Financial Statements of

ERIE ST. CLAIR COMMUNITY CARE ACCESS CENTRE

Year ended March 31, 2014

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Financial Statements

Year ended March 31, 2014

Auditors' Report to the Members

Financial Statements

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INDEPENDENT AUDITORS' REPORT

To the Members of Erie St. Clair Community Care Access Centre

We have audited the accompanying financial statements of Erie St. Clair Community Care Access Centre which comprise the statement of financial position as at March 31, 2014, the statements of operations, changes in net assets and cash flow 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 an 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 Erie St. Clair Community Care Access Centre as at March 31, 2014, and the results of its operations and its cash flows for the year then end in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 26, 2014

Windsor, Canada

ERIE ST. CLAIR COMMUNITY CARE ACCESS CENTRE

Statement of Financial Position

March 31, 2014, with comparative information for 2013

		2014		2013
Assets				
Current assets:				
Cash (note 2)	$	10,725,844	$	11,389,049
Sundry receivables		813,230		731,920
Prepaid expenses and supplies		780,462		743,450
		12,319,536		12,864,419
Capital assets (note 3)		3,518,513		2,742,178
	$	15,838,049	$	15,606,597
Liabilities, Deferred Contributions and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities (note 12)	$	11,494,282	$	9,528,726
Due to the Province of Ontario		1,241,609		2,639,783
Deferred revenue (note 4)		118,833		95,375
		12,854,724		12,263,884
Deferred capital contributions (note 5)		3,518,514		2,742,178
Employee future benefits (note 6)		2,478,100		2,411,400
Net assets				
Unrestricted (note 7)		(3,013,289)		(1,810,865)
Commitments and contingencies (notes 8 and 10)				
	$	15,838,049	$	15,606,597

See accompanying notes to financial statements.

On behalf of the Board:

Kathryn Bird Director

Walter E. H. [illegible] Director

ERIE ST. CLAIR COMMUNITY CARE ACCESS CENTRE

Statement of Operations

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

	2014	2013
Revenue:		
MOHLTC Provincial Grant - Base Allocation	$ 125,226,593	$ 118,813,220
MOHLTC Provincial Grant - One-time Funding	1,389,941	817,386
External recoveries	355,636	232,132
Interest	135,619	86,656
Amortization of deferred capital contributions	447,220	346,015
	127,555,009	120,295,409
Expenditures:		
Program:		
Administrative and support services	10,163,469	9,699,015
Community and social services (patient care)	115,804,267	108,456,922
Health promotion and education	1,689,835	1,039,610
	127,657,571	119,195,547
Excess of revenue over expenditures (expenditures over revenue)	$ (102,562)	$ 1,099,862

See accompanying notes to financial statements.

ERIE ST. CLAIR COMMUNITY CARE ACCESS CENTRE

Statement of Changes in Net Assets

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

	Invested in capital assets	Unrestricted	2014 Total	2013 Total
Deficit, beginning of year	$ -	$ (1,810,865)	$ (1,810,865)	$ (2,910,727)
Excess of revenue over expenditures (expenditures over revenue)	-	(102,562)	(102,562)	1,099,862
Ministry clawback of prior year surplus		(1,099,862)	(1,099,862)	-
Deficit, end of year	$ -	$ (3,013,289)	$ (3,013,289)	$ (1,810,865)

See accompanying notes to financial statements.

ERIE ST. CLAIR COMMUNITY CARE ACCESS CENTRE

Statement of Cash Flows

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

	2014	2013
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenditures (expenditures over revenue)	$ (102,562)	$ 1,099,862
Items not involving cash:		
Amortization of capital assets	447,220	346,015
Amortization of deferred capital contributions	(447,220)	(346,015)
Ministry clawback of prior year surplus	(1,099,862)	-
Change in non-cash operating working capital:		
Sundry receivables	(81,310)	(122,326)
Prepaid expenses and supplies	(37,012)	53,986
Accounts payable and accrued liabilities	1,965,557	144,979
Due to the Province of Ontario	(1,398,174)	1,704,614
Deferred revenue	23,458	(64,913)
Employee future benefits	66,700	(243,900)
	(663,205)	2,572,302
Investing activities:		
Purchase of capital assets	(1,223,555)	(1,548,540)
Deferred capital contributions	1,223,555	1,548,540
	-	-
Increase (decrease) in cash	(663,205)	2,572,302
Cash, beginning of year	11,389,049	8,816,747
Cash, end of year	$ 10,725,844	$ 11,389,049

See accompanying notes to financial statements.

Erie St. Clair Community Care Access Centre ("ESCCCAC" or the "Organization") was incorporated without share capital under the Community Care Access Corporation Act, 2001 and is engaged in the provision of long-term care health and social services in the Erie St. Clair region.

The ESCCCAC was created on October 2, 2006 to facilitate the amalgamation of the operations of the Windsor/Essex, Sarnia-Lambton and Chatham-Kent Community Care Access Centres ("CCAC's"). All assets, liabilities and net assets of the prior CCAC's were amalgamated on January 1, 2007 and operations related to the provision of long-term care health and social services commenced on that date.

The ESCCCAC is a registered charity under the Income Tax Act and, accordingly, is exempt from income taxes provided certain requirements are satisfied.

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

1. Summary of significant accounting policies:

(a) Basis of accounting:

Revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenue 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.

1. **Summary of significant accounting policies (continued):**

(b) Government transfer payments:

The ESCCCAC is funded primarily by the Erie St. Clair Local Health Integration Network ("ESCLHIN"). This funding is governed by a service accountability agreement entered into annually by both parties. The ESCLHIN is funded solely by the Province of Ontario through an accountability agreement with the Ministry of Health and Long-Term Care.

Government transfer payments 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 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 repayable to the ESCLHIN unless otherwise authorized.

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when reasonably estimated and collection is reasonably assured.

Deferred revenue are funds received in the current period that relate to expenditures to be made in the future periods. These expenditures relate to the Base Technology Infrastructure ("BTI") equipment program.

(c) Capital assets:

Capital assets are recorded at cost and amortized using the straight-line basis over the estimated useful life of the asset at the following annual rates:

Furniture and fixtures	20%
Computer equipment	33%

1. **Summary of significant accounting policies (continued):**

(c) Capital assets (continued):

Leasehold improvements are amortized on the straight-line basis over the remaining terms of the leases.

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has not elected to record any financial instruments at fair value.

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. As the Organization has no financial instruments recognized at fair value, the Organization does not have a statement of remeasurement gains and losses.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expenses as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

(e) Deferred capital contributions:

Any amounts received that are used to fund expenses that are recorded as capital assets, are recorded as deferred capital contributions and are recognized over the useful life of the asset. The amount recorded under "revenue" in the statement of operations, is in accordance with the amortization policy applied to the related capital asset.

1. Summary of significant accounting policies (continued):

(f) Employee future benefits:

The Organization accrues its obligations relating to the defined benefit pension plan administered by the Organization as the employees render services necessary to earn pension benefits. The assets of this plan are managed by Standard Life of Canada. The Organization has adopted the following policies:

(i) The cost of pension benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation, mortality and termination rates, and retirement ages of employees;

(ii) For the purpose of calculating expected return on plan assets, these assets are valued at fair value;

(iii) The excess of the net actuarial gain (loss) of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of the employees;

(iv) Differences arising from changes in assumptions and experience gains and losses are being amortized on a straight-line basis over the average remaining service period of the employees.

(v) Past service costs arising from plan amendements are recognized immediately in the period the plan amendments occur.

In addition to the pension plans, upon retirement some employees may be eligible for the continuation of medical benefits. The Organization accrues its obligations relating to these benefits as the employees render the services necessary to earn them.

The Organization also accrues its non-vested sick leave obligation.

1. Summary of significant accounting policies (continued):

(g) Use of estimates:

The preparation of financial statements in accordance with Canadian public sector accounting standards 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 dates of the financial statements and the reported amounts of revenues and expenditures during the reporting periods. Significant items subject to such estimates and assumptions include the carrying amount of capital assets, valuation allowance for sundry receivables and obligations relating to employee future benefits. Actual results could differ from those estimates.

2. Cash:

The Organization's bank accounts are held at a chartered bank. Interest is earned at prime minus 1.85% on balances up to $3,000,000 and at prime minus 1.75% at balances over $3,000,000.

3. Capital assets:

	Cost	Accumulated amortization	2014 Net book value	2013 Net book value
Furniture and fixtures	$ 1,432,431	$ 838,889	$ 593,542	$ 561,537
Computer equipment	1,510,802	744,689	766,113	393,353
Leasehold improvements	3,444,155	1,285,297	2,158,858	1,787,288
	$ 6,387,388	$ 2,868,875	$ 3,518,513	$ 2,742,178

During the year, amortization of $447,220 (2013 - $346,015) was recorded and is included with Administrative and Support Services and Community and Social Services (Patient Care) on the Statement of Operations.

4. Deferred revenue:

Deferred revenue consists of amounts related to the BTI equipment program.

5. Deferred capital contributions:

Deferred capital contributions related to capital assets represent the unamortized amount of grants received for purchase of capital assets. The amortization of capital contributions is recorded in the Statement of Operations.

	2014	2013
Balance, beginning of the year	$ 2,742,179	$ 1,539,653
Additional contributions received	1,223,555	1,548,541
Less: amounts amortized to revenue	(447,220)	(346,015)
	$ 3,518,514	$ 2,742,179

6. Employee future benefits:

Total employee future benefit net liability consists of:

	2014	2013
(a) Pension plans – accrued future benefit asset	$ 232,200	$ 181,000
(b) Other benefits – accrued future benefit liability	(1,452,600)	(1,310,600)
(c) Accumulated sick leave liability	(1,257,700)	(1,281,800)
Employee future benefits liability	$ (2,478,100)	$ (2,411,400)

(a) Pension plans:

The Organization has a defined benefit pension plan administered by the Organization and managed by Standard Life of Canada, which provides pension benefits based on years of service prior to January 1, 1999, for some unionized employees and prior to January 1, 2002, for some non-unionized employees. Subsequent to the above-mentioned dates, some of the respective employees became members of Healthcare of Ontario Pension Plan ("HOOPP"), a multi-employer final average pay contributory pension plan.

6. Employee future benefits (continued):

(a) Pension plans (continued):

The Organization uses actuarial reports prepared by independent actuaries for funding and accounting purposes. The most recent actuarial valuation of the pension plan for funding purposes was as of November 30, 2011 and the next required valuation is to be as of November 30, 2014. The measurement date is March 31, 2014.

The following significant actuarial assumptions were employed to determine the periodic pension expense and the accrued benefit obligations:

	2014	2013
Assumptions:		
The significant actuarial assumptions used are as follows: (weighted average)		
Accrued benefit obligation as of March 31:		
Discount rate	4.36%	4.35%
Rate of compensation	1.00%	2.75%
Benefit costs for years ended March 31:		
Expected long-term rate of return on plan assets	5.00%	5.00%
Rate of compensation increase	1.00%	2.75%

6. Employee future benefits (continued):

(a) Pension plans (continued):

Information about the Organization's defined pension benefit plan is as follows:

	2014	2013
Accrued benefit obligation:		
Accrued benefit obligation, beginning of year	$ 1,302,000	$ 1,625,700
Interest cost	53,700	66,000
Benefits paid	(137,000)	(331,700)
Actuarial gains	(134,600)	(58,000)
	$ 1,084,100	$ 1,302,000

	2014	2013
Plan assets:		
Fair value of plan assets, beginning of year	$ 1,270,000	$ 1,159,100
Actual return on plan assets	60,900	59,100
Contributions	33,400	378,300
Benefits paid	(137,000)	(331,700)
Actuarial gain	123,800	5,200
	$ 1,351,100	$ 1,270,000

	2014	2013
Funded status – Plan surplus:		
Unamortized net actuarial loss (gain)	$ (34,800)	$ 213,000
Funded status surplus (deficit)	267,000	(32,000)
	$ 232,200	$ 181,000

Most employees are also members of the HOOPP, which is a multi-employer final average pay contributory pension plan. Employer contributions to the plan made during the year amounted to $2,807,027 (2013 - $2,560,416).

6. Employee future benefits (continued):

(b) Other benefits:

The Organization also provides for the continuation of medical benefits to its employees upon retirement. Information about the plan is as follows:

	2014	2013
Accrued benefit obligation:		
Balance, beginning of year	$ 1,310,600	$ 1,194,800
Service cost	107,700	93,400
Interest cost	64,100	63,400
Benefits paid	(37,700)	(41,000)
Amortization of net actuarial losses	7,900	-
Balance, end of year	1,452,600	1,310,600
Unamortized actuarial losses	65,500	73,400
	$ 1,518,100	$ 1,384,000

The following significant actuarial assumptions were employed to determine the periodic benefit expense and the accrued benefit obligation:

	2014	2013
Accrued benefit obligation as of March 31:		
Discount rate	4.36%	4.35%
Health care trend rate	4.50%	4.50%

(c) Sick leave benefits:

Under the sick leave benefit plan, unused sick leave can accumulate. The liability for these accumulated days, amounted to $1,257,700 (2013 - $1,281,800).

7. Unrestricted net assets:

The Organization receives substantially all of its funding from the Ontario Ministry of Health/Long-Term Care ("MOHLTC" or the "Ministry") under an annual contract for services. The Ministry will match, dollar for dollar, all allowable expenditures by the organization. Any excess of revenue over allowable expenditures is expected to be recovered by the MOHLTC unless authorization to carryover the surplus has been obtained from the Ministry.

8. Commitments:

The Organization is committed to lease payments for premises and equipment under various operating leases as follows:

2015	$ 1,338,345
2016	1,285,685
2017	1,211,539
2018	904,892
2019 and thereafter	1,474,185

The Organization is also committed to a leasehold renovation contract, which is incomplete at March 31, 2014. The Organization has committed to approximately $291,000 in future costs relating to this contract.

9. Credit facilities:

The Organization has entered into an agreement whereby the financial institution has extended credit facilities to the organization to a maximum of $5,000,000.

10. Contingent liabilities:

The nature of the Organization's activities is such that there may be litigation pending or in prospect at any time. With respect to claims at March 31, 2014, management believes the Organization has valid defences and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Organization's financial position.

The Organization is periodically subject to grievances. In the opinion of management, the ultimate resolution of any current grievances would not have a material effect on the financial position or results of operations of the Organization.

11. Financial risks and concentration of credit risk:

(a) Currency risk:

The Organization is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the Organization purchases inventories denominated in U.S. dollars. The Organization does not currently enter into forward contracts to mitigate this risk. There has been no change to the risk exposure from 2013.

(b) Liquidity risk:

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

(c) Credit risk:

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

12. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $427,642 (2013 - $411,637), which includes amounts payable for payroll related taxes.