auditor's Report

To the Members of the Board of Directors of the
Hamilton Niagara Haldimand Brant
Local Health Integration Network

We have audited the accompanying financial statements of Hamilton Niagara Haldimand Brant Local Health Integration Network, which comprise the statements of financial position as at March 31, 2014, and the statements of operations, change in net debt 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 public sector accounting standards, 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 Hamilton Niagara Haldimand Brant Local Health Integration Network, as at March 31, 2014 and the results of its operations, change in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
May 28, 2014

Hamilton Niagara Haldimand Brant Local Health Integration Network

Statement of financial position
as at March 31, 2014

| | 2014 | 2013 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Financial assets | | |
| Cash | 756,953 | 521,790 |
| HST receivable | 32,205 | 20,926 |
| Accounts receivable - other | 942 | 16,627 |
| Due from Ministry of Health and Long-Term Care ("MOHLTC") transfer payments to Health Service Providers ("HSPs") (Note 9) | 49,450,245 | 11,936,000 |
| | 50,240,345 | 12,495,343 |
| Liabilities | | |
| Accounts payable and accrued liabilities | 367,510 | 223,768 |
| Due to the MOHLTC (Note 3b) | 428,415 | 361,391 |
| Due to Health Service Providers ("HSPs") (Note 9) | 49,450,245 | 11,936,000 |
| Due to the LHIN Shared Services Office (Note 4) | 2,107 | 9,196 |
| Deferred capital contributions (Note 5) | 69,170 | 19,088 |
| | 50,317,447 | 12,549,443 |
| Commitments (Note 6) | | |
| Net debt | (77,102) | (54,100) |
| Non-financial assets | | |
| Prepaid expenses | 7,932 | 35,012 |
| Tangible capital assets (Note 7) | 69,170 | 19,088 |
| Accumulated surplus | - | - |

Approved by the Board



Director



Director

The accompanying notes to the financial statements are an integral part of these financial statements.

Hamilton Niagara Haldimand Brant Local Health Integration Network

Statement of operations
year ended March 31, 2014

| | | 2014 | 2013 |
|---|--------------------|---------------|---------------|
| | Budget (Note 8) | Actual | Actual |
| | \$ | \$ | \$ |
| Revenue | | | |
| MOHLTC funding | | | |
| HSPs transfer payments (Note 9) | 2,808,565,700 | 2,836,986,207 | 2,737,118,195 |
| Operations of LHIN | 4,916,172 | 4,855,909 | 4,916,172 |
| Enabling Technologies (Note 10a) | 580,000 | 580,000 | 580,000 |
| ER/ALC Performance Lead (Note 10b) | - | 100,000 | 100,000 |
| French Language Services (Note 10c) | - | 76,266 | 106,000 |
| French Language Planning Entity (Note 10c) | - | 411,693 | 411,693 |
| Emergency Dept LHIN LEAD (Note 10d) | - | 75,000 | 75,000 |
| Critical Care LHIN LEAD (Note 10e) | - | 75,000 | 75,000 |
| Aboriginal Planning (Note 10g) | 37,500 | 37,500 | 37,500 |
| Primary Care LHIN Lead (Note 10f) | - | 75,000 | 75,000 |
| Diabetes Education (Note 10h) | - | 841,301 | 140,396 |
| Physiotherapy (Note 10i) | - | 27,344 | - |
| Amortization of deferred capital contributions (Note 5) | 10,093 | 40,181 | 153,534 |
| | 2,814,109,465 | 2,844,181,401 | 2,743,788,490 |
| Funding repayable to the MOHLTC (Note 3a) | | (428,415) | (328,956) |
| | 2,814,109,465 | 2,843,752,986 | 2,743,459,534 |
| Expenses | | | |
| Transfer payments to HSPs (Note 9) | 2,808,565,700 | 2,836,986,207 | 2,737,118,195 |
| General and administrative (Note 11) | 4,926,265 | 4,469,987 | 4,803,000 |
| Enabling Technologies (Note 10a) | 580,000 | 580,000 | 580,000 |
| ER/ALC Performance Lead (Note 10b) | - | 100,000 | 100,000 |
| French Language Services (Note 10c) | - | 76,266 | 101,432 |
| French Language Planning Entity (Note 10c) | - | 411,693 | 446,113 |
| Emergency Dept LHIN LEAD (Note 10d) | - | 75,000 | 75,000 |
| Critical Care LHIN LEAD (Note 10e) | - | 72,688 | 73,025 |
| Aboriginal Planning (Note 10g) | 37,500 | 37,500 | 37,500 |
| Primary Care LHIN Lead (Note 10f) | - | 75,000 | 68,750 |
| Diabetes Education (Note 10h) | - | 841,301 | 56,519 |
| Physiotherapy (Note 10i) | - | 27,344 | - |
| | 2,814,109,465 | 2,843,752,986 | 2,743,459,534 |
| Annual surplus and closing | | | |
| accumulated surplus, end of year | - | - | - |

The accompanying notes to the financial statements are an integral part of these financial statements.

Hamilton Niagara Haldimand Brant Local Health Integration Network

Statement of change in net debt
year ended March 31, 2014

| | | 2014 | 2013 |
|---|--------------------|-----------------|-----------------|
| | Budget (Note 8) | Actual | Actual |
| | \$ | \$ | \$ |
| Annual surplus | - | - | - |
| Change in prepaid expenses | - | 27,080 | (8,564) |
| Acquisition of tangible capital assets | - | (90,263) | (17,321) |
| Amortization of tangible capital assets | - | 40,181 | 153,534 |
| (Increase) decrease in net debt | - | (23,002) | 127,649 |
| Net debt, beginning of year | - | (54,100) | (181,749) |
| Net debt, end of year | - | (77,102) | (54,100) |

The accompanying notes to the financial statements are an integral part of these financial statements.

Hamilton Niagara Haldimand Brant Local Health Integration Network

Statement of cash flows
year ended March 31, 2014

| | 2014 | 2013 |
|---|----------------|------------------|
| | \$ | \$ |
| Operating transactions | | |
| Annual surplus | - | - |
| Add items not affecting cash | | |
| Amortization of capital assets | 40,181 | 156,666 |
| Less items not affecting cash | | |
| Amortization of deferred capital contributions | (40,181) | (156,666) |
| Changes in non-cash operating items | | |
| Decrease in accounts receivable - other | 15,685 | 76,364 |
| Decrease in accounts receivable - MOHLTC / e-Health | - | 200,000 |
| (Increase) decrease in HST receivable | (11,279) | 11,372 |
| (Increase) in due from MOHLTC to HSPs | (37,514,245) | (6,643,560) |
| Increase (decrease) in accounts payable and accrued liabilities | 143,742 | (629,442) |
| Increase (decrease) in due to the MOHLTC | 67,024 | (274,097) |
| Increase in due to HSPs from MOHLTC | 37,514,245 | 6,643,560 |
| (Decrease) increase in due to the LHIN Shared Services Office | (7,089) | 9,196 |
| Decrease (increase) in prepaid expenses | 27,080 | (8,564) |
| | 235,163 | (615,171) |
| Capital investment | | |
| Acquisition of tangible capital assets | (90,263) | (17,321) |
| Financing transaction | | |
| Capital contributions received | 90,263 | 17,321 |
| Net change in cash | 235,163 | (615,171) |
| Cash, beginning of year | 521,790 | 1,136,961 |
| Cash, end of year | 756,953 | 521,790 |

The accompanying notes to the financial statements are an integral part of these financial statements.

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2014

1. Description of business

The Hamilton Niagara Haldimand Brant Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act, 2006* (the "Act") as the Hamilton Niagara Haldimand Brant Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers the Counties of Hamilton, Niagara, Haldimand, Brant, most of the County of Norfolk and the City of Burlington. The LHIN enters into service accountability agreements with service providers.

The LHIN is funded by the Province of Ontario in accordance with the Ministry - LHIN Performance Agreement ("MLPA"), which describes budget arrangements established by the Ministry of Health and Long-Term Care ("MOHLTC"). These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to Health Service Providers ("HSPs"), effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account. Commencing April 1, 2007, all funding payments to LHIN managed HSPs in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized HSPs are expensed in the LHIN's financial statements for the year ended March 31, 2014.

The LHIN has also entered into an Accountability Agreement with the MOHLTC, which provides the framework for LHIN accountabilities and activities.

The LHIN statements do not include any MOHTLC managed programs.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian Public Sector accounting standards. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of tangible capital asset and impairment in the value of assets.

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2014

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Deferred capital contributions

Any amounts received that are used to fund expenditures that are recorded as tangible capital assets, are recorded as deferred capital contributions and are recognized over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the Statement of Financial Activities, is in accordance with the amortization policy applied to the related tangible capital asset recorded.

Tangible capital assets

Tangible capital assets are recorded at historical cost. Historical cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. The cost of tangible capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed tangible capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the tangible capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a tangible capital asset are capitalized. Computer software is recognized as an expense when incurred.

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives as follows:

| | |
|--|------------------------------------|
| Computer equipment | 3 years straight-line method |
| Leasehold improvements | Life of lease straight-line method |
| Office equipment, furniture and fixtures | 5 years straight-line method |

For assets acquired or brought into use during the year, amortization is provided for a full year. Infrastructure/web development costs are included with computer equipment for accounting and reporting purposes.

Segment disclosures

The LHIN was required to adopt Section PS 2700 - Segment Disclosures, for the fiscal year beginning April 1, 2007. A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the Statement of Financial Activities and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and therefore no additional disclosure is required.

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2014

2. Significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Adoption of new accounting standards

As at April 1, 2012, the LHIN adopted Public Sector Accounting Handbook *Section PS 1201, "Financial Statement Presentation"*, *Section PS 2601 "Foreign Currency Translation"*, *PS 3410 "Government Transfers"* and *Section PS 3450, "Financial Instruments"*. There was no impact of the adoption of these new standards on the financial statements.

3. Funding repayable to the MOHLTC

In accordance with the MLPA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

- a) The amount repayable to the MOHLTC related to current year activities is made up of the following components:

| | | | 2014 | 2013 |
|---------------------------------|------------------|-------------------|----------------|----------------|
| | Funding received | Eligible expenses | Excess funding | Excess funding |
| | \$ | \$ | \$ | \$ |
| Transfer payments to HSPs | 2,787,535,962 | 2,787,535,962 | - | - |
| LHIN operations | 4,896,091 | 4,465,053 | 431,038 | 266,706 |
| LHIN ETI | 580,000 | 580,000 | - | - |
| French Language Planning Entity | 411,693 | 411,693 | - | (34,420) |
| French Language Services | 76,266 | 76,266 | - | 4,568 |
| ER/ALC Performance Lead | 100,000 | 100,000 | - | - |
| Emergency Dept. LHIN LEAD | 75,000 | 75,000 | - | - |
| Critical Care LHIN LEAD | 75,000 | 72,688 | 2,312 | 1,975 |
| Primary Care Lead | 75,000 | 75,000 | - | 6,250 |
| Aboriginal Planning | 37,500 | 37,500 | - | - |
| Diabetes Education | 841,301 | 841,301 | - | - |
| Physiotherapy | 27,344 | 27,344 | - | 83,877 |
| | 2,794,731,157 | 2,794,297,807 | 433,350 | 328,956 |

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2014

3. Funding repayable to the MOHLTC (continued)

b) The amount due to the MOHLTC at March 31, 2014 is made up as follows:

| | 2014 | 2013 |
|--|-----------|-----------|
| | \$ | \$ |
| Due to MOHLTC, beginning of year | 361,391 | 635,488 |
| Prior year BSO funds not spent | - | 32,435 |
| Funding repayable related to current year activities to the MOHLTC (Note 3a) | 428,215 | 328,956 |
| Amount recovered by the MOHLTC during the year | (361,391) | (635,488) |
| Due to MOHLTC, end of year | 428,215 | 361,391 |

4. Related party transactions

The LHIN Shared Services Office (the "LSSO") and the Local Health Integration Network Collaborative (the "LHINC") are divisions of the Toronto Central LHIN and are subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO and LHINC, on behalf of the LHINs are responsible for providing services to all LHINs. The full costs of providing these services are billed to all the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHINs at the year end, are recorded as a receivable (payable) from (to) the LSSO. This is all done pursuant to the shared services agreement the LSSO has with all LHINs.

5. Deferred capital contributions

| | 2014 | 2013 |
|--|----------|-----------|
| | \$ | \$ |
| Balance, beginning of year | 19,088 | 155,301 |
| Capital contributions received during the year | 90,263 | 17,321 |
| Amortization for the year | (40,181) | (153,534) |
| Balance, end of year | 69,170 | 19,088 |

6. Commitments

The LHIN has commitments under various operating leases related to building and equipment. Lease renewals are likely. Minimum lease payments due in each of the next five years and thereafter are as follows:

| | \$ |
|------------|---------|
| 2015 | 172,786 |
| 2016 | 172,786 |
| 2017 | 172,786 |
| 2018 | 172,786 |
| 2019 | 120,383 |
| Thereafter | - |

The LHIN also has funding commitments to HSPs associated with accountability agreements. The actual amounts which will ultimately be paid are contingent upon LHIN funding received from MOHLTC.

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2014

7. Tangible capital assets

| | | | 2014 | 2013 |
|--|------------------|--------------------------|----------------|----------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| | \$ | \$ | \$ | \$ |
| Office equipment, furniture and fixtures | 471,438 | 468,217 | 3,221 | - |
| Computer equipment | 237,165 | 171,216 | 65,949 | 17,989 |
| Leasehold improvements | 572,444 | 572,444 | - | 1,099 |
| | 1,281,047 | 1,211,877 | 69,170 | 19,088 |

8. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported on the Statement of financial activities reflect the initial budget at April 1, 2013. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. During the year the government approved budget adjustments. The following reflects the adjustments for the LHIN during the year:

The final HSP funding budget of \$ 2,836,986,207 is derived as follows:

| | |
|--|----------------------|
| | \$ |
| Initial budget | 2,808,565,700 |
| Adjustment due to announcements made during the year | 28,420,507 |
| Final budget | 2,836,986,207 |

The final LHIN general and administrative budget of \$7,217,666 is derived as follows:

| | |
|--|------------------|
| | \$ |
| Initial budget | |
| LHIN operations | 4,916,172 |
| LHIN ETI | 580,000 |
| Aboriginal Planning | 37,500 |
| Additional funding received during the year for: | |
| French Language Planning Entity | 411,693 |
| French Language Services Coordinator | 106,000 |
| ER/ALC Performance Lead | 100,000 |
| Emergency Dept. LHIN LEAD | 75,000 |
| Critical Care LHIN LEAD | 75,000 |
| Primary Care Lead | 75,000 |
| Diabetes Education | 841,301 |
| Final budget | 7,217,666 |

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2014

9. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$2,836,986,207 (2013 - \$2,737,118,195) to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in 2014 as follows:

| | 2014 | 2013 |
|--|----------------------|----------------------|
| | \$ | \$ |
| Operation of hospitals | 1,892,233,026 | 1,850,871,086 |
| Grants to compensate for municipal taxation - public hospitals | 464,025 | 464,025 |
| Long term care homes | 460,634,986 | 441,245,153 |
| Community care access centres | 302,761,326 | 272,408,894 |
| Community support services | 45,063,756 | 42,928,049 |
| Acquired brain injury | 6,987,746 | 6,654,450 |
| Assisted living services in supportive housing | 30,250,506 | 28,557,365 |
| Community health centres | 25,416,149 | 23,311,898 |
| Community mental health addictions program | 73,174,687 | 70,677,275 |
| | 2,836,986,207 | 2,737,118,195 |

The LHIN receives money from the MOHLTC which it in turn allocates to the HSPs. As of March 31, 2014 an amount of \$49,450,245 (2013 - \$11,936,000) was payable to the HSPs. This amount has been reflected as revenue and expenses within the LHIN's financial activities and is included above.

10. Other funding initiatives

a) *LHIN Enabling Technologies for Integration (LHIN ETI) Project Management Office*

During fiscal 2014, the Hamilton Niagara Haldimand Brant LHIN received funding in the amount of \$580,000 (2013 - \$580,000). \$580,000 of these funds were used toward initiatives in support of the Project Management Office for 2014 update of the E-Health strategic plan.

b) *ER/ALC Performance Lead*

During fiscal 2014, the Hamilton Niagara Haldimand Brant LHIN received funding in the amount of \$100,000 (2013 - \$100,000). These funds were used to support the activities of the ER/ALC Coordinator.

c) *French Language Services*

During fiscal 2014, the Hamilton Niagara Haldimand Brant LHIN received funding in the amount of \$487,959 (2013 - \$517,693). Of this amount, \$76,266 was used to support the French Language Services Coordinator role (2013 - \$106,000) and \$411,693 was included in the initial allocation for the French Language Planning Entity (2013 - \$411,693).

d) *Emergency Department LHIN LEAD*

During fiscal 2014, the Hamilton Niagara Haldimand Brant LHIN received funding in the amount of \$75,000 (2013 - \$75,000). These funds were used toward initiatives in support of Emergency Department LHIN LEAD activities.

e) *Critical Care LHIN LEAD*

During fiscal 2014, the Hamilton Niagara Haldimand Brant LHIN received funding in the amount of \$75,000 (2013 - \$75,000). These funds were used toward initiatives in support of Critical Care LHIN LEAD activities.

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2014

10. Other funding initiatives (continued)

f) Primary Care LHIN LEAD

During fiscal 2014, the Hamilton Niagara Haldimand Brant LHIN received funding in the amount of \$75,000 (2013 - \$75,000). These funds were used toward initiatives in support of Primary Care LHIN LEAD activities.

g) Aboriginal Planning

During fiscal 2014, the Hamilton Niagara Haldimand Brant LHIN received funding in the amount of \$37,500 (2013 - \$37,500). These funds were used to support Aboriginal Planning activities.

h) Diabetes Education

In February 2013 the Ministry of Health and Long Term Care provided an initial allocation of \$157,717 to the LHIN as a transfer of funding to be used to oversee Diabetes Education in the LHIN. There are several Diabetes Education teams in the LHIN and the responsibility for these teams has been transferred to the LHIN. This is not new funding, but a reallocation from the organization who previously had this responsibility. Staff has been hired to ensure that the LHIN can improve the Diabetes outcomes. Annualized funding will be received of \$841,301 was received in 2014.

i) Physiotherapy

In July 2013 the Ministry of Health and Long Term Care provided one-time operations funding of \$27,344 to the LHIN to carry out the activities supporting the implementation of physiotherapy reform. This funding was used for compensation for additional staff resources to act as a lead to carry out activities supporting implementation of Physiotherapy Reform within the in-home, exercise and falls prevention and community clinics streams.

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2014

11. Expenses by object

The Statement of financial activities presents the expenses by function. The following classifies general and administrative expenses by object:

| | 2014 | 2013 |
|---|-----------|-----------|
| | \$ | \$ |
| Salaries and benefits | 3,258,641 | 3,325,055 |
| Board Chair per diems | 29,621 | 18,239 |
| Directors' per diems | 30,875 | 33,956 |
| Board expenses | 10,393 | 6,159 |
| Travel | 26,087 | 32,734 |
| Consulting services | 168,140 | 281,905 |
| Banking services | 0 | |
| Community forums and communication | 46,092 | 65,795 |
| Supplies, equipment, maintenance, other | 88,645 | 71,788 |
| Occupancy costs | 244,752 | 296,355 |
| Amortization | 40,181 | 153,534 |
| Shared services | 526,559 | 517,480 |
| General and administrative expenses | 4,469,987 | 4,803,000 |
| Salaries and benefits | 986,210 | 260,207 |
| Travel | 8,554 | 5,063 |
| Contracted Services | 1,170,613 | 1,251,312 |
| Community forums and communication | 28,992 | 19,682 |
| Supplies, equipment, maintenance, other | 21,032 | 385 |
| Occupancy costs | 30,391 | |
| Shared services | 51,000 | 1,690 |
| Other funding initiatives expenses | 2,296,792 | 1,538,339 |
| | 6,766,779 | 6,341,339 |

12. Pension agreements

The LHIN makes contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of 35 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2014 was \$289,995 (2013 - \$276,088) for current service costs and is included as an expense in the Statement of financial activities. The last actuarial valuation was completed for the plan as at December 31, 2013. At that time, the plan was fully funded.

13. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act*, 2006 and in accordance with s. 28 of the *Financial Administration Act*.

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Mississauga Halton **LHIN**

Management's Responsibility for the Financial Statements

March 31, 2014

The integrity and objectivity of the accompanying financial statements of the Mississauga Halton Local Health Integration Network (MH LHIN) is the responsibility of management. These financial statements have been prepared in compliance with legislation and in accordance with Generally Accepted Accounting Principles (GAAP) and under Public Sector Accounting Board (PSAB).

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by Management, the Audit Committee and Board of Directors.

Management meets with the external auditors and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The financial statements have been audited by Deloitte & Touche LP, independent external auditors appointed by the Board of Directors.



William MacLeod
Chief Executive Officer



Paulette Zulianello
Senior Director, Finance & Risk



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Independent Auditor's Report

To the Members of the Board of Directors of the
Mississauga Halton Local Health Integration Network

We have audited the accompanying financial statements of Mississauga Halton Local Health Integration Network, which comprise the statement of financial position as at March 31, 2014, and the statements of operations, change in net debt 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 public sector accounting standards, 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 Mississauga Halton Local Health Integration Network as at March 31, 2014 and the results of its operations, change in its net debt, and its cash flows for the years then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

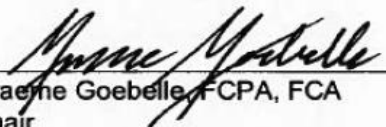
Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
June 5, 2014


Mississauga Halton Local Health Integration Network

Statement of financial position
as at March 31, 2014

| | 2014 | 2013 |
|--|------------------|------------------|
| | \$ | \$ |
| Financial assets | | |
| Cash | 735,688 | 594,426 |
| Accounts receivable | 43,234 | 85,860 |
| Accounts receivable Ministry of Health and Long-Term Care ("MOHLTC") transfer payments to Health Service Providers ("HSPs") (Note 3) | 5,375,200 | 2,500,800 |
| Due from the LHIN Shared Services Office | - | 59,362 |
| | 6,154,122 | 3,240,448 |
| Liabilities | | |
| Accounts payable and accrued liabilities | 540,344 | 356,490 |
| Accounts payable HSPs transfer payments (Note 3) | 5,375,200 | 2,500,800 |
| Due to MOHLTC (Note 4b) | 211,400 | 413,339 |
| Due to the LHIN Shared Services Office (Note 5) | 5,884 | - |
| Due to other LHIN (Note 5) | 56,294 | - |
| Deferred capital contributions (Notes 6) | 99,920 | 97,420 |
| | 6,289,042 | 3,368,049 |
| Net debt | (134,920) | (127,601) |
| Commitments (Note 7) | | |
| Non-financial assets | | |
| Prepaid expenses | 35,000 | 30,181 |
| Tangible capital assets (Note 8) | 99,920 | 97,420 |
| | 134,920 | 127,601 |
| Accumulated surplus | - | - |

Approved by the Board


Graeme Goebelle, FCPA, FCA
Chair


Ron Haines, FCPA, FCA
Vice Chair

The accompanying notes to the financial statements are an integral part of this financial statement.

Mississauga Halton Local Health Integration Network

Statement of operations
year ended March 31, 2014

| | Budget (Note 9) | 2014 Actual | 2013 Actual |
|--|--------------------|----------------|----------------|
| | \$ | \$ | \$ |
| Revenue | | | |
| MOHLTC Funding | | | |
| HSP transfer payments (Note 3) | 1,317,462,641 | 1,373,184,623 | 1,353,622,725 |
| LHIN Operation | 4,115,693 | 4,140,530 | 4,086,874 |
| Diabetes Regional Coordination Centre Program (Note 11a) | 1,347,626 | 1,311,310 | 150,718 |
| Emergency Department (ED) Lead (Note 11b) | 75,000 | 75,000 | 75,000 |
| ER/ALC Performance Lead (Note 11c) | 100,000 | 100,000 | 100,000 |
| French Language Health Services (Note 11d) | 106,000 | 106,000 | 106,000 |
| Critical Care Lead (Note 11e) | 75,000 | 75,000 | 75,000 |
| Aboriginal Engagement (Note 11f) | 5,000 | 5,000 | 5,000 |
| Primary Care Lead (Note 11g) | - | 75,000 | 75,000 |
| LHIN Enabling Technologies for Integration Project Management Office (ETI PMO) (Note 11h) | - | 620,159 | 580,000 |
| Amortization of deferred capital contributions (Note 6) | - | 36,314 | 40,268 |
| | 1,323,286,960 | 1,379,728,936 | 1,358,916,585 |
| Funding repayable to the MOHLTC (Note 4a) | - | (211,400) | (416,840) |
| | 1,323,286,960 | 1,379,517,536 | 1,358,499,745 |
| Expenses (Note 10) | | | |
| Transfer payments to HSPs (Note 3) | 1,317,462,641 | 1,373,184,623 | 1,353,622,725 |
| General and administrative expense LHIN operation (Note 10) | 4,115,693 | 4,103,818 | 4,087,518 |
| Diabetes Regional Coordination Centre Program (Note 11a) | 1,347,626 | 1,185,648 | 136,500 |
| Emergency Department (ED) Lead (Note 11b) | 75,000 | 72,403 | 72,845 |
| ER/ALC Performance Lead (Note 11c) | 100,000 | 99,817 | 99,817 |
| French Language Health Services (Note 11d) | 106,000 | 104,764 | 104,358 |
| Critical Care Lead (Note 11e) | 75,000 | 72,126 | 72,217 |
| Aboriginal Engagement (Note 11f) | 5,000 | 1,706 | 4,991 |
| Primary Care Lead (Note 11g) | - | 72,472 | 73,094 |
| LHIN ETI PMO (Note 11h) | - | 620,159 | 225,680 |
| | 1,323,286,960 | 1,379,517,536 | 1,358,499,745 |
| Annual surplus and accumulated surplus, end of year | - | - | - |

The accompanying notes to the financial statements are an integral part of this financial statement.

Mississauga Halton Local Health Integration Network

Statement of change in net debt
year ended March 31, 2014

| | Budget (Note 9) | 2014 Actual | 2013 Actual |
|---|--------------------|------------------|------------------|
| | \$ | \$ | \$ |
| Annual surplus | - | - | - |
| Change in prepaid expenses | - | (4,819) | (27,529) |
| Acquisition of tangible capital assets | - | (38,814) | (116,302) |
| Amortization of tangible capital assets | - | 36,314 | 40,268 |
| Increase in net debt | - | (7,319) | (103,563) |
| Net debt, beginning of year | - | (127,601) | (24,038) |
| Net debt, end of year | - | (134,920) | (127,601) |

The accompanying notes to the financial statements are an integral part of this financial statement.

Mississauga Halton Local Health Integration Network

Statement of cash flows
year ended March 31, 2014

| | 2014 | 2013 |
|--|----------------|------------------|
| | \$ | \$ |
| Operating transactions | | |
| Annual surplus | - | - |
| Add item not affecting cash | | |
| Amortization of tangible capital assets | 36,314 | 40,268 |
| Less items not affecting cash | | |
| Amortization of deferred capital contributions | (36,314) | (40,268) |
| Changes in non-cash operating items | | |
| Decrease (increase) in accounts receivable | 42,626 | (23,770) |
| Change in due to/from other LHIN | 56,294 | 60,000 |
| Decrease (increase) in due from the LHIN Shared Services Office | 59,362 | (59,362) |
| Increase in accounts receivable MOHLTC transfer payments to HSPs | (2,874,400) | (1,371,371) |
| Increase (decrease) in accounts payable and accrued liabilities | 183,854 | (68,572) |
| Increase in accounts payable HSPs transfer payments | 2,874,400 | 1,371,371 |
| Decrease in due to MOHLTC | (201,939) | (24,123) |
| Increase (decrease) in due to the LHIN Shared Services Office | 5,884 | (2,537) |
| Increase in prepaid expenses | (4,819) | (27,529) |
| | 141,262 | (145,893) |
| Capital transaction | | |
| Acquisition of tangible capital assets | (38,814) | (116,302) |
| Financing transaction | | |
| Capital contributions received (Note 6) | 38,814 | 116,302 |
| Net increase (decrease) in cash | 141,262 | (145,893) |
| Cash, beginning of year | 594,426 | 740,319 |
| Cash, end of year | 735,688 | 594,426 |

The accompanying notes to the financial statements are an integral part of this financial statement.

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2014

1. Description of business

The Mississauga Halton Local Health Integration Network was incorporated by Letters Patent on June 9, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act*, 2006 (the "Act") as the Mississauga Halton Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers a south-west portion of the City of Toronto, the south part of Peel Region and all of Halton Region except for Burlington. The LHIN enters into service accountability agreements with service providers.

The LHIN is funded by the Province of Ontario in accordance with the Ministry - LHIN Performance Agreement ("MLPA"), which describes budget arrangements established by the Ministry of Health and Long-Term Care ("MOHLTC") and provides the framework for the LHIN accountabilities and activities. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to Health Service Providers ("HSPs"), effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSPs. The cash associated with the transfer payment does not flow through the LHIN bank account. Commencing April 1, 2007, all funding payments to LHIN managed HSPs in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized HSPs are expensed in the LHIN's financial statements for the year ended March 31, 2014.

The LHIN has also entered into an Accountability Agreement with the MOHLTC, which provides the framework for LHIN accountabilities and activities.

The LHIN statements do not include any MOHLTC managed programs.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of tangible capital assets.

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2014

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and the reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. As directed by the ministry, there are circumstances when funding received by the HSP is used to pay expenses for which the related services have not yet to be performed. These amounts are recorded by the HSP as payable to the MOHLTC/LHIN at period end.

Deferred capital contributions

Any amounts received that are used to fund expenditures that are recorded as tangible capital assets in the operation of the LHIN, are recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under revenue in the statement of operations, is in accordance with the amortization policy applied to the related tangible capital asset recorded.

Tangible capital assets

Tangible capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. The cost of tangible capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed tangible capital assets is estimated using the cost of the asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the tangible capital asset would be recognized at its nominal value.

Maintenance and repair costs are recognized as expenses when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a tangible capital asset are capitalized. Computer software is recognized as an expense when incurred.

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives as follows:

| | |
|--|------------------------------------|
| Computer equipment | 3 years straight-line method |
| Web development | 3 years straight-line method |
| Leasehold improvements | Life of lease straight-line method |
| Office equipment, furniture and fixtures | 5 years straight-line method |

For assets acquired or brought into use during the year, amortization is provided for a full year.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include valuation of accrued liabilities and useful lives of the tangible capital assets. Actual results could differ from those estimates.

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2014

3. Transfer payments to HSPs

In fiscal 2014, the LHIN had authorization to allocate funding of \$1,373,184,623 to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in fiscal 2014 as follows:

| | 2014 | 2013 |
|--|----------------------|----------------------|
| | \$ | \$ |
| Operation of hospitals | 918,430,770 | 924,813,636 |
| Long term care homes | 192,474,886 | 186,403,556 |
| Community care access centres | 147,342,163 | 138,197,671 |
| Community support services | 40,798,191 | 32,077,723 |
| Assisted living services in supportive housing | 32,360,360 | 30,812,120 |
| Community mental health | 29,778,571 | 29,603,697 |
| Acquired brain injury | 6,018,966 | 6,134,923 |
| Addictions program | 5,980,716 | 5,579,399 |
| | 1,373,184,623 | 1,353,622,725 |

The LHIN receives money from the MOHLTC which it in turn allocates to the HSPs. As at March 31, 2014, an amount of \$5,375,200 (2013 - \$2,500,800) was receivable from the MOHLTC and \$5,375,200 (2013 - \$2,500,800) was payable to the HSPs. These amounts have been reflected as revenue and expenses with the LHIN's operations and are included above.

New investment decisions targeting various Ministry priorities such as investments in home care; community services to support seniors, to support reduction in emergency room wait times and alternate level of care and avoidable hospital readmissions are included in the above transfer payments to HSPs.

4. Funding repayable to the MOHLTC

In accordance with the MLPA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

a) The amount repayable to the MOHLTC related to current year activities is made up of the following components:

| | | | 2014 | 2013 |
|---------------------------------|------------------|-------------------|----------------|----------------|
| | Funding received | Eligible expenses | Excess funding | Excess funding |
| | \$ | \$ | \$ | \$ |
| Transfer payments to HSPs | 1,373,184,623 | 1,373,184,623 | - | - |
| LHIN operations | 4,176,844 | 4,103,818 | 73,026 | 39,624 |
| LHIN special funded initiatives | | | | |
| Diabetes Regional Coordination | | | | |
| Centre Program | 1,311,310 | 1,185,648 | 125,662 | 14,218 |
| ED Lead | 75,000 | 72,403 | 2,597 | 2,155 |
| ER/ALC Performance Lead | 100,000 | 99,817 | 183 | 183 |
| French Language Health Services | 106,000 | 104,764 | 1,236 | 1,642 |
| Critical Care Lead | 75,000 | 72,126 | 2,874 | 2,783 |
| Aboriginal Engagement | 5,000 | 1,706 | 3,294 | 9 |
| Primary Care Lead | 75,000 | 72,472 | 2,528 | 1,906 |
| LHIN ETI PMO | 620,159 | 620,159 | - | 354,320 |
| | 2,367,469 | 2,229,095 | 138,374 | 377,216 |
| | 1,379,728,936 | 1,379,517,536 | 211,400 | 416,840 |

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2014

4. Funding repayable to the MOHLTC (continued)

b) The amount due to the MOHLTC at March 31 is made up as follows:

| | 2014 | 2013 |
|---|-----------|-----------|
| | \$ | \$ |
| Due to MOHLTC, beginning of year | 413,339 | 437,462 |
| Amount recovered by the MOHLTC during the year | (413,339) | (437,462) |
| Funding repayable to the MOHLTC related to current year activities (Note 4a) | 211,400 | 416,840 |
| In year surplus recovered by MOHLTC | - | (3,501) |
| Due to MOHLTC, end of year | 211,400 | 413,339 |

5. Shared services agreement

The LHIN Shared Services Office (the "LSSO") is a division of the Toronto Central LHIN and is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs, is responsible for providing services to all LHINs. The full costs of providing these services are billed to all of the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN at the year-end are recorded as a receivable (payable) from (to) the LSSO. This is all done pursuant to the Shared Service Agreement the LSSO has with all the LHINs.

The Local Health Integration Network Collaborative ("LHINC") became a division of the Toronto Central LHIN in fiscal 2010. LHINC was formed to foster engagement of the LHINs' HSP community and encourage collaborative integration of the health care system to all LHINs. LHINC is subject to the same policies, guidelines and directives as the LSSO and Toronto Central LHIN.

Effective February 1, 2012, the Central, Central West, Central East, Toronto Central, Mississauga Halton and North Simcoe Muskoka (the "Cluster") LHINs entered into an agreement in order to enable the effective and efficient delivery of e-health programs and initiatives within the geographical area of the Cluster. Under this agreement, decisions related to the financial and operating activities of the Enabling Technologies for Integration Project Management Office are shared. No LHIN is in a position to exercise unilateral control.

6. Deferred capital contributions

| | 2014 | 2013 |
|--|----------|----------|
| | \$ | \$ |
| Balance, beginning of year | 97,420 | 21,386 |
| Capital contributions received during the year | 38,814 | 116,302 |
| Amortization for the year | (36,314) | (40,268) |
| Balance, end of year | 99,920 | 97,420 |

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2014

7. Commitments

The LHIN has commitments under various operating leases related to building and equipment. The LHIN's existing building lease was renegotiated and extended to December 31, 2020. Other lease renewals are likely. Minimum lease payments due in each of the next five years and thereafter are as follows:

| | \$ |
|------------|------------------|
| 2015 | 347,086 |
| 2016 | 312,388 |
| 2017 | 252,894 |
| 2018 | 342,097 |
| 2019 | 333,684 |
| Thereafter | 578,254 |
| | <u>2,166,403</u> |

The LHIN also has funding commitments to all HSPs associated with accountability agreements allocating planning targets for future fiscal years. The actual amounts which will ultimately be paid are contingent upon actual LHIN funding received from the MOHLTC.

8. Tangible capital assets

| | | | 2014 | 2013 |
|--|------------------|-----------------------------|-------------------|-------------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| | \$ | \$ | \$ | \$ |
| Office equipment, furniture and fixtures | 289,644 | 198,808 | 90,836 | 97,420 |
| Leasehold improvements | 887,343 | 881,598 | 5,745 | - |
| Computer equipment | 41,683 | 38,344 | 3,339 | - |
| Web development | 68,160 | 68,160 | - | - |
| | <u>1,286,830</u> | <u>1,186,910</u> | <u>99,920</u> | <u>97,420</u> |

9. Budget figures

Health Service Providers

The initial funding budget figures reported in the statement of operations reflect the opening base as at April 1, 2013 as approved by the LHIN Board. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. During the year the government approved budget adjustments. The following reflects the adjustments for the LHIN during the year.

The final HSP funding budget of \$1,373,184,623 as at March 31, 2014 is made up of the following:

| | \$ |
|---|----------------------|
| Initial HSP funding budget as at April 1, 2013 | 1,317,462,641 |
| Adjustments due to announcements made during the year | 55,721,982 |
| Final HSP funding budget | <u>1,373,184,623</u> |

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2014

9. Budget figures (continued)

LHIN operations

The final operating budget from MOHLTC of \$6,546,822 as at March 31, 2014 is made up of the following:

| | \$ |
|--|------------------|
| Initial budget as at April 1, 2013 | |
| LHIN Operation | 4,115,693 |
| DRCC Program | 1,347,626 |
| French Language Services | 106,000 |
| Aboriginal Engagement | 5,000 |
| ED Lead | 75,000 |
| ER/ALC Performance Lead | 100,000 |
| Critical Care Lead | 75,000 |
| Additional funding received during the year for: | |
| LHIN ETI PMO | 620,159 |
| LHIN Operation | 27,344 |
| Primary Care Lead | 75,000 |
| Final budget | 6,546,822 |

10. Expenses classified by object

The statement of operations presents the expenses by function. The following classifies general and administrative expenses by object:

| | 2014 | 2013 |
|---|------------------|------------------|
| | \$ | \$ |
| Salaries and benefits | 3,070,876 | 3,044,240 |
| Shared services | 336,951 | 336,951 |
| LHIN Collaborative | 47,500 | 47,500 |
| Staff travel | 23,317 | 18,964 |
| Communication | 30,233 | 28,139 |
| Accommodation | 218,946 | 174,628 |
| Advertising | 2,717 | 30,788 |
| Professional fees and medical professional services | 22,756 | 34,430 |
| Consulting fees | 5,332 | 27,633 |
| Equipment rentals | 20,882 | 20,932 |
| Insurance | 7,209 | 6,288 |
| Other meeting expenses | 25,277 | 22,058 |
| Board Chair's per diem expenses | 39,025 | 40,950 |
| Other Board members' per diem expenses | 28,796 | 25,950 |
| Other governance costs and travel | 40,513 | 33,819 |
| Printing and translation | 8,706 | 38,040 |
| Staff development | 56,697 | 33,409 |
| IT equipment | 8,183 | 2,976 |
| Office supplies and purchased equipment | 40,181 | 59,736 |
| Amortization | 36,314 | 40,268 |
| Other services | 33,407 | 19,819 |
| | 4,103,818 | 4,087,518 |

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2014

10. Expenses classified by object (continued)

The statement of operations presents the expenses by function; the following classifies LHIN special funded initiatives, by object:

| | 2014 | 2013 |
|---|------------------|----------------|
| | \$ | \$ |
| Salaries and benefits | 1,182,728 | 443,767 |
| Shared services | 14,711 | 6,259 |
| Staff travel | 5,363 | 4,385 |
| Communication | 4,531 | 1,342 |
| Accommodation | 58,569 | 5,895 |
| Advertising | 2,646 | 800 |
| Professional fees/Medical Professional Services | 469,000 | 216,000 |
| Consulting fees | 107,433 | - |
| Equipment rentals | 2,911 | 2,911 |
| Other meeting expenses | 14,247 | 10,105 |
| Printing and translation | - | 250 |
| Staff development | 1,005 | 1,780 |
| IT equipment | 44,789 | 23,034 |
| Office supplies and purchased equipment | 40,935 | 26,893 |
| Other services | 280,227 | 46,081 |
| | 2,229,095 | 789,502 |

11. Other funding initiatives

a) Diabetes Regional Coordination Centre Program

The LHIN received funding for the Diabetes Regional Coordination Centre Program of \$1,347,626 (2013 - \$238,202) of which \$1,311,310 (2013 - \$150,718) was recognized as revenue and \$36,316 (2013 - \$87,484) was treated as capital contributions for the year. The LHIN is responsible for the regional management related to diabetes care, planning and coordination of diabetes services effective February 1, 2013. During the year, \$1,185,648 (2013 - \$136,500) of expenses were incurred. Funds were used to support the following expenses: salaries and benefits of \$756,583 (2013 - \$68,843) and other operational expenses of \$429,065 (2013 - \$67,657).

b) Emergency Department (ED) Lead

The MOHLTC provided \$75,000 (2013 - \$75,000) of one-time funding to support the compensation of the Emergency Department LHIN Lead and other miscellaneous professional expenses to the LHIN. During the year, \$72,403 (2013 - \$72,845) of expenses were incurred.

c) ER/ALC Performance Lead

The MOHLTC provided one-time funding of \$100,000 (2013 - \$100,000) relating to the LHIN ER/ALC Performance Lead initiative. The one-time funding to assist the LHIN in achieving its ER/ALC outcomes and advance the implementation of a standard performance management approach for the ER/ALC strategy such that the LHIN and MOHLTC can monitor progress regularly. During the year, \$99,817 (2013 - \$99,817) of expenses were incurred.

d) French Language Health Services

The MOHLTC provided base funding of \$106,000 (2013 - \$106,000) to support the francophone community needs within the LHIN. During the year, \$104,764 (2013 - \$104,358) of expenses were incurred.

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2014

11. Other funding initiatives (continued)

e) *Critical Care Lead*

The MOHLTC provided one-time funding of \$75,000 (2013 - \$75,000) to support the compensation of the Critical Care Lead and other miscellaneous professional expenses. The funding will advance the implementation of a comprehensive Critical Care Strategy, which is designed to improve access, quality and system integration. During the year, \$72,126 (2013 - \$72,217) of expenses were incurred.

f) *Aboriginal Engagement*

The MOHLTC provided base operational funding of \$5,000 (2013 - \$5,000) to the LHIN for the purposes of engaging the Aboriginal population and organizations in the Mississauga Halton LHIN. During the year, \$1,706 (2013 - \$4,991) of expenses were incurred.

g) *Primary Care Lead*

The MOHLTC provided funding to support the Primary Care Lead Pilot Project in the LHIN. The Primary Care Lead's role is to advance primary care services to support timely, accessible and effective primary care and prevent unnecessary emergency department visits. The funding allocation for fiscal year 2014 was \$75,000 (2013 - \$75,000). During the year, \$72,472 (2013 - \$73,094) of expenses were incurred.

h) *LHIN Enabling Technologies for Integration Project Management Office (ETI PMO)*

The LHIN's financial statements reflect its share of the MOHLTC funding for Enabling Technologies for Integration Project Management Offices for its Cluster and related expenses (Note 5). The total funding provided by the MOHLTC to the LHINs was \$3,480,000.

The LHIN received one-time funding of \$620,159 (2013 - \$580,000) to cover the operational and project costs associated with LHIN ETI activities. During the year, \$620,159 (2013 - \$225,680) of expenses were incurred.

12. Pension agreements

The LHIN makes contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 36 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2014 was \$338,423 (2013 - \$279,883) for current service costs and is included as an expense in the statement of operations. The last actuarial valuation was completed for the plan as at December 31, 2013. At that time, the plan was fully funded.

13. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act*, 2006 and in accordance with s. 28 of the *Financial Administration Act*.

14. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's basis of presentation.

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North East **LHIN**

Management's Responsibility for the Financial Statements

March 31, 2014

The integrity and objectivity of the accompanying financial statements of the North East Local Health Integration Network (NE LHIN) is the responsibility of management. These financial statements have been prepared in compliance with legislation and in accordance with Generally Accepted Account Principles (GAAP) and under Public Sector Accounting Board (PSAB).

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Audit Committee and Board of Directors.

Management meets with the external auditors and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The financial statements have been audited by Deloitte & Touche LP, independent external auditors appointed by the Board of Directors.



Kathleen A. Fyfe, CPA CA
Acting CEO



Marc Demers
Controller/Corporate Services Manager



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Independent Auditor's Report

To the Members of the Board of Directors of the
North East Local Health Integration Network

We have audited the accompanying financial statements of the North East Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2014, and the statements of operations, change in net debt 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 public sector accounting standards 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 LHIN as at March 31, 2014, and the results of its operations, change in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

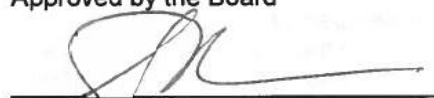
Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
June 4, 2014

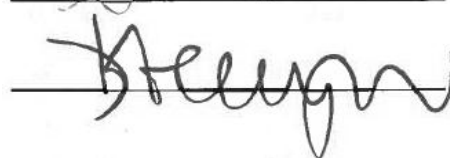
North East Local Health Integration Network

Statement of financial position as at March 31, 2014

| | 2014 | 2013 |
|---|------------------|------------------|
| | \$ | \$ |
| Financial assets | | |
| Cash | 947,565 | 891,035 |
| Accounts receivable | 1,223 | 7,692 |
| HST Receivable | 63,318 | 70,904 |
| Due from MOHLTC-Health Service Providers ("HSP") (Note 7) | 4,869,191 | 1,537,653 |
| | 5,881,297 | 2,507,284 |
| Liabilities | | |
| Accounts payable and accrued liabilities | 1,010,911 | 743,020 |
| Due to MOHLTC (Note 10b) | 15,090 | 219,907 |
| Due to the LHIN Shared Services Office (Note 3) | 4,955 | 28,155 |
| Due to Health Service Providers ("HSP") (Note 7) | 4,869,191 | 1,537,653 |
| Deferred capital contributions (Note 4) | 304,807 | 232,212 |
| | 6,204,954 | 2,760,947 |
| Net debt | (323,657) | (253,663) |
| Commitments (Note 13) | | |
| Non-financial assets | | |
| Prepaid expenses | 18,850 | 21,451 |
| Tangible capital assets (Note 5) | 304,807 | 232,212 |
| | 323,657 | 253,663 |
| Accumulated surplus | - | - |

Approved by the Board

 Director

 Director

The accompanying notes to the financial statements are an integral part of this financial statement.

North East Local Health Integration Network

Statement of operations year ended March 31, 2014

| | Budget (Note 6) | 2014 Actual | 2013 Actual |
|--|----------------------|----------------------|----------------------|
| | \$ | \$ | \$ |
| Revenues | | | |
| MOHLTC funding | | | |
| HSP transfer payments (Note 7) | 1,440,977,600 | 1,466,699,913 | 1,420,730,615 |
| Operations of LHIN | 4,752,782 | 4,539,109 | 4,746,290 |
| Enabling technologies (Note 9a) | - | 580,000 | 580,000 |
| French Language Health Service (Note 9b) | 296,800 | 296,800 | 296,800 |
| Réseau du mieux-être francophone du Nord de l'Ontario (Note 9c) | 796,159 | 796,159 | 796,159 |
| Emergency Department Lead (Note 9d) | 75,000 | 75,000 | 75,000 |
| Critical Care Lead (Note 9e) | 75,000 | 75,000 | 75,000 |
| Aboriginal Engagement (Note 9f) | 100,000 | 100,000 | 100,000 |
| Emergency Room/Alternate Level of Care (Note 9g) | 100,000 | 100,000 | 100,000 |
| Primary Care Lead (Note 9h) | - | 75,000 | 75,000 |
| Diabetes Regional Coordinating Centre (Note 9i) | 1,087,560 | 1,097,990 | 393,346 |
| Physiotherapy Reform LHIN Leads (Note 9j) | - | 27,344 | - |
| Amortization of deferred capital contributions (Note 4) | 76,078 | 130,648 | 88,600 |
| | 1,448,336,979 | 1,474,592,963 | 1,428,056,810 |
| Funding repayable to MOHLTC (Note 10) | - | (15,090) | (219,907) |
| | 1,448,336,979 | 1,474,577,873 | 1,427,836,903 |
| Expenses | | | |
| Transfer payments to HSPs (Note 7) | 1,440,977,600 | 1,466,699,913 | 1,420,730,615 |
| General and administrative (Note 8) | 4,752,782 | 4,534,449 | 4,746,290 |
| Enabling technologies (Note 9a) | - | 580,000 | 580,000 |
| French Language Health Service (Note 9b) | 296,800 | 296,800 | 296,800 |
| Réseau du mieux-être francophone du Nord de l'Ontario (Note 9c) | 796,159 | 796,159 | 796,159 |
| Emergency Department Lead (Note 9d) | 75,000 | 75,000 | 75,000 |
| Critical Care Lead (Note 9e) | 75,000 | 75,000 | 73,003 |
| Aboriginal Engagement (Note 9f) | 100,000 | 100,000 | 100,000 |
| Emergency Room/Alternate Level of Care (Note 9g) | 100,000 | 100,000 | 100,000 |
| Primary Care Lead (Note 9h) | - | 75,000 | 65,280 |
| Diabetes Regional Coordinating Centre (Note 9i) | 1,087,560 | 1,087,560 | 185,156 |
| Physiotherapy Reform LHIN Leads (Note 9j) | - | 27,344 | - |
| Amortization of tangible capital assets | 76,078 | 130,648 | 88,600 |
| | 1,448,336,979 | 1,474,577,873 | 1,427,836,903 |
| Annual surplus and accumulated surplus, end of year | - | - | - |

The accompanying notes to the financial statements are an integral part of this financial statement.

North East Local Health Integration Network

Statement of change in net debt
year ended March 31, 2014

| | Budget | 2014 | 2013 |
|--|------------------|------------------|------------------|
| | \$ | \$ | \$ |
| Annual surplus | - | - | - |
| Acquisition of tangible capital assets | (9,000) | (203,243) | (155,346) |
| Amortization of tangible capital assets | 85,234 | 130,648 | 88,600 |
| Decrease (increase) in prepaid expenses, net | - | 2,601 | (3,920) |
| Decrease (increase) in net debt | 76,234 | (69,994) | (70,666) |
| Net debt, beginning of year | (253,663) | (253,663) | (182,997) |
| Net debt, end of year | (177,429) | (323,657) | (253,663) |

The accompanying notes to the financial statements are an integral part of this financial statement.

North East Local Health Integration Network

Statement of cash flows year ended March 31, 2014

| | 2014 | 2013 |
|---|----------------|----------------|
| | \$ | \$ |
| Operating transactions | | |
| Annual surplus | - | - |
| Items not affecting cash | | |
| Amortization of tangible capital assets | 130,648 | 88,600 |
| Amortization of deferred capital contributions (Note 4) | (130,648) | (88,600) |
| Changes in non-cash working capital | | |
| Decrease in due from the LHIN Shared Service Office | - | 466 |
| Decrease in accounts receivable | 6,469 | 8,739 |
| Decrease (increase) in HST Receivable | 7,586 | (31,037) |
| (Increase) decrease in due from MOHLTC-Health Service Providers | (3,331,538) | 6,455,282 |
| Increase in accounts payable and accrued liabilities | 221,741 | 232,409 |
| (Decrease) increase in due to MOHLTC | (204,817) | 143,003 |
| (Decrease) increase in due to the LHIN Shared Service Office | (23,200) | 28,155 |
| Increase (decrease) in due to Health Service Providers | 3,331,538 | (6,455,282) |
| Decrease (increase) in prepaid expenses | 2,601 | (3,920) |
| | 10,380 | 377,815 |
| Capital transaction | | |
| Acquisition of tangible capital assets | (157,093) | (2,822) |
| Financing transaction | | |
| Increase in deferred capital contributions (Note 4) | 203,243 | 155,346 |
| Net increase in cash | 56,530 | 530,339 |
| Cash, beginning of year | 891,035 | 360,696 |
| Cash, end of year | 947,565 | 891,035 |

(See additional information presented in Note 5.)

The accompanying notes to the financial statements are an integral part of this financial statement.

North East Local Health Integration Network

Notes to the financial statements

March 31, 2014

1. Description of business

The North East Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the Local Health System Integration Act, 2006 (the "Act") as the North East Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers the area of Northeastern Ontario. The LHIN enters into service accountability agreements with service providers.

The LHIN is funded by the Province of Ontario in accordance with Ministry-LHIN Performance Agreement ("MLPA"), which describes budget arrangements established by the Ministry of Health and Long-Term Care ("MOHLTC") and provides the framework for the LHIN accountabilities and activities. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account. Commencing April 1, 2007, all funding payments to LHIN managed Health Service Providers ("HSP") in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized HSPs are expensed in the LHIN's financial statements for the year ended March 31, 2014.

The LHIN statements do not include any MOHLTC managed programs.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of tangible assets.

North East Local Health Integration Network

Notes to the financial statements

March 31, 2014

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Deferred capital contributions

Any amounts received that are used to fund expenses that are recorded as tangible capital assets, are recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the statement of operations, is in accordance with the amortization policy applied to the related tangible capital asset recorded.

Tangible capital assets

Tangible capital assets are recorded at cost. Cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. The cost of tangible capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed tangible capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the tangible capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a tangible capital asset are capitalized.

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives as follows:

| | |
|------------------------|------------------------------------|
| Furniture and fixtures | 5 years straight-line method |
| Computer equipment | 3 years straight-line method |
| Leasehold improvements | Life of lease straight-line method |

For assets acquired and brought into use during the year, amortization is provided for a full year.

Segment disclosures

A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the statement of operations and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and therefore no additional disclosure is required.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include valuation of accrued liabilities and useful lives of the tangible capital assets. Actual results could differ from those estimates.

North East Local Health Integration Network

Notes to the financial statements

March 31, 2014

3. Related party transactions

The LHIN Shared Services Office (the "LSSO") and the LHIN Collaborative (LHINC) are divisions of the Toronto Central LHIN and are subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO and LHINC, on behalf of the LHINs, are responsible for providing services to all LHINs. The full costs of providing these services are billed to all the LHINs. Any portions of the LSSO/LHINC operating costs overpaid (or not paid) by the LHIN at the year-end are recorded as a receivable from (payable to) the LSSO/LHINC. This is all done pursuant to the agreement the LSSO/LHINC has with all the LHINs.

4. Deferred capital contributions

| | 2014 | 2013 |
|--------------------------------|-----------|----------|
| | \$ | \$ |
| Balance, beginning of year | 232,212 | 165,466 |
| Capital contributions received | 203,243 | 155,346 |
| Amortization | (130,648) | (88,600) |
| Balance, end of year | 304,807 | 232,212 |

5. Tangible capital assets

| | 2014 | | 2013 | |
|------------------------|-----------|--------------------------|----------------|----------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| | \$ | \$ | \$ | \$ |
| Furniture and fixtures | 202,850 | 141,652 | 61,198 | 50,358 |
| Computer equipment | 186,984 | 141,869 | 45,115 | 30,252 |
| Leasehold improvements | 1,185,245 | 986,751 | 198,494 | 151,602 |
| | 1,575,079 | 1,270,272 | 304,807 | 232,212 |

Non-cash transactions

During the year, tangible capital assets were acquired at an aggregate cost of \$203,243 (2013 - \$155,346) of which \$198,674 (2013 - \$152,524) were paid after year-end and \$4,569 (2013 - \$2,822) were paid during the year.

North East Local Health Integration Network

Notes to the financial statements

March 31, 2014

6. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported on the statement of operations reflect the initial budget at April 1, 2012. The figures have been reported for the purposes of these statements to comply with PSAB reporting principles. During the year the government approved budget adjustments. The following reflects the adjustments for the LHIN during the year:

The total HSP funding budget of \$1,466,699,913 is made up of the following:

| | \$ |
|--|----------------------|
| Initial HSP Funding budget | 1,440,977,600 |
| Adjustment due to announcements made during the year | 25,722,313 |
| | 1,466,699,913 |

The total operating budget of \$7,838,635 is made up of the following:

| | |
|---|------------------|
| Initial budget | 7,283,301 |
| Additional funding received during the year | 682,344 |
| Amount treated as Capital Contribution | (203,243) |
| Total budget | 7,762,402 |

7. Transfer payments to HSPs

The LHIN has authorization to allocate the funding of \$1,466,699,913 to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors as follows:

| | 2014 | 2013 |
|--|----------------------|----------------------|
| | \$ | \$ |
| Operation of Hospitals | 971,964,798 | 953,579,910 |
| Grants to compensate for Municipal Taxation - | | |
| Public Hospitals | 240,300 | 239,625 |
| Long Term Care Homes | 213,745,487 | 206,007,661 |
| Community Care Access Centres | 132,507,757 | 119,827,431 |
| Community Support Services | 30,498,707 | 27,192,174 |
| Acquired Brain Injury | 2,687,549 | 2,675,799 |
| Assisted Living Services in Supportive Housing | 18,887,538 | 17,079,979 |
| Community Health Centres | 18,718,830 | 17,733,603 |
| Community Mental Health | 55,364,627 | 54,037,471 |
| Substance Abuse & Gambling Problem | 22,084,320 | 22,356,962 |
| | 1,466,699,913 | 1,420,730,615 |

The LHIN receives funding from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2014, an amount of \$4,869,191 (2013 - \$1,537,653) was receivable from the MOHLTC and was payable to the HSPs. These amounts have been reflected as revenue and expenses in the statement of operations and are included in the table above.

North East Local Health Integration Network

Notes to the financial statements

March 31, 2014

8. General and administrative expenses

The statement of operations presents the expenses by function; the following classifies these same expenses by object:

| | 2014 | 2013 |
|-------------------------------|------------------|------------------|
| | \$ | \$ |
| Salaries and wages | 2,894,828 | 2,997,634 |
| HOOPP | 253,264 | 280,940 |
| Other benefits | 335,962 | 316,553 |
| Staff travel | 149,568 | 133,817 |
| Governance travel | 10,629 | 9,214 |
| Communications | 83,962 | 86,888 |
| Accommodation | 237,377 | 207,443 |
| Advertising | 8,460 | 24,979 |
| Consulting fees | 150,611 | 58,907 |
| Equipment rentals | 10,895 | 18,695 |
| Board Chair per diems | 26,625 | - |
| Other Governance per diems | 8,350 | 4,100 |
| Insurance | 6,137 | 5,977 |
| LHIN Shared Services Office | 138,886 | 341,520 |
| LHIN Collaborative | 47,500 | 47,500 |
| Other meeting expenses | 22,234 | 47,908 |
| Other governance expenses | 8,615 | 8,185 |
| Printing and translation | 61,439 | 70,799 |
| Staff development | 21,334 | 22,695 |
| IT equipment | 28,458 | 14,794 |
| Office supplies and equipment | 24,462 | 30,182 |
| Other | 4,853 | 17,560 |
| | 4,534,449 | 4,746,290 |

9. Programs

a) Enabling technologies

In fiscal 2014, the LHIN entered into an agreement with the Champlain, South East and North West LHINs (the "Cluster") in order to enable the effective and efficient delivery of e-health programs and initiatives within the geographic area of the Cluster. Funding was provided to enable the cluster LHINs Project Management Offices to advance eHealth, information management and information technology initiatives as outlined in the ETI PMO Toolkit Business Case approved by the MOHLTC.

The LHIN's financial statement reflects its share of the MOHLTC funding for Enabling Technologies of \$580,000 in fiscal 2014. The total amount of funding for the Cluster in fiscal 2014 was \$2,320,000 and was received from the MOHLTC by the Champlain LHIN on behalf of the Cluster. The funding was split equitably amongst the South East, North East, North West and Champlain LHINs. The NE LHIN is required to book all surplus for this project to "Payable to Champlain LHIN"; the Lead LHIN (Champlain) is responsible for returning those funds to the MOHLTC on behalf of the cluster.

North East Local Health Integration Network

Notes to the financial statements

March 31, 2014

9. Programs (continued)

a) Enabling technologies (continued)

| | 2014 | 2013 |
|-----------------------|---------|---------|
| | \$ | \$ |
| Salaries and benefits | 432,658 | 424,178 |
| Operating expenses | 147,342 | 155,822 |
| | 580,000 | 580,000 |

b) French Language Health Services (FLHS)

The LHIN received \$296,800 from the Ministry of Health and Long-Term care to support French Language Health Services programs. With these funds the LHIN employs three full-time staff to work on this file. In addition the funds were used to cover travel and other staff related costs. The total amount of expenses incurred related to FLHS was \$296,800.

c) Réseau du mieux-être francophone du Nord de l'Ontario

The LHIN received \$796,159 from the Ministry of Health and Long-Term Care to fund the operation of the Réseau du mieux-être francophone du Nord l'Ontario, these funds were spent in full.

d) Emergency Department Lead (ED Lead)

The Ministry of Health and Long Term Care provided the LHIN \$75,000 in one-time funding to pay the LHIN ED Lead. The LHIN contracted an area physician as the ED Lead; total monies paid out in 2013/14 are \$75,000.

e) Critical Care Lead (CC Lead)

The Ministry of Health and Long Term Care provided the LHIN \$75,000 in one-time funding to pay the LHIN CC Lead. The LHIN contracted an area physician as the CC Lead; total monies paid out in 2013/14 are \$75,000.

f) Aboriginal Engagement

The Ministry of Health and Long Term Care provided an additional \$100,000 in base funding for the purposes of engaging the Aboriginal population and organizations within the North East LHIN. The total amount of expenses paid using this funding was \$103,825. The expenses exceeding \$100,000 were funded by LHIN operations.

g) Emergency Room/Alternate Level of Care (ER/ALC)

The Ministry of Health and Long Term Care provided \$100,000 in one-time funding to help the LHIN in supporting the North East ER/ALC Performance Lead. The total amount of expenses paid using this funding was \$101,591. The expenses exceeding \$100,000 were funded by LHIN operations.

h) Primary Care Lead (PC Lead)

The Ministry of Health and Long Term Care provided the LHIN \$75,000 in one-time funding to pay the LHIN PC Lead to support the Primary Care LHIN Lead Program. The LHIN contracted an area physician as the PC Lead; total monies paid out in 2013/14 are \$75,000.

i) Diabetes Regional Coordinating Centre (RCC)

The Ministry of Health and Long Term Care provided the LHIN \$1,087,560 in one-time funding to support the LHIN in achieving the RCC program goals and objectives. During the year \$1,087,560 of expenses were incurred. Additionally, \$10,430 of deferred capital contribution from the previous year was reversed this fiscal year and will subsequently be payable to the MOH.

North East Local Health Integration Network

Notes to the financial statements

March 31, 2014

9. Programs (continued)

j) Physiotherapy Reform LHIN Leads

The Ministry of Health and Long Term Care provided the LHIN \$27,344 in one-time funding to support the LHIN the implementation of physiotherapy reform. The total amount of expenses paid using this funding was \$27,344.

k) Expenses incurred on Other Programs by objects are as follows:

| | 2014 | 2013 |
|-------------------------------|------------------|------------------|
| | \$ | \$ |
| Salaries and benefits | 2,031,744 | 1,262,588 |
| Consulting | 57,000 | 96,390 |
| Office equipment and supplies | 41,917 | 28,655 |
| Travel | 45,895 | 15,892 |
| Other | 1,036,307 | 867,873 |
| | 3,212,863 | 2,271,398 |

10. Funding repayable to the MOHLTC

In accordance with the MLPA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

a) The amount repayable to the MOHLTC is made up of the following components:

| | Funding received | Eligible expenses | Excess funding |
|---|----------------------|----------------------|----------------|
| | \$ | \$ | \$ |
| Transfer payments to HSPs | 1,466,699,913 | 1,466,699,913 | - |
| LHIN operations | 4,539,109 | 4,534,449 | 4,660 |
| Amortization of capital assets | 130,648 | 130,648 | - |
| Enabling technologies | 580,000 | 580,000 | - |
| French Language Health Service | 296,800 | 296,800 | - |
| Reseau du mieux-etre franophone du Nord l'Ontario | 796,159 | 796,159 | - |
| Emergency Department Lead | 75,000 | 75,000 | - |
| Critical Care Lead | 75,000 | 75,000 | - |
| Aboriginal Engagement | 100,000 | 100,000 | - |
| Emergency Room/Alternate Level of Care | 100,000 | 100,000 | - |
| Primary Care Lead | 75,000 | 75,000 | - |
| Diabetes Regional Coordinating Centre | 1,097,990 | 1,087,560 | 10,430 |
| Physiotherapy Reform | 27,344 | 27,344 | - |
| | 1,474,592,963 | 1,474,577,873 | 15,090 |

North East Local Health Integration Network

Notes to the financial statements

March 31, 2014

10. Funding repayable to the MOHLTC (continued)

b) The amount due to the MOHLTC is made up of the following components:

| | 2014 | 2013 |
|--|-----------|----------|
| | \$ | \$ |
| Opening balance | 219,907 | 16,355 |
| Funding recovered by the MOHLTC | (219,907) | (16,355) |
| Funding repayable to the MOHLTC (Note 10a) | 15,090 | 219,907 |
| Closing balance | 15,090 | 219,907 |

11. Pension agreements

The LHIN makes contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 54 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2014 was \$ 384,580 (2013 - \$358,749) for current service costs and is included as an expense in the statement of operations. The last actuarial valuation was completed for the plan as at December 31, 2013. At that time the plan was fully funded.

12. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in the favor of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

13. Commitments

The LHIN has commitments under various operating leases related to building and equipment. Minimum lease payments due under the building and equipment lease are as follows:

| | \$ |
|------------|---------|
| 2015 | 256,275 |
| 2016 | 132,661 |
| 2017 | 89,500 |
| 2018 | 63,417 |
| 2019 | 68,000 |
| Thereafter | 260,667 |
| | 870,520 |

The LHIN also has funding commitments to HSPs associated with accountability agreements. As of March 31, 2014 the LHIN had signed Accountability Agreements with all Hospitals, Long-Term Care Home and Community Agencies. The actual amounts which will ultimately be paid are contingent upon actual LHIN funding received from MOHLTC.

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North Simcoe Muskoka LHIN

Management's Responsibility for the Financial Statements

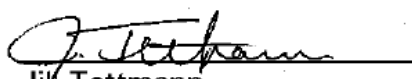
March 31, 2014

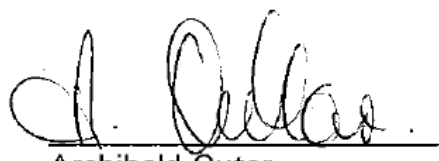
The integrity and objectivity of the accompanying financial statements of the North Simcoe Muskoka Local Health Integration Network is the responsibility of management. These financial statements have been prepared in compliance with legislation and in accordance with Generally Accepted Accounting Principles (GAAP) and Public Sector Accounting Board (PSAB) standards.

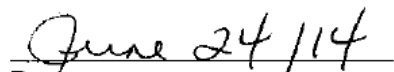
Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Finance & Audit Committee and Board of Directors.

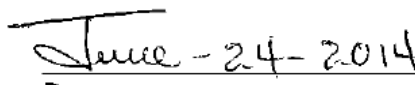
Management meets with the external auditors and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The financial statements have been audited by Deloitte LLP, independent external auditors appointed by the Board of Directors.


Jill Tettmann
CEO


Archibald Outar
Controller


Date


Date



Deloitte LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Independent Auditor's Report

To the Members of the Board of Directors of the
North Simcoe Muskoka Local Health Integration Network

We have audited the accompanying financial statements of the North Simcoe Muskoka Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2014, and the statements of operations, change in net debt, 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 public sector accounting standards, 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 North Simcoe Muskoka LHIN as at March 31, 2014, and the results of its operations, change in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
May 26, 2014

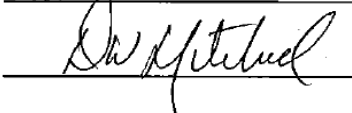
North Simcoe Muskoka Local Health Integration Network

Statement of financial position
as at March 31, 2014

| | 2014 | 2013 |
|--|--------------------|--------------------|
| | \$ | \$ |
| Financial assets | | |
| Cash | 687,163 | 872,550 |
| Due from Ministry of Health and Long-Term Care ("MOHLTC") regarding Health Service Provider ("HSP") transfer payments | 6,648,800 | 810,741 |
| HST receivable and other | 107,902 | 146,384 |
| Due from LHIN Shared Services Office (Note 4) | - | 32,613 |
| | 7,443,865 | 1,862,288 |
| Liabilities | | |
| Accounts payable and accrued liabilities | 769,141 | 986,308 |
| Due to MOHLTC Ontario (Note 3b) | 89,307 | 70,389 |
| Due to HSPs | 6,648,800 | 810,741 |
| Deferred revenue | 9,960 | 16,991 |
| Deferred capital contributions (Note 5) | 441,919 | 302,903 |
| | (7,959,127) | (2,187,332) |
| Net debt | (515,262) | (325,044) |
| Commitments (Note 6) | | |
| Non-financial assets | | |
| Prepaid expenses | 73,343 | 22,141 |
| Tangible capital assets (Note 7) | 441,919 | 302,903 |
| | 515,262 | 325,044 |
| Accumulated surplus | - | - |

Approved by the Board

 Chair

 Vice-Chair

The accompanying notes to the financial statements are an integral part of these financial statements.

North Simcoe Muskoka Local Health Integration Network

Statement of operations
year ended March 31, 2014

| | Budget (Note 8) | 2014 Actual | 2013 Actual |
|--|--------------------|----------------|----------------|
| | \$ | \$ | \$ |
| Revenue | | | |
| MOHLTC Ontario funding | | | |
| HSP transfer payments (Note 9) | 840,301,798 | 840,288,389 | 816,854,624 |
| Operations of LHIN | 5,163,330 | 4,931,485 | 4,142,654 |
| LHIN Operations Special Funding (Note 3a) | 1,695,060 | 1,675,924 | 2,542,061 |
| Amortization of deferred capital contributions (Note 5) | - | 165,334 | 96,722 |
| | 847,160,188 | 847,061,132 | 823,636,061 |
| Funding repayable to the MOHLTC Ontario (Note 3a) | - | (141,650) | (140,649) |
| | 847,160,188 | 846,919,482 | 823,495,412 |
| Expenses | | | |
| Transfer payments to HSPs (Note 9) | 840,301,798 | 840,288,389 | 816,854,624 |
| General operating expenses (Note 10) | 5,163,330 | 5,021,942 | 4,233,741 |
| LHIN Operations Special Funded Initiatives (Note 3a,10) | 1,695,060 | 1,609,151 | 2,407,047 |
| | 847,160,188 | 846,919,482 | 823,495,412 |
| Annual surplus | - | - | - |
| Accumulated surplus, beginning of year | - | - | - |
| Accumulated surplus, end of year | - | - | - |

The accompanying notes to the financial statements are an integral part of these financial statements.

North Simcoe Muskoka Local Health Integration Network

Statement of change in net debt
year ended March 31, 2014

| | Budget (Note 8) | 2014 Actual | 2013 Actual |
|---|--------------------|------------------|------------------|
| | \$ | \$ | \$ |
| Annual surplus | - | - | - |
| Acquisition of tangible capital assets | - | (304,350) | (217,074) |
| Amortization of tangible capital assets | - | 165,334 | 96,722 |
| Change in other non-financial assets | - | (51,202) | (7,167) |
| Increase in net debt | - | (190,218) | (127,519) |
| Net debt, beginning of year | - | (325,044) | (197,525) |
| Net debt, end of year | - | (515,262) | (325,044) |

The accompanying notes to the financial statements are an integral part of these financial statements.

North Simcoe Muskoka Local Health Integration Network

Statement of cash flows
year ended March 31, 2014

| | 2014 | 2013 |
|---|----------------|----------------|
| | \$ | \$ |
| Operating transactions | | |
| Annual surplus | - | - |
| Less items not affecting cash | | |
| Amortization of tangible capital assets | 165,334 | 96,722 |
| Amortization of deferred capital contributions (Note 5) | (165,334) | (96,722) |
| | - | - |
| Changes in non-cash operating items | | |
| Increase in prepaid expenses | (51,202) | (7,167) |
| Increase in due from MOHLTC ("HSP's") | (5,838,059) | (545,941) |
| Decrease (increase) in due from LHIN Shared Services Office | 32,613 | (25,113) |
| Decrease (increase) in HST receivable | 38,482 | (10,681) |
| Decrease in accounts payable and accrued liabilities | (217,167) | (93,066) |
| Increase (decrease) in due to the MOHLTC Ontario | 18,918 | (274,553) |
| Increase in due to HSPs | 5,838,059 | 545,941 |
| Decrease in deferred revenue | (7,031) | (7,031) |
| | (185,387) | (417,611) |
| Capital investment | | |
| Acquisition of tangible capital assets | (304,350) | (217,074) |
| Financing transactions | | |
| Capital contributions received (Note 5) | 304,350 | 217,074 |
| Net decrease in cash | (185,387) | (417,611) |
| Cash, beginning of year | 872,550 | 1,290,161 |
| Cash, end of year | 687,163 | 872,550 |

The accompanying notes to the financial statements are an integral part of these financial statements.

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2014

1. Description of business

The North Simcoe Muskoka Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the Local Health System Integration Act, 2006 (the "Act") as the North Simcoe Muskoka Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers the municipalities of Muskoka, most of Simcoe County and part of Grey County. The LHIN enters into service accountability agreements with service providers.

The LHIN is funded by the Province of Ontario in accordance with Ministry-LHIN Performance Agreement ("MLPA"), which describes budget arrangements established by the Ministry of Health and Long-Term Care ("MOHLTC") and provides the framework for the LHIN accountabilities and activities. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account. Commencing April 1, 2007, all funding payments to LHIN managed Health Service Providers ("HSP") in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized HSPs are expensed in the LHIN's financial statements for the year ended March 31, 2014.

The LHIN statements do not include any MOHLTC managed programs.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, and they are measurable. Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of tangible capital assets.

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2014

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and the reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Deferred capital contributions

Any amounts received that are used to fund tangible capital asset purchases, are recorded as deferred capital contributions and are recognized over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the Statement of Operations, is in accordance with the amortization policy applied to the related tangible capital asset recorded.

Tangible capital assets

Tangible capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. The cost of tangible capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed tangible capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the tangible capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a tangible capital asset are capitalized. Computer software is recognized as an expense when incurred.

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives as follows:

| | |
|------------------------------------|------------------------------------|
| Computer equipment and development | 3 years straight-line method |
| Leasehold improvements | Life of lease straight-line method |
| Office furniture and equipment | 5 years straight-line method |

For assets acquired or bought into use during the year, amortization is provided for a full year.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Segmented disclosures

Management has determined that existing disclosures in the Statement of Operations and within the related notes for both the prior and current year sufficiently disclose information of all appropriate segments and, therefore, no additional disclosure is required.

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2014

3. Funding repayable to the MOHLTC

In accordance with the MLPA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

- a) The amount repayable to the MOHLTC related to current year activities is made up of the following components:

| | | | 2014 | 2013 |
|--|---------------------|----------------------|-------------------|-------------------|
| | Funding received | Eligible expenses | Excess funding | Excess funding |
| | \$ | \$ | \$ | \$ |
| General LHIN operations | 4,931,485 | 4,856,608 | 74,877 | 5,635 |
| LHIN special funded initiatives | | | | |
| Aboriginal Planning | 30,000 | 30,000 | - | - |
| Behavioural Supports Ontario, Coordination and Reporting Office | - | - | - | 42,903 |
| Critical Care Lead | 75,000 | 54,000 | 21,000 | 2,052 |
| Enabling Technologies | 560,864 | 560,864 | - | 9,498 |
| Emergency Department LHIN Lead | 75,000 | 54,866 | 20,134 | 28,682 |
| Entite de planification des services de sante en francais #4 Centre Sud-Ouest | 654,060 | 654,060 | - | 51,511 |
| Emergency Room/Alternative Level of Care Performance Lead | 100,000 | 100,000 | - | - |
| French Language Health Services | 106,000 | 85,732 | 20,268 | - |
| Primary Care LHIN Lead | 75,000 | 69,629 | 5,371 | 368 |
| Total LHIN special funded initiatives | 1,675,924 | 1,609,151 | 66,773 | 135,014 |
| | 6,607,409 | 6,465,759 | 141,650 | 140,649 |

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2014

3. Funding repayable to the MOHLTC (continued)

b) The amount due to the MOHLTC at March 31 is made up as follows:

| | 2014 | 2013 |
|---|-----------|-----------|
| | \$ | \$ |
| Due to MOHLTC, beginning of year | 70,389 | 344,942 |
| Funding repaid to MOHLTC during the current year | (122,732) | (415,202) |
| Funding repayable to the MOHLTC related to current year activities (Note 3a) | 141,650 | 140,649 |
| Due to MOHLTC, end of year | 89,307 | 70,389 |

4. Related party transactions

The LHIN Shared Services Office (the "LSSO") is a division of the Toronto Central LHIN and is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs, is responsible for providing services to all LHINs. The full costs of providing these services are billed to all of the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHINs at year end are recorded as a receivable (payable) from (to) the LSSO. This is all done pursuant to the Shared Service Agreement the LSSO has with all the LHINs.

LHIN Collaborative (LHINC) was formed in fiscal 2010 as a LHIN-led service to strengthen relationships between and among health service providers. LHINC is accountable to the LHINs, and funded by the LHINs with support from the Ministry of Health and Long-Term Care.

5. Deferred capital contributions

| | 2014 | 2013 |
|--|-----------|----------|
| | \$ | \$ |
| Balance, beginning of year | 302,903 | 182,551 |
| Capital contributions received during the year | 304,350 | 217,074 |
| Amortization for the year | (165,334) | (96,722) |
| Balance end of year | 441,919 | 302,903 |

6. Commitments

The LHIN has commitments under various operating leases expiring at dates up to 2016 related to building and equipment. Lease renewals are likely. Minimum lease payments due over the remaining terms of these leases are as follows:

| | \$ |
|------|---------|
| 2015 | 239,467 |
| 2016 | 99,778 |

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2014

6. Commitments (continued)

The LHIN has funding commitments to health service providers associated with accountability agreements. The LHIN had the following funding commitments as of March 31, 2014.

| | |
|------|---------|
| | \$ |
| 2015 | 808,001 |

The actual amounts which will ultimately be paid are contingent upon LHIN funding received by the MOHLTC.

7. Tangible capital assets

| | | | 2014 | 2013 |
|--------------------------------|------------------|-----------------------------|-------------------|-------------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| | \$ | \$ | \$ | \$ |
| Office furniture and equipment | 797,936 | 543,244 | 254,692 | 235,845 |
| Computer equipment | 151,240 | 151,240 | - | - |
| Leasehold improvements | 1,180,907 | 993,680 | 187,227 | 67,058 |
| | 2,130,083 | 1,688,164 | 441,919 | 302,903 |

8. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported on the Statement of operations reflect the initial budget at April 1, 2013. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. During the year the government approved budget adjustments. The following reflects the adjustments for the LHIN during the year:

The total HSP funding budget of \$840,288,389 is made up of the following:

| | |
|--|--------------------|
| | \$ |
| Initial budget | 784,067,791 |
| Adjustment due to announcements made during the year | 56,220,598 |
| | 840,288,389 |

The total revised operating budget of \$6,555,113 is made up of the following:

| | |
|---|------------------|
| | \$ |
| Initial operating budget as reported on the statement of operations | 6,885,734 |
| Adjust for funding changes made during the year: | |
| Enabling Technologies | (19,136) |
| In-year recoveries by the MOHLTC | (52,343) |
| Amount utilized for Capital Asset purchases | (259,142) |
| Revised operating budget | 6,555,113 |

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2014

9. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$840,288,389 (2013 - \$816,854,624) to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in fiscal 2014 as follows:

| | 2014 | 2013 |
|---|--------------------|--------------------|
| | \$ | \$ |
| Operation of hospitals | 434,567,460 | 436,888,472 |
| Grants to compensate for municipal taxation - public hospitals | 77,625 | 77,625 |
| Long term care homes | 137,304,554 | 129,901,118 |
| Community care access centres | 94,917,093 | 86,700,423 |
| Community support services | 13,743,709 | 13,192,051 |
| Assisted living services in supportive housing | 7,210,957 | 6,364,053 |
| Community health centres | 10,348,273 | 9,359,831 |
| Community mental health | 24,208,852 | 23,585,845 |
| Addictions program | 4,828,543 | 4,640,537 |
| Specialty psychiatric hospitals | 111,895,509 | 104,960,017 |
| Grants to compensate for municipal taxation - psychiatric hospitals | 23,400 | 23,400 |
| Acquired brain injury | 1,162,414 | 1,161,252 |
| | 840,288,389 | 816,854,624 |

10. General operating expenses

The Statement of operations presents the expenses by function, the following classifies general operating expenses, by object:

| | 2014 | 2013 |
|--------------------------------------|------------------|------------------|
| | \$ | \$ |
| Salaries and benefits | 3,261,522 | 2,890,905 |
| Occupancy | 273,514 | 167,404 |
| Amortization | 165,334 | 96,722 |
| Shared services | 402,189 | 440,710 |
| Advertising and public relations | 45,764 | 11,141 |
| Consulting services | 148,402 | 88,184 |
| Other services | 188,185 | 170,703 |
| Supplies, equipment and licences | 46,855 | 43,697 |
| Board Chair Per Diems | 57,425 | 51,705 |
| Other Board Per Diems | 43,875 | 63,950 |
| Board Expenses | 31,130 | 37,061 |
| Travel | 80,082 | 63,373 |
| Mail, courier and telecommunications | 277,665 | 108,186 |
| | 5,021,942 | 4,233,741 |

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2014

10. General operating expenses (continued)

The LHIN received funding of \$1,011,628 related to the assumption of work plan deliverables for diabetes and chronic disease management planning effective February 1, 2013. Expenses of \$823,081 are included in general operating expenses. An additional \$156,800 was used for the acquisition of tangible capital assets. Unused funding of \$31,747 is included as due to the Ministry of Health and Long-Term Care.

\$

| | |
|-------------------------|----------------|
| Salaries and benefits | 448,827 |
| Operating expenses | 374,254 |
| Tangible capital assets | 156,800 |
| | 979,881 |

11. LHIN special funded initiatives

The Statement of operations presents the expenses by function, the following classifies LHIN Operations special funded initiatives, by object:

| | 2014 | 2013 |
|--------------------------------------|------------------|------------------|
| | \$ | \$ |
| Salaries and benefits | 532,392 | 946,292 |
| Occupancy | 31,048 | 65,580 |
| Shared services | 103,647 | 92,508 |
| Advertising and public relations | | 35,648 |
| Consulting services | 123,629 | 143,812 |
| Other services | 38,890 | 225,401 |
| Supplies, equipment and licences | 47,923 | 46,799 |
| Medical Professional Services | 53,958 | 193,898 |
| Travel | 10,135 | 17,042 |
| Mail, courier and telecommunications | 13,469 | 37,516 |
| Special project expenditures | 654,060 | 602,551 |
| | 1,609,151 | 2,407,047 |

Enabling Technologies for Integration Project Management Office

Effective February 1, 2012, the LHIN entered into an agreement with Central, Central West, Central East, Toronto Central, and Mississauga Halton (the "Cluster") in order to enable the effective and efficient delivery of e-health programs and initiatives within the geographic area of the Cluster. Under the agreement, decisions related to the financial and operating activities of the Enabling Technologies for Integration Project Management Office are shared. No LHIN is in a position to exercise unilateral control.

The LHIN's financial statement reflects its share of the MOHLTC funding for Enabling Technologies for Integration Project Management Offices for its Cluster and related expenses. During the year, the LHIN received funding from Central West LHIN of \$560,864 (2013 - \$550,279).

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2014

12. Pension agreements

The LHIN makes contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 26 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2014 was \$241,768 (2013 - \$239,374) for current service costs and is included as an expense in the Statement of Operations. The last actuarial valuation was completed for the plan as of December 31, 2013. At that time, the plan was fully funded.

13. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favor of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the Local Health System Integration Act, 2006 and in accordance with s. 28 of the *Financial Administration Act*.

North West **LHIN**

Management's Responsibility for the Financial Statements

March 31, 2014

The integrity and objectivity of the accompanying financial statements of the North West Local Health Integration Network (NWLHIN) is the responsibility of management. These financial statements have been prepared in compliance with legislation and in accordance with Generally Accepted Account Principles (GAAP) and under Public Sector Accounting Board (PSAB).

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Audit Committee and Board of Directors.

Management meets with the external auditors and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The financial statements have been audited by Deloitte LLP, independent external auditors appointed by the Board of Directors.



Laura Kokocinski
CEO



Chris Wcislo
Controller



Deloitte LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Independent Auditor's Report

To the Members of the Board of Directors of the
North West Local Health Integration Network

We have audited the accompanying financial statements of North West Local Health Integration Network, which comprise the statement of financial position as at March 31, 2014, and the statement of operations, change in net debt 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 public sector accounting standards, 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 in our audit 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 North West Local Health Integration Network as at March 31, 2014 and the results of its operations, change in its net debt, and its cash flows for the years then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
May 27, 2014

North West Local Health Integration Network

Statement of financial position as at March 31, 2014

| | 2014 | 2013 |
|---|------------------|------------------|
| | \$ | \$ |
| Financial assets | | |
| Cash | 657,412 | 675,600 |
| Due from Ministry of Health and Long Term Care ("MOHLTC") Health Service Provider ("HSP") transfer payments (Note 9) | 2,527,739 | 6,009,913 |
| Accounts receivable | 54,201 | 55,826 |
| | 3,239,352 | 6,741,339 |
| Liabilities | | |
| Accounts payable and accrued liabilities | 413,665 | 379,189 |
| Due to HSPs (Note 9) | 2,527,739 | 6,009,913 |
| Due to MOHLTC (Note 3) | 291,334 | 340,689 |
| Due to the LHIN Shared Services Office (Note 4) | 6,614 | 11,548 |
| Deferred capital contributions (Note 5) | 178,805 | 270,854 |
| | 3,418,157 | 7,012,193 |
| Net debt | (178,805) | (270,854) |
| Commitments (Note 6) | | |
| Non-financial assets | | |
| Tangible capital assets (Note 7) | 178,805 | 270,854 |
| Accumulated surplus | - | - |

Approved by the Board



Director



Director

The accompanying notes to the financial statements are an integral part of these financial statements.

North West Local Health Integration Network

Statement of operations
year ended March 31, 2014

| | Budget (Note 8) | 2014 Actual | 2013 Actual |
|---|--------------------|----------------|----------------|
| | \$ | \$ | \$ |
| Revenue | | | |
| MOHLTC funding | | | |
| HSPs transfer payments (Note 9) | 607,504,400 | 636,139,370 | 626,111,646 |
| Operations of LHIN | 4,779,592 | 4,771,864 | 4,724,868 |
| Aboriginal Community Engagement (Note 11) | 160,000 | 160,000 | 160,000 |
| Emergency Department ("ED") LHIN Lead (Note 13) | 75,000 | 75,000 | 75,000 |
| Critical Care ("CC") LHIN Lead (Note 16) | 75,000 | 75,000 | 75,000 |
| Emergency Room/Alternative Level of Care ("ER/ALC") Performance Lead (Note 14) | 100,000 | 100,000 | 100,000 |
| Primary Care ("PC") LHIN Lead (Note 17) | - | 75,000 | 75,000 |
| French Language Health Services (Note 15) | 106,000 | 106,000 | 106,000 |
| Diabetes Regional Coordination Centre (Note 18) | 1,063,570 | 1,063,570 | 436,821 |
| Enabling Technologies for Integration Project Management Office (Note 12) | - | 580,000 | 580,000 |
| Amortization of deferred capital contributions (Note 5) | - | 127,121 | 132,845 |
| | 613,863,562 | 643,272,925 | 632,577,180 |
| Funding repayable to the MOHLTC (Note 3) | - | (291,334) | (440,689) |
| | 613,863,562 | 642,981,591 | 632,136,491 |
| Expenses | | | |
| Transfer payments to HSPs (Note 9) | 607,504,400 | 636,139,370 | 626,111,646 |
| General and administrative (Note 10) | 4,779,592 | 4,821,735 | 4,845,042 |
| Aboriginal Community Engagement (Note 11) | 160,000 | 143,479 | 124,304 |
| Enabling Technologies for Integration Project Management Office (Note 12) | - | 480,742 | 462,808 |
| ED LHIN Lead (Note 13) | 75,000 | 75,000 | 74,449 |
| CC LHIN Lead (Note 16) | 75,000 | 72,425 | 73,924 |
| Emergency Room/Alternative Level of Care ("ER/ALC") Performance Lead (Note 14) | 100,000 | 100,000 | 92,485 |
| Primary Care ("PC") LHIN Lead (Note 17) | - | 73,396 | 73,449 |
| French Language Health Services (Note 15) | 106,000 | 106,000 | 106,000 |
| Diabetes Regional Coordination Centre (Note 18) | 1,063,570 | 969,444 | 172,384 |
| | 613,863,562 | 642,981,591 | 632,136,491 |
| Annual surplus and accumulated surplus, end of year | - | - | - |

The accompanying notes to the financial statements are an integral part of these financial statements.

North West Local Health Integration Network

Statement of change in net debt
year ended March 31, 2014

| | 2014 | 2013 |
|---|------------------|------------------|
| | \$ | \$ |
| Annual surplus | | - |
| Acquisition of tangible capital assets | (35,072) | (102,603) |
| Amortization of tangible capital assets | 127,121 | 132,845 |
| Decrease in net debt | 92,049 | 30,242 |
| Net debt, beginning of year | (270,854) | (301,096) |
| Net debt, end of year | (178,805) | (270,854) |

The accompanying notes to the financial statements are an integral part of these financial statements.

North West Local Health Integration Network

Statement of cash flows year ended March 31, 2014

| | 2014 | 2013 |
|---|----------------|----------------|
| | \$ | \$ |
| Operating transactions | | |
| Annual surplus | - | - |
| Less items not affecting cash | | |
| Amortization of tangible capital assets | 127,121 | 132,845 |
| Amortization of deferred capital contributions (Note 5) | (127,121) | (132,845) |
| Changes in non-cash operating items | | |
| Decrease (increase) in due from MOHLTC - HSPs | | |
| transfer payments | 3,482,174 | (5,016,239) |
| Decrease in accounts receivable | 1,625 | 48,009 |
| Increase (decrease) in accounts payable and accrued liabilities | 34,476 | (138,403) |
| (Decrease) increase in due to HSPs | (3,482,174) | 5,016,239 |
| (Decrease) increase in due to MOHLTC | (49,355) | 222 |
| (Decrease) increase in due to LHIN Shared Services Office | (4,934) | (4,844) |
| | (18,188) | (95,016) |
| Capital transaction | | |
| Acquisition of tangible capital assets | (35,072) | (102,603) |
| Financing transaction | | |
| Increase in deferred capital contributions (Note 5) | 35,072 | 102,603 |
| Net decrease in cash | (18,188) | (95,016) |
| Cash, beginning of year | 675,600 | 770,616 |
| Cash, end of year | 657,412 | 675,600 |

The accompanying notes to the financial statements are an integral part of these financial statements.

North West Local Health Integration Network

Notes to the financial statements

March 31, 2014

1. Description of business

The North West Local Health Integration Network was incorporated by Letters Patent on June 16, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the Local Health System Integration Act, 2006 (the "Act") as the North West Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers the Districts of Thunder Bay, Rainy River and most of Kenora. The LHIN enters into service accountability agreements with service providers.

The LHIN is funded by the Province of Ontario in accordance with Ministry-LHIN Performance Agreement ("MLPA"), which describes budget arrangements established by the Ministry of Health and Long-Term Care ("MOHLTC") and provides the framework for the LHIN accountabilities and activities. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account. Commencing April 1, 2007, all funding payments to LHIN managed Health Service Providers ("HSP") in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized HSPs are expensed in the LHIN's financial statements for the year ended March 31, 2014.

The LHIN statements do not include any MOHLTC managed programs.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of tangible capital assets and impairments in the value of assets.

North West Local Health Integration Network

Notes to the financial statements

March 31, 2014

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Deferred capital contributions

Any amounts received that are used to fund expenses that are recorded as tangible capital assets, are recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the Statement of operations, is in accordance with the amortization policy applied to the related tangible capital asset recorded.

Tangible capital assets

Tangible capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. The cost of tangible capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed tangible capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the tangible capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a tangible capital asset are capitalized. Computer software is recognized as an expense when incurred.

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives as follows:

| | |
|-------------------------------|------------------------------------|
| Office furniture and fixtures | 5 years straight-line method |
| Computer equipment | 3 years straight-line method |
| Leasehold improvements | Life of lease straight-line method |
| Web development | 3 years straight-line method |

For assets acquired or brought into use during the year, amortization is provided for a full year.

Segmented information

A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the Statement of operations and within the related notes for both the prior and current year sufficiently disclose information for all appropriate segments and therefore no additional disclosure is required.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include valuation of accrued liabilities and useful lives of the tangible capital assets. Actual results could differ from those estimates.

North West Local Health Integration Network

Notes to the financial statements

March 31, 2014

2. Significant accounting policies (continued)

Adoption of new accounting standards

As at April 1, 2012, the LHIN adopted Public Sector Accounting Handbook *Section PS 1201, "Financial Statement Presentation"*, *Section PS 2601 "Foreign Currency Translation"*, *PS 3410 "Government Transfers"* and *Section PS 3450, "Financial Instruments"*. There was no impact of the adoption of these new standards on the financial statements.

3. Funding repayable to the MOHLTC

In accordance with the MLPA, the LHIN is required to be in a balanced position at year-end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

In accordance with the TPA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to MOHLTC.

The amount repayable to the MOHLTC related to the current year activities is made up of the following components:

| | | | 2014 | 2013 |
|---------------------------------|-------------|-------------------|----------------|----------------|
| | Funding | Eligible expenses | Funding excess | Funding excess |
| | \$ | \$ | \$ | \$ |
| Transfer payments to HSPs | 636,139,370 | 636,139,370 | - | - |
| LHIN operations | 4,898,985 | 4,821,735 | 77,250 | 12,670 |
| Aboriginal Community Engagement | 160,000 | 143,479 | 16,521 | 35,696 |
| E-Health | 580,000 | 480,742 | 99,258 | 117,192 |
| ED LHIN Lead | 75,000 | 75,000 | - | 551 |
| Critical Care ("CC") LHIN Lead | 75,000 | 72,425 | 2,575 | 1,077 |
| ER/ALC Performance Lead | 100,000 | 100,000 | - | 7,515 |
| PC LHIN Lead | 75,000 | 73,396 | 1,604 | 1,551 |
| French Language Health Services | 106,000 | 106,000 | - | - |
| Diabetes Education | 1,063,570 | 969,444 | 94,126 | 264,437 |
| | 643,272,925 | 642,981,591 | 291,334 | 440,689 |

The continuity of the amount due to the MOHLTC at March 31 is as follows:

| | 2014 | 2013 |
|--|-----------|-----------|
| | \$ | \$ |
| Due to MOHLTC, beginning of year | 340,689 | 340,467 |
| Funding repaid to MOHLTC | (340,689) | (340,467) |
| Funding repayable to the MOHLTC related to current year activities | 291,334 | 440,689 |
| In year surplus recovered by MOHLTC | - | (100,000) |
| Due to MOHLTC, end of year | 291,334 | 340,689 |

North West Local Health Integration Network

Notes to the financial statements

March 31, 2014

4. Related party transactions

The LHIN Shared Services Office (the "LSSO") and the Local Health Integration Network Collaborative (the "LHINC") are divisions of the Toronto Central LHIN and are subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO and LHINC, on behalf of the LHINs are responsible for providing services to all LHINs. The full costs of providing these services are billed to all the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN at year end is recorded as a receivable (payable) from (to) the LSSO. This is all done pursuant to the shared service agreement the LSSO has with all LHINs.

5. Deferred capital contributions

| | 2014 | 2013 |
|--|-----------|-----------|
| | \$ | \$ |
| Balance, beginning of year | 270,854 | 301,096 |
| Capital contributions received during the year | 35,072 | 102,603 |
| Amortization for the year | (127,121) | (132,845) |
| Balance, end of year | 178,805 | 270,854 |

6. Commitments

The LHIN has commitments under various operating leases related to building and equipment extending to 2016. Lease renewals are likely. Minimum lease payments due in each of the next five years are as follows:

| | \$ |
|------|---------|
| 2015 | 312,868 |
| 2016 | 98,232 |
| 2017 | 19,332 |
| 2018 | 6,088 |
| 2019 | 3,993 |
| | 440,513 |

The LHIN also has funding commitments to HSPs associated with accountability agreements. Minimum commitments to HSPs related to the next five years, based on the current accountability agreements, are as follows:

| | \$ |
|------|-------------|
| 2015 | 309,533,730 |
| 2016 | 197,576,730 |
| 2017 | 128,022,114 |
| | 635,132,574 |

The actual amounts which will ultimately be paid are contingent upon actual LHIN funding received from the MOHLTC.

North West Local Health Integration Network

Notes to the financial statements

March 31, 2014

7. Tangible capital assets

| | | | 2014 | 2013 |
|-------------------------------|------------------|--------------------------|----------------|----------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| | \$ | \$ | \$ | \$ |
| Office furniture and fixtures | 376,135 | 319,257 | 56,878 | 76,884 |
| Computer equipment | 139,488 | 127,550 | 11,938 | 23,875 |
| Leasehold improvements | 727,067 | 617,078 | 109,989 | 170,095 |
| Web development | 7,250 | 7,250 | - | - |
| | 1,249,940 | 1,071,135 | 178,805 | 270,854 |

8. Budget figures

The budget was approved by the Government of Ontario. The budget figures reported in the statement of operations reflect the initial budget. The figures have been reported for the purposes of these statements to comply with PSAB reporting principles. During the year, the government approved budget adjustments. The following reflects the adjustments for the LHIN during the year:

The final HSP funding budget of \$636,216,943 is derived as follows:

| | |
|--|--------------------|
| | \$ |
| Initial HSP funding budget | 607,504,400 |
| Adjustment due to announcements made during the year | 28,634,970 |
| Final HSP funding budget | 636,139,370 |

The final LHIN budget, excluding the HSP funding, of \$7,006,434 is derived as follows:

| | |
|--|------------------|
| | \$ |
| Initial budget | 6,359,162 |
| Additional funding received during the year | |
| E-Health | 580,000 |
| Primary Care Lead | 75,000 |
| LHIN Operations - Physiotherapy | 27,344 |
| Amount treated as capital contributions made during the year | (35,072) |
| Final budget | 7,006,434 |

North West Local Health Integration Network

Notes to the financial statements

March 31, 2014

9. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$636,216,943 to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors as follows:

| | 2014 | 2013 |
|--|--------------------|--------------------|
| | \$ | \$ |
| Operation of hospitals | 434,144,678 | 430,592,371 |
| Grants to compensate for municipal taxation - public hospitals | 105,375 | 105,375 |
| Long term care homes | 69,857,609 | 68,994,752 |
| Community care access centres | 52,178,133 | 49,289,693 |
| Community support services | 14,566,428 | 14,047,377 |
| Acquired brain injury | 1,817,346 | 1,817,347 |
| Assisted living services in supportive housing | 9,042,001 | 8,502,520 |
| Community health centres | 9,653,216 | 8,580,270 |
| Community mental health program | 30,219,856 | 30,527,514 |
| Addictions program | 14,554,728 | 13,654,427 |
| | 636,139,370 | 626,111,646 |

The LHIN receives funding from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2014, an amount of \$2,527,739 (2013 - \$6,009,913) was receivable from the MOHLTC, and \$2,527,739 (2013 - \$6,009,913) was payable to HSPs. These amounts have been reflected as revenue and expenses in the Statement of operations and are included in the table above.

10. General and administrative expenses

The statement of operations presents expenses by function. The following classifies general and administrative expenses by object:

| | 2014 | 2013 |
|---------------------------------------|------------------|------------------|
| | \$ | \$ |
| Salaries and benefits | 3,333,357 | 3,398,182 |
| Occupancy | 211,801 | 240,174 |
| Amortization | 127,121 | 132,845 |
| Equipment and maintenance | 51,838 | 41,926 |
| Shared services | 341,662 | 361,520 |
| Public relations and community forums | 15,255 | 27,727 |
| Professional fees | 14,800 | 14,800 |
| Travel | 115,017 | 110,807 |
| Staff development and recruitment | 159,290 | 106,810 |
| Consulting services | 72,942 | 27,352 |
| LHIN collaborative | 47,500 | 47,500 |
| Supplies, printing and office | 81,900 | 98,501 |
| Other board member per diems | 61,428 | 58,336 |
| Board chair per diems | 23,800 | 25,200 |
| Other governance and travel costs | 97,738 | 86,943 |
| Mail, courier and telecommunications | 66,286 | 66,419 |
| | 4,821,735 | 4,845,042 |

North West Local Health Integration Network

Notes to the financial statements

March 31, 2014

11. Aboriginal Community Engagement

The Ministry of Health and Long-Term Care provided \$160,000 (2013 - \$160,000) in additional base operational funding which was annualized for the purposes of engaging the Aboriginal population and organizations in the North West LHIN. During 2014, \$143,479 (2013 - \$124,304) of expenses were incurred.

12. Enabling Technologies for Integration Project Management Office

Effective February 1, 2012, the LHIN entered into an agreement with South East, North East and Champlain (the "Cluster") in order to enable the effective and efficient delivery of e-health programs and initiatives within the geographic area of the Cluster. Under the agreement, decisions related to the financial and operating activities of the Enabling Technologies for Integration Project Management Office are shared. No LHIN is in a position to exercise unilateral control.

The LHIN's financial statement reflects its share of the MOHLTC funding for Enabling Technologies for Integration Project Management Offices for its Cluster and related expenses. During the year, the LHIN received funding from Champlain LHIN of \$580,000 (2013 - \$580,000) and are made up as follows:

| | 2014 | 2013 |
|-----------------------|---------|---------|
| | \$ | \$ |
| Salaries and benefits | 403,946 | 401,645 |
| Operating expenses | 76,796 | 61,163 |
| | 480,742 | 462,808 |

13. Emergency Department LHIN Lead

The Ministry of Health and Long-Term Care provided \$75,000 (2013 - \$75,000) in one-time funding to support the compensation of the North West LHIN Emergency Department (ED) LHIN Lead. During the year, \$75,000 of expenses were incurred (2013 - \$74,449).

14. ER/ALC Performance Lead

The Ministry of Health and Long-Term Care provided one-time funding in the amount of \$100,000 (2013 - \$100,000) to support the compensation of the LHIN ER/ALC Performance Lead in 2013/14. During the year, \$100,000 (2013 - \$92,485) of expenses were incurred.

15. French Language Health Services

The Ministry of Health and Long-Term Care approved one-time funding of \$106,000 (2013 - \$106,000) to support the LHIN in its French Language Services activities. During the year, \$106,000 (2013 - \$106,000) of expenses were incurred.

16. Critical Care Lead

The Ministry of Health and Long-Term Care provided one-time funding in the amount of \$75,000 (2013 - \$75,000) to support the compensation of the LHIN Critical Care Lead in 2013/14. During the year, \$72,425 (2013 - \$73,923) of expenses were incurred.

North West Local Health Integration Network

Notes to the financial statements

March 31, 2014

17. Primary Care Lead

The Ministry of Health and Long-Term Care provided one-time funding in the amount of \$75,000 (2013 - \$75,000) to support the compensation of the LHIN Primary Care Lead in 2013/14. During the year, \$73,396 (2013 - \$73,449) of expenses were incurred.

18. Diabetes Regional Coordination Centre

The Ministry of Health and Long-Term Care provided base funding in the amount of \$1,063,570 (2013 - \$484,700) to support the compensation of the LHIN Diabetes Regional Coordination Centre in 2013/14. During the year, \$969,444 (2013 - \$220,263) of expenses were incurred and are included in general and administrative expenses in the statement of operations and capital asset purchase of \$nil (2013 - \$47,879) are included in tangible capital assets on the statement of financial position and are made up as follows:

| | 2014 | 2013 |
|---------------------------------------|---------|---------|
| | \$ | \$ |
| Salaries and benefits | 814,487 | 113,026 |
| Operating expenses | 154,957 | 59,358 |
| General and administrative expenses | 969,444 | 172,384 |
| One-time expenses - capital purchases | - | 47,879 |
| | 969,444 | 220,263 |

19. Pension agreements

The LHIN makes contributions to the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 37 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2014 was \$356,413 (2013 - \$321,703) for current service costs and is included as an expense in the Statement of operations. The last actuarial valuation was completed for the plan in December 31, 2013. At that time, the plan was fully funded.

20. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the Local Health System Integration Act, 2006 and in accordance with s. 28 of the *Financial Administration Act*.

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South East **LHIN**

March 31, 2014

Management's Responsibility for the Financial Statements

The integrity and objectivity of the accompanying financial statements of the South East Local Health Integration Network (SELHIN) is the responsibility of management. These financial statements have been prepared in compliance with legislation and in accordance with Generally Accepted Account Principles (GAAP) and under Public Sector Accounting Board (PSAB).

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Audit Committee and Board of Directors.

Management meets with the external auditors and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The financial statements have been audited by Deloitte & Touche LP, independent external auditors appointed by the Board of Directors.



Paul Huras
Chief Executive Officer
South East Local Health Integration Network



Paula Heinemann
Director, Corporate Services / Controller
South East Local Health Integration Network



Deloitte LLP
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Independent Auditor's Report

To the Members of the Board of Directors of the
South East Local Health Integration Network

We have audited the accompanying financial statements of the South East Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2014, and the statements of operations, change in net debt 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 public sector accounting standards 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 LHIN as at March 31, 2014, and the results of its operations, change in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in cursive script that reads "Deloitte LLP".

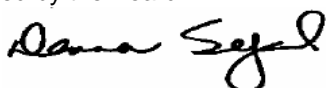
Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
May 26, 2014

South East Local Health Integration Network

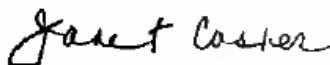
Statement of financial position
as at March 31, 2014

| | 2014 | 2013 |
|---|------------------|------------------|
| | \$ | \$ |
| Financial assets | | |
| Cash | 841,489 | 1,087,305 |
| Accounts receivable (Note 3) | 48,061 | 54,990 |
| | 889,550 | 1,142,295 |
| Liabilities | | |
| Accounts payable and accrued liabilities (Note 4) | 613,718 | 596,707 |
| Due to Ministry of Health and Long-Term Care (Note 5b) | 68,929 | 318,212 |
| Due to the LHIN Shared Services Office (Note 7) | 4,640 | 9,792 |
| Due to Champlain LHIN (Note 5c) | 4,346 | - |
| Deferred capital contributions (Note 8) | 294,971 | 393,052 |
| Obligations under capital lease (Note 16) | 236,150 | 264,038 |
| | 1,222,754 | 1,581,801 |
| Net debt | (333,204) | (439,506) |
| Commitments (Note 15) | | |
| Non-financial assets | | |
| Prepaid expenses | 38,233 | 46,454 |
| Tangible capital assets (Note 9) | 294,971 | 393,052 |
| | 333,204 | 439,506 |
| Accumulated surplus | - | - |

Approved by the Board



Donna Segal - Board Chair



Janet Cosier - Finance and Audit Committee Chair

The accompanying notes to the financial statements are an integral part of these financial statements.

South East Local Health Integration Network

Statement of operations
year ended March 31, 2014

| | Budget (Note 10) | 2014 Actual | 2013 Actual |
|--|---------------------|----------------|----------------|
| | \$ | \$ | \$ |
| Revenue | | | |
| MOHLTC funding | | | |
| HSP transfer payments (Note 11) | 1,051,759,886 | 1,114,231,259 | 1,099,257,331 |
| Operations of LHIN (Note 5) | 4,543,169 | 4,524,204 | 4,534,906 |
| Enabling Technologies (Note 6a) | - | 580,000 | 580,000 |
| Emergency Department (Note 6b) | - | 75,000 | 75,000 |
| Aboriginal Initiative (Note 6c) | 15,000 | 15,000 | 15,000 |
| ER/ALC Initiative (Note 6d) | - | 100,000 | 100,000 |
| French Language Services Initiative (Note 6e) | 106,000 | 106,000 | 106,000 |
| Critical Care Initiative (Note 6f) | - | 75,000 | 75,000 |
| Primary Care Initiative (Note 6g) | - | 75,000 | 75,000 |
| Chronic Disease Management (Note 6h) | - | 948,254 | 329,119 |
| Physiotherapy (Note 6i) | - | 27,344 | - |
| Amortization of deferred capital contributions (Note 8) | - | 117,046 | 120,796 |
| | 1,056,424,055 | 1,120,874,107 | 1,105,268,152 |
| Funding repayable to the MOHLTC (Note 5a) | - | (73,275) | (318,212) |
| | 1,056,424,055 | 1,120,800,832 | 1,104,949,940 |
| Expenses | | | |
| Transfer payments to HSPs (Note 11) | 1,051,759,886 | 1,114,231,259 | 1,099,257,331 |
| General and administrative (Note 12) | 4,543,169 | 4,627,946 | 4,655,665 |
| Enabling Technologies (Note 6a) | - | 575,654 | 489,773 |
| Emergency Department (Note 6b) | - | 47,179 | 51,425 |
| Aboriginal Initiative (Note 6c) | 15,000 | 15,000 | 15,000 |
| ER/ALC Initiative (Note 6d) | - | 100,000 | 100,000 |
| French Language Services Initiative (Note 6e) | 106,000 | 106,000 | 96,835 |
| Critical Care Initiative (Note 6f) | - | 72,000 | 72,000 |
| Primary Care Initiative (Note 6g) | - | 74,667 | 75,000 |
| Chronic Disease Management (Note 6h) | - | 923,783 | 136,911 |
| Physiotherapy (Note 6i) | - | 27,344 | - |
| | 1,056,424,055 | 1,120,800,832 | 1,104,949,940 |
| Annual surplus and accumulated surplus, end of year | - | - | - |

The accompanying notes to the financial statements are an integral part of these financial statements.

South East Local Health Integration Network

Statement of change in net debt
year ended March 31, 2014

| | 2014 | 2013 |
|--|------------------|------------------|
| | \$ | \$ |
| Annual surplus | - | - |
| Acquisition of tangible capital assets | (18,965) | (8,263) |
| Amortization of tangible capital assets | 117,046 | 120,796 |
| Decrease (increase) in prepaid expenses, net | 8,221 | (18,109) |
| Decrease in net debt | 106,302 | 94,424 |
| Net debt, beginning of year | (439,506) | (533,930) |
| Net debt, end of year | (333,204) | (439,506) |

The accompanying notes to the financial statements are an integral part of these financial statements.

South East Local Health Integration Network

Statement of cash flows
year ended March 31, 2014

| | 2014 | 2013 |
|---|----------------|------------------|
| | \$ | \$ |
| Operating transactions | | |
| Annual surplus | - | - |
| Less items not affecting cash | | |
| Amortization of tangible capital assets | 117,046 | 120,796 |
| Amortization of deferred capital contributions (Note 8) | (117,046) | (120,796) |
| Changes in non-cash operating items | | |
| Decrease in accounts receivable | 6,929 | 2,011 |
| Decrease (increase) in prepaid expenses | 8,221 | (18,109) |
| Increase (decrease) in accounts payable and accrued liabilities | 17,011 | (525,035) |
| Decrease in due to MOHLTC | (249,283) | (29,532) |
| Increase in due to Champlain LHIN | 4,346 | - |
| (Decrease) increase in due to the LHIN Shared Services Office | (5,152) | 9,792 |
| | (217,928) | (560,873) |
| Capital transaction | | |
| Acquisition of tangible capital assets | (18,965) | (8,263) |
| Financing transactions | | |
| Increase in deferred capital contributions (Note 8) | 18,965 | 8,263 |
| Repayment of obligations under capital lease | (27,888) | (26,530) |
| | (8,923) | (18,267) |
| Net change in cash | (245,816) | (587,403) |
| Cash, beginning of year | 1,087,305 | 1,674,708 |
| Cash, end of year | 841,489 | 1,087,305 |

The accompanying notes to the financial statements are an integral part of these financial statements.

South East Local Health Integration Network

Notes to the financial statements

March 31, 2014

1. Description of business

The South East Local Health Integration Network was incorporated by Letters Patent on June 9, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the Local Health System Integration Act, 2006 (the "Act") as the South East Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The LHIN has also entered into a Performance Agreement with the Ministry of Health and Long-Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas based on where residents primarily received their care (98% of all South East LHIN residents obtain care from local health service providers). The LHIN allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion.

The LHIN is home to over 500,000 people and has a geographic area which spans 19,473 square kilometers; the South East LHIN is the fourth largest geographic local integration network. The LHIN serves approximately 3.8% of Ontarians who live, in almost equal proportion, along a ribbon of more urban areas following Highway 401, or in small rural communities located across the remainder of the area. The LHIN encompasses the areas of Hastings, Prince Edward, Lennox and Addington, Frontenac, Leeds and Grenville Counties, the cities of Kingston, Belleville and Brockville, the towns of Smith Falls and Prescott, and part of Lanark and Northumberland Counties. The LHIN enters into service accountability agreements with service providers.

The LHIN is funded by the Province of Ontario in accordance with the Ministry-LHIN Performance Agreement ("Performance Agreement"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account. Commencing April 1, 2007, all funding payments to LHIN managed health service providers in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized Health Service Providers ("HSP") are expensed in the LHIN's financial statements for the year ended March 31, 2014.

The LHIN statements do not include any Ministry managed programs.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of tangible capital assets and losses in the book value of assets.

South East Local Health Integration Network

Notes to the financial statements

March 31, 2014

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at year end.

Deferred capital contributions

Any amounts received that are used to fund expenses that are recorded as tangible capital assets, are recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the Statement of Operations, is in accordance with the amortization policy applied to the related tangible capital asset recorded.

Tangible capital assets

Tangible capital assets are recorded at cost. Cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. The cost of tangible capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed tangible capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the tangible capital asset would be recognized at nominal value.

Operations betterments or improvements that significantly increase or prolong the service life or capacity of a tangible capital asset are capitalized. Maintenance and repair costs are recognized as an expense when incurred. Computer software is recognized as an expense when incurred.

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized, on a straight line basis, over their estimated useful lives as follow:

| | |
|---------------------------------|---------------|
| Office equipment | 5 years |
| Computer equipment | 3 years |
| Infrastructure/Web developments | 3 years |
| Leasehold improvements | Life of lease |

Segment disclosures

A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the Statement of Operations and within the related notes for both the prior and current year sufficiently disclosed information of all appropriate segments and, therefore, no additional disclosure is required.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include valuation of accrued liabilities and useful lives of the tangible capital assets. Actual results could differ from those estimates.

South East Local Health Integration Network

Notes to the financial statements

March 31, 2014

3. Accounts receivable

At March 31, 2014 the LHIN has accounts receivable of \$48,061 (2013 - \$54,990) which represents HST receivable for the last quarter of the fiscal year.

4. Accounts payable and accrued liabilities

At March 31, 2014 the LHIN has accounts payable and accrued liabilities of \$613,718 (2013 - \$596,707). This amount represents accounts payable (Trade) of \$218,334 (2013 - \$157,875), and accrued liabilities \$395,384 (2013 - \$438,832).

5. Funding repayable to the MOHLTC

In accordance with the Performance Agreement, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

In accordance with the accounting policy related to deferred capital contributions (Note 2) the LHIN has recognized as revenue ("funding received"), the amortization of deferred capital contributions of \$117,046 (2013 - \$120,796), and the 2014 deferred revenue from capital contributions of \$18,965 (2013 - \$8,263). This has resulted in an increase to the overall LHIN Operations revenue as shown in Note 5(a) below:

| | 2014 | 2013 |
|---|-----------|-----------|
| | \$ | \$ |
| LHIN Operations base funding | 4,543,169 | 4,543,169 |
| Less: Deferred revenue from capital contributions | (18,965) | (8,263) |
| LHIN Operations Revenue (Statement of Operations) | 4,524,204 | 4,534,906 |
| Add: Deferred revenue from capital contributions | 117,046 | 120,796 |
| LHIN Operations Funding (Note 5a) | 4,641,250 | 4,655,702 |

(a) The amount repayable to the MOHLTC is made up of the following components:

| | | | 2014 | 2013 |
|---|------------------|------------------|----------------|----------------|
| | Funding received | Related expenses | Excess funding | Excess funding |
| | \$ | \$ | \$ | \$ |
| Transfer payments to HSPs | 1,114,231,259 | 1,114,231,259 | - | - |
| LHIN operations | 4,641,250 | 4,627,946 | 13,304 | 37 |
| Enabling technologies | - | - | - | 90,227 |
| Emergency department initiative | 75,000 | 47,179 | 27,821 | 23,575 |
| Aboriginal initiative | 15,000 | 15,000 | - | - |
| ER/ALC Initiative | 100,000 | 100,000 | - | - |
| French Language Services Initiative | 106,000 | 106,000 | - | 9,165 |
| Critical Care Initiative | 75,000 | 72,000 | 3,000 | 3,000 |
| Primary Care Initiative | 75,000 | 74,667 | 333 | - |
| Chronic Disease Management | 948,254 | 923,783 | 24,471 | 192,208 |
| Physiotherapy | 27,344 | 27,344 | - | - |
| Repayable directly to MOHLTC | 1,120,294,107 | 1,120,225,178 | 68,929 | 318,212 |
| Enabling technologies, repayable to MOHLTC through Champlain LHIN | 580,000 | 575,654 | 4,346 | - |
| | 1,120,874,107 | 1,120,800,832 | 73,275 | 318,212 |

South East Local Health Integration Network

Notes to the financial statements

March 31, 2014

5. Funding repayable to the MOHLTC (continued)

(b) The amount due to the MOHLTC at March 31 is made up as follows:

| | 2014 | 2013 |
|---|-----------|-----------|
| | \$ | \$ |
| Opening balance | 318,212 | 317,651 |
| Funding repaid during the year | (318,212) | (317,651) |
| One-time funding repayable to MOHLTC | 55,625 | 318,175 |
| LHIN Operations funding repayable to MOHLTC | 13,304 | 37 |
| Closing balance | 68,929 | 318,212 |

(c) The amount due to the MOHLTC at March 31, is made up as follows:

| | 2014 | 2013 |
|--|-------|------|
| | \$ | \$ |
| One-time funding repayable to Champlain LHIN | 4,346 | - |

6. Funding Initiatives

(a) Enabling Technologies Initiative

In fiscal 2014, the LHIN entered into an agreement with the South East, North East and North West LHINs (the "Cluster") in order to enable the effective and efficient delivery of e-health programs and initiatives within the geographic area of the Cluster. Funding was provided to enable the cluster LHINs Project Management Offices to advance eHealth, information management and information technology initiatives as outlined in the ETI PMO Toolkit Business Case approved by the MOHLTC.

The LHIN's financial statement reflects its share of the MOHLTC funding for Enabling Technologies of \$580,000 in fiscal 2014. The total amount of funding for the Cluster in fiscal 2014 was \$2,320,000 and was received from the MOHLTC by the Champlain LHIN on behalf of the Cluster. The funding was split equitably amongst the South East, North East, North West and Champlain LHINs. The SE LHIN is required to book all surplus for this project to "Payable to Champlain LHIN"; the Lead LHIN (Champlain) is responsible for returning those funds to the MOHLTC on behalf of the cluster.

| | 2014 | 2013 |
|-----------------------|---------|---------|
| | \$ | \$ |
| Expenses | | |
| Salaries and benefits | 463,754 | 302,157 |
| Travel | 17,435 | 21,908 |
| Meeting expenses | 550 | 5,270 |
| Other | 93,915 | 160,438 |
| | 575,654 | 489,773 |

South East Local Health Integration Network

Notes to the financial statements

March 31, 2014

6. Funding Initiatives (continued)

(b) Emergency Department Initiative

During fiscal 2014, the LHIN received funding in the amount of \$75,000 (2013 - \$75,000) from the MOHLTC. These funds were used toward resources to support the strategic Emergency Department Initiative and fell under the Access to Specialized Medical Services, within the Integrated Health Services Plan "Priority for Change". Unspent funds, amounting to \$27,821 (2013 - \$23,575) at year end, are repayable to the MOHLTC.

| | 2014 | 2013 |
|--------------|---------------|---------------|
| | \$ | \$ |
| Expenses | | |
| Consulting | 45,600 | 49,500 |
| Travel/Other | 1,579 | 1,925 |
| | 47,179 | 51,425 |

(c) Aboriginal Initiative

During fiscal 2014, the LHIN received funding in the amount of \$15,000 (2013 - \$15,000) from the MOHLTC. These funds were used toward planning activities including assistance with the Metis Health Survey and engagement with the Aboriginal community including the newly formed Indigenous Council at the Napanee CHC in support of the Integrated Health Services Plan "Priority for Change".

| | 2014 | 2013 |
|---------|--------|--------|
| | \$ | \$ |
| Expense | | |
| Other | 15,000 | 15,000 |

(d) ER/ALC Initiative

During fiscal 2014, the LHIN received funding in the amount of \$100,000 (2013 - \$100,000) from the MOHLTC. These funds were used toward resources to support the ER/ALC Strategy.

| | 2014 | 2013 |
|-----------------------|----------------|----------------|
| | \$ | \$ |
| Expenses | | |
| Salaries and benefits | 100,000 | 99,387 |
| Travel | - | 613 |
| | 100,000 | 100,000 |

South East Local Health Integration Network

Notes to the financial statements

March 31, 2014

6. Funding Initiatives (continued)

(e) French Language Services Initiative

During fiscal 2014, the LHIN received funding in the amount of \$106,000 (2013 - \$106,000) from the MOHLTC. These funds were used towards resources to support the French Language Services Strategy.

Actual expenditures incurred as part of the French Language Services Initiative activities were in excess of the \$106,000 funding provided by the MOHLTC. The total of actual expenses is \$111,880. The overage of \$5,880 has been funded through LHIN Operations base.

| | Funded from LHIN operations | Direct fund | 2014 Total | 2013 Total |
|-----------------------|-----------------------------------|----------------|----------------|---------------|
| | \$ | \$ | \$ | \$ |
| Expenses | | | | |
| Salaries and benefits | 5,880 | 82,713 | 88,593 | 76,379 |
| Travel | - | 6,351 | 6,351 | 3,724 |
| Meeting expenses | - | - | - | 128 |
| Other | - | 16,936 | 16,936 | 16,604 |
| | 5,880 | 106,000 | 111,880 | 96,835 |

(f) Critical Care Initiative

During fiscal 2014, the LHIN received funding in the amount of \$75,000 (2013 - \$75,000) from the MOHLTC. These funds were used towards resources to support the Critical Care Strategy. Unspent funds, amounting to \$3,000 (2013 - \$3,000) at year end, are repayable to the MOHLTC.

| | 2014 | 2013 |
|------------|---------------|--------|
| | \$ | \$ |
| Expenses | | |
| Consulting | 72,000 | 72,000 |

(g) Primary Care Initiative

During fiscal 2014, the LHIN received in-year funding in the amount of \$75,000 (2013 - \$75,000) from the MOHLTC. These funds were used toward resources for planning and engagement with Primary Health Care providers in support of the Integrated Health Services Plan "Priority for Change." Unspent funds, amounting to \$333 (2013 - \$Nil) at year end, were repayable to the MOHLTC.

| | 2014 | 2013 |
|------------------|---------------|---------------|
| | \$ | \$ |
| Expenses | | |
| Consulting | 72,000 | 72,000 |
| Travel | 2,612 | 2,480 |
| Meeting expenses | 55 | 480 |
| Other | - | 40 |
| | 74,667 | 75,000 |

South East Local Health Integration Network

Notes to the financial statements

March 31, 2014

6. Funding Initiatives (continued)

(h) Chronic Disease Management

During fiscal 2014, the LHIN received funding in the amount of \$948,254 (2013 - \$329, 119) from the MOHLTC. These funds were used towards resources to support Chronic Disease Management and the Ontario Diabetes Strategy for Ontarians in support of the Integrated Health Services Plan. Unspent funds, amounting to \$24,471 (2013 - \$192,208) at year end, are repayable to the MOHLTC.

| | 2014 | 2013 |
|-----------------------|---------|---------|
| | \$ | \$ |
| Expenses | | |
| Salaries and benefits | 777,805 | 59,867 |
| Travel | 24,675 | 1,329 |
| Other | 121,303 | 75,715 |
| | 923,783 | 136,911 |

(i) Physiotherapy

During fiscal 2014, the LHIN received funding of \$27,344 (2013 - \$Nil) towards resources to support the Physiotherapy Initiative.

| | 2014 | 2013 |
|-----------------------|--------|------|
| | \$ | \$ |
| Expenses | | |
| Salaries and benefits | 27,344 | - |

7. Related party transactions

LHIN Shared Services Office (LSSO)

The LSSO is a division of the Toronto Central LHIN and, as such, is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO is responsible for providing services to all LHINs. The full costs of providing these services are billed to all the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN at the year end are recorded as a receivable from (payable to) the LSSO. This is all done pursuant to the Shared Service Agreement the LSSO has with all the LHINs.

LHIN Collaborative (LHINC)

LHINC was formed in fiscal 2010 to strengthen relationships between and among health service providers, associations and the LHINs, and to support system alignment. The purpose of LHINC is to support the LHINs in:

- Fostering engagement of the health service provider community in support of collaborative and successful integration of the health care system;
- Their role as system manager;
- Where appropriate, the consistent implementation of provincial strategy and initiatives;
- The identification and dissemination of best practices; and
- LHINC is an LHIN-led organization and accountable to the LHINs. LHINC is funded by the LHINs with support from the ministry of health and long-term care.

LHINC is a division of Toronto Central LHIN and as such is subject to the same policies, guidelines and directives as the Toronto Central LHIN.

South East Local Health Integration Network

Notes to the financial statements

March 31, 2014

8. Deferred capital contributions

| | 2014 | 2013 |
|--|-----------|-----------|
| | \$ | \$ |
| Balance, beginning of year | 393,052 | 505,585 |
| Capital contributions received during the year | 18,965 | 8,263 |
| Amortization for the year | (117,046) | (120,796) |
| Balance, end of year | 294,971 | 393,052 |

9. Tangible capital assets

| | 2014 | | 2013 |
|------------------------|---------|--------------------------|----------------|
| | Cost | Accumulated amortization | Net book value |
| | \$ | \$ | \$ |
| Office equipment | 408,007 | 344,270 | 63,737 |
| Computer equipment | 149,635 | 133,319 | 16,316 |
| Leasehold improvements | 358,197 | 143,279 | 214,918 |
| | 915,839 | 620,868 | 294,971 |

10. Budget figures

The budget was approved by the Government of Ontario. The budget figures reported in the Statement of Operations reflect the initial budget at April 1, 2013. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirement. During the year the government approves budget adjustments. The following reflects the adjustments for the LHIN during the year:

The total HSP funding budget of \$1,114,231,259 is made up of the following:

| | \$ |
|--|---------------|
| Initial HSP funding budget | 1,051,759,886 |
| Adjustment due to announcements made during the year | 62,471,373 |
| Total HSP funding budget | 1,114,231,259 |

The total operating budget of \$4,453,169 is made up of the following:

| | \$ |
|---|-----------|
| Initial budget | 4,543,169 |
| Additional funding received during the year | - |
| Total budget | 4,543,169 |

South East Local Health Integration Network

Notes to the financial statements

March 31, 2014

11. Transfer payments to HSPs

The LHIN has authorization to allocate the funding of \$1,114,231,259 to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors as follows:

| | 2014 | 2013 |
|---|----------------------|----------------------|
| | \$ | \$ |
| Operation of Hospitals | 690,025,790 | 721,433,597 |
| Grants to compensate for Municipal Taxation - Public Hospitals | 190,725 | 190,725 |
| Long-Term Care Homes | 176,939,060 | 170,990,709 |
| Community Care Access Centres | 117,582,573 | 108,497,833 |
| Community Support Services | 31,604,448 | 30,132,287 |
| Assisted Living Services in Supportive Housing | 2,048,566 | 2,048,566 |
| Community Health Centres | 28,049,843 | 23,054,049 |
| Community Mental Health Addictions Program | 67,790,254 | 42,909,565 |
| | 1,114,231,259 | 1,099,257,331 |

12. General and administrative expenses

(a) The Statement of Operations presents expenses by function. The following classifies general and administrative expenses by object, as follows:

| | 2014 | 2013 |
|--------------------------------------|------------------|------------------|
| | \$ | \$ |
| Program based | | |
| Salaries | 3,306,308 | 3,321,827 |
| Consulting and LHIN-based projects | 28,110 | 135,185 |
| | 3,334,418 | 3,457,012 |
| Shared services | 378,674 | 294,616 |
| Collaborative | 54,357 | 47,500 |
| Other (Note 12b) | 216,670 | 218,153 |
| Occupancy | 192,172 | 214,889 |
| Office equipment and supplies | 136,321 | 133,310 |
| Board per diem | 69,075 | 68,700 |
| Public relations | 67,053 | 49,412 |
| Mail, courier and telecommunications | 62,160 | 51,277 |
| | 4,510,900 | 4,534,869 |
| Amortization | 117,046 | 120,796 |
| | 4,627,946 | 4,655,665 |

South East Local Health Integration Network

Notes to the financial statements

March 31, 2014

12. General and administrative expenses (continued)

(b) The breakdown of "Other" general and administrative expenses listed in the table above are:

| | 2014 | 2013 |
|--------------------------|----------------|----------------|
| | \$ | \$ |
| Training and development | 83,023 | 86,827 |
| Travel | 120,852 | 114,430 |
| Recruitment | 5,656 | 10,709 |
| Insurance | 6,883 | 6,634 |
| Other miscellaneous | 256 | (447) |
| | 216,670 | 218,153 |

(c) The total expenses related to governance is as follows, and are included in the expenses listed in Note 12(a) above:

| | 2014 | 2013 |
|---|----------------|----------------|
| | \$ | \$ |
| Board chair per diems | 26,075 | 31,500 |
| All other per diems | 43,000 | 37,200 |
| Total per diems | 69,075 | 68,700 |
| Other administrative costs | 57,095 | 42,559 |
| Total governance expenditures | 126,170 | 111,259 |
| Overhead - salaries, benefits, accommodations and shared services | 156,688 | 154,417 |
| Total governance related costs | 282,858 | 265,676 |

(d) The total occupancy and shared service costs are reduced from actual expenses in Note 12(a) above, due to partial cost sharing with ancillary funded projects for project staff that utilize office space and or shared services during the year.

13. Pension agreements

The LHIN makes contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2014 was \$293,150 (2013 - \$274,129) for current service costs and is included as an expense in the Statement of Financial Activities. The last actuarial valuation was completed for the plan as of December 31, 2013. At that time, the plan was fully funded.

14. Guarantees

The LHIN is subject to the provisions of the Financial Administration Act. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the Financial Administration Act and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

South East Local Health Integration Network

Notes to the financial statements

March 31, 2014

15. Commitments

The LHIN has commitments under various operating leases related to building and equipment. Minimum lease payments due under the building lease as follows:

| | \$ |
|------------|------------------|
| 2015 | 224,064 |
| 2016 | 224,064 |
| 2017 | 224,064 |
| 2018 | 224,064 |
| 2019 | 224,064 |
| Thereafter | 429,456 |
| | <u>1,549,776</u> |

The LHIN also has funding commitments to HSPs associated with accountability agreements. As of March 31, 2014, the LHIN had signed Performance Agreements with all Hospitals and Community Agencies for the next one to three years dependent upon the specific sector. The actual amounts which will ultimately be paid are contingent upon actual LHIN funding received from MOHLTC.

16. Obligations under capital lease

The LHIN has a lease under the provision of capital lease of leasehold improvements. The cost of this lease is included in equipment and the related liabilities are included in long-term debt to reflect the effective acquisition and financing of these items. The lease on the building expires in February, 2021.

The present value of future minimum rentals is as follows:

| | \$ |
|---|----------------|
| 2015 | 40,456 |
| 2016 | 40,456 |
| 2017 | 40,456 |
| 2018 | 40,456 |
| 2019 | 40,456 |
| Thereafter | 77,540 |
| Future minimum lease payments | 279,820 |
| Less: amount representing interest | (43,670) |
| Present value of future minimum rentals | <u>236,150</u> |

Principal payments required on this long-term debt for the next five years are as follows:

| | \$ |
|------------|----------------|
| 2015 | 29,314 |
| 2016 | 30,814 |
| 2017 | 32,390 |
| 2018 | 34,048 |
| 2019 | 35,790 |
| Thereafter | 73,794 |
| | <u>236,150</u> |

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South West LHIN

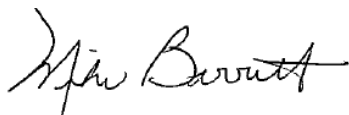
Management Responsibility Report

The management of the South West Local Health Integration Network (LHIN) is responsible for preparing the accompanying financial statements in conformity with generally accepted accounting principles. In preparing these financial statements, management selects appropriate accounting policies and uses its judgement and best estimates to report events and transactions as they occur. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Financial data included throughout this Annual Report is prepared on a basis consistent with that of the financial statements.


The LHIN maintains a system of internal accounting controls designed to provide reasonable assurance, at a reasonable cost, that assets are safeguarded and that transactions are executed and recorded in accordance with the LHIN's policies for doing business.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control, and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee. The Committee meets approximately four times annually to review audited and unaudited financial information. Deloitte LLP has full and free access to the Audit Committee.

Management acknowledges its responsibility to provide financial information that is representative of the LHIN's operations, is consistent and reliable, and is relevant for the informed evaluation of the LHIN's activities.



Michael Barrett
Chief Executive Officer



Lisa M Johnson
Controller/Manager of Corporate Services

May 30, 2014



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Independent Auditor's Report

To the Members of the Board of Directors of the
South West Local Health Integration Network

We have audited the accompanying financial statements of South West Local Health Integration Network, which comprise the statement of financial position as at March 31, 2014, and the statements of operations, change in net debt 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 public sector accounting standards, 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 in our audit 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 South West Local Health Integration network as at March 31, 2014 and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in dark ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
May 28, 2014

South West Local Health Integration Network

Statement of financial position as at March 31, 2014

| | 2014 | 2013 |
|--|-------------------|------------------|
| | \$ | \$ |
| Financial assets | | |
| Cash | 848,079 | 892,912 |
| Due from Ministry of Health and Long-Term Care ("MOHLTC") | | |
| Health Service Provider ("HSP") transfer payments (Note 9) | 11,537,917 | 8,505,822 |
| Due from the LHIN Shared Services Office (Note 4) | - | 17,190 |
| Harmonized sales tax receivable | 59,791 | 79,069 |
| Accounts receivable | - | 3,879 |
| | 12,445,787 | 9,498,872 |
| Liabilities | | |
| Accounts payable and accrued liabilities | 422,393 | 795,784 |
| Due to Health Service Providers ("HSPs") (Note 9) | 11,537,917 | 8,505,822 |
| Due to MOHLTC (Note 3b) | 537,813 | 176,111 |
| Due to eHealth Ontario (Note 3c) | - | 52,319 |
| Due to the LHIN Shared Services Office (Note 4) | 3,316 | - |
| Deferred capital contributions (Note 5) | 140,632 | 262,387 |
| | 12,642,071 | 9,792,423 |
| Net debt | (196,284) | (293,551) |
| Commitments (Note 6) | | |
| Non-financial assets | | |
| Prepaid expenses | 55,652 | 31,164 |
| Tangible capital assets (Note 7) | 140,632 | 262,387 |
| | 196,284 | 293,551 |
| Accumulated surplus | - | - |

Approved by the Board



Director



Director

The accompanying notes to the financial statements are an integral part of these financial statements.

South West Local Health Integration Network

Statement of operations year ended March 31, 2014

| | Budget (Note 8) | 2014 Actual | 2013 Actual |
|--|--------------------|----------------|----------------|
| | \$ | \$ | \$ |
| Revenue | | | |
| MOHLTC funding | | | |
| HSP transfer payments (Note 9) | 2,151,445,002 | 2,215,597,061 | 2,190,349,994 |
| Operations of LHIN | 4,895,719 | 4,909,473 | 4,873,561 |
| Aboriginal Planning (Note 10a) | 35,000 | 35,000 | 35,000 |
| French Language Services (Note 10b) | 106,000 | 106,000 | 106,000 |
| Critical Care (Note 10c) | 75,000 | 75,000 | 75,000 |
| Emergency Department ("ED") Lead (Note 10d) | 75,000 | 68,220 | 75,000 |
| Emergency Room/Alternative Level of Care ("ER/ALC") Performance Lead (Note 10e) | 100,000 | 100,000 | 100,000 |
| Primary Care Lead (Note 10f) | 75,000 | 75,000 | 75,000 |
| Enabling Technologies ETI PMO (Note 10g) | 580,000 | 580,000 | 578,560 |
| Diabetes Regional Coordinating Ctr (Note 10h) | 1,200,620 | 946,212 | 206,632 |
| E-Health SPIRE & cSWO (Note 10i) | 187,739 | 187,739 | 773,833 |
| Amortization of deferred capital contributions (Note 5) | 139,890 | 139,890 | 162,000 |
| | 2,158,914,970 | 2,222,819,595 | 2,197,410,580 |
| Funding repayable to eHealth Ontario (Note 3a) | - | - | (34,865) |
| Funding repayable to the MOHLTC (Note 3a) | - | (237,813) | (176,111) |
| | 2,158,914,970 | 2,222,581,782 | 2,197,199,604 |
| Expenses | | | |
| Transfer payments to HSPs (Note 9) | 2,151,445,002 | 2,215,597,061 | 2,190,349,994 |
| General and administrative (Note 11) | 5,035,609 | 5,048,519 | 4,981,477 |
| Aboriginal Planning (Note 10a) | 35,000 | 30,203 | 32,760 |
| French Language Services (Note 10b) | 106,000 | 93,908 | 93,198 |
| Critical Care (Note 10c) | 75,000 | 72,613 | 74,508 |
| ED Lead (Note 10d) | 75,000 | 67,655 | 73,944 |
| ER/ALC Performance Lead (Note 10e) | 100,000 | 84,386 | 98,245 |
| Primary Care Lead (Note 10f) | 75,000 | 72,052 | 74,889 |
| Enabling Technologies (Note 10g) | 580,000 | 511,019 | 512,356 |
| Diabetes Regional Coordinating Ctr (Note 10h) | 1,200,620 | 816,627 | 169,265 |
| E-Health SPIRE & cSWO (Note 10i) | 187,739 | 187,739 | 738,968 |
| | 2,158,914,970 | 2,222,581,782 | 2,197,199,604 |
| Annual surplus and accumulated surplus, end of year | - | - | - |

The accompanying notes to the financial statements are an integral part of these financial statements.

South West Local Health Integration Network

Statement of change in net debt
year ended March 31, 2014

| | 2014 Actual | 2013 Actual |
|---|------------------|------------------|
| | \$ | \$ |
| Annual surplus | - | - |
| Change in prepaid expenses, net | (24,488) | 7,506 |
| Acquisition of tangible capital assets | (18,135) | (156,633) |
| Amortization of tangible capital assets | 139,890 | 162,000 |
| Decrease in net debt | 97,267 | 12,873 |
| Net debt, beginning of year | (293,551) | (306,424) |
| Net debt, end of year | (196,284) | (293,551) |

The accompanying notes to the financial statements are an integral part of these financial statements.

South West Local Health Integration Network

Statement of cash flows year ended March 31, 2014

| | 2014 | 2013 |
|---|-----------------|------------------|
| | \$ | \$ |
| Operating transactions | | |
| Annual surplus | - | - |
| Less items not affecting cash | | |
| Amortization of capital assets | 139,890 | 162,000 |
| Amortization of deferred capital contributions (Note 5) | (139,890) | (162,000) |
| Changes in non-cash operating items | | |
| Increase in due from MOHLTC HSP transfer payments | (3,032,095) | (6,479,929) |
| Decrease (increase) in due from LHIN Shared Services Office | 17,190 | (17,190) |
| Decrease in accounts receivable | 3,879 | 12,611 |
| Decrease (increase) in Harmonized Sales Tax receivable | 19,278 | (33,714) |
| (Decrease) Increase in accounts payable and accrued liabilities | (373,391) | 487,766 |
| Increase in due to HSPs | 3,032,095 | 6,479,929 |
| Increase in due to MOHLTC | 361,702 | 128,029 |
| Decrease in due to eHealth Ontario | (52,319) | (10,472) |
| Increase (decrease) in due to LHIN Shared Services Office | 3,316 | (7,440) |
| (Increase) decrease in prepaid expenses | (24,488) | 7,506 |
| | (44,833) | 567,096 |
| Capital transaction | | |
| Acquisition of tangible capital assets | (18,135) | (156,633) |
| Financing transaction | | |
| Deferred capital contributions received (Note 5) | 18,135 | 156,633 |
| Net (decrease) increase in cash | (44,833) | 567,096 |
| Cash, beginning of year | 892,912 | 325,816 |
| Cash, end of year | 848,079 | 892,912 |

The accompanying notes to the financial statements are an integral part of these financial statements.

South West Local Health Integration Network

Notes to the financial statements

March 31, 2014

1. Description of business

The South West Local Health Integration Network was incorporated by Letters Patent on July 9, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act, 2006* (the "Act") as the South West Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers approximately 22,000 square kilometers from Tobermory in the north to Long Point in the south. The LHIN enters into service accountability agreements with service providers.

The LHIN is funded by the Province of Ontario in accordance with the Ministry-LHIN Performance Agreement ("MLPA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account.

The LHIN statements do not include any Ministry managed programs.

The LHIN is also funded by eHealth Ontario in accordance with the eHealth Ontario - LHIN Transfer Payment Agreement ("TPA"), which describes budget arrangements established by eHealth Ontario. These financial statements reflect agreed funding arrangements approved by eHealth Ontario. The LHIN cannot authorize an amount in excess of the budget allocation set by eHealth Ontario.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of tangible capital assets.

South West Local Health Integration Network

Notes to the financial statements

March 31, 2014

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. Unspent amounts are recorded as payable to the MOHLTC at period end. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed.

Deferred capital contributions

Any amounts received that are used to fund expenses that are recorded as tangible capital assets, are recorded as deferred capital revenue and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the statement of operations, is in accordance with the amortization policy applied to the related tangible capital asset recorded.

Tangible capital assets

Tangible capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. The cost of tangible capital assets contributed is recorded at the estimated fair value on date of contribution. Fair value of contributed tangible capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the tangible capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a tangible capital asset are capitalized. Computer software is recognized as an expense when incurred.

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives as follows:

| | |
|--|------------------------------------|
| Computer equipment | 3 years straight-line method |
| Leasehold improvements | Life of lease straight-line method |
| Office equipment, furniture and fixtures | 5 years straight-line method |
| Web development | 3 years straight-line method |

For assets acquired or brought into use, during the year, amortization is provided for a full year.

Segment disclosures

A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the statement of operations and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and, therefore, no additional disclosure is required.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimate and assumptions include valuation of accrued liabilities and useful lives of the tangible capital assets. Actual results could differ from those estimates.

South West Local Health Integration Network

Notes to the financial statements

March 31, 2014

3. Funding repayable to the MOHLTC and eHealth Ontario

In accordance with the MLPA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

In accordance with the TPA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to eHealth Ontario.

- a) The amount repayable to the MOHLTC and eHealth Ontario related to current year activities is made up of the following components:

| | | | 2014 | 2013 |
|----------------------------------|----------------------|----------------------|----------------|----------------|
| | Funding | Eligible expenses | Funding excess | Funding excess |
| | \$ | \$ | \$ | \$ |
| Transfer payments to HSPs | 2,215,597,061 | 2,215,597,061 | - | - |
| LHIN operations | 4,909,473 | 4,908,629 | 844 | 54,084 |
| Aboriginal Planning | 35,000 | 30,203 | 4,797 | 2,240 |
| French Language Services | 106,000 | 93,908 | 12,092 | 12,802 |
| Enabling Technologies | 580,000 | 511,019 | 68,981 | 66,204 |
| E-Health SPIRE | 187,739 | 187,739 | - | 34,865 |
| Critical Care Lead | 75,000 | 72,613 | 2,387 | 492 |
| ED Lead | 68,220 | 67,655 | 565 | 1,056 |
| Primary Care Lead | 75,000 | 72,052 | 2,948 | 111 |
| ER/ALC Lead | 100,000 | 84,386 | 15,614 | 1,755 |
| Diabetes Regional Coord. Centres | 946,212 | 816,627 | 129,585 | 37,367 |
| | 2,222,679,705 | 2,222,441,892 | 237,813 | 210,976 |

- b) The amount due to the MOHLTC at March 31 is made up as follows:

| | 2014 | 2013 |
|---|----------------|----------------|
| | \$ | \$ |
| Due to MOHLTC, beginning of year | 176,111 | 48,082 |
| Funding repaid to MOHLTC | (176,111) | (48,082) |
| Funding repayable to the MOHLTC related to current year activities (Note 3a) | 237,813 | 176,111 |
| Funding repayable to the MOHLTC related to current year ETI PMO Cluster activities (Note 10g) | 300,000 | - |
| Due to MOHLTC, end of year | 537,813 | 176,111 |

South West Local Health Integration Network

Notes to the financial statements

March 31, 2014

3. Funding repayable to the MOHLTC and eHealth Ontario (continued)

c) The amount due to eHealth Ontario at March 31 is made up as follows:

| | 2014 | 2013 |
|---|----------|----------|
| | \$ | \$ |
| Due to eHealth Ontario, beginning of year | 52,319 | 62,791 |
| Paid to eHealth Ontario during year | (52,319) | (45,337) |
| Funding repayable to the eHealth Ontario related to current year activities (Note 3a) | - | 34,865 |
| Due to eHealth Ontario, end of year | - | 52,319 |

4. Related party transactions

The LHIN Shared Services Office (the "LSSO") is a division of the Toronto Central LHIN and is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs is responsible for providing services to all LHINs. The full costs of providing these services are billed to all the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN at the year-end are recorded as a receivable (payable) from (to) the LSSO. This is all done pursuant to the shared service agreement the LSSO has with all the LHINs.

The LHIN Collaborative (the "LHINC") was formed in fiscal 2010 to strengthen relationships between and among health service providers, associations and the LHINs, and to support system alignment. The purpose of LHINC is to support the LHINs in fostering engagement of the health service provider community in support of collaborative and successful integration of the health care system; their role as system manager; where appropriate, the consistent implementation of provincial strategy and initiatives; and the identification and dissemination of best practices. LHINC is a LHIN-led organization and accountable to the LHINs. LHINC is funded by the LHINs with support from the MOHLTC.

5. Deferred capital contributions

| | 2014 | 2013 |
|---|-----------|-----------|
| | \$ | \$ |
| Balance, beginning of year | 262,387 | 267,754 |
| Capital contributions received during the year (Note 8) | 18,135 | 156,633 |
| Amortization for the year | (139,890) | (162,000) |
| Balance, end of year | 140,632 | 262,387 |

6. Commitments

The LHIN has commitments under various operating leases extending to 2019 related to building and equipment which have standard renewal terms. Minimum lease payments due in each of the next five years are as follows:

| | \$ |
|------|---------|
| 2015 | 294,254 |
| 2016 | 109,682 |
| 2017 | 4,789 |
| 2018 | 4,014 |
| 2019 | 191 |

South West Local Health Integration Network

Notes to the financial statements

March 31, 2014

6. Commitments (continued)

The LHIN also has funding commitments to HSPs associated with accountability agreements. Minimum commitments to HSPs, based on the current accountability agreements, are as follows:

| | |
|------|---------------|
| | \$ |
| 2015 | 2,149,388,354 |

The actual amounts which will ultimately be paid are contingent upon actual LHIN funding received from the MOHLTC.

7. Tangible capital assets

| | | | 2014 | 2013 |
|---|------------------|-----------------------------|-------------------|-------------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| | \$ | \$ | \$ | \$ |
| Computer equipment | 212,709 | 170,709 | 42,000 | 52,047 |
| Leasehold improvements | 1,588,789 | 1,506,773 | 82,016 | 173,027 |
| Office equipment, furniture and fixtures | 218,003 | 201,387 | 16,616 | 37,313 |
| | 2,019,501 | 1,878,869 | 140,632 | 262,387 |

8. Budget figures

The budget was approved by the Government of Ontario. The budget figures reported in the statement of operations reflect the initial budget at April 1, 2012. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. During the year the government approved budget adjustments. The following reflects the adjustments for the LHIN during the year:

The final HSP funding budget of \$2,215,597,061 is derived as follows:

| | |
|--|---------------|
| | \$ |
| Initial budget | 2,151,445,002 |
| Adjustment due to announcements made during the year | 64,152,059 |
| Final HSP funding budget | 2,215,597,061 |

The final LHIN budget, excluding HSP funding, of \$7,082,644 is derived as follows:

| | |
|---|-----------|
| | \$ |
| Initial budget | 5,036,719 |
| Additional funding received during the year | 2,064,060 |
| Amount treated as capital contributions during the year | 18,135 |
| Final LHIN operating budget | 7,082,644 |

South West Local Health Integration Network

Notes to the financial statements

March 31, 2014

9. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$2,215,597,061 to various HSPs in its geographic area. The LHIN approved transfer payments to various sectors in 2014 as follows:

| | 2014 | 2013 |
|--|----------------------|----------------------|
| | \$ | \$ |
| Operation of hospitals | 1,551,196,371 | 1,566,756,371 |
| Grants to compensate for municipal taxation - public hospitals | 451,500 | 451,500 |
| Long term care homes | 313,729,659 | 299,613,261 |
| Community care access centres | 205,929,789 | 188,487,125 |
| Community support services | 42,588,870 | 39,092,788 |
| Assisted living services in supportive housing | 17,999,245 | 17,490,024 |
| Community health centres | 18,679,068 | 16,979,597 |
| Community mental health addictions program | 65,022,559 | 61,479,328 |
| | 2,215,597,061 | 2,190,349,994 |

The LHIN receives funding from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2014, an amount of \$11,537,917 (2013 - \$8,505,822) was receivable from MOHLTC, and was payable to HSPs. These amounts have been reflected as revenue and expenses in the Statement of operations and are included in the table above.

10. Programs

a) Aboriginal Planning

The MOHLTC provided the LHIN with \$35,000 (2013 - \$35,000) related to aboriginal planning. The LHIN incurred operating expenses totaling \$30,203 (2013 - \$32,760). The LHIN has setup a payable to the MOHLTC for the remaining balance of \$4,797.

Expenses incurred are by the LHIN are:

| | 2014 | 2013 |
|--------------------------------------|---------------|---------------|
| | \$ | \$ |
| Consulting services | 20,311 | 30,000 |
| Supplies, equipment and licenses | 13 | 31 |
| Mail, courier and telecommunications | 655 | 943 |
| Other | 9,224 | 1,786 |
| | 30,203 | 32,760 |

b) French Language Services

The MOHLTC provided the LHIN with \$106,000 (2013 - \$106,000) related to French Language Services funding. The LHIN incurred consulting expenses totaling \$93,908 (2013 - \$93,198). The LHIN has setup a payable to the MOHLTC for the remaining balance of \$12,092.

c) Critical Care Lead

The MOHLTC provided the LHIN with \$75,000 (2013 - \$75,000) related to Critical Care initiatives. The LHIN incurred consulting expenses totaling \$72,613 (2013 - \$74,508). The LHIN has setup a payable to the MOHLTC for the remaining balance of \$2,387.

South West Local Health Integration Network

Notes to the financial statements

March 31, 2014

10. Programs (continued)

d) ED Lead

The MOHLTC provided the LHIN with \$75,000 (2013 - \$75,000) related to Emergency Department initiatives. The LHIN incurred consulting expenses totaling \$67,655 (2013 - \$73,944). The MOHLTC collected from the LHIN, \$6,780 as an in year recovery. The LHIN has setup a payable to the MOHLTC for the remaining balance of \$565.

e) ER/ALC Lead

The MOHLTC provided the LHIN with \$100,000 (2013 - \$100,000) related to emergency room management strategy funding. The LHIN incurred consulting expenses totaling \$84,386 (2013 - \$98,245). The LHIN has setup a payable to the MOHLTC for the remaining balance of \$15,614.

f) Primary Care Lead

The MOHLTC provided the LHIN with \$75,000 (2013 - \$75,000) related to Primary Care initiatives. The LHIN incurred consulting expenses totaling \$72,052 (2013 - \$74,889). The LHIN has setup a payable to the MOHLTC for the remaining balance of \$2,948.

g) Enabling Technologies for Integration Project Management Office

Effective January 31, 2014, the LHIN entered into an agreement with Erie St. Clair, Hamilton Niagara Haldimand Brant and Waterloo Wellington (the "Cluster") in order to enable the effective and efficient delivery of e-health programs and initiatives within the geographic area of the Cluster. Under the agreement, decisions related to the financial and operating activities of the Enabling Technologies for Integration Project Management Office are shared. No LHIN is in a position to exercise unilateral control.

The LHIN's financial statement reflects its share of the MOHLTC funding for Enabling Technologies for Integration Project Management Offices for its Cluster and related expenses.

The following provides condensed financial information:

| | | 2014 | 2013 |
|---------------------|-----------|----------------|----------------|
| | Total | LHIN's portion | LHIN's portion |
| | \$ | \$ | \$ |
| Revenue | 2,320,000 | 580,000 | 578,560 |
| Expenses | 1,951,019 | 511,019 | 512,356 |
| Accumulated surplus | 368,981 | 68,981 | 66,204 |

Expenses incurred are by the LHIN are:

| | 2014 | 2013 |
|--------------------------------------|---------|---------|
| | \$ | \$ |
| Salaries and benefits | 360,023 | 445,663 |
| Occupancy | 23,877 | 19,664 |
| Consulting services | 100,000 | - |
| Supplies, equipment and licenses | 1,377 | 3,360 |
| Travel | 1,464 | 8,872 |
| Mail, courier and telecommunications | 2,668 | 7,704 |
| Other | 21,610 | 27,093 |
| | 511,019 | 512,356 |

South West Local Health Integration Network

Notes to the financial statements

March 31, 2014

10. Programs (continued)

g) *Enabling Technologies for Integration Project Management Office (continued)*

The MOHLTC provided the LHIN with \$2,320,000 (2013 - \$580,000) related to Enabling Technologies initiatives. The LHIN incurred operating expenses of \$511,019 (2013 - \$512,356) and capital expenses of \$Nil (2013 - \$1,440) have been recorded as capital assets and the related funding has been recorded as deferred capital contributions. The LHIN cash flowed \$1,440,000 to the other LHINs. The LHIN has setup a payable to the MOHLTC for the remaining balance of \$368,981.

h) *Diabetes Regional Coordination Centres*

The MOHLTC provided the LHIN with \$1,200,620 (2013 - \$338,228) related to Diabetes Regional Coordination Centres initiatives. The LHIN incurred operating expenses of \$816,627 (2013 - \$169,265) and capital expenses of \$8,544 (2013 - \$131,596) have been recorded as capital assets and the related funding has been recorded as deferred capital contributions. The MOHLTC collected from the LHIN, \$249,863 as an in year recovery. The LHIN has setup a payable to the MOHLTC for the remaining balance of \$129,585. Expenses incurred include the following:

| | 2014 | 2013 |
|--------------------|---------|---------|
| | \$ | \$ |
| Salaries | 742,683 | 34,205 |
| Operating expenses | 70,239 | 4,792 |
| One-time expenses | 8,250 | 261,864 |
| Total | 821,172 | 300,861 |

i) *eHealth Ontario – SPIRE & cSWO*

The LHIN entered into a transfer payment agreement with eHealth Ontario providing \$187,739 (2013 - \$775,272) to the LHIN, related to Southwest Physicians Interface with Regional EMRs (SPIRE). The LHIN incurred operating expenses of \$187,739 (2013 - \$738,968) and capital expenses of \$nil (2013 - \$1,439) have been recorded as capital assets and the related funding has been recorded as deferred capital contributions.

Expenses incurred are by the LHIN are:

| | 2014 | 2013 |
|--------------------------------------|---------|---------|
| | \$ | \$ |
| Salaries and benefits | 100,164 | 417,321 |
| Occupancy | 9,949 | 19,664 |
| Consulting services | 65,000 | 244,960 |
| Supplies, equipment and licenses | 84 | 2,807 |
| Travel | 2,034 | 12,391 |
| Mail, courier and telecommunications | 2,708 | 6,758 |
| Other | 7,800 | 35,067 |
| Total | 187,739 | 738,968 |

South West Local Health Integration Network

Notes to the financial statements

March 31, 2014

11. General and administrative expenses

The statement of operations presents the expenses by function; the following classifies general and administrative expenses by object:

| | 2014 | 2013 |
|--------------------------------------|------------------|------------------|
| | \$ | \$ |
| Salaries and benefits | 3,450,665 | 3,385,331 |
| Occupancy | 224,980 | 206,682 |
| Amortization | 139,890 | 162,000 |
| Shared services | 341,521 | 341,520 |
| LHIN Collaborative | 54,357 | 47,500 |
| Public relations | 87,185 | 90,192 |
| Consulting and Project expenses | 219,451 | 178,194 |
| Supplies | 20,983 | 25,901 |
| Board chair per diem | 44,145 | 52,805 |
| Board member per diem | 64,623 | 38,490 |
| Board member expenses | 55,832 | 47,101 |
| Mail, courier and telecommunications | 61,992 | 84,711 |
| Other | 282,895 | 321,050 |
| | 5,048,519 | 4,981,477 |

12. Pension agreements

The LHIN makes contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 30 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2014 was \$ 330,642 (2013 - \$287,905) for current service costs and is included as an expense in the statement of operations. The last actuarial valuation was completed for the plan as at December 31, 2013. As at that time, the plan was fully funded.

13. Guarantees

The LHIN is subject to the provisions of the Financial Administration Act. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favor of third parties, except in accordance with the Financial Administration Act and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the Local Health System Integration Act, 2006 and in accordance with s.28 of the Financial Administration Act.

14. Comparative figures

Certain comparative figures have been reclassified to conform to the current year presentation.

Toronto Central LHIN

June 23, 2014

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Management's Responsibility for the Financial Statements

Toronto Central Local Health Integration Network (the "LHIN"), a crown agency, is dedicated to the highest standards of integrity in its business. To safeguard the LHIN's assets and assure the reliability of financial information, the LHIN follows sound management practices and procedures, and maintains appropriate information systems and internal financial controls.

The integrity and objectivity of the accompanying financial statements of the LHIN is the responsibility of management. These financial statements have been prepared in compliance with legislation and in accordance with Generally Accepted Accounting Principles (GAAP) and under Public Sector Accounting Board (PSAB).

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Audit Committee and Board of Directors.

Management meets with the external auditors and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The financial statements have been audited by Deloitte & Touche LP, independent external auditors appointed by the Board of Directors.



Camille Orridge
Chief Executive Officer



Raj Krishnapillai
Senior Director, Finance, Corporate & Shared
Services/CFO



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5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

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Independent Auditor's Report

To the Members of the Board of Directors of the
Toronto Central Local Health Integration Network

We have audited the accompanying financial statements of the Toronto Central Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2014, and the statements of operations, change in net debt, 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 public sector accounting standards, 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 the LHIN as at March 31, 2014, and the results of its operations, change in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.


Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
June 18, 2014

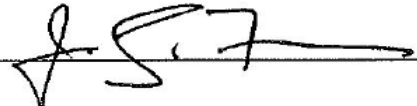
Toronto Central Local Health Integration Network

Statement of financial position
as at March 31, 2014

| | 2014 | 2013 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Financial assets | | |
| Cash | 1,320,686 | 1,307,144 |
| Due from Local Health Integration Networks ("LHINs") | 20,687 | 42,230 |
| Due from Ministry of Health and Long-Term Care ("MOHLTC") regarding HSP transfer payments | 40,825,415 | 30,147,046 |
| Harmonized Sales Tax receivable | 566,371 | 442,966 |
| | 42,733,159 | 31,939,386 |
| Liabilities | | |
| Accounts payable and accrued liabilities | 1,969,287 | 1,715,591 |
| Due to Health Service Providers ("HSPs") | 40,825,415 | 30,147,046 |
| Due to MOHLTC (Note 4b) | 13,607 | 145,816 |
| Deferred capital contributions (Note 5) | 2,503,058 | 1,801,524 |
| | 45,311,367 | 33,809,977 |
| Net debt | 2,578,208 | 1,870,591 |
| Commitments (Note 27) | | |
| Non-financial assets | | |
| Prepaid expenses | 75,150 | 69,067 |
| Tangible capital assets (Note 6) | 2,503,058 | 1,801,524 |
| | 2,578,208 | 1,870,591 |
| Accumulated surplus | - | - |

Approved by the Board

 Director

 Director

The accompanying notes to the financial statements are an integral part of these financial statements.

Toronto Central Local Health Integration Network

Statement of operations year ended March 31, 2014

| | Budget | 2014 Actual | 2013 Actual |
|--|---------------|----------------|----------------|
| | \$ | \$ | \$ |
| Revenue | | | |
| Ministry of Health and Long-Term Care ("MOHLTC") funding | 5,535,121 | 5,181,549 | 5,288,433 |
| Ministry of Health and Long-Term Care ("MOHLTC") funding to LHINC | 670,000 | 670,000 | 670,000 |
| MOHLTC Funding to LHIN Shared Services Office ("LSSO") | 740,000 | 740,000 | 740,000 |
| Health Service Provider ("HSP") transfer payments (Notes 7 and 8) | 4,503,277,685 | 4,715,109,989 | 4,639,988,705 |
| Enabling Technologies (Note 9) | 580,000 | 580,000 | 580,000 |
| Emergency Department ("ED") Leads (Note 10) | 75,000 | 75,000 | 75,000 |
| Aboriginal Health Transition Planning (Note 11) | 20,000 | 20,000 | 20,000 |
| Emergency Room and Alternate Level of Care ("ER/ALC") (Note 12) | 100,000 | 100,000 | 100,000 |
| Critical Care ("CC") Leads (Note 13) | 75,000 | 75,000 | 75,000 |
| Resources Matching Referrals ("RMR") Leads (Note 14) | 483,000 | 626,000 | 483,000 |
| French Language Health Services ("FLHS") (Note 15) | 106,000 | 106,000 | 106,000 |
| French Planning Entities (Note 16) | 568,713 | 568,713 | 421,475 |
| Primary Care Lead (Note 17) | 75,000 | 75,000 | 75,000 |
| Diabetes Regional Coordination Centre (Note 18) | 1,267,521 | 1,267,521 | 21,566 |
| Diabetes Early Detection (Note 19) | - | 50,000 | - |
| Physiotherapy Reform (Note 20) | - | 27,341 | - |
| Pan and Parapan Am Games (Note 21) | - | 69,083 | - |
| Amortization of deferred capital contributions (Note 5) | - | 871,994 | 740,573 |
| Amounts recovered/recoverable from the LHINs to LHINC | 816,250 | 701,849 | 355,647 |
| Amounts recovered/recoverable from the LHINs to LSSO | 4,923,296 | 3,807,011 | 4,758,177 |
| | 4,519,312,586 | 4,730,722,050 | 4,654,498,576 |
| Funding repayable to the MOHLTC related to operations (Note 4a) | - | (13,607) | (1,578) |
| | 4,519,312,586 | 4,730,708,443 | 4,654,496,998 |
| Expenses | | | |
| Transfer payments to HSPs (Note 8) | 4,503,277,685 | 4,715,109,989 | 4,639,988,705 |
| General and administrative (Note 22) | 5,535,121 | 5,512,605 | 5,431,373 |
| LHIN Shared Services Office (Note 23) | 5,663,296 | 5,015,229 | 6,094,232 |
| LHIN Collaborative (Note 24) | 1,486,250 | 1,430,962 | 1,025,647 |
| Enabling Technologies (Note 9) | 580,000 | 580,000 | 580,000 |
| Emergency Department ("ED") Leads (Note 10) | 75,000 | 75,000 | 75,000 |
| Aboriginal Health Transition Planning (Note 11) | 20,000 | 20,000 | 20,000 |
| Emergency Room and Alternate Level of Care (ER/ALC) (Note 12) | 100,000 | 100,000 | 100,000 |
| Critical Care ("CC") Leads (Note 13) | 75,000 | 75,000 | 75,000 |
| Resources Matching Referrals ("RMR") Leads (Note 14) | 483,000 | 626,000 | 483,000 |
| French Language Health Services ("FLHS") (Note 15) | 106,000 | 106,000 | 106,000 |
| French Planning Entities (Note 16) | 568,713 | 568,713 | 421,475 |
| Primary Care Lead (Note 17) | 75,000 | 75,000 | 75,000 |
| Diabetes Regional Coordination Centre (Note 18) | 1,267,521 | 1,267,521 | 21,566 |
| Diabetes Early Detection (Note 19) | - | 50,000 | - |
| Physiotherapy Reform (Note 20) | - | 27,341 | - |
| Pan and Parapan Am Games (Note 21) | - | 69,083 | - |
| | 4,519,312,586 | 4,730,708,443 | 4,654,496,998 |
| Annual surplus and accumulated surplus, end of year | - | - | - |

The accompanying notes to the financial statements are an integral part of these financial statements.

Toronto Central Local Health Integration Network

Statement of change in net debt
year ended March 31, 2014

| | 2014 | 2013 |
|---|--------------------|--------------------|
| | \$ | \$ |
| Annual surplus | - | - |
| Acquisition of tangible capital assets | (1,573,528) | (901,371) |
| Amortization of tangible capital assets | 871,994 | 740,573 |
| Acquisition of prepaid expenses | (75,150) | (69,067) |
| Use of prepaid expenses | 69,067 | 115,878 |
| Increase in net debt | (707,617) | (113,987) |
| Net debt, beginning of year | (1,870,591) | (1,756,604) |
| Net debt, end of year | (2,578,208) | (1,870,591) |

The accompanying notes to the financial statements are an integral part of these financial statements.

Toronto Central Local Health Integration Network

Statement of cash flows year ended March 31, 2014

| | 2014 | 2013 |
|---|------------------|------------------|
| | \$ | \$ |
| Operating transactions | | |
| Annual surplus | - | - |
| Less: items not affecting cash | | |
| Amortization of tangible capital assets | 871,994 | 740,573 |
| Amortization of deferred capital contributions (Note 5) | (871,994) | (740,573) |
| Changes in non-cash operating items | | |
| Decrease in due from LHINs | 21,543 | 259,606 |
| (Increase) decrease in Harmonized Sales Tax receivable | (123,405) | 131,657 |
| Increase in due from MOHLTC regarding | | |
| HSP transfer payments | (10,678,369) | (16,609,412) |
| Increase in accounts payable and accrued liabilities | 253,696 | 332,376 |
| Increase in due to HSPs | 10,678,369 | 16,609,412 |
| (Decrease) increase in due to MOHLTC | (132,209) | 144,519 |
| (Increase) decrease in prepaid expenses | (6,083) | 46,811 |
| | 13,542 | 914,969 |
| Capital transaction | | |
| Acquisition of tangible capital assets | (1,573,528) | (901,371) |
| Financing transaction | | |
| Increase in deferred capital contributions (Note 5) | 1,573,528 | 901,371 |
| Net change in cash | 13,542 | 914,969 |
| Cash, beginning of year | 1,307,144 | 392,175 |
| Cash, end of year | 1,320,686 | 1,307,144 |

The accompanying notes to the financial statements are an integral part of these financial statements.

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2014

1. Description of business

The Toronto Central Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the Local Health System Integration Act, 2006 (the "Act") as the Toronto Central Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The LHIN has also entered into an Accountability Agreement with the Ministry of Health and Long Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers the City of Toronto. The LHIN enters into service accountability agreements with service providers.

The LHIN is funded by the Province of Ontario in accordance with the Ministry-LHIN Performance Agreement ("MLPA"). These financial statements reflect the terms of the MLPA related to this funding.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account. Commencing April 1, 2007, all funding payments to LHIN managed HSPs in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized HSPs are expensed in the LHIN's financial statements for the year ended March 31, 2014.

The LHIN financial statements do not include any MOHLTC managed programs.

The LHIN is also funded for the Diabetes Regional Coordination Centre ("RCC") program in accordance with the Ministry-LHIN Performance Agreement. The operational mandate, functions and funding for delivery of the RCC Program are being transferred to the LHIN in the 2012/13 fiscal year.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of tangible capital assets.

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2014

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Deferred capital contributions

Any amounts received that are used to fund expenditures that are recorded as tangible capital assets, are initially recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the Statement of Operations, is in accordance with the amortization policy applied to the related capital asset recorded.

Tangible capital assets

Tangible capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. The cost of tangible capital assets contributed is recorded at the estimated fair value on date of contribution. Fair value of contributed tangible capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the tangible capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a tangible capital asset are capitalized. Computer software is recognized as an expense when incurred.

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives as follows:

| | |
|-------------------------------|------------------------------------|
| Office furniture and fixtures | 5 years straight-line method |
| Computer equipment | 3 years straight-line method |
| Leasehold improvements | Life of lease straight-line method |

For assets acquired or brought into use during the year, amortization is calculated for a full year.

Segmented financial reporting

The financial statements of the LHIN include the accounts of the LHIN Shared Services Office (the "LSSO") and LHIN Collaborative (the "LHINC") which are its divisions. Separate schedules of LSSO and LHINC financial position and financial activities are presented in the attached schedules to the financial statements.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimate and assumptions include valuation of accrued liabilities and useful lives of the tangible capital assets. Actual results could differ from those estimates.

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2014

3. Related party transactions

The LHIN Shared Services Office (the "LSSO") is a division of the Toronto Central LHIN and is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs is responsible for providing services to all LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHINs at year end are recorded as a receivable (payable) to (from) the LSSO. This is all done pursuant to the Shared Service Agreement the LSSO has with all the LHINs.

The LHIN Collaborative (the "LHINC") is a division of the Toronto Central LHIN and is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LHINC is responsible for providing advice to all LHINs in the areas of planning integration and community engagement, allocation methodologies, accountability performance and system alignment and co-ordination. Any portion of the LHINC operating costs overpaid (or not paid) by the LHIN at the year-end are recorded as a receivable (payable) to (from) the LHINC. This is all done pursuant to the LHINC Agreement the LHINC has with all the LHINs.

4. Funding repayable to the MOHLTC

In accordance with the MLPA and the Transfer Payment Agreement ("TPA"), the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

- a) The amount repayable to the MOHLTC related to the current activities is made up of the following components:

| | | | 2014 | 2013 |
|---------------------------------------|------------------|-------------------|----------------|----------------|
| | Funding received | Eligible expenses | Excess funding | Excess funding |
| | \$ | \$ | \$ | \$ |
| Transfer payments to HSPs | 4,715,109,989 | 4,715,109,989 | - | - |
| LHIN operations | 5,514,665 | 5,512,605 | 2,060 | 1,578 |
| LHINC | 670,000 | 658,453 | 11,547 | - |
| LSSO | 740,000 | 740,000 | - | - |
| E-Health | 580,000 | 580,000 | - | - |
| ED Leads | 75,000 | 75,000 | - | - |
| Aboriginal Health Transition Planning | 20,000 | 20,000 | - | - |
| ER/ALC | 100,000 | 100,000 | - | - |
| Critical Care Leads | 75,000 | 75,000 | - | - |
| ALC Resources Matching | 626,000 | 626,000 | - | - |
| FLHS | 106,000 | 106,000 | - | - |
| French Planning Entities | 568,713 | 568,713 | - | - |
| Primary Care lead | 75,000 | 75,000 | - | - |
| Diabetes RCC | 1,267,521 | 1,267,521 | - | - |
| Diabetes Early Detection | 50,000 | 50,000 | - | - |
| Physiotherapy Reform | 27,341 | 27,341 | - | - |
| Pan and Parapan Am Games | 69,083 | 69,083 | - | - |
| | 4,725,674,312 | 4,725,660,705 | 13,607 | 1,578 |

During the year, the LHIN was provided net funding of \$568,713 (Note 16) (2013 - \$421,475) from the MOHLTC for the French Planning Entities and an amount of \$568,713 was flowed directly to "Entité de planification pour les services de santé en français de Toronto Centre".

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2014

4. Funding repayable to the MOHLTC (continued)

- b) The amount due to the MOHLTC related to current activities and French Planning Entities at March 31 is made up as follows:

| | 2014 | 2013 |
|--|-----------|-----------|
| | \$ | \$ |
| Due to MOHLTC, beginning of year | (145,816) | (1,297) |
| MOHLTC payment | 145,816 | 1,297 |
| Funding repayable to the MOHLTC related to current year activities (Note 4a) | (13,607) | (1,578) |
| Other funding repayable to the MOHLTC | - | (147,238) |
| Other funding receivable from the MOHLTC | - | 3,000 |
| Due to MOHLTC, end of year | (13,607) | (145,816) |

5. Deferred capital contributions

| | 2014 | 2013 |
|--|-----------|-----------|
| | \$ | \$ |
| Balance, beginning of year | 1,801,524 | 1,640,726 |
| Capital contributions received during the year | 1,573,528 | 901,371 |
| Amortization for the year | (871,994) | (740,573) |
| Balance, end of year | 2,503,058 | 1,801,524 |

6. Tangible capital assets

| | | | 2014 | 2013 |
|-------------------------------|-----------|-----------------------------|-------------------|-------------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| | \$ | \$ | \$ | \$ |
| Office furniture and fixtures | 546,822 | 328,155 | 218,667 | 223,804 |
| Computer equipment | 5,089,433 | 3,339,079 | 1,750,354 | 834,800 |
| Leasehold improvements | 2,070,954 | 1,536,917 | 534,037 | 742,920 |
| | 7,707,209 | 5,204,151 | 2,503,058 | 1,801,524 |

7. Budget figures

The budget was approved by the Government of Ontario. The budget figures reported in the Statement of Operations reflect the initial budget at April 1, 2013. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. During the year, the government approves budget adjustments. The following reflects the adjustments for the LHIN during the year:

The total HSP funding budget of \$4,715,109,989 is made up of the following:

| | \$ |
|--|---------------|
| Initial HSP Funding budget | 4,503,277,685 |
| Adjustment due to announcements made during the year | 211,832,304 |
| Total HSP Funding | 4,715,109,989 |

The total operating budget, excluding HSP Funding is \$8,885,355.

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2014

8. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$4,715,109,989 (2013 - \$4,639,988,705) to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in fiscal 2014 as follows:

| | 2014 | 2013 |
|--|----------------------|----------------------|
| | \$ | \$ |
| Operation of hospitals | 3,581,113,829 | 3,571,050,075 |
| Long-term care homes | 262,005,072 | 254,883,071 |
| Community care access centre | 232,956,277 | 215,484,412 |
| Community support services | 84,357,083 | 77,900,940 |
| Assisted living services in supportive housing | 49,625,351 | 45,521,932 |
| Community health centres | 92,931,485 | 85,845,744 |
| Community mental health addictions program | 118,555,888 | 107,741,801 |
| Addictions program | 34,698,561 | 29,268,187 |
| Specialty psychiatric hospital | 258,866,443 | 252,292,543 |
| | 4,715,109,989 | 4,639,988,705 |

9. Enabling Technologies for Integration Project Management Office

Effective April 1, 2013, the LHIN entered into an agreement with the Central, Central West, Central East, Mississauga Halton and North Simcoe Muskoka LHINs (the "Cluster") in order to enable the effective and efficient delivery of e-health programs and initiatives within the geographic area of the Cluster. Under the agreement, decisions related to the financial and operating activities of the Enabling Technologies for Integration Project Management Office are shared. No LHIN is in a position to exercise unilateral control.

The LHIN's financial statement reflects its share of the MOHLTC funding for Enabling Technologies for Integration Project Management Offices for its Cluster and related expenses. During the year, the LHIN received MOHLTC funding through the Central West LHIN of \$580,000. In the previous year, the LHIN received funding of \$580,000 from the MOHLTC. Enabling Technologies expenses incurred during the year are as follows:

| | 2014 | 2013 |
|-----------------------|----------------|----------------|
| | \$ | \$ |
| Salaries and benefits | 414,812 | 512,727 |
| Professional services | - | 1,628 |
| Other | 165,188 | 65,645 |
| | 580,000 | 580,000 |

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2014

10. Emergency Department ("ED") leads

The LHIN received funding of \$75,000 (2013 - \$75,000) related to the ED Leads project. ED Leads expenses incurred during the year are as follows:

| | 2014 | 2013 |
|-------------------------------|---------------|---------------|
| | \$ | \$ |
| Salaries and benefits | - | 3,000 |
| Medical professional services | 72,000 | 72,000 |
| Other | 3,000 | - |
| | 75,000 | 75,000 |

11. Aboriginal Health Transition Planning

The LHIN received funding of \$20,000 (2013 - \$20,000) related to the Aboriginal Health Transition Planning Project. Aboriginal Health Transition Planning expenses incurred during the year are as follows:

| | 2014 | 2013 |
|-----------------------|---------------|---------------|
| | \$ | \$ |
| Salaries and benefits | 19,471 | 19,191 |
| Other | 529 | 809 |
| | 20,000 | 20,000 |

12. Emergency Room and Alternate Level of Care (ER/ALC)

During the year, the LHIN was provided funding of \$100,000 (2013 - \$100,000) from the MOHLTC for the ER/ALC program. ER/ALC expenses incurred during the year are as follows:

| | 2014 | 2013 |
|-----------------------|----------------|----------------|
| | \$ | \$ |
| Salaries and benefits | 100,000 | 95,387 |
| Other | - | 4,613 |
| | 100,000 | 100,000 |

13. Critical Care (CC) leads

During the year, the LHIN received funding of \$75,000 (2013 - \$75,000) related to the Critical Care Leads project. CC Leads expenses incurred during the year are as follows:

| | 2014 | 2013 |
|-------------------------------|---------------|---------------|
| | \$ | \$ |
| Salaries and benefits | - | - |
| Medical professional services | 75,000 | 75,000 |
| Other | - | - |
| | 75,000 | 75,000 |

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2014

14. Resources Matching Referrals Leads (RMR)

During the year, the LHIN was provided funding of \$626,000 (2013 - \$483,000) from the MOHLTC for the RMR project. RMR expenses incurred during the year are as follows:

| | 2014 | 2013 |
|-----------------------|----------------|----------------|
| | \$ | \$ |
| Salaries and benefits | 502,796 | 430,921 |
| Other | 123,204 | 52,079 |
| | 626,000 | 483,000 |

15. French Language Health Services (FLHS)

During the year, the LHIN was provided funding of \$106,000 (2013 - \$106,000) from the MOHLTC for the French Language Health Services program. FLHS expenses incurred during the year are as follows:

| | 2014 | 2013 |
|-----------------------|----------------|----------------|
| | \$ | \$ |
| Salaries and benefits | 92,320 | 87,952 |
| Translation services | 11,386 | 16,181 |
| Other | 2,294 | 1,867 |
| | 106,000 | 106,000 |

16. French Planning Entities

During the year, the LHIN was provided with net funding of \$568,713 (2013 - \$421,475) from the MOHLTC for the French Planning Entities and \$568,713 was flowed directly to "Entité de planification pour les services de santé en français de Toronto Centre".

| | 2014 | 2013 |
|---|-----------|-----------|
| | \$ | \$ |
| Total Funding received | 568,713 | 568,713 |
| Total Funding transferred | (568,713) | (421,475) |
| Prior years funding repayable to the MOHLTC | - | (147,238) |
| | - | - |

17. Primary Care Lead

During the year, the LHIN received funding of \$75,000 (2013 - \$75,000) from the MOHLTC for the Primary Care Lead program. The expenses incurred during the year are as follows:

| | 2014 | 2013 |
|-------------------------------|---------------|---------------|
| | \$ | \$ |
| Salaries and benefits | - | 3,611 |
| Professional services | - | 407 |
| Medical professional services | 52,917 | 53,958 |
| Other | 22,083 | 17,024 |
| | 75,000 | 75,000 |

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2014

18. Diabetes Regional Coordination Centre

During the year, the LHIN received base funding of \$1,129,301 (2013 - \$21,566) and one time funding of \$138,220 (2013 - \$Nil) from the MOHLTC for the Diabetes Regional Coordination Centre. The expenses incurred during the year are as follows:

| | 2014 | 2013 |
|---------------------------------|------------------|---------------|
| | \$ | \$ |
| Salaries and benefits | 919,048 | 10,083 |
| Other | 348,473 | 11,483 |
| Total Operating expenses | 1,267,521 | 21,566 |

19. Diabetes Early Detection

During the year, the LHIN received funding of \$50,000 (2013 - \$Nil) from the MOHLTC for the Diabetes Early Detection Program. The expenses incurred during the year are as follows:

| | 2014 | 2013 |
|---------------------------------|---------------|----------|
| | \$ | \$ |
| Salaries and benefits | 10,724 | - |
| Consulting Services | 39,276 | - |
| Total Operating expenses | 50,000 | - |

20. Physiotherapy Reform

During the year, the LHIN received funding of \$27,341 (2013 - \$Nil) from the MOHLTC for the Physiotherapy Reform Program. The expenses incurred during the year are as follows:

| | 2014 | 2013 |
|---------------------------------|---------------|----------|
| | \$ | \$ |
| Salaries and benefits | 27,341 | - |
| Other | - | - |
| Total Operating expenses | 27,341 | - |

21. Pan and Parapan Am Games

During the year, the LHIN received funding of \$69,083 (2013 - \$Nil) from the MOHLTC for the Pan and Parapan Am Games Program. The expenses incurred during the year are as follows:

| | 2014 | 2013 |
|---------------------------------|---------------|----------|
| | \$ | \$ |
| Salaries and benefits | 27,983 | - |
| Other | 41,100 | - |
| Total Operating expenses | 69,083 | - |

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2014

22. General and administrative expenses

The Statement of Operations presents the expenses by function; the following classifies general and administrative expenses by object:

| | 2014 | 2013 |
|--------------------------------------|------------------|------------------|
| | \$ | \$ |
| Salaries and benefits | 3,878,810 | 4,173,053 |
| Occupancy | 259,113 | 302,545 |
| Amortization | 333,116 | 144,518 |
| Shared services | 371,494 | 406,652 |
| LHINC | 47,500 | 87,861 |
| Consulting services | 192,167 | 19,409 |
| Translation services | 19,250 | 43,445 |
| Professional services | 12,560 | 15,675 |
| Supplies | 25,753 | 10,889 |
| Computer expenses | 40,172 | 13,878 |
| Governance | 57,679 | 34,762 |
| Mail, courier and telecommunications | 102,326 | 38,708 |
| Other | 172,665 | 139,978 |
| | 5,512,605 | 5,431,373 |

The following lists the Board Chair and Directors per diem costs as well as their travel and development expenses which are included in governance expense in the general and administrative expenses above.

| | | 2014 | 2013 |
|---------------------------------------|----------------|---------------|---------------|
| | Budget | Actual | Actual |
| | \$ | \$ | \$ |
| Board Chair per diem cost | 30,900 | 21,000 | 11,550 |
| Directors per diem cost | 69,100 | 35,575 | 23,000 |
| Board travel and development expenses | - | 1,104 | 212 |
| | 100,000 | 57,679 | 34,762 |

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2014

23. LHIN Shared Services Office

The following presents the financial position and financial activities, by object, of the LHIN Shared Services Office (LSSO) for the year:

LHIN Shared Services Office Statement of financial position as at March 31, 2014

| | 2014 | 2013 |
|--|------------------|------------------|
| | \$ | \$ |
| Financial assets | | |
| Cash | 340,350 | 502,439 |
| Due from LHINs | 20,687 | 38,230 |
| Due from TC LHIN* | 98,715 | 56,897 |
| Due to LHINC* | 36,674 | - |
| Harmonized Sales Tax receivable | 416,649 | 295,284 |
| | 913,075 | 892,850 |
| Liabilities | | |
| Accounts payable and accrued liabilities | 978,647 | 952,305 |
| Deferred capital contributions | 1,630,410 | 890,323 |
| | 2,609,057 | 1,842,628 |
| Net debt | 1,695,982 | 949,778 |
| Non-financial assets | | |
| Prepaid expenses | 65,572 | 59,455 |
| Tangible capital assets | 1,630,410 | 890,323 |
| | 1,695,982 | 949,778 |
| Accumulated surplus | - | - |

* Amounts due to TC LHIN and LHINC are eliminated upon combination.

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2014

23. LHIN Shared Services Office (continued)

LHIN Shared Services Office Statement of operations year ended March 31, 2014

| | | 2014 | 2013 |
|--|-----------|-----------|-----------|
| | Budget | Actual | Actual |
| | | \$ | \$ |
| Revenue | | | |
| Amounts recovered/recoverable from the LHINs | 4,923,296 | 4,505,758 | 5,239,912 |
| MOHLTC funding | 740,000 | 740,000 | 740,000 |
| Amortization of deferred capital contributions | - | 468,218 | 596,055 |
| | 5,663,296 | 5,713,976 | 6,575,967 |
| Expenses** | | | |
| Salaries | 1,878,077 | 1,430,609 | 1,538,204 |
| Benefits | 206,568 | 184,322 | 145,021 |
| Supplies | 40,283 | 27,632 | 23,651 |
| Telecommunications | 24,180 | 4,531 | 11,535 |
| Recruitment and staff development | 5,840 | 6,845 | 3,773 |
| Computer expense | 357,706 | 596,139 | 677,680 |
| Consulting fees | 15,000 | 9,035 | 4,025 |
| Professional services | 21,500 | 19,500 | 23,500 |
| Meeting expenses | 7,479 | 15 | 3,925 |
| Amortization | - | 468,218 | 596,055 |
| Occupancy | 181,185 | 167,750 | 161,306 |
| Other | 33,600 | 18,790 | 14,722 |
| Outsourcing services | 2,891,878 | 2,780,590 | 3,372,570 |
| Total common LHIN services expenses | 5,663,296 | 5,713,976 | 6,575,967 |
| Less: inter-entity transactions eliminated on combination*** | | (698,747) | (481,735) |
| | - | 5,015,229 | 6,094,232 |

** Included in total expenses above are \$536,968 related to legal expenses, of which \$406,672 are MOHLTC salaries and benefits expenses.

*** Included in total expenses above are \$698,747 (2013 - \$481,735) related to inter-entity transactions and are eliminated upon combination.

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2014

24. LHIN Collaborative

The following presents the financial position and financial activities, by object, of the LHIN Collaborative (LHINC) for the year:

**LHIN Collaborative
Statement of financial position
as at March 31, 2014**

| | 2014 | 2013 |
|--|----------------|----------|
| | \$ | \$ |
| Financial assets | | |
| Cash | 188,068 | (20,975) |
| Due from TC LHIN* | - | 109,655 |
| Harmonized Sales Tax receivable | 9,597 | 44,234 |
| | 197,665 | 132,914 |
| Liabilities | | |
| Accounts payable and accrued liabilities | 150,320 | 133,910 |
| Due to TC LHIN* | 36,674 | - |
| Deferred capital contributions | 202,843 | 261,853 |
| Due to MOHLTC (Note 4a) | 11,547 | - |
| | 401,384 | 395,763 |
| Net debt | 203,719 | 262,849 |
| Non-financial assets | | |
| Prepaid expenses | 876 | 996 |
| Tangible capital assets | 202,843 | 261,853 |
| | 203,719 | 262,849 |
| Accumulated surplus | - | - |

* Amounts due from the LSSO and due to TC LHIN are eliminated upon combination.

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2014

24. LHIN Collaborative (continued)

LHIN Collaborative Statement of operations year ended March 31, 2014

| | | 2014 | 2013 |
|--|-----------|-----------|-----------|
| | Budget | Actual | Actual |
| | \$ | \$ | \$ |
| Revenue | | | |
| Amounts recovered/recoverable from the LHINs | 816,250 | 749,349 | 443,508 |
| MOHLTC funding | 670,000 | 670,000 | 670,000 |
| Amortization of deferred capital contributions | - | 70,660 | - |
| | 1,486,250 | 1,490,009 | 1,113,508 |
| Funding repayable to the MOHLTC related to operations | - | (11,547) | - |
| | 1,486,250 | 1,478,462 | 1,113,508 |
| Expenses** | | | |
| Salaries | 1,006,060 | 936,208 | 722,427 |
| Benefits | 204,590 | 210,169 | 149,184 |
| Supplies | 18,844 | 6,074 | 8,867 |
| Telecommunications | 29,000 | 1,090 | 2,125 |
| Recruitment and staff developments | 20,522 | 5,318 | 3,794 |
| Computer expense | 8,200 | 13,448 | 6,442 |
| Consulting fees | 35,500 | 68,873 | 72,436 |
| Meeting expenses | 5,000 | 9,941 | 2,452 |
| Amortization | - | 70,660 | - |
| Occupancy | 102,600 | 99,454 | 95,434 |
| Other | 11,534 | 9,727 | 2,847 |
| Shared services | 44,400 | 47,500 | 47,500 |
| | 1,486,250 | 1,478,462 | 1,113,508 |
| Less: inter-entity transactions eliminated on combination | - | (47,500) | (87,861) |
| | - | 1,430,962 | 1,025,647 |

** Included in total expenses above are \$47,500 (2013 - \$87,861) in inter-entity transactions that are eliminated upon combination.

\$30,000 of the MOHLTC funding of \$670,000 (2013 - \$Nil) was attributed to the Provincial End-of-Life Network, of which \$13,607 was used toward the repayment of funding to the MOHLTC (Note 4a). In addition, \$95,999 of the \$749,349 recovered/recoverable from the LHINs, was received as part of the LHINC joint communications.

25. Pension agreements

The LHIN makes contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 71 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2014 was \$520,651 (2013 - \$463,986) for current service costs and is included as an expense in the Statement of Financial Activities. The last actuarial valuation was completed for the plan as of December 31, 2013. At that time, the plan was fully funded.

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2014

26. Guarantees

The LHIN is subject to the provisions of the Financial Administration Act. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the Financial Administration Act and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the Local Health System Integration Act, 2006 and in accordance with s. 28 of the Financial Administration Act.

27. Commitments

The LHIN has commitments under various operating leases related to building and equipment. Lease renewals are likely. Minimum lease payments due over the next five fiscal years are as follows:

| | |
|------|-----------|
| | \$ |
| 2015 | 865,279 |
| 2016 | 440,342 |
| 2017 | 500 |
| | 1,306,121 |

The LHIN also has funding commitments to some HSPs associated with accountability agreements for fiscal 2015 and 2016. The actual amounts which will ultimately be paid are contingent upon actual LHIN funding received from the MOHLTC.

Toronto Central Local Health Integration Network

Combined statement of financial position and operations by division - Schedule 1
as at March 31, 2014

| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
|--|-------------------|-------------------|------------------------|------------------|----------------|----------------|-------------------|-------------------|
| | Toronto Central | | Shared Services Office | | Collaborative | | Total | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Financial assets | | | | | | | | |
| Cash | 792,268 | 825,680 | 340,350 | 502,439 | 188,068 | (20,975) | 1,320,686 | 1,307,144 |
| Due from LSSO/LHINC/TC LHIN* | - | - | 135,389 | 56,897 | - | 109,655 | 135,389 | 166,552 |
| Due from Local Health Integration Networks ("LHINs") | - | 4,000 | 20,687 | 38,230 | - | - | 20,687 | 42,230 |
| Due from MOHLTC regarding HSP transfer payments | 40,825,415 | 30,147,046 | - | - | - | - | 40,825,415 | 30,147,046 |
| Harmonized Sales Tax receivable | 140,125 | 103,448 | 416,649 | 295,284 | 9,597 | 44,234 | 566,371 | 442,966 |
| | 41,757,808 | 31,080,174 | 913,075 | 892,850 | 197,665 | 132,914 | 42,868,548 | 32,105,938 |
| Liabilities | | | | | | | | |
| Accounts payable and accrued liabilities | 840,320 | 629,376 | 978,647 | 952,305 | 150,320 | 133,910 | 1,969,287 | 1,715,591 |
| Due to LSSO/LHINC/TC LHIN* | 98,715 | 166,552 | - | - | 36,674 | - | 135,389 | 166,552 |
| Due to HSPs | 40,825,415 | 30,147,046 | - | - | - | - | 40,825,415 | 30,147,046 |
| Deferred capital contributions Due to Ministry of Health and Long-Term Care ("MOHLTC") | 669,805 | 649,348 | 1,630,410 | 890,323 | 202,843 | 261,853 | 2,503,058 | 1,801,524 |
| | 2,060 | 145,816 | - | - | 11,547 | - | 13,607 | 145,816 |
| | 42,436,315 | 31,738,138 | 2,609,057 | 1,842,628 | 401,384 | 395,763 | 45,446,756 | 33,976,529 |
| Net debt | 678,507 | 657,964 | 1,695,982 | 949,778 | 203,719 | 262,849 | 2,578,208 | 1,870,591 |
| Non-financial assets | | | | | | | | |
| Prepaid expenses | 8,702 | 8,616 | 65,572 | 59,455 | 876 | 996 | 75,150 | 69,067 |
| Tangible capital assets | 669,805 | 649,348 | 1,630,410 | 890,323 | 202,843 | 261,853 | 2,503,058 | 1,801,524 |
| | 678,507 | 657,964 | 1,695,982 | 949,778 | 203,719 | 262,849 | 2,578,208 | 1,870,591 |
| Accumulated surplus | - | - | - | - | - | - | - | - |

* Amounts due from/to the LHIN Shared Services Office, due from/to the LHINC and due from/to TC LHIN are eliminated upon combination.

Toronto Central Local Health Integration Network

Combined statement of financial position and operations by division - Schedule I (continued)
year ended March 31, 2014

| | 2014 | | | 2013 | | | 2014 | | | 2013 | | | 2014 | | | 2013 | | |
|---|----------------------------|---------------|---------------|-----------|-----------|-----------|------------------------|-----------|-----------|---------------|---------------|--------|---------------|--------|-------|-------|--|--|
| | Toronto Central Operations | | | | | | Shared Services Office | | | | | | Collaborative | | | | | |
| | Budget | Actual | Actual | Budget | Actual | Actual | Budget | Actual | Actual | Budget | Actual | Actual | Total | Actual | Total | Total | | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | | |
| Revenue | | | | | | | | | | | | | | | | | | |
| Amounts recovered/recoverable from the LHINs | - | - | - | 4,923,296 | 4,505,758 | 5,239,912 | 816,250 | 749,349 | 443,508 | 5,255,107 | 5,683,420 | | | | | | | |
| MOHLTC funding | 5,535,121 | 5,181,549 | 5,288,433 | 740,000 | 740,000 | 740,000 | 670,000 | 670,000 | 670,000 | 6,591,549 | 6,698,433 | | | | | | | |
| HSP transfer payments (Note 8) | 4,503,277,685 | 4,715,109,989 | 4,639,988,705 | - | - | - | - | - | - | 4,715,109,989 | 4,639,988,705 | | | | | | | |
| Enabling Technologies funding (Note 9) | 580,000 | 580,000 | 580,000 | - | - | - | - | - | - | 580,000 | 580,000 | | | | | | | |
| Emergency Department ("ED") Leads (Note 10) | 75,000 | 75,000 | 75,000 | - | - | - | - | - | - | 75,000 | 75,000 | | | | | | | |
| Aboriginal Health Transition Planning (Note 11) | 20,000 | 20,000 | 20,000 | - | - | - | - | - | - | 20,000 | 20,000 | | | | | | | |
| Emergency Room and Alternate Level of Care (ER/ALC) (Note 12) | 100,000 | 100,000 | 100,000 | - | - | - | - | - | - | 100,000 | 100,000 | | | | | | | |
| Critical Care ("CC") Lead (Note 13) | 75,000 | 75,000 | 75,000 | - | - | - | - | - | - | 75,000 | 75,000 | | | | | | | |
| Resources Matching Referrals (Note 14) | 483,000 | 626,000 | 483,000 | - | - | - | - | - | - | 626,000 | 483,000 | | | | | | | |
| French Language Health Services (Note 15) | 106,000 | 106,000 | 106,000 | - | - | - | - | - | - | 106,000 | 106,000 | | | | | | | |
| French Planning Entities (Note 16) | 568,713 | 568,713 | 421,475 | - | - | - | - | - | - | 568,713 | 421,475 | | | | | | | |
| Primary Care Lead (Note 17) | 75,000 | 75,000 | 75,000 | - | - | - | - | - | - | 75,000 | 75,000 | | | | | | | |
| Diabetes Regional Coordination Centre (Note 18) | 1,267,521 | 1,267,521 | 21,566 | - | - | - | - | - | - | 1,267,521 | 21,566 | | | | | | | |
| Diabetes Early Detection (Note 19) | - | 50,000 | - | - | - | - | - | - | - | 50,000 | - | | | | | | | |
| Physiotherapy Reform (Note 20) | - | 27,341 | - | - | - | - | - | - | - | 27,341 | - | | | | | | | |
| Pan and Parapan Am Games (Note 21) | - | 69,083 | - | - | - | - | - | - | - | 69,083 | - | | | | | | | |
| Amortization of deferred capital contributions (Note 5) | - | 333,116 | 144,518 | - | 468,218 | 596,055 | - | 70,660 | - | 871,994 | 740,573 | | | | | | | |
| | 4,512,163,040 | 4,724,264,312 | 4,647,378,697 | 5,663,296 | 5,713,976 | 6,575,967 | 1,486,250 | 1,490,009 | 1,113,508 | 4,731,468,297 | 4,655,068,172 | | | | | | | |
| Funding surplus repayable to the MOHLTC related to operations (Note 4(a)) | - | (2,060) | (1,578) | - | - | - | - | (11,547) | - | (13,607) | (1,578) | | | | | | | |
| | 4,512,163,040 | 4,724,262,252 | 4,647,377,119 | 5,663,296 | 5,713,976 | 6,575,967 | 1,486,250 | 1,478,462 | 1,113,508 | 4,731,454,690 | 4,655,066,594 | | | | | | | |
| Expenses | | | | | | | | | | | | | | | | | | |
| General and administrative (Note 22) | 5,535,121 | 5,512,605 | 5,431,373 | - | - | - | - | - | - | 5,512,605 | 5,431,373 | | | | | | | |
| Common LHIN Services* (Note 23) | - | - | - | 5,663,296 | 5,713,976 | 6,575,967 | - | - | - | 5,713,976 | 6,575,967 | | | | | | | |
| LHIN Collaborative** (Note 24) | - | - | - | - | - | - | 1,486,250 | 1,478,462 | 1,113,508 | 1,478,462 | 1,113,508 | | | | | | | |
| Transfer payments to HSPs (Note 8) | 4,503,277,685 | 4,715,109,989 | 4,639,988,705 | - | - | - | - | - | - | 4,715,109,989 | 4,639,988,705 | | | | | | | |
| Enabling Technologies (Note 9) | 580,000 | 580,000 | 580,000 | - | - | - | - | - | - | 580,000 | 580,000 | | | | | | | |
| Emergency Department ("ED") Leads (Note 10) | 75,000 | 75,000 | 75,000 | - | - | - | - | - | - | 75,000 | 75,000 | | | | | | | |
| Aboriginal Health Transition Planning (Note 11) | 20,000 | 20,000 | 20,000 | - | - | - | - | - | - | 20,000 | 20,000 | | | | | | | |
| Emergency Room and Alternate Level of Care (ER/ALC) (Note 12) | 100,000 | 100,000 | 100,000 | - | - | - | - | - | - | 100,000 | 100,000 | | | | | | | |
| Critical Care ("CC") Lead (Note 13) | 75,000 | 75,000 | 75,000 | - | - | - | - | - | - | 75,000 | 75,000 | | | | | | | |
| Resources Matching Referrals (Note 14) | 483,000 | 626,000 | 483,000 | - | - | - | - | - | - | 626,000 | 483,000 | | | | | | | |
| French Language Health Services (Note 15) | 106,000 | 106,000 | 106,000 | - | - | - | - | - | - | 106,000 | 106,000 | | | | | | | |
| French Planning Entities (Note 16) | 568,713 | 568,713 | 421,475 | - | - | - | - | - | - | 568,713 | 421,475 | | | | | | | |
| Primary Care Lead (Note 17) | 75,000 | 75,000 | 75,000 | - | - | - | - | - | - | 75,000 | 75,000 | | | | | | | |
| Diabetes Regional Coordination Centre (Note 18) | 1,267,521 | 1,267,521 | 21,566 | - | - | - | - | - | - | 1,267,521 | 21,566 | | | | | | | |
| Diabetes Early Detection (Note 19) | - | 50,000 | - | - | - | - | - | - | - | 50,000 | - | | | | | | | |
| Physiotherapy Reform (Note 20) | - | 27,341 | - | - | - | - | - | - | - | 27,341 | - | | | | | | | |
| Pan and Parapan Am Games (Note 21) | - | 69,083 | - | - | - | - | - | - | - | 69,083 | - | | | | | | | |
| | 4,512,163,040 | 4,724,262,252 | 4,647,377,119 | 5,663,296 | 5,713,976 | 6,575,967 | 1,486,250 | 1,478,462 | 1,113,508 | 4,731,454,690 | 4,655,066,594 | | | | | | | |
| Annual surplus and accumulated surplus, end of year | - | - | - | - | - | - | - | - | - | - | - | | | | | | | |

* These amounts will be adjusted by \$698,747 for Toronto Central LHIN transactions. These numbers reflect LSSO operations on behalf of all 14 LHINs (Note 23).

** These amounts will be adjusted by \$47,500 for Toronto Central LHIN transactions. These numbers reflect LHINC operations on behalf of all 14 LHINs (Note 24).

The accompanying notes to the financial statements are an integral part of these financial statements.

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Courriel : waterloowellington@lhins.on.ca

Waterloo Wellington LHIN

Management Responsibility Report

The management of the Waterloo Wellington Local Health Integration Network (LHIN) is responsible for preparing the accompanying financial statements in conformity with generally accepted accounting principles. In preparing these financial statements, management selects appropriate accounting policies and uses its judgement and best estimates to report events and transactions as they occur. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Financial data included throughout this Annual Report is prepared on a basis consistent with that of the financial statements.

The LHIN maintains a system of internal accounting controls designed to provide reasonable assurance, at a reasonable cost, that assets are safeguarded and that transactions are executed and recorded in accordance with the LHIN's policies for doing business.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control, and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee. The Committee meets approximately four times annually to review audited and unaudited financial information. Deloitte & Touche LLP has full and free access to the Audit Committee.

Management acknowledges its responsibility to provide financial information that is representative of the LHIN's operations, is consistent and reliable, and is relevant for the informed evaluation of the LHIN's activities.



Mr. Bruce Lauckner
Chief Executive Officer
June 26, 2014



Mr. Matthew Little, CPA, CMA, MBA
Chief Financial Officer



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Independent Auditor's Report

To the Members of the Board of Directors of the
Waterloo Wellington Local Health Integration Network

We have audited the accompanying financial statements of Waterloo Wellington Local Health Integration Network, which comprise the statement of financial position as at March 31, 2014, and the statements of operations, change in net debt 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 public sector accounting standards, 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 in our audit 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 Waterloo Wellington Local Health Integration Network as at March 31, 2014 and the results of its operations, change in its net debt, and its cash flows for the years then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
June 26, 2014

Waterloo Wellington Local Health Integration Network

Statement of financial position
as at March 31, 2014

| | 2014 | 2013 |
|---|------------------|------------------|
| | \$ | \$ |
| Financial assets | | |
| Cash | 844,942 | 962,598 |
| Due from Ministry of Health and Long-Term Care (Note 9) | 2,378,472 | - |
| Other receivables | 124,090 | 56,131 |
| | 3,347,504 | 1,018,729 |
| Liabilities | | |
| Accounts payable and accrued liabilities | 667,663 | 673,075 |
| Due to Ministry of Health and Long-Term Care (Note 3b) | 334,506 | 369,847 |
| Due to Health Service Providers ("HSPs") (Note 9) | 2,378,472 | - |
| Due to the Local Health Integration Networks Shared Services Office (Note 4) | 89 | 35,450 |
| Deferred capital contributions (Note 5) | 252,488 | 281,354 |
| | 3,633,218 | 1,359,726 |
| Net debt | (285,714) | (340,997) |
| Commitments (Note 6) | | |
| Non-financial assets | | |
| Prepaid expenses | 33,226 | 59,643 |
| Tangible capital assets (Note 7) | 252,488 | 281,354 |
| | 285,714 | 340,997 |
| Accumulated surplus | - | - |

Approved by the Board



Board Chair



Finance and Audit Committee Chair

The accompanying notes to the financial statements are an integral part of this financial statement.

Waterloo Wellington Local Health Integration Network

Statement of operations
year ended March 31, 2014

| | Budget (Note 8) | 2014 Actual | 2013 Actual |
|---|--------------------|----------------|----------------|
| | \$ | \$ | \$ |
| Revenue | | | |
| Ministry of Health and Long-Term Care funding | | | |
| Health Service Providers transfer payments (Note 9) | 1,000,603,795 | 1,021,950,105 | 996,284,176 |
| Local Health Integration Network | | | |
| operations - general and administrative | 5,540,003 | 5,515,079 | 4,377,108 |
| Enabling Technologies ETI PMO (Note 10a) | - | 280,000 | 580,000 |
| Emergency Department Lead (Note 10b) | 75,000 | 75,000 | 75,000 |
| Emergency Department/Alternative Levels of Care Lead (Note 10c) | 100,000 | 100,000 | 100,000 |
| Aboriginal Planning (Note 10d) | 5,000 | 5,000 | 5,000 |
| French Language Services (Note 10e) | 106,000 | 106,000 | 106,000 |
| Critical Care Lead (Note 10f) | 75,000 | 75,000 | 75,000 |
| Primary Care Lead (Note 10g) | 75,000 | 75,000 | 75,000 |
| Amortization of deferred capital contributions (Note 5) | 75,000 | 81,134 | 88,663 |
| | 1,006,654,798 | 1,028,262,318 | 1,001,765,947 |
| Funding repayable to Ministry of Health and Long-Term Care (Note 3b) | - | (478,506) | (369,847) |
| | 1,006,654,798 | 1,027,783,812 | 1,001,396,100 |
| Expenses | | | |
| Transfer payments to Health Service Providers (Note 9) | 1,000,603,795 | 1,021,950,105 | 996,284,176 |
| Local Health Integration Network operations - general and administrative (Note 11) | 5,615,003 | 5,241,802 | 4,396,348 |
| Enabling Technologies ETI PMO (Note 10a) | - | 171,752 | 282,399 |
| Emergency Department Lead (Note 10b) | 75,000 | 66,661 | 75,000 |
| Emergency Department/Alternative Levels Levels of Care Lead (Note 10c) | 100,000 | 100,000 | 100,000 |
| Aboriginal Planning (Note 10d) | 5,000 | 360 | 5,000 |
| French Language Services (Note 10e) | 106,000 | 106,000 | 106,000 |
| Critical Care Lead (Note 10f) | 75,000 | 72,132 | 72,435 |
| Primary Care Lead (Note 10g) | 75,000 | 75,000 | 74,742 |
| | 1,006,654,798 | 1,027,783,812 | 1,001,396,100 |
| Annual surplus and accumulated surplus, end of year | - | - | - |

The accompanying notes to the financial statements are an integral part of this financial statement.

Waterloo Wellington Local Health Integration Network

Statement of change in net debt
year ended March 31, 2014

| | Budget (Note 8) | 2014 | 2013 |
|---|--------------------|------------------|------------------|
| | \$ | \$ | \$ |
| Annual surplus | - | - | - |
| Change in prepaid expenses, net | 35,000 | 26,417 | (32,212) |
| Acquisition of tangible capital assets | (50,000) | (52,268) | (81,825) |
| Amortization of tangible capital assets | 75,000 | 81,134 | 88,663 |
| Decrease (increase) in net debt | 60,000 | 55,283 | (25,374) |
| Net debt, beginning of year | (340,997) | (340,997) | (315,623) |
| Net debt, end of year | (280,997) | (285,714) | (340,997) |

The accompanying notes to the financial statements are an integral part of this financial statement.

Waterloo Wellington Local Health Integration Network

Statement of cash flows
year ended March 31, 2014

| | 2014 | 2013 |
|---|----------------|----------------|
| | \$ | \$ |
| Operating activities | | |
| Annual surplus | - | - |
| Less: items not affecting cash | | |
| Amortization of tangible capital assets | 81,134 | 88,663 |
| Amortization of deferred capital contributions (Note 5) | (81,134) | (88,663) |
| | - | - |
| Changes in non-cash operating items | | |
| Increase in due from Ministry of Health and Long-Term Care | (2,378,472) | - |
| (Increase) decrease in other receivables | (67,959) | 192,209 |
| Decrease in accounts payable and accrued liabilities | (5,412) | (61,541) |
| (Decrease) increase in due to Ministry of Health and Long-Term Care | (35,341) | 268,368 |
| Increase in due to Health Service Providers ("HSPs") | 2,378,472 | - |
| Decrease in due to eHealth Ontario | - | (1,660) |
| (Decrease) increase in due to Local Health Integration Networks Shared Services Office | (35,361) | 35,450 |
| Decrease (increase) in prepaid expenses | 26,417 | (32,212) |
| | (117,656) | 400,614 |
| Acquisition of tangible capital assets | (52,268) | (81,825) |
| Financing activity | | |
| Capital contributions received (Note 5) | 52,268 | 81,825 |
| Net (decrease) increase in cash | (117,656) | 400,614 |
| Cash, beginning of year | 962,598 | 561,984 |
| Cash, end of year | 844,942 | 962,598 |

The accompanying notes to the financial statements are an integral part of this financial statement.

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2014

1. Description of business

The Waterloo Wellington Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act, 2006* (the "Act") as the Waterloo Wellington Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers all of the County of Wellington, the Region of Waterloo, and the City of Guelph. The LHIN also contains part of Grey County, which is split with the South West and the North Simcoe Muskoka LHINs. The LHIN enters into service accountability agreements with health service providers.

The LHIN is funded by the Province of Ontario in accordance with the Ministry LHIN Performance Agreement ("MLPA"), which describes budget arrangements established by the Ministry of Health and Long-Term Care ("MOHLTC") and provides the framework for the LHIN accountabilities and activities. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to Health Service Providers ("HSPs"), effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSPs' Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account.

Commencing April 1, 2007, all funding payments to LHIN managed HSPs in a LHIN geographic area, have flowed through each LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized HSPs are expensed in each LHIN's financial statements for the year ended March 31, 2014.

The LHIN statements do not include any Ministry managed programs.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian Public Sector accounting standards. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable. Through the accrual basis of accounting, expenses include non-cash items such as the amortization of tangible capital assets.

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2014

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Deferred capital contributions

Any amounts received that are used to fund capital assets, are recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the statement of operations, is in accordance with the amortization policy applied to the related tangible capital asset recorded.

Tangible capital assets

Tangible capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of capital assets. The cost of tangible capital assets contributed is recorded at the estimated fair value on date of contribution. Fair value of contributed tangible capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the tangible capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a tangible capital asset are capitalized. Computer software is recognized as an expense when incurred.

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives as follows:

| | |
|--|------------------------------------|
| Computer equipment, furniture and fixtures | 3 years straight-line method |
| Leasehold improvements | Life of lease straight-line method |
| Office equipment | 5 years straight-line method |

For assets acquired or brought into use during the year, amortization is provided for a full year.

Segment disclosures

A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the statement of operations and within the related notes for both the prior and current year sufficiently disclose information of all appropriate segments and, therefore, no additional disclosure is required.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include valuation of accrued liabilities and useful lives of the tangible capital assets. Actual results could differ from those estimates.

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2014

3. Funding repayable to the MOHLTC

In accordance with the MLPA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

- a) The amount repayable to the MOHLTC related to current year activities is made up of the following components:

| | | | 2014 | 2013 |
|---|---------------------|----------------------|-------------------|-------------------|
| | Funding received | Eligible expenses | Funding excess | Funding excess |
| | \$ | \$ | \$ | \$ |
| Transfer payments to HSPs | 1,021,950,105 | 1,021,950,105 | - | - |
| LHIN operations | 5,596,213 | 5,241,802 | 354,411 | 69,423 |
| Enabling Technologies | 280,000 | 171,752 | 108,248 | 297,601 |
| Critical Care Lead | 75,000 | 72,132 | 2,868 | 2,565 |
| Emergency Department Lead | 75,000 | 66,661 | 8,339 | - |
| Emergency Department/Alternative Levels of Care Lead | 100,000 | 100,000 | - | - |
| Aboriginal Planning | 5,000 | 360 | 4,640 | - |
| French Language Services | 106,000 | 106,000 | - | - |
| Primary Care Lead | 75,000 | 75,000 | - | 258 |
| | 1,028,262,318 | 1,027,783,812 | 478,506 | 369,847 |

- b) The amount due to the MOHLTC at March 31 is made up as follows:

| | 2014 | 2013 |
|---|-----------|-----------|
| | \$ | \$ |
| Due to MOHLTC, beginning of year | 369,847 | 101,479 |
| Paid to MOHLTC during year | (513,847) | (101,479) |
| Funding repayable to the MOHLTC related to current year activities (Note 3a) | 478,506 | 369,847 |
| Due to MOHLTC, end of year | 334,506 | 369,847 |

4. Related party transactions

The LHIN Shared Services Office (the "LSSO") and the Local Health Integration Network Collaborative (the "LHINC") are divisions of the Toronto Central LHIN and are subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs is responsible for providing services to all the LHINs. The full costs of providing these services are billed to all the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHINs at the year end are recorded as a receivable (payable) from (to) the LSSO. This is all done pursuant to the shared service agreement the LSSO has with all the LHINs.

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2014

4. Related party transactions (continued)

The LHINC was formed in fiscal 2011 to strengthen relationships between and among health service providers, associations and the LHINs, and to support system alignment. The purpose of LHINC is to support the LHINs in:

- Fostering engagement of the health service provider community in support of collaborative and successful integration of the health care system;
- Their role as system manager;
- Where appropriate, the consistent implementation of provincial strategy and initiatives;
- The identification and dissemination of best practices.

LHINC is a LHIN-led organization and accountable to the LHINs. LHINC is funded by the LHINs with support from the MOHLTC.

5. Deferred capital contributions

| | 2014 | 2013 |
|--|----------------|----------------|
| | \$ | \$ |
| Balance, beginning of year | 281,354 | 288,192 |
| Capital contributions received during the year | 52,268 | 81,825 |
| Amortization for the year | (81,134) | (88,663) |
| | 252,488 | 281,354 |

6. Commitments

The LHIN has commitments under various operating leases and maintenance contracts related to building, software and equipment. Lease renewals are likely. Minimum lease payments due in each of the next five years are as follows:

| | \$ |
|------------|---------|
| 2015 | 535,237 |
| 2016 | 334,501 |
| 2017 | 311,380 |
| 2018 | 311,380 |
| 2019 | 311,380 |
| Thereafter | 389,225 |

The LHIN also has funding commitments to HSPs associated with accountability agreements. The actual amounts which will ultimately be paid are contingent upon actual LHIN funding received from the MOHLTC.

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2014

7. Tangible capital assets

| | | | 2014 | 2013 |
|---|----------------|-----------------------------|-------------------|-------------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| | \$ | \$ | \$ | \$ |
| Office equipment, furniture and fixtures | 358,356 | 301,878 | 56,478 | 82,690 |
| Computer equipment | 82,117 | 78,678 | 3,439 | 6,878 |
| Leasehold improvements | 274,529 | 81,958 | 192,571 | 191,786 |
| | 715,002 | 462,514 | 252,488 | 281,354 |

8. Budget figures

The budget figures reported in the statement of operations reflect the initial budget at April 1, 2013 as approved by the LHIN Board. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. During the year the government approved budget adjustments. The following reflects the adjustments for the LHIN during the year:

The final HSP funding budget of \$1,021,950,105 is derived as follows:

| | |
|---|----------------------|
| | \$ |
| Initial budget | 1,000,603,795 |
| Additional funding received during the year | 21,346,310 |
| Final budget | 1,021,950,105 |

The final LHIN general and administrative and specific initiatives budget of \$6,087,079 is derived as follows:

| | |
|--|------------------|
| | \$ |
| Initial budget | 5,976,003 |
| Additional funding received during the year | 163,344 |
| Amount treated as capital contributions made during the year | (52,268) |
| Final budget | 6,087,079 |

No budget was set for items appearing on the statement of change in net debt.

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2014

9. Transfer payments to HSPs

During the year the LHIN was authorized to allocate funding of \$1,021,950,105 (2013 - \$997,730,993) to the various HSPs in its geographic area. Year-end adjustments initiated by the MOHLTC resulted in a reduction of transfer payments totalling \$Nil (2013 - \$1,446,757) resulting in total transfer payments recorded of \$1,021,950,105 (2013 - \$996,284,176). Actual transfer payments to the various sectors in fiscal 2014 as follows:

| | 2014 | 2013 |
|--|----------------------|--------------------|
| | \$ | \$ |
| Operations of hospitals | 592,553,624 | 593,412,581 |
| Grants to compensate for municipal taxation - public hospitals | 159,225 | 159,225 |
| Long-term care homes | 176,901,625 | 167,134,986 |
| Community care access centre | 122,436,308 | 116,841,644 |
| Community support services | 25,334,972 | 20,925,843 |
| Assisted living services in supportive housing | 5,923,778 | 5,871,978 |
| Community health centres | 20,799,606 | 17,275,279 |
| Community mental health programs | 36,660,812 | 33,617,670 |
| Specialty psychiatric hospitals | 30,642,050 | 30,642,050 |
| Addictions programs | 10,538,105 | 10,402,920 |
| | 1,021,950,105 | 996,284,176 |

The LHIN receives funding from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2014, an amount of \$2,378,472 (2013 - \$Nil) was receivable from the MOHLTC and payable to HSPs. These amounts have been reflected as revenue and expenses in the statement of operations and are included in the table above.

10. Separate funding amounts were received by the LHIN from the MOHLTC for specific initiatives

a) *Enabling Technologies for Integration Project Management Office*

Effective January 31, 2014, the LHIN entered into an agreement with Erie St. Clair, Hamilton Niagara Haldimand Brant and South West (the "Cluster") in order to enable the effective and efficient delivery of e-health programs and initiatives within the geographic area of the Cluster. Under the agreement, decisions related to the financial and operating activities of the Enabling Technologies for Integration Project Management Office are shared. No LHIN is in a position to exercise unilateral control.

For 2014, the MOHLTC provided the South West LHIN with \$2,320,000 related to Enabling Technologies initiatives. The South West LHIN flowed \$280,000 of the cash to the Waterloo Wellington LHIN.

The LHIN's financial statements reflects its share of the MOHLTC funding for Enabling Technologies for Integration Project Management Offices for its Cluster and related expenses.

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2014

10. Separate funding amounts were received by the LHIN from the MOHLTC for specific initiatives (continued)

a) Enabling Technologies for Integration Project Management Office (continued)

The following provides condensed financial information:

| | | 2014 | 2013 |
|---------------------|-----------|----------------|----------------|
| | Total | LHIN's portion | LHIN's portion |
| | \$ | \$ | \$ |
| Revenue | 2,320,000 | 280,000 | 580,000 |
| Expenses | 1,951,019 | 171,752 | 282,399 |
| Accumulated surplus | 368,981 | 108,248 | 297,601 |

Expenses incurred by the LHIN are:

| | 2014 | 2013 |
|--|---------|---------|
| | \$ | \$ |
| Salaries, benefits and consulting services | 171,752 | 251,433 |
| Other | - | 30,966 |
| | 171,752 | 282,399 |

The Waterloo Wellington LHIN has included the unspent portion of its share of funding of \$108,248 as due to the MOHLTC. These funds will be transferred to the South West LHIN who in turn will repay amounts to the MOHLTC.

b) Emergency Department Lead

The LHIN received funding of \$75,000 (2013 - \$75,000) related to the Emergency Department Lead. Emergency Department Lead expenses incurred during the year are as follows:

| | 2014 | 2013 |
|--|--------|--------|
| | \$ | \$ |
| Salaries, benefits and consulting services | 62,500 | 72,000 |
| Other | 4,161 | 3,000 |
| | 66,661 | 75,000 |

c) Emergency Department/Alternative Levels of Care Lead

The LHIN received funding of \$100,000 (2013 - \$100,000) related to the Emergency Department/Alternative Levels of Care Lead. Emergency Department/Alternative Levels of Care Lead expenses incurred during the year are as follows:

| | 2014 | 2013 |
|--|---------|---------|
| | \$ | \$ |
| Salaries, benefits and consulting services | 100,000 | 100,000 |

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2014

10. Separate funding amounts were received by the LHIN from the MOHLTC for specific initiatives (continued)

d) Aboriginal Planning

The LHIN received funding of \$5,000 (2013 - \$5,000) related to Aboriginal Planning. Aboriginal Planning expenses incurred during the year are as follows:

| | 2014 | 2013 |
|----------------------|-------------|-------------|
| | \$ | \$ |
| Community engagement | 360 | 5,000 |

e) French Language Services

The LHIN received funding of \$106,000 (2013 - \$106,000) related to French Language Services. French Language Services expenses incurred during the year are as follows:

| | 2014 | 2013 |
|--|----------------|-------------|
| | \$ | \$ |
| Salaries, benefits and consulting services | 84,394 | 81,412 |
| Other | 21,606 | 24,588 |
| | 106,000 | 106,000 |

f) Critical Care Lead

The LHIN received funding of \$75,000 (2013 - \$75,000) related to Critical Care Lead. Critical Care Lead expenses incurred during the year are as follows:

| | 2014 | 2013 |
|--|---------------|-------------|
| | \$ | \$ |
| Salaries, benefits and consulting services | 72,000 | 72,000 |
| Other | 132 | 435 |
| | 72,132 | 72,435 |

g) Primary Care Lead

The LHIN received funding of \$75,000 (2013 - \$75,000) related to the Primary Care Lead. Primary Care Lead expenses incurred during the year are as follows:

| | 2014 | 2013 |
|--|---------------|-------------|
| | \$ | \$ |
| Salaries, benefits and consulting services | 73,788 | 72,000 |
| Other | 1,212 | 2,742 |
| | 75,000 | 74,742 |

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2014

11. LHIN operations - general and administrative expenses

The statement of operations presents expenses by function. The following classifies general and administrative expenses by object:

| | 2014 | 2013 |
|--------------------------------------|------------------|------------------|
| | \$ | \$ |
| Salaries and benefits | 3,636,724 | 2,986,664 |
| Occupancy | 303,894 | 292,973 |
| Amortization | 81,134 | 88,663 |
| Shared Services | 391,006 | 359,858 |
| LHIN Collaborative | 47,500 | 47,500 |
| Public relations | 64,204 | 89,293 |
| Consulting services | 148,791 | 89,377 |
| Supplies | 48,721 | 35,018 |
| Board Chair per diems | 66,500 | 73,475 |
| All other board members' per diems | 34,925 | 39,175 |
| Other governance costs | 36,247 | 57,913 |
| Mail, courier and telecommunications | 42,628 | 45,274 |
| Other | 339,528 | 191,165 |
| | 5,241,802 | 4,396,348 |

Diabetes Regional Coordination Centres

The LHIN received funding of \$1,341,284 (2013 - \$260,214), which is included in the operating expenses of the LHIN, related to the assumption of work plan deliverables for diabetes and chronic disease management planning effective February 1, 2013. Expenses incurred of \$1,030,667 (2013 - \$197,234) are included in general and administrative expenses in the statement of operations and are made up as follows:

| | 2014 | 2013 |
|--|------------------|----------------|
| | \$ | \$ |
| Salaries, benefits and consulting services | 799,082 | 87,579 |
| Other | 199,052 | 109,655 |
| One-time expense | 32,533 | - |
| | 1,030,667 | 197,234 |

12. Pension agreements

The LHIN makes contributions to the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 27 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2014 was \$276,881 (2013 - \$265,207) for current service costs and is included as an expense in the statement of operations. The last actuarial valuation was completed for the plan on December 31, 2013. At that time, the plan was fully funded.

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2014

13. Guarantees

The LHIN is subject to the provision of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.



June 26, 2014

Management's Responsibility for Financial Information

Metrolinx Management and the Board of Directors are responsible for the financial statements and all other information presented in these financial statements. The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Where appropriate, the financial statements include amounts based on management's best estimates and judgements.

Management has developed and maintains financial and management controls, information systems and management practices to provide reasonable assurance of the reliability of financial information. Internal audits are conducted to assess management systems and practices, and reports are issued to the Audit Committee of the Board.

The Metrolinx Board of Directors, through the Audit Committee, assures that management fulfills its responsibilities for financial information and internal control. This Committee reviews the financial statements and the external auditors' report.

The financial statements have been examined by Deloitte LLP, Metrolinx's appointed external auditor. The external auditor's responsibility is to express an opinion based on their audits. The audits are conducted in accordance with Canadian generally accepted auditing standards. The Auditor's Report outlines the scope of the Auditor's examination and opinion.

For the fiscal year ended March 31, 2014, Metrolinx's Board of Directors, through the Audit Committee, was responsible for assuring that management fulfilled its responsibilities for financial reporting and internal control. The Committee meets regularly with management, the internal auditor and Deloitte LLP to satisfy itself that each group has discharged its respective responsibility. The Committee reviews the financial statements before recommending approval by the Board of Directors. Deloitte LLP had direct and full access to the Audit Committee, with and without the presence of management, to discuss their audit and their findings as to the integrity of Metrolinx's financial reporting and the effectiveness of the system of internal controls.

Bruce McCuaig
President and Chief Executive Officer

Robert Siddall, CPA, CA
Chief Financial Officer





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Independent Auditor's Report

To the Members of Metrolinx

We have audited the accompanying financial statements of Metrolinx, which comprise the statement of financial position as at March 31, 2014, and the statements of operations, remeasurement gains and losses, changes in net assets, 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 public sector accounting standards, 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 Metrolinx as at March 31, 2014, the results of its operations, its remeasurement gains and losses and, its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in dark ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
June 26, 2014

Metrolinx

Statement of financial position as at March 31, 2014

(In thousands of dollars)

| | 2014 | 2013 (Restated Note 3) |
|--|------------|------------------------------|
| | \$ | \$ |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents (Note 5) | 439,958 | 403,111 |
| Accounts receivable (Note 8) | 155,146 | 100,046 |
| Contributions due from Province of Ontario (Note 11) | 133,884 | - |
| Contributions due from Government of Canada | 13,458 | 13,940 |
| Spare parts and supplies | 6,464 | 3,480 |
| Prepaid expenses | 22,728 | 15,768 |
| | 771,638 | 536,345 |
| Funds being held for Province of Ontario (Note 6) | 46,667 | 46,667 |
| Contributions due from Province of Ontario - long-term (Note 11) | - | 62,359 |
| Capital assets (Note 7) | 9,739,344 | 8,156,336 |
| Deposits on land (Note 9) | 145,048 | 65,074 |
| Advances on capital projects (Note 9) | 139,369 | 204,432 |
| Long-term lease (Note 10) | 28,207 | 28,534 |
| Derivative asset (Note 19) | 612 | 98 |
| | 10,870,885 | 9,099,845 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (Note 11) | 709,835 | 471,555 |
| Presto Farecard E-Purse (Note 5) | 23,975 | 17,297 |
| Due to Province of Ontario | - | 9,664 |
| | 733,810 | 498,516 |
| Advance from Province of Ontario (Note 6) | 46,667 | 46,667 |
| Long-term payable (Note 11) | - | 62,359 |
| Deferred capital contributions (Note 12) | 7,979,746 | 6,558,917 |
| Pension plan top-up benefits payable (Note 14) | 53,563 | 49,653 |
| Other employee future benefits payable (Note 15) | 96,844 | 89,613 |
| | 8,910,630 | 7,305,725 |
| Commitments (Note 18) | | |
| Contingencies (Note 20) | | |
| Net assets | | |
| Net assets invested in capital assets (Note 16) | 2,044,015 | 1,866,925 |
| Net assets invested in long-term lease | 28,207 | 28,534 |
| Net assets internally restricted (Note 17) | 26,332 | 26,332 |
| Deficiency of net assets | (138,911) | (127,769) |
| | 1,959,643 | 1,794,022 |
| Accumulated remeasurement gains and (losses) | 612 | 98 |
| | 10,870,885 | 9,099,845 |

On behalf of the Board


 , Director


 , Director

The accompanying notes to the financial statements are an integral part of this financial statement.

Metrolinx**Statement of operations**
year ended March 31, 2014

(In thousands of dollars)

| | 2014 | 2013 (Restated Note 3) |
|--|-----------------|------------------------------|
| | \$ | \$ |
| Revenue | | |
| Operating revenue | 430,777 | 385,157 |
| Contribution from the Province of Ontario | 161,480 | 120,538 |
| Investment income | 7,746 | 6,602 |
| Amortization of deferred capital contributions (Note 12) | 291,147 | 244,387 |
| Gain on disposal of capital assets | 246 | 417 |
| | 891,396 | 757,101 |
| Expenses | | |
| Supplies and services | 44,602 | 32,872 |
| Equipment maintenance | 73,804 | 60,626 |
| Facilities and track | 87,872 | 77,711 |
| Labour and benefits | 220,866 | 199,185 |
| Rail and bus operations | 184,685 | 153,877 |
| Amortization of capital assets | 296,198 | 249,730 |
| Amortization of long term lease | 327 | 327 |
| | 908,354 | 774,328 |
| Excess of expenses over revenue | (16,958) | (17,227) |

The accompanying notes to the financial statements are an integral part of this financial statement.

MetrolinxStatement of changes in net assets
year ended March 31, 2014

(In thousands of dollars)

| | 2014 | | | | 2013 (Restated Note 3) | |
|---|---|-----------------------------------|---|------------------|-------------------------------------|-----------|
| | Invested in capital assets (Note 16) | Invested in long-term lease | Internally restricted net assets (Note 17) | Deficiency | Total | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance, beginning of year | 1,866,925 | 28,534 | 26,332 | (127,769) | 1,794,022 | 1,654,539 |
| Excess of expenses over revenues | - | - | - | (16,958) | (16,958) | (17,227) |
| Amortization (net of amortization to revenue) | (5,372) | (327) | - | 5,699 | - | - |
| Assets contributed by the Province of Ontario (Note 21 (c)) | 18,095 | - | - | - | 18,095 | 18 |
| Land acquisitions, net of deposits | 82,368 | - | - | - | 82,368 | 140,027 |
| Land fair value adjustment | 720 | - | - | - | 720 | - |
| Disposal of land | (117) | - | - | 117 | - | - |
| Deposit on land | 81,396 | - | - | - | 81,396 | 16,665 |
| Balance, end of year | 2,044,015 | 28,207 | 26,332 | (138,911) | 1,959,643 | 1,794,022 |

The accompanying notes to the financial statements are an integral part of this financial statement.

MetrolinxStatement of remeasurement gains and losses
year ended March 31, 2014

(In thousands of dollars)

| | 2014 | 2013 |
|---|-------------|----------|
| | \$ | \$ |
| Balance, beginning of year | 98 | - |
| Unrealized gains (losses) attributable to | | |
| Forward fuel purchase contracts (Note 19) | 612 | 98 |
| Amounts reclassified to the statement of operations | | |
| Forward fuel purchase contracts (Note 19) | (98) | - |
| Net remeasurement gains and (losses) | 514 | 98 |
| Balance, end of year | 612 | 98 |

The accompanying notes to the financial statements are an integral part of this financial statement.

Metrolinx

Statement of cash flows year ended March 31, 2014

(In thousands of dollars)

| | 2014 | 2013 (Restated Note 3) |
|--|----------------|------------------------------|
| | \$ | \$ |
| Operating activities | | |
| Excess of expenses over revenues | (16,958) | (17,227) |
| Amortization of capital assets and long-term lease | 296,525 | 250,057 |
| Gain on disposal of capital assets | (246) | (417) |
| Amortization of deferred capital contributions | (291,147) | (244,387) |
| Employee future benefits, net of payments | 11,142 | 10,906 |
| | (684) | (1,068) |
| Change in non-cash working capital | | |
| Accounts receivable | 23,863 | (16,782) |
| Spare parts and supplies | (2,984) | (282) |
| Prepaid expenses | (6,960) | (4,600) |
| Accounts payables and accrued liabilities | 3,240 | 402 |
| Presto Farecard E-Purse | 6,678 | 10,857 |
| | 23,153 | (11,473) |
| Capital activities | | |
| Purchase of capital assets | (1,561,255) | (1,512,264) |
| Proceeds from sale of capital assets | 683 | 1,068 |
| Deposit on land | (81,396) | (16,665) |
| Advances on capital projects | (139,369) | (204,432) |
| | (1,781,337) | (1,732,293) |
| Financing activities | | |
| Grants received for purchase of land | 163,765 | 156,691 |
| Capital contributions | 1,631,266 | 1,769,764 |
| | 1,795,031 | 1,926,455 |
| Net change in cash and cash equivalents | 36,847 | 182,689 |
| Cash and cash equivalents, beginning of year | 403,111 | 220,422 |
| Cash and cash equivalents, end of year | 439,958 | 403,111 |
| Supplemental cash flow information | | |
| Non-cash capital activities | | |
| Change in accounts payable and accrued liabilities relating to capital assets | 235,041 | 82,869 |
| Change in long-term capital payable/contribution due from Province | (62,359) | 52,097 |
| Assets contributed by the Province of Ontario (Note 21 (c)) | 18,095 | 18 |
| Non-cash financing activities | | |
| Capital contributions receivable/payable | (143,066) | 110,224 |
| Sunk Project costs recoverable from TTC transferred from work-in-progress to accounts receivable | 78,963 | - |

The accompanying notes to the financial statements are an integral part of this financial statement.

Metrolinx

Notes to the financial statements

March 31, 2014

(In thousands of dollars)

1. Nature of operations

Metrolinx is a Crown agency, reporting to the Minister of Transportation of Ontario ("MTO"). It is a non-share capital corporation and is exempt from income taxes under Section 149(1) (d) of the Income Tax Act (Canada).

Metrolinx was created by sections of the Greater Toronto Transportation Authority Act, 2006 which were proclaimed on August 24, 2006. On May 14, 2009, Bill 163 was proclaimed amending the Greater Toronto Transportation Authority Act, 2006 and changing the title of the Act to the Metrolinx Act, 2006. Metrolinx's mandate is to lead the coordination, planning, financing and development of an integrated multi-modal transportation network for the Greater Toronto and Hamilton Area (GTHA). Taking a regional approach, Metrolinx brings together the province, municipalities and local transportation authorities to produce long-term economically and environmentally sustainable transportation solutions.

GO Transit is a division of Metrolinx that operates an interregional public transit system consisting of integrated rail and bus corridors. The network of rail and bus services primarily serves communities across the Greater Toronto and Hamilton Area including the Cities of Toronto and Hamilton, and Regions of Halton, Peel, York, Durham as well as Simcoe County, Dufferin County, Wellington County and the cities of Barrie, Guelph, Kitchener and Niagara Falls and the Town of Bradford-West Gwillimbury.

The Union Pearson Express is a division of Metrolinx which is charged with the construction and operation of a high-quality express rail service connecting Canada's busiest transportation hubs, Union Station in downtown Toronto and Toronto Pearson International Airport. Metrolinx was asked to build, own and operate the Union Pearson Express in July 2010.

PRESTO is a division of Metrolinx which created and operates the PRESTO fare system, an electronic fare card that allows riders to transfer seamlessly across multiple transit systems. PRESTO is currently available on 8 transit agencies in the GTHA, on 14 TTC stations with full TTC deployment planned for 2014 - 2016, and fully deployed on the OC Transpo network in Ottawa.

2. Summary of significant accounting policies

Financial statement presentation

These financial statements have been prepared by management in accordance with the accounting standards for government not-for-profit organizations as published by the Public Sector Accounting Standards Board.

Financial instruments

Financial instruments are financial assets or liabilities of Metrolinx which, in general, provide Metrolinx the right to receive cash or another financial asset from another party or require Metrolinx to pay another party cash or other financial assets.

Metrolinx

Notes to the financial statements

March 31, 2014

(In thousands of dollars)

2. Summary of significant accounting policies (continued)

All financial instruments reported on the Statement of Financial Position of Metrolinx are classified as follows:

| | |
|--|----------------|
| Cash | Amortized cost |
| Cash equivalents | Amortized cost |
| Accounts receivable | Amortized cost |
| Contributions due from Province of Ontario | Amortized cost |
| Contributions due from Government of Canada | Amortized cost |
| Funds being held for Province of Ontario | Amortized cost |
| Contributions due from Province of Ontario - long-term | Amortized cost |
| Derivative asset | Fair value |
| Accounts payable and accrued liabilities | Amortized cost |
| Presto Fare Card E-Purse | Amortized cost |
| Due to Province of Ontario | Amortized cost |
| Advance from Province of Ontario | Amortized cost |
| Long-term payable | Amortized cost |

Transaction costs on assets measured at fair value are expensed as incurred

The fair value of Metrolinx's cash and cash equivalents, accounts receivable, contributions due from Province of Ontario, contributions due from Government of Canada, accounts payable and accrued liabilities, Presto Fare Card E-Purse and balance due to Province of Ontario approximate their carrying values due to the short-term nature of these financial instruments. The fair value of other financial instruments approximate their carrying values unless otherwise noted, based on market rates available to Metrolinx for financial instruments with similar risks, terms and maturities.

Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. Metrolinx's fair values are management's estimates and are generally determined using market conditions at a specific point in time. The determinations are subjective in nature, involving uncertainties and the exercise of significant judgment.

Metrolinx has entered into contracts for diesel fuel to manage exposure to diesel fuel price risks. These contracts contain derivatives which are accounted for at fair value. The unrealized gain or loss on derivatives is recorded in the Statement of Remeasurement Gains and Losses.

Metrolinx does not hold or issue derivative financial instruments for trading or speculative purposes, and controls are in place to detect and prevent these activities.

Impairment of financial instruments

Management reviews its financial instruments for other than temporary impairment on an annual basis. Net other than temporary losses on individual financial instruments are recognized as a loss in the Statement of Operations when a financial instrument is determined to have an "other than temporary" impairment.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks net of bank overdrafts and highly liquid short-term investments with maturities of three months or less at the time of purchase.

Spare parts and supplies

Spare parts and supplies are carried at the lower of cost and net realizable value. Cost is determined using the weighted-average method.

Metrolinx

Notes to the financial statements

March 31, 2014

(In thousands of dollars)

2. Summary of significant accounting policies (continued)

Capital assets

Capital assets are recorded at cost. The cost of a capital asset includes all costs directly related to the acquisition, construction, development or betterment of the capital asset. Salaries, wages and associated employee benefits for staff directly involved in the acquisition, development or construction of a capital asset are included in the cost of the capital asset.

Metrolinx has adopted a whole property approach in capitalizing and amortizing its buildings, rail equipment and bus equipment. Under this approach, all components attached to the building structure (lighting, elevators, air conditioning, etc.) are amortized over a composite service life of the property as a whole.

If the development or construction of a capital asset is terminated or deferred indefinitely before completion, the costs capitalized to date are expensed, unless there is an alternative use for the capital asset or unless recovery of those costs from a third party can be reasonably estimated and collection is likely based on related agreements.

Amortization

Metrolinx provides for the amortization of the various classes of assets over their estimated useful lives on a straight-line basis as follows:

| | |
|--|-------------|
| Buildings (including shelters and ticket booths) | 5-20 years |
| Leasehold improvements | Lease life |
| Locomotives and other railway rolling stock | 20-25 years |
| Improvements to railway right-of-way plant | 20 years |
| Track work and installation | 20 years |
| Buses (including double decker buses) | 10 years |
| Parking lots | 20 years |
| Computer equipment and software | 5-10 years |
| Grade separations | 50 years |
| Other (including furniture and equipment) | 3-12 years |

Work-in-progress is comprised of direct construction and development costs. No amortization is recorded until construction is substantially completed and the assets are ready for productive use.

Long-term lease

Long-term lease represents the prepayment of the lease regarding Union Station. The amount is being amortized straight-line over 100 years, being the term of the lease plus one renewal period.

Employee future benefits

Metrolinx provides pension plan benefits through the multi-employer OMERS Pension Fund. The expense for the period equals the required contribution for the period.

Metrolinx provides a top-up pension plan benefit calculated by using the accrued benefit method which reflects the projected benefits for services rendered to date. Adjustments arising from employee benefit plan amendments, experience gains and losses and changes in assumptions are amortized to earnings over the average remaining service period of the active employees. Any past service costs are expensed when incurred.

Metrolinx also provides other employee future benefits calculated by using the accrued benefit method which reflects the projected benefits for services rendered to date. Adjustments arising from employee benefit plan amendments, experience gains and losses and changes in assumptions are amortized to earnings over the average remaining service period of active employees. Any past service costs are expensed when incurred.

Commuter services revenue

Revenue is recognized when the transportation service is provided.

Metrolinx

Notes to the financial statements

March 31, 2014

(In thousands of dollars)

2. Summary of significant accounting policies (continued)

Contributions

Metrolinx follows the deferral method of accounting for contributions. Unrestricted contributions, including operating grants are recognized as revenue in the period to which they relate.

Deferred capital contributions relate to funds received for the acquisition of capital assets. These deferred capital contributions are recognized as revenue over the same period as the amortization of the related capital asset.

Internally restricted net assets

Internally restricted net assets are internally restricted to provide a funding source for planned future obligations and to provide flexibility against uncertainties which may arise. All reserves are approved by the Board of Directors and are disclosed on the statement of financial position as net assets.

Contracts to buy or sell a non-financial item

Metrolinx uses diesel fuel forward purchase contracts to lock in firmly committed future operating costs. These derivative instruments are recorded on the statement of financial position as an asset or liability and are measured at fair value. Changes in derivative instruments' fair value are recognized in the statement of remeasurement gains and losses.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 reporting period.

Actual results could differ from those estimates. The items subject to the most significant estimates are amortization of capital assets, certain accrued liabilities, pension plan top-up benefits payable and other employee future benefits payable.

Future Accounting Pronouncements

The new section PS 3260, Liability for Contaminated Sites, establishes recognition, measurement and disclosure standards for liabilities relating to contaminated sites. The section is effective for fiscal periods on or after April 1, 2014. Metrolinx has begun an assessment of the impact of this standard.

3. Prior period adjustments

During the current fiscal year the following adjustments to prior periods were made:

(a) Amortization of capital assets

Metrolinx determined some assets were not being amortized over the correct estimated useful life and corrected the error retrospectively in the current fiscal year. This change resulted in an increase in the April 1, 2012 opening capital asset and deferred capital contribution accounts by \$10,717.

The change also resulted in a reduction in the amortization of capital assets and amortization of deferred capital contributions in the statement of operations for the fiscal year ended March 31, 2013 in the amount of \$7,292 and an increase in the capital asset and deferred capital contribution accounts of \$7,292.

Metrolinx

Notes to the financial statements

March 31, 2014

(In thousands of dollars)

3. Prior period adjustments (continued)

(b) Capital asset reclassification

During the year ended March 31, 2013, Metrolinx incorrectly classified the capital asset additions related to the Union Pearson rail link as land versus grade separation, track work and installation; as the project is work-in-progress there is no impact on capital assets, however because land is recorded directly to net assets, the net assets and deferred capital contributions required adjustment.

The correction resulted in an increase in the deferred capital contributions by \$62,358 and a corresponding decrease in net assets by \$62,358 as at March 31, 2013.

The impact of the correction on the Statement of Financial Position as at March 31, 2013 is summarized as follows:

| | Balance as previously reported March 31, 2013 | Adjustment | Reference | Balance as adjusted as at March 31, 2013 |
|--------------------------------|--|------------|-----------|---|
| | \$ | \$ | | \$ |
| Capital Assets | 8,138,327 | 18,009 | (a) | 8,156,336 |
| Deferred capital contributions | 6,478,550 | 80,367 | (a & b) | 6,558,917 |
| Net assets | 1,856,380 | (62,358) | (b) | 1,794,022 |

Reconciliation of excess of expenses over revenue

The impact of the correction on the Statement of Operations for the year ended March 31, 2013 is summarized as follows:

| | Balance as previously reported March 31, 2013 | Adjustment | Reference | Balance as adjusted as at March 31, 2013 |
|--|--|------------|-----------|---|
| | \$ | \$ | | \$ |
| Revenue | | | | |
| Amortization of deferred capital contributions | 251,679 | (7,292) | (a) | 244,387 |
| Expenses | | | | |
| Amortization of capital assets | 257,022 | (7,292) | (a) | 249,730 |
| Excess of expenses over revenue | (17,227) | - | | (17,227) |

4. Financial instruments and risk management

Metrolinx's financial assets and liabilities have exposure to the following risks:

Credit risk

Metrolinx is subject to credit risk through its receivables. It is management's opinion that the risk is minimal as most of the receivables are from federal, provincial and municipal governments and organizations controlled by them.

Interest rate risk

Metrolinx does not have significant exposure to interest rate risk related to its long-term liabilities as they are primarily with related parties and are non-interest bearing.

Metrolinx

Notes to the financial statements

March 31, 2014

(In thousands of dollars)

4. Financial instruments and risk management (continued)

Other price risk

Metrolinx is exposed to changes in crude oil prices as a result of diesel fuel consumption. The potential fluctuations in crude oil prices could have a significant impact on the cost of providing transportation services. This risk is reduced, from time to time, through the use of diesel fuel forward purchase contracts to lock in firmly committed future operating costs for own use consumption.

5. PRESTO Farecard E-purse balances

The balance of funds held on PRESTO farecards E-purse in the amount of \$23,975 (2013 - \$17,297) has been included in Cash and cash equivalents. The E-purse balance is held on behalf of the farecard owner and therefore a liability is recorded on the statement of financial position.

6. Funds being held for Province of Ontario

In 2007, the former Greater Toronto Transit Authority (GO Transit) received \$46,667 from the Province of Ontario for their contribution towards the Toronto Transit Commission ("TTC") participation in the GTA Farecard project. TTC has not yet met the requirements to receive this funding and consequently the cash held by Metrolinx and the obligation to the Province have been segregated on the statement of financial position.

7. Capital assets

| | 2014 | | 2013 (Restated Note 3) |
|---|------------|-----------------------------|------------------------------|
| | Cost | Accumulated amortization | Net book value |
| | \$ | \$ | \$ |
| Land | 1,780,064 | - | 1,780,064 |
| Buildings | 686,534 | 315,493 | 371,041 |
| Leasehold improvements | 34,068 | 26,689 | 7,379 |
| Locomotives and other railway rolling stock | 1,514,721 | 465,955 | 1,048,766 |
| Improvements to railway right-of-way plant | 1,184,799 | 517,276 | 667,523 |
| Grade separations, track work and installation | 928,412 | 307,014 | 621,398 |
| Work-in-progress | 4,186,869 | - | 4,186,869 |
| Buses | 336,489 | 186,731 | 149,758 |
| Parking lots | 596,963 | 154,260 | 442,703 |
| Computer equipment and software | 560,577 | 153,490 | 407,087 |
| Other | 148,042 | 91,286 | 56,756 |
| | 11,957,538 | 2,218,194 | 9,739,344 |
| | | | 8,156,336 |

Metrolinx

Notes to the financial statements

March 31, 2014

(In thousands of dollars)

7. Capital assets (continued)

Work-in-progress includes the following:

| | 2014 | 2013 |
|---|------------------|------------------|
| | \$ | \$ |
| Rail corridor expansion | 1,535,334 | 958,800 |
| Union Station | 318,827 | 247,120 |
| Rail fleet | 491,340 | 387,615 |
| PRESTO System | 117,177 | 223,884 |
| Light Rapid Transit and Bus Rapid Transit | 1,218,960 | 865,443 |
| Various | 505,231 | 521,408 |
| | 4,186,869 | 3,204,270 |

Work-in-progress relates to projects which are expected to come into service in 1 to 6 years.

8. Accounts receivable

(a) Accounts receivable is composed of the following:

| | 2014 | 2013 |
|---|----------------|----------------|
| | \$ | \$ |
| Recoverable HST | 55,522 | 62,400 |
| Recoverable PRESTO costs | 4,505 | 7,088 |
| Sunk project costs recoverable from TTC | 78,963 | - |
| Other receivables | 16,156 | 30,558 |
| | 155,146 | 100,046 |

(b) Included in accounts receivable is \$78,963 (2013 - \$Nil) related to the design of the Light Rapid Transit (LRT) Scarborough corridor in the City of Toronto incurred by Metrolinx as at March 31, 2014 and does not include costs related to any contract amendments or cancellations with 3rd party vendors. On October 8, 2013, City of Toronto Council voted to replace the planned LRT currently under construction under the Master Agreement with a Scarborough Subway. The City of Toronto has agreed to reimburse Metrolinx for expenditures incurred for the Scarborough LRT, including any potential costs associated with the LRT vehicle supply contract. Accordingly, the costs incurred to date have been reclassified from Work-in-progress to accounts receivable.

9. Advances on capital projects

Metrolinx has entered into Memorandum of Agreements (MOAs) with York Region Rapid Transit Corporation (YRRTC), The Regional Municipality of York (York Region), City of Toronto and the Toronto Transit Commission (TTC). The MOAs outline the projects, expected costs, and responsibilities of the parties involved. The MOAs also outline the definition of eligible costs and ownership rights of the projects specified in the agreements. A Master Agreement with YRRTC and York Region was signed April 14, 2011 and covers both past and future eligible costs of constructing the bus rapidway. The MOA with the City of Toronto and the TTC was extended until the earlier of September 30, 2012 and the date on which Metrolinx, TTC and the City finalize definitive legal agreements. A Master Agreement with TTC and the City of Toronto was signed November 28, 2012 and covers the cost of constructing the Eglinton LRT, Scarborough RT, Finch West LRT and Sheppard East LRT.

Metrolinx

Notes to the financial statements

March 31, 2014

(In thousands of dollars)

9. Advances on capital projects (continued)

Pursuant to these agreements, advances were paid to the Region of York and to the Toronto Transit Commission to provide working capital for Deposits on land totalling \$67,713 (2013 - \$62,752) and other project costs totalling \$139,369 (2013 - \$204,432) to fund projects being developed by the Region of York and Toronto Transit Commission on behalf of Metrolinx. The Deposits on land referred to above relate to obtaining, in the future, perpetual easements required for the operation of the York Region bus rapidway. The advances on capital projects are to be held in a separate account and any interest accrued will be applied against the project.

As at March 31, 2014, Metrolinx has expended approximately \$1,484.1 million (2013 - \$1,204.1 million) in relation to these projects, including the following amounts which have been advanced for costs expected to be incurred to June 30, 2014 and deposits related to future perpetual easements.

| | 2014 | 2013 |
|----------------------------|---------|---------|
| | \$ | \$ |
| Region of York | 191,104 | 245,440 |
| Toronto Transit Commission | 15,978 | 21,744 |
| | 207,082 | 267,184 |
| Other deposits | 77,335 | 2,322 |
| | 284,417 | 269,506 |

10. Long-term lease

| | 2014 | | 2013 |
|--------------------------|--------|--------------------------|----------------|
| | Cost | Accumulated amortization | Net book value |
| | \$ | \$ | \$ |
| Leasehold, Union Station | 32,704 | 4,497 | 28,207 |
| | | | 28,534 |

11. Long-term payable

Metrolinx and Infrastructure Ontario entered into a Design-Build-Finance contract for \$140,063 with Airlinx Transit Partners Inc. for the design and construction of the Union Pearson rail link project. The contract amount will be payable after substantial completion which is expected on or before July 31, 2014. At March 31, 2014 an amount of \$122,635 has been accrued based on work completed to year end and is included in Accounts payable and accrued liabilities. At March 31, 2013 an amount of \$62,359 had been accrued based on work completed to the year then ended and was included in Long-term payable. A matching contribution receivable has been recorded in the amount of \$122,635 and is included in Contributions due from the Province of Ontario (2013 - \$62,359 included in Contributions due from the Province of Ontario - long-term).

Metrolinx

Notes to the financial statements

March 31, 2014

(In thousands of dollars)

12. Deferred capital contributions

The changes in the deferred capital contributions for the year are as follows:

| | 2014 | 2013 (Restated Note 3) |
|---|-----------|------------------------------|
| | \$ | \$ |
| Balance, beginning of year | 6,558,917 | 5,091,667 |
| Contributions received or receivable in the period for capital asset acquisitions | | |
| Province of Ontario | 1,675,947 | 1,679,079 |
| Municipalities | 33,311 | 27,877 |
| Government of Canada | 2,718 | 4,681 |
| Amortization of deferred capital contributions | (291,147) | (244,387) |
| Balance, end of year | 7,979,746 | 6,558,917 |

Metrolinx realized a shortfall in municipal funding related to its capital program. The Province has provided funding to bridge the shortfall in the current year in the amount of \$216,148 (2013 - \$204,327) and the cumulative amount is \$802,276. The Province will work with its municipal partners to address the funding shortfalls.

13. Pension contributions

Metrolinx provides pension benefits for substantially all of its permanent employees through participation in the Ontario Municipal Employees Retirement System (OMERS) Pension Fund. The amount expensed in pension contributions for the year ended March 31, 2014 is \$17,874 (2013 - \$16,736).

14. Pension plan top-up benefits liability

With repatriation of the former GO Transit to the Province in 2002, bargaining and non-bargaining employees requested the Province to rectify the difference in pension benefits to be received by employees of GO Transit. When GO Transit was transferred from the Province to the Greater Toronto Services Board in 1999, the Provincial Plans were frozen and a new plan commenced under OMERS. It had been resolved that GO Transit was responsible for the pension obligation. GO Transit completed an actuarial valuation as of April 1, 2013. The financial statement items resulting from the valuation have been determined in accordance with Section 3250 of the PSA Handbook. The pension expense recognized during the year is \$4,512 (2013 - \$4,903).

The cost of pension plan top-up benefits is actuarially determined using the projected benefit method pro-rated on service. The discount rate used to determine the accrued benefit obligation was determined based on the Ontario provincial bond yields. The actuarial gains and losses are amortized over the average remaining service period of active employees.

Information about Metrolinx's pension plan top-up is as follows:

| | 2014 | 2013 |
|--------------------------------|---------|---------|
| | \$ | \$ |
| Accrued benefit obligation | 60,169 | 57,970 |
| Fair value of plan assets | 1,118 | 1,414 |
| Funded status - plan deficit | 59,051 | 56,556 |
| Unamortized net actuarial loss | (5,488) | (6,903) |
| Accrued benefit liability | 53,563 | 49,653 |

Metrolinx

Notes to the financial statements

March 31, 2014

(In thousands of dollars)

14. Pension plan top-up benefits liability (continued)

Details of the accrued benefit obligation are as follows:

| | 2014 | 2013 |
|---|--------|--------|
| | \$ | \$ |
| Accrued benefit obligation, beginning of year | 57,970 | 55,411 |
| Current service cost | 1,474 | 1,790 |
| Interest cost on accrued benefit obligation | 2,064 | 2,046 |
| Benefit payments | (900) | (719) |
| Actuarial loss on accrued benefit obligation | (439) | (558) |
| Accrued benefit obligation, end of year | 60,169 | 57,970 |

Details of the pension expense are as follows:

| | 2014 | 2013 |
|--|-------|-------|
| | \$ | \$ |
| Current service cost | 1,474 | 1,790 |
| Interest cost on accrued benefit obligation | 2,064 | 2,046 |
| Actual return on plan assets | (3) | (2) |
| Expected return vs. actual return on plan assets | 3 | 2 |
| Amortization of actuarial loss | 974 | 1,067 |
| | 4,512 | 4,903 |

Plan assets by asset category are as follows:

| | 2014 | 2013 |
|--|------|------|
| | % | % |
| Cash invested | - | 19 |
| Cash on deposit with Canada Revenue Agency | 100 | 81 |
| | 100 | 100 |

Other information about Metrolinx's benefit plan is as follows:

| | 2014 | 2013 |
|------------------------|------|-------|
| | \$ | \$ |
| Employer contributions | 600 | 1,400 |
| Benefits paid | 900 | 719 |

The significant actuarial assumptions adopted in measuring Metrolinx's pension plan top-up benefit obligations are as follows:

| | | |
|---|---------|------------------|
| Discount rate | 3.9% | (2013 - 3.5%) |
| Rate of compensation increase | 3% | (2013 - 3%) |
| Inflation per annum | 2% | (2013 - 2%) |
| Expected average remaining service life | 6 years | (2013 - 8 years) |

Metrolinx

Notes to the financial statements

March 31, 2014

(In thousands of dollars)

15. Other employee future benefits liability

Metrolinx provides post-retirement life and health benefits, Workplace Safety & Insurance Board ("WSIB") liabilities and retiree severance benefits. The plan is unfunded and requires nominal contributions from employees. Substantially all full time active employees are eligible for life and health benefits. A limited number of employees are eligible for severance benefits.

The measurement date of the plan assets and accrued benefit obligation is March 31 of each year. The most recent actuarial valuation of the other employee future benefits was as of March 31, 2014. The valuation was performed in accordance with the standards of the Canadian Institute of Actuaries. The financial statement items resulting from the valuation have been determined in accordance with Section 3255 of the PSA Handbook. The post-retirement non-pension benefits recognized during the period were \$9,875 (2013 - \$9,316).

The cost of post-retirement non-pension benefits is actuarially determined using the projected benefit method pro-rated on service, retirement ages of employees and expected health care costs. The discount rate used to determine the accrued benefit obligation was determined based on the Ontario provincial bond yields. The actuarial gains and losses are amortized over the average remaining service period of active employees. Past service costs are expensed when incurred.

Information about Metrolinx's post-retirement non-pension benefits is as follows:

| | 2014 | 2013 |
|--------------------------------|----------|----------|
| | \$ | \$ |
| Accrued benefit obligation | 112,285 | 110,342 |
| Fair value of plan assets | - | - |
| Funded status - plan deficit | 112,285 | 110,342 |
| Unamortized net actuarial loss | (15,441) | (20,729) |
| Accrued benefit liability | 96,844 | 89,613 |

Details of the accrued benefit obligation are as follows:

| | 2014 | 2013 |
|---|---------|---------|
| | \$ | \$ |
| Accrued benefit obligation, beginning of year | 110,342 | 102,469 |
| Current service cost | 4,155 | 3,930 |
| Interest on accrued benefit obligation | 3,999 | 3,810 |
| Benefit payments | (2,643) | (1,915) |
| Actuarial (gain) loss on accrued benefit obligation | (3,568) | 2,048 |
| Accrued benefit obligation, end of year | 112,285 | 110,342 |

Details on the post-retirement non-pension benefits expense are as follows:

| | 2014 | 2013 |
|---|-------|-------|
| | \$ | \$ |
| Current service cost | 4,155 | 3,930 |
| Interest cost on accrued benefit obligation | 3,999 | 3,810 |
| Amortization of actuarial loss | 1,721 | 1,576 |
| | 9,875 | 9,316 |

Metrolinx

Notes to the financial statements

March 31, 2014

(In thousands of dollars)

15. Other employee future benefits liability (continued)

The significant actuarial assumptions adopted in measuring Metrolinx's post-retirement non-pension benefit obligations are as follows:

| | |
|--|----------------------------|
| Discount rate for post-retirement non-pension benefit (2013 - 3.6%) | 4% |
| Discount rate for WSIB liabilities | 3.4% (2013 - 3.05%) |
| Discount rate for retiree severance benefits | 3% (2013 - 2.8%) |
| Expected average remaining service life for post-retirement non-pension benefit | 15 years (2013 - 14 years) |
| Expected average remaining service life for WSIB liabilities | 10 years (2013 - 10 years) |
| Expected average remaining service life for retiree severance benefits | 7 years (2013 - 7 years) |
| Rate of compensation increase | 3% (2013 - 3%) |
| Inflation per annum | 2% (2013 - 2%) |
| Initial Weighted Average Health Care Trend Rate | 5.6% (2013 - 6.5%) |
| Ultimate Weighted Average Health Care Trend Rate | 4.3% (2013 - 4.3%) |
| Dental care benefits increase | 4% (2013 - 4%) |

16. Net assets invested in capital assets

| | 2014 | 2013 (Restated Note 3) |
|---|-------------|------------------------------|
| | \$ | \$ |
| Capital assets | 9,739,344 | 8,156,336 |
| Deposits on land | 145,048 | 65,074 |
| Advances on capital projects | 139,369 | 204,432 |
| Less deferred capital contributions used to purchase capital assets | (7,979,746) | (6,558,917) |
| | 2,044,015 | 1,866,925 |

17. Internally restricted net assets

The internally restricted net assets are as follows:

| | 2014 | 2013 |
|------------------------|--------|--------|
| | \$ | \$ |
| MCOR | 21,051 | 21,051 |
| Employment obligation | 889 | 889 |
| Self insured retention | 2,013 | 2,013 |
| Stabilization | 2,379 | 2,379 |
| | 26,332 | 26,332 |

The Municipal Capital and Operating Restructuring (MCOR) reserve was established to assist in funding large capital expenditures.

The Employment Obligation reserve was established to assist in funding general employment related obligations of Metrolinx.

Metrolinx

Notes to the financial statements

March 31, 2014

(In thousands of dollars)

17. Internally restricted net assets (continued)

The Self Insured Retention reserve was established to assist in funding any claims against the self-insured retention layer of Metrolinx's insurance program.

The Stabilization reserve was established to assist in funding fluctuations in operating and capital budgets of Metrolinx from year to year.

18. Commitments

(a) The minimum operating lease payments in each of the next five years are as follows:

| | \$ |
|------------|---------|
| 2015 | 20,620 |
| 2016 | 19,466 |
| 2017 | 18,307 |
| 2018 | 17,301 |
| 2019 | 17,049 |
| Subsequent | 214,267 |
| | 307,010 |

(b) Metrolinx has also committed approximately \$4.2 billion for various capital asset additions/projects.

(c) A significant amount of the services provided by Metrolinx are operated and maintained by outside parties. These services are governed by the agreements with the Canadian National Railway Company ("CN"), Canadian Pacific Railway Company ("CP") Bombardier Inc., PNR Rail Works Inc. ("PNR"), Toronto Terminals Railway Ltd. ("TTR") and by a number of minor service agreements. Metrolinx has entered into the following major agreements for approximately \$176,000 per year:

- i) Master Operating Agreement with CN terminating on May 31, 2016.
- ii) Commuter Agreement with CP terminating on December 31, 2014.
- iii) Equipment Maintenance Contract with Bombardier terminating on May 31, 2023.
- iv) Rail Crew Contract with Bombardier terminating on May 31, 2023.
- v) Routine Track and Signal Maintenance contract with PNR terminating on June 30, 2016.
- vi) Rail Corridor Management Service Agreement with TTR terminating on June 30, 2016.

(d) As at March 31, 2014; Metrolinx had outstanding letters of credit totaling \$28 (2013 - \$59).

19. Diesel fuel forward contracts

As at March 31, 2014, Metrolinx has four fixed fee agreements in place to purchase 16.1 million litres of diesel fuel at prices ranging from \$0.8692 to \$0.8800 per litre. The change in fair value of the derivative instruments of \$612 (\$98) was recorded as an unrealized gain in the statement of remeasurement gains and losses.

20. Contingencies

Various lawsuits have been filed against Metrolinx for incidents which arose in the ordinary course of business. Management has reviewed these claims and made provisions as appropriate. Where the outcome of a claim is not yet determinable, any settlement will be recorded when it is determined that a claim is likely to be settled and the amount is determinable.

Metrolinx

Notes to the financial statements

March 31, 2014

(In thousands of dollars)

21. Related party transactions and balances

Metrolinx had the following transactions with related parties during the year:

- (a) The Ontario Ministry of Transportation, Ontario Tourism Marketing Partnership Corporation, Infrastructure Ontario and Ontario Northland charged Metrolinx \$1,319 (2013 - \$1,438), \$47 (2013 - \$24), \$21,539 (2013 - \$5,900), \$3,161 (2013 - \$1,362) respectively during the year for the provision of services provided by these organizations. In addition, Infrastructure Ontario charged \$60,276 (2013 - \$62,359) in capital expenditures related to the Design-Build-Finance contract for the Union Pearson rail link project as described in Note 11. At March 31, 2014, accounts payable and accrued liabilities and long-term payable included \$22 (2013 - \$821), \$132,522 (2013 - \$64,031) and \$2,695 (2013 - \$Nil) owing to the Ontario Ministry of Transportation, Infrastructure Ontario and Ontario Northland respectively.
- (b) Metrolinx charged Ontario Northland and Metropolitan Toronto Convention Centre Corporation \$175 (2013 - \$145) and \$13 (2013 - \$13) respectively during the year for the provision of services. Metrolinx charged Ontario Northland \$Nil (2013 - \$574) during the year for sale of capital assets. At March 31, 2014, accounts receivable included \$574 (2013 - \$574) owing by Ontario Northland.
- (c) As of April 1, 2013, the Ontario Ministry of Transportation transfers assets to its related government entities at fair value instead of net book value maintained by the Ministry. Metrolinx procured six parcels of land for \$Nil from the Ministry during the year. The transfer was treated as a contribution from the Province equivalent to the fair value of these assets that amounted to \$18,095. During the year 2013, Metrolinx procured one parcel of land for \$Nil from the Ontario Ministry of Transportation. The transfer was treated as a contribution from the Province equivalent to the net book value of this asset maintained by the Ministry that amounted to \$18.

The transactions in 21 (a) and (b) are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Contributions of capital assets from the Province are recorded at the fair value.

Balances due from/to the Province of Ontario are separately disclosed on the statement of financial position. Amounts are non-interest bearing with no specified terms of repayments.

22. Guarantees

In the normal course of business, Metrolinx enters into agreements that meet the definition of a guarantee.

- (a) In the normal course of business, Metrolinx has entered into agreements that include indemnities in favour of third parties such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require Metrolinx to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.
- (b) Indemnity has been provided to all directors and or officers of Metrolinx including, but not limited to, all costs to settle suits or actions due to association with Metrolinx, subject to certain restrictions. Metrolinx has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a trustee, director or officer of Metrolinx. The maximum amount of any potential future payment cannot be reasonably estimated.

The nature of these indemnification agreements prevents Metrolinx from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties.

Metrolinx

Notes to the financial statements

March 31, 2014

(In thousands of dollars)

22. Guarantees (continued)

Historically, Metrolinx has not made any significant payments under such or similar indemnification agreements and therefore no amount has been recorded with respect to these agreements.

23. Corresponding figures

Certain of the prior year's corresponding figures have been reclassified to conform to the current year's presentation.

**METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION****Management Report**

The accompanying financial statements are the responsibility of the management of Metropolitan Toronto Convention Centre Corporation. The financial statements have been prepared by management in accordance with the accounting requirements of the Financial Administration Act including Ontario Regulation 395/11. The statements include certain amount based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

Management maintains a system of internal accounting and administrative control that is designed to provide reasonable assurance the financial information is relevant, reliable and accurate and that the Corporation's assets are properly accounted for and adequately safeguarded.

The financial statements have been audited by KPMG LLP, a firm of independent external auditors appointed by the Board of Director , whose report follows.

Imtiaz Dhanjee

Vice President Finance

June 16, 2014



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Metropolitan Toronto
Convention Centre Corporation and the Minister
of Tourism, Culture and Sport

We have audited the accompanying financial statements of Metropolitan Toronto Convention Centre Corporation, which comprise the statement of financial position as at March 31, 2014, the statements of operations and accumulated surplus, changes in net debt 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 of these financial statements in accordance with the accounting requirements of the Financial Administration Act, including Ontario Regulation 395/11, *Government Transfers* of the Financial Administration Act, 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 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.



Page 2

Opinion

In our opinion, the financial statements of Metropolitan Toronto Convention Centre Corporation, as at March 31, 2014 and for the year then ended, are prepared in all material respects in accordance with the accounting requirements of the Financial Administration Act, including Ontario Regulation 395/11, *Government Transfers* of the Financial Administration Act.

Emphasis of Matter

Without modifying our opinion, we draw attention to note 2 to the financial statements, which discloses that the financial statements are prepared in accordance with the Financial Administration Act, including Ontario Regulation 395/11, *Government Transfers* of the Financial Administration Act.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants, Licensed Public Accountants

May 28, 2014
Toronto, Canada

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Statement of Financial Position

March 31, 2014, with comparative information for 2013

| | 2014 | 2013 |
|---|-----------------------|-----------------------|
| Financial assets: | | |
| Cash | \$ 2,720,725 | \$ 769,808 |
| Customer deposits | 12,993,950 | 11,361,651 |
| Accounts receivable (note 8) | 3,429,741 | 3,558,853 |
| | <u>19,144,416</u> | <u>15,690,312</u> |
| Liabilities: | | |
| Accounts payable and accrued liabilities | 7,102,938 | 5,986,370 |
| Deferred revenue | 12,993,950 | 11,361,651 |
| Employee future benefits (note 6) | 2,331,800 | 2,651,800 |
| Deferred contributions related to tangible capital assets | <u>46,676,219</u> | <u>47,669,330</u> |
| | <u>69,104,907</u> | <u>67,669,151</u> |
| Net debt | (49,960,491) | (51,978,839) |
| Non-financial assets: | | |
| Tangible capital assets (note 4) | 190,338,215 | 187,937,770 |
| Inventories | 503,370 | 480,258 |
| Prepaid expenses | <u>516,162</u> | <u>532,044</u> |
| | <u>191,357,747</u> | <u>188,950,072</u> |
| Commitments (note 9) | | |
| Accumulated surplus (note 5) | <u>\$ 141,397,256</u> | <u>\$ 136,971,233</u> |

See accompanying notes to financial statements.

On behalf of the Board:


 _____ Director

 _____ Director

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Statement of Operations and Accumulated Surplus

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

| | March 31, 2014 Budget | March 31, 2014 Actual | March 31, 2013 Actual |
|--|-----------------------------|-----------------------------|-----------------------------|
| Revenue: | | | |
| Food and beverage | \$ 22,425,000 | \$ 22,436,078 | \$ 23,007,582 |
| Facility rental | 15,360,000 | 15,552,597 | 15,542,391 |
| Parking | 9,100,000 | 10,173,778 | 8,309,451 |
| Commissions | 5,575,000 | 5,196,088 | 5,816,553 |
| Communications | 1,610,000 | 1,841,002 | 1,628,250 |
| Capital contribution | 993,100 | 993,111 | 993,111 |
| Other | 2,724,300 | 2,906,998 | 2,798,490 |
| Total gross revenue | 57,787,400 | 59,099,652 | 58,095,828 |
| Expenses (note 7): | | | |
| Facility rental | 4,315,600 | 4,361,425 | 4,260,041 |
| Event services | 493,100 | 497,882 | 538,882 |
| Food and beverage | 14,367,500 | 14,802,338 | 15,703,116 |
| Communications | 593,200 | 532,058 | 552,039 |
| Parking | 2,724,300 | 2,673,215 | 2,484,288 |
| Sales and marketing | 3,466,500 | 3,273,975 | 3,370,820 |
| Engineering | 4,943,200 | 5,055,090 | 4,837,813 |
| Energy | 3,066,000 | 3,126,574 | 3,007,943 |
| General and administrative | 6,956,700 | 7,147,821 | 6,873,227 |
| Other expenses | 2,689,900 | 2,705,522 | 2,913,384 |
| Amortization | 7,797,100 | 7,997,729 | 7,268,082 |
| Total expenses | 51,413,100 | 52,173,629 | 51,809,635 |
| Annual surplus | 6,374,300 | 6,926,023 | 6,286,193 |
| Accumulated surplus, beginning of year | 136,971,233 | 136,971,233 | 134,185,040 |
| Distribution payment (note 5) | (2,500,000) | (2,500,000) | (3,500,000) |
| Accumulated surplus, end of year | \$ 140,845,533 | \$ 141,397,256 | \$ 136,971,233 |

See accompanying notes to financial statements.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Statement of Changes in Net Debt

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

| | March 31, 2014 Budget | March 31, 2014 Actual | March 31, 2013 Actual |
|---|-----------------------------|-----------------------------|-----------------------------|
| Annual surplus | \$ 6,374,300 | \$ 6,926,023 | \$ 6,286,193 |
| Acquisition of tangible capital assets | (10,066,900) | (10,398,174) | (15,505,391) |
| Amortization of tangible capital assets | 7,797,100 | 7,997,729 | 7,268,082 |
| | 4,104,500 | 4,525,578 | (1,951,116) |
| Acquisition of inventories* | — | (5,151,856) | (5,284,324) |
| Acquisition of prepaid expenses* | — | (605,642) | (644,122) |
| Consumption of inventories* | — | 5,128,744 | 5,316,851 |
| Use of prepaid expenses* | — | 621,524 | 544,114 |
| Distribution payment | (2,500,000) | (2,500,000) | (3,500,000) |
| Change in net debt | 1,604,500 | 2,018,348 | (5,518,597) |
| Net debt, beginning of year | (51,978,839) | (51,978,839) | (46,460,242) |
| Net debt, end of year | \$ (50,374,339) | \$ (49,960,491) | \$ (51,978,839) |

*These items have historically not been projected during the budgetary process.

See accompanying notes to financial statements.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Statement of Cash Flows

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

| | 2014 | 2013 |
|---|--------------|--------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Annual surplus | \$ 6,926,023 | \$ 6,286,193 |
| Items not involving cash: | | |
| Amortization | 7,997,729 | 7,268,082 |
| Employee future benefits | (320,000) | (267,800) |
| Deferred contributions related to tangible capital assets | (993,111) | (993,111) |
| | 13,610,641 | 12,293,364 |
| Change in non-cash assets and liabilities: | | |
| Accounts receivable | 129,112 | 419,074 |
| Inventories | (23,112) | 32,527 |
| Prepaid expenses | 15,882 | (100,008) |
| Accounts payable and accrued liabilities | 1,116,568 | (2,176,333) |
| | 14,849,091 | 10,468,624 |
| Financing activities: | | |
| Distribution payment (note 5) | (2,500,000) | (3,500,000) |
| Capital activities: | | |
| Additions to tangible capital assets | (10,398,174) | (15,505,391) |
| Increase (decrease) in cash | 1,950,917 | (8,536,767) |
| Cash, beginning of year | 769,808 | 9,306,575 |
| Cash, end of year | \$ 2,720,725 | \$ 769,808 |

See accompanying notes to financial statements.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements

Year ended March 31, 2014

Metropolitan Toronto Convention Centre Corporation (the "Corporation") is incorporated as a corporation without share capital under Bill 141, the *Metropolitan Toronto Convention Centre Corporation Act, 1988*, and is subject to control by the Province of Ontario through the Ministry of Tourism, Culture and Sport. The Corporation is a Crown Agency under the same act and is exempt from income taxes.

The Corporation operates a convention facility for conventions, trade shows, consumer shows, corporate and food and beverage events and parking facilities.

1. Significant accounting policies:

(a) Revenue recognition:

Revenue from food and beverage sales, facility rentals and the use of the Corporation's parking facilities is recognized when services are provided. Commission revenue is recognized as it is earned. Cancellation fees are recognized when an event is cancelled.

(b) Inventories:

Inventories are recorded at the lower of cost and net realizable value.

(c) Deferred contributions related to tangible capital assets:

Funding received from the Province of Ontario used for the acquisition of depreciable capital assets is recorded as deferred contributions. This is recognized as a recovery in the statement of operations equal to depreciation charged on the related depreciable capital assets, of which the annual change in the account is recorded in the statement of cash flows of \$993,111 (2013 - \$993,111).

(d) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

1. Significant accounting policies (continued):

(e) Tangible capital assets:

Tangible capital assets are recorded at cost less accumulated amortization. Amortization is charged on a straight-line basis over the following estimated useful lives of the assets:

| | |
|--|--------------|
| Building | 50 years |
| Furniture, fixtures and computer equipment | 3 - 10 years |
| Leasehold improvements | 5 - 20 years |

Tangible capital assets are reviewed for impairment whenever conditions indicate that a tangible capital asset no longer contributes to the Corporation's ability to provide services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value.

(f) Deferred revenue:

Deferred revenue represents customer deposits received for future use of the Corporation's facilities. Deposits are applied against the customer's billing when services are rendered.

(g) Use of estimates:

The preparation of financial statements requires management to make a number of estimates and assumptions relating to 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. Significant items subject to such estimates and assumptions include the useful life of tangible capital assets, valuation allowances for accounts receivable, and assets and obligations related to employee future benefits. Actual results could differ from those estimates.

(h) Financial instruments:

Financial instruments are recorded at fair values on initial recognition and subsequently recorded at cost or amortized cost.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

1. Significant accounting policies (continued):

(i) Budget figures:

Budget figures have been derived from the Business Plan approved by the Board of Directors on February 27, 2013. Consumption and use of inventory and prepaid expenses are not historically budgeted in detail and, therefore, have not been included in the budget reported in these financial statements.

2. Basis of presentation:

The Financial Administration Act requires that the financial statements be prepared in accordance with the accounting principles used by the Province of Ontario, being the Canadian public sector accounting standards ("PS") as published by the Public Sector Accounting Board and that changes may be required to these standards as a result of regulation.

Ontario Regulation 395/11 requires that government transfers used for the acquisition of depreciable capital assets is recorded as deferred contributions and is recognized as a recovery in the statement of operations equal to depreciation charged on the related depreciable capital assets. This accounting requirement is not consistent with the requirements of PS, which require that government transfers be recognized as revenue when approved by the transferor and eligibility criteria have been met unless the transfer contains a stipulation that creates a liability in which case the transfer is recognized as revenue over the period that the liability is extinguished.

Accordingly, these financial statements have been prepared in accordance with the accounting requirements of the Financial Administration Act, including Ontario Regulation 395/11, *Government Transfers* of the Financial Administration Act.

3. Changes in accounting policies:

On April 1, 2012, the Corporation adopted PS 3450, Financial Instruments. The section established standards on how to account for and report financial instruments. The impact to the Corporation relates to disclosures which are included in note 8. Accordingly, a statement of remeasurement gains and losses are not required.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

4. Tangible capital assets:

| | | | 2014 | 2013 |
|--|----------------|--------------------------|----------------|----------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Building | \$ 226,532,057 | \$ 71,465,788 | \$ 155,066,269 | \$ 157,073,338 |
| Furniture, fixtures and computer equipment | 34,737,534 | 24,729,908 | 10,007,626 | 8,074,397 |
| Leasehold improvements | 64,150,419 | 38,886,099 | 25,264,320 | 22,790,035 |
| | \$ 325,420,010 | \$ 135,081,795 | \$ 190,338,215 | \$ 187,937,770 |

5. Accumulated surplus:

The total accumulated surplus includes the contributed surplus, accumulated distribution payments and the accumulated annual surplus as follows:

| | Contributed surplus | Accumulated distribution payment | Accumulated annual surplus | Total accumulated surplus |
|-------------------------|---------------------|----------------------------------|----------------------------|---------------------------|
| Balance, March 31, 2013 | \$ 142,850,705 | \$ (51,500,000) | \$ 45,620,528 | \$ 136,971,233 |
| Distribution payment | — | (2,500,000) | — | (2,500,000) |
| Annual surplus | — | — | 6,926,023 | 6,926,023 |
| Balance, March 31, 2014 | \$ 142,850,705 | \$ (54,000,000) | \$ 52,546,551 | \$ 141,397,256 |

The contributed surplus balance was created as a result of the Ontario Financing Authority (the "OFA") issuing a release to the Corporation as at March 30, 2003 from all of its obligations under the temporary expansion financing.

The Corporation agreed to make a minimum distribution payment to the Province of Ontario annually in the amount of \$2,500,000 less any amount of payments in lieu of property taxes that it makes within that year and annually, any such further amounts agreed to in writing by the Corporation and the OFA.

The Board of Directors approved a distribution payment of \$2,500,000 on February 26, 2014 based on the financial results of fiscal 2014. Since the establishment of the distribution policy, the total amount paid is \$54,000,000 (2013 - \$51,500,000).

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

6. Employee future benefits:

The Corporation maintains a registered pension plan that provides a defined benefit component and a defined contribution component. Under the defined benefit component of the pension plan, contributions are made by employees at specified rates and by the sponsor in such amounts and at such times as determined by the consulting actuaries. The defined benefit component of the plan provides pension benefits based on the length of service and best average pensionable earnings. In addition, certain retired employees also receive health and other post-retirement benefits paid for by the Corporation.

The Corporation accrues its obligations under the defined benefit plan as the employees render the services necessary to earn the pension and other retirement benefits. The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected accrued benefit cost method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors). The measurement date of the post-employment plans and retirement compensation agreement coincides with the Corporation's fiscal year, and the defined benefit plan measurement date is December 31. The most recent actuarial valuations of the defined benefit plan for funding purposes (and the next required valuations) and the actuarial valuation of the other post-employment plans (and the next required valuations) are as follows:

- (a) Defined benefit registered pension plan - December 31, 2010 (December 31, 2013);
- (b) Other post-employment plans - March 31, 2011 (March 31, 2014); and
- (c) Retirement compensation agreement - March 31, 2014 (March 31, 2015).

Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortized over the expected average remaining service period of active employees ("EARSL").

As shown in the following table, the Corporation has a deficit of \$2,690,000 (2013 - \$3,147,900) for its employee future benefit plans. The funding deficit is offset by unamortized net actuarial loss of \$358,200 (2013 - \$496,100) and results in an employee future benefit liability of \$2,331,800 (2013 - \$2,651,800) recorded in the financial statements.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

6. Employee future benefits (continued):

Currently, there are 125 employees enrolled in the defined benefit plan and 189 employees enrolled in the defined contribution plan. During 2005, the Corporation closed the defined benefit component of the plan. All new eligible plan members must join the defined contribution component of the plan. The defined contribution portion of the plan is fully funded as of March 31, 2014.

Information about the Corporation's pension plan and employee benefit arrangements are detailed in the table below:

| | 2014 | | 2013 | |
|---|--------------|-------------------|--------------|-------------------|
| | Pension plan | Employee benefits | Pension plan | Employee benefits |
| Defined benefit plan expense: | | | | |
| Current year benefit cost | \$ 1,175,100 | \$ 87,100 | \$ 1,175,100 | \$ 84,700 |
| Amortization of actuarial loss | 28,600 | 19,100 | 62,300 | 19,600 |
| Employee contributions | (193,300) | — | (202,700) | — |
| Defined benefit plan expense | 1,010,400 | 106,200 | 1,034,700 | 104,300 |
| Defined benefit plan interest expense: | | | | |
| Interest cost on accrued benefit obligation | 1,400,800 | 100,800 | 1,298,900 | 101,300 |
| Expected return on plan assets | (1,314,300) | (21,700) | (1,162,100) | (20,800) |
| Defined benefit plan interest expense | 86,500 | 79,100 | 136,800 | 80,500 |
| Total defined benefit plan expense | 1,096,900 | 185,300 | 1,171,500 | 184,800 |
| Defined contribution plan cost | 501,400 | — | 483,300 | — |
| Total benefit plan expense | \$ 1,598,300 | \$ 185,300 | \$ 1,654,800 | \$ 184,800 |

| | 2014 | | 2013 | |
|---|---------------|-------------------|---------------|-------------------|
| | Pension plan | Employee benefits | Pension plan | Employee benefits |
| Expected closing balance of accrued benefit obligation: | | | | |
| Actual accrued benefit obligation, beginning of year | \$ 24,178,800 | \$ 2,128,500 | \$ 22,300,700 | \$ 2,014,900 |
| Current year benefit cost | 1,175,100 | 87,100 | 1,175,100 | 84,700 |
| Interest cost | 1,400,800 | 100,800 | 1,298,900 | 101,300 |
| Benefit payments | (808,900) | (83,200) | (595,900) | (83,000) |
| Expected closing balance of accrued benefit obligation, end of year | \$ 25,945,800 | \$ 2,233,200 | \$ 24,178,800 | \$ 2,117,900 |

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

6. Employee future benefits (continued):

| | 2014 | | 2013 | |
|--|----------------|-------------------|---------------|-------------------|
| | Pension plan | Employee benefits | Pension plan | Employee benefits |
| Expected plan assets: | | | | |
| Actual plan assets, beginning of year | \$ 22,381,400 | \$ 778,000 | \$ 19,650,500 | \$ 710,100 |
| Employer contributions | 1,569,000 | 33,200 | 1,513,400 | 110,700 |
| Employee contributions | 193,300 | — | 202,700 | — |
| Expected return on plan assets | 1,314,300 | 21,700 | 1,162,100 | 20,800 |
| Benefit payments | (808,900) | (83,200) | (595,900) | (83,000) |
| Expected plan assets, end of year | \$ 24,649,100 | \$ 749,700 | \$ 21,932,800 | \$ 758,600 |
| Amortization of gains/losses on accrued benefit obligation: | | | | |
| Expected closing balance of accrued benefit obligation | \$ 25,945,800 | \$ 2,233,200 | \$ 24,178,800 | \$ 2,117,900 |
| Actual accrued benefit obligation | 27,524,600 | 2,280,800 | 24,178,800 | 2,128,500 |
| Experience loss | \$ (1,578,800) | \$ (47,600) | \$ — | \$ (10,600) |
| Annual amortization over EARS | \$ (118,700) | \$ (3,700) | \$ — | \$ (900) |
| | | | | |
| | 2014 | | 2013 | |
| | Pension plan | Employee benefits | Pension plan | Employee benefits |
| Amortization of gains on plan assets: | | | | |
| Expected closing balance of plan assets | \$ 24,649,100 | \$ 749,700 | \$ 21,932,800 | \$ 758,600 |
| Actual plan assets | 26,334,200 | 781,200 | 22,381,400 | 778,000 |
| Experience gain | \$ 1,685,100 | \$ 31,500 | \$ 448,600 | \$ 19,400 |
| Annual amortization over EARS | \$ 126,700 | \$ 2,200 | \$ 33,700 | \$ 1,400 |
| Actual pension liability recorded in the statements of financial position: | | | | |
| Actual accrued benefit obligation | \$ 27,524,600 | \$ 2,280,800 | \$ 24,178,800 | \$ 2,128,500 |
| Actual plan assets | (26,334,200) | (781,200) | (22,381,400) | (778,000) |
| Unamortized actuarial losses | (202,600) | (155,600) | (337,500) | (158,600) |
| Actual pension liability recorded | \$ 987,800 | \$ 1,344,000 | \$ 1,459,900 | \$ 1,191,900 |

The total accrued pension benefit liability of \$2,331,800 (2013 - \$2,651,800) is included in the Corporation's statement of financial position.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

6. Employee future benefits (continued):

The significant actuarial assumptions used in accounting for the plans are as follows:

| | 2014 | | 2013 | |
|--------------------------------|--------------|-------------------|--------------|-------------------|
| | Pension plan | Employee benefits | Pension plan | Employee benefits |
| Discount rate | 5.75% | 3.25% - 5.75% | 5.75% | 3.0% - 5.75% |
| Expected return on plan assets | 5.75% | 2.88% | 5.75% | 2.88% |
| Rate of compensation increase | 3.75% | n/a | 3.75% | n/a |
| Indexation rate | 1.75% | 1.75% | 1.75% | 1.75% |
| EARSL (years) | 13.3 | 10.3 - 14.1 | 13.3 | 10.3 - 14.2 |

Assumed health care cost trend rates at March 31:

| | 2014 | 2013 |
|--|------|------|
| Initial health care cost trend rate | 6.4% | 6.6% |
| Cost trend rate declines to | 3.0% | 3.0% |
| Year that the rate reaches the rate it is assumed to remain at | 2031 | 2031 |

7. Expenses:

Included in expenses are wages and benefits of \$24,909,185 (2013 - \$24,363,153).

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

8. Financial instruments, risk management and capital management:

(a) Financial instruments:

PS 3450 requires an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 - unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - observable or corroborated inputs, other than Level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 - unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

The Corporation's financial assets carried at fair value, which include cash and customer deposits, are classified as Level 1.

There were no financial instruments categorized in Level 2 or in Level 3 as at March 31, 2014 and 2013.

There were no changes in categorization of financial assets and liabilities into the three levels in the fair value hierarchy during the year.

The carrying values of cash, customer deposits, accounts receivable and accounts payable and accrued liabilities approximate fair values due to their short-term nature.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

8. Financial instruments, risk management and capital management (continued):

(b) Risk management:

The Corporation's activities expose it to a variety of financial risks: credit risk and liquidity risk. Risk management is the responsibility of the Corporation's management who identifies and evaluates financial risks. Material risks are monitored and discussed with the Audit Committee of the Board of Directors. The Corporation does not utilize derivative financial instruments.

(i) Credit risk:

Credit risk arises from cash held with the banks and financial institutions and accounts receivable. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Corporation assesses the quality of its counterparties, taking into account their creditworthiness and reputation, past experience and other factors.

The aging of accounts receivable is as follows:

| | 2014 | 2013 |
|--------------------------------------|--------------|--------------|
| Current | \$ 2,225,475 | \$ 1,306,489 |
| Less than 60 days overdue | 889,988 | 1,890,205 |
| More than 60 days overdue | 23,551 | 33,070 |
| Less allowance for doubtful accounts | (40,354) | (9,881) |
| Total trade accounts receivable | 3,098,660 | 3,219,883 |
| Non-trade accounts receivable | 331,081 | 338,970 |
| | \$ 3,429,741 | \$ 3,558,853 |

The carrying amounts of accounts receivable represent the maximum credit exposure.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

8. Financial instruments, risk management and capital management (continued):

(ii) Liquidity risk:

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Corporation's objective in managing liquidity risk is to maximize available cash reserves to meet its liquidity requirements in order to meet obligations as they come due. The Corporation has established a conservative investment policy to achieve this objective. The governance of this policy refers to the Corporation's power to invest surplus monies only in the following investments:

- (a) Canadian government securities (federal and provincial);
- (b) guaranteed investment certificates; and
- (c) deposit receipts, deposit notes and bankers' acceptance (Schedule A or B bank).

The policy also includes minimum quality requirements and recognized bond rating agencies pertaining to the above investments.

The Corporation's financial liabilities, which include accounts payable and accrued liabilities, are generally due within one year.

(c) Capital management:

The Corporation's objective in managing capital is to safeguard the entity's ability to continue as a going concern and make distributions to the OFA.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

9. Commitments:

The Corporation is committed to minimum annual lease payments (excluding common area charges) under various operating leases for facility rental, parking, office space, computer equipment and equipment, as follows:

| | |
|------------|---------------------|
| 2015 | \$ 1,439,932 |
| 2016 | 500,561 |
| 2017 | 318,367 |
| 2018 | 240,236 |
| 2019 | 239,710 |
| Thereafter | 1,756,259 |
| | <u>\$ 4,495,065</u> |

The Corporation's minimum annual distribution of \$2,500,000 required to be paid to the OFA (as disclosed in note 5) has been excluded from the commitments schedule above.

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© Queen's Printer for Ontario, 2014

ISSN 0381-2375 (Print)

ISSN 1913-5556 (Online)