Financial Statements of

NORTH EAST COMMUNITY CARE ACCESS CENTRE

Years ended March 31, 2013 and March 31, 2012

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INDEPENDENT AUDITORS' REPORT

To the Directors of North East Community Care Access Centre

We have audited the accompanying financial statements of North East Community Care Access Centre, which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, the statements of operations, changes in net assets (deficiency) and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 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 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 in our audits 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 East Community Care Access Centre as at March 31, 2013, March 31, 2012 and April 1, 2011, its results of operations, changes in net assets (deficiency), its cash flows for the years ended March 31, 2013 and March 31, 2012 and the remeasurement gains and losses for the year then ended March 31, 2013, in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

June 13, 2013
Sudbury, Canada

NORTH EAST COMMUNITY CARE ACCESS CENTRE

Statements of Financial Position

March 31, 2013, March 31, 2012 and April 1, 2011

		March 31, 2013	March 31, 2012	April 1, 2011
Assets				
Current assets:				
Cash	$	10,441,998	9,993,430	8,711,728
Accounts receivable		843,258	981,409	1,120,594
Prepaid expenses		99,165	147,214	302,445
		11,384,421	11,122,053	10,134,767
Capital assets (note 3)		2,452,403	2,439,454	2,747,922
	$	13,836,824	13,561,507	12,882,689
Liabilities, Deferred Contributions and Net Assets (Deficiency)				
Current liabilities:				
Accounts payable and accrued liabilities	$	10,204,712	10,325,670	11,048,578
Due to the North East Local Health Integration Network (note 4)		2,137,866	1,841,425	-
Deferred contributions (note 5)		52,737	49,937	49,689
		12,395,315	12,217,032	11,098,267
Employee future benefits (note 6)		3,027,304	2,714,670	2,424,080
Deferred capital contributions (note 7)		1,728,079	1,570,542	1,905,831
		17,150,698	16,502,244	15,428,178
Net assets (deficiency)		(3,313,874)	(2,940,737)	(2,545,489)
Pension expense (note 12)				
Commitments and contingencies (note 13)				
	$	13,836,824	13,561,507	12,882,689

See accompanying notes to financial statements.

On behalf of the Board:

________________________________ Director

________________________________ Director

NORTH EAST COMMUNITY CARE ACCESS CENTRE

Statements of Operations

Years ended March 31, 2013 and March 31, 2012

		2013	2012
Revenue:			
Grants - North East Local Health Integration Network:			
Base funding (note 9)	$	114,281,893	111,736,595
One-time funding		2,904,744	2,072,908
Base technology infrastructure		284,654	282,644
Nurse practitioner		110,568	110,568
Recoveries		439,566	864,342
Amortization of deferred capital contributions (note 6)		345,391	432,507
Investment		82,241	44,826
		118,449,057	115,544,390
Expenses:			
Purchased client services		61,009,794	60,944,567
Salaries and wages (note 10)		33,305,597	32,348,107
Employee benefits (note 10)		9,039,958	8,596,898
Medical supplies and equipment		6,855,940	5,873,434
Office and other operating		3,226,263	2,914,868
Building occupancy		1,986,450	1,784,963
Travel and training		1,545,240	1,431,194
One-time costs		537,319	597,357
Amortization of capital assets		405,894	537,165
Equipment rentals and maintenance		480,255	472,436
Employee future benefits (note 6)		312,634	290,590
Other		116,850	148,059
		118,822,194	115,939,638
Deficiency of revenue over expenses	$	(373,137)	(395,248)

See accompanying notes to financial statements.

NORTH EAST COMMUNITY CARE ACCESS CENTRE

Statements of Changes in Net Assets (Deficiency)

Years ended March 31, 2013 and March 31, 2012

March 31, 2013		Operating: North East Local Health Integration Network	Operating: Employee Future Benefits	Operating: Internally Generated	Capital (note 8)	Total
Net assets (deficiency), beginning of year	$	(1,148,348)	(2,714,670)	53,369	868,912	(2,940,737)
Deficiency of revenue over expenses		-	(312,634)	-	(60,503)	(373,137)
Transfer for capital assets		84,085	-	-	(84,085)	-
Net assets (deficiency), end of year	$	(1,064,263)	(3,027,304)	53,369	724,324	(3,313,874)

March 31, 2012		Operating: North East Local Health Integration Network	Operating: Employee Future Benefits	Operating: Internally Generated	Capital (note 8)	Total
Net assets (deficiency), beginning of year (note 2)	$	(1,016,869)	(2,424,080)	53,369	842,091	(2,545,489)
Deficiency of revenue over expenses (note 2)		-	(290,590)	-	(104,658)	(395,248)
Transfer for capital assets		(131,479)	-	-	131,479	-
Net assets (deficiency), end of year	$	(1,148,348)	(2,714,670)	53,369	868,912	(2,940,737)

See accompanying notes to financial statements.

NORTH EAST COMMUNITY CARE ACCESS CENTRE

Statements of Cash Flows

Years ended March 31, 2013 and March 31, 2012

		2013	2012
Cash flows from operating activities:			
Deficiency of revenue over expenses	$	(373,137)	(395,248)
Adjustments for:			
Amortization of deferred capital contributions		(345,391)	(432,507)
Amortization of capital assets		405,894	537,165
Employee future benefits		312,634	290,590
		-	-
Changes in non-cash operating working capital (note 11)		361,684	1,412,932
		361,684	1,412,932
Capital activities:			
Purchase of capital assets		(418,845)	(228,696)
Increase in deferred capital contributions		502,928	97,218
		84,083	(131,478)
Financing activities:			
Increase in deferred contributions		2,801	248
Net increase in cash		448,568	1,281,702
Cash, beginning of year		9,993,430	8,711,728
Cash, end of year	$	10,441,998	9,993,430

See accompanying notes to financial statements.

North East Community Care Access Centre (the "Centre") is an Ontario Centre established as one of fourteen centres to connect individuals to homecare, long-term-term care destinations and other services in the communities served. The Centre is a registered charity and is exempt from income taxes under the Income Tax Act.

On April 1, 2012, the Centre adopted Canadian public sector accounting standards. The Centre has also elected to apply the 4200 standards for government not-for-profit organizations. These are the first financial statements prepared in accordance with these public sector accounting standards.

In accordance with the transitional provisions in Canadian public sector accounting standards, the Centre has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is April 1, 2011 and all comparative information provided has been presented by applying public sector accounting standards.

A summary of transitional adjustments recorded to net assets (deficiency) and deficiency of revenue over expenses is provided in note 2.

1. Significant accounting policies:

(a) Basis of presentation:

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. A statement of remeasurement gains and losses has not been included as there are no matters to report therein.

(b) Revenue recognition:

The Centre's primary source of funding is the North East Local Health Integration Network (“NELHIN”) through the Ministry of Health and Long-Term Care (the "MOHLTC") in accordance with specific budget arrangements. The Centre follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable. Externally restricted contributions are recognized as revenue in the year in which the related expenses are made.

(c) Capital assets:

Capital assets are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis to amortize the assets over their estimated useful lives as follows:

Asset	Rate
Equipment	3 to 10 years
Leasehold improvements	Over the lease term

1. Significant accounting policies (continued):

(d) Deferred capital contributions:

Externally restricted contributions for depreciable capital assets are deferred and amortized over the life of the related capital asset. The budget provided to and approved by the NELHIN includes amounts required to make capital asset acquisitions. These amounts are deemed externally restricted contributions for capital asset purchases. Unexpended and unamortized capital asset contributions are recorded as deferred capital contributions on the statement of financial position.

(e) Employee future benefits:

The Centre accrues its obligations for sick leave and post-employment benefit plans as the employees render the services necessary to earn the benefits. The actuarial determination of the accrued benefit obligations uses the projected benefit 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). Under this method, the benefit costs are recognized over the expected average service life of the employee group.

Actuarial gains and 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 Centre elected to recognize these on transition. The excess of the future actuarial gains and losses will be amortized over the estimated average remaining service life of the employees (9.7 to 12.6 years). The most recent actuarial valuation of the sick leave plan and the benefit plan was as of March 31, 2011.

Substantially all of the employees of the Centre are eligible to be members of the Health Care of Ontario Pension Plan ("HOOPP"), which is a multi-employer, defined benefit, final average earnings and contributory pension plan. Defined contribution plan accounting is applied to HOOPP as the Centre has insufficient information to apply defined benefit accounting.

(f) 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 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 expenses during the reporting periods. Items subject to such estimates and assumptions include the carrying value of capital assets, valuation allowances for receivables; and assets and obligations related to employee future benefits. 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.

1. Significant accounting policies (continued):

(g) Financial instruments:

All financial instruments are initially recorded on the statement of financial position at fair value.

All investments held in equity instruments that trade in an active market would be recorded at fair value. Management has elected to record investments at fair value as they are managed and evaluated on a fair value basis.

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

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

Where a decline in fair value is determined to be other than temporary, the amount of the loss is removed from accumulated remeasurement gains and losses and recognized in the statement of operations. On sale, the amount held in accumulated remeasurement gains and losses associated with that instrument is removed from net assets and recognized in the statement of operations.

Financial instruments are classified into fair value hierarchy Levels 1, 2 or 3 for the purposes of describing the basis of the inputs used to determine the fair market value of those amounts recorded a fair value, as described below:

Level 1	Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	Fair value measurements are those derived market-based inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly
Level 3	Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data

2. Transitional adjustments:

(a) Net assets:

The following table summarizes the impact of the transition to Canadian public sector accounting standards on the Centre's net assets as of April 1, 2011:

Net assets:		
As previously reported under Canadian generally accepted accounting principles, March 31, 2011	$	2,262,411
Transition election to recognize all cumulative actuarial gains and losses on employee future benefits and adjustment for change in discount rate used to calculate employee future benefits and compensated absences		(469,142)
Adjustment to record accumulated but not vested sick leave		752,220
Restated, April 1, 2011	$	2,545,489

In accordance with transitional provisions of Canadian public sector accounting standards, the Centre has elected to use the following exemption for employee future benefits:

(i) Amortization of actuarial gains/losses

The Centre has elected to recognize actuarial gains and losses at the date of transition to Public sector accounting standards directly in net assets. As a result, the Centre has recognized an increased liability and a charge to net assets.

(ii) Discount rate used to calculate employee future benefits

Canadian public sector accounting standards requires these liabilities to be calculated with a discount rate that is equal to either the Centre's rate of borrowing or the rate of return on the plan assets. Prior to transition to these new standards, the discount rate to be equal to the yield on high quality corporate bonds. The Centre has chosen to discount these liabilities using its internal rate of borrowing. The change in the discount rate resulted in changes to the related liabilities and charges to excess of revenue over expenditure as disclosed.

(iii) Accumulated but not vested sick leave**:**

Canadian public sector accounting standards requires the recognition of a liability for sick leave benefits that accumulate, but do not vest. As a result, the Centre has recognized a liability and charge to net assets as disclosed in the table above.

2. Transitional adjustments (continued):

(b) Statement of operations:

As a result of the above noted elections and the retrospective application of Canadian public sector accounting standards, the Centre recorded the following adjustments to excess of revenue over expenses for the year ended March 31, 2012:

As previously reported under Canadian generally accepted accounting principles for year ended March 31, 2012	$	(272,189)
Change employee future benefit expense as a result of adjustment to record accumulated but not vested sick leave plans		(86,295)
Change to employee future benefit expense as a result of changing the discount rate used		(36,764)
Restated for the year ended March 31, 2012	$	(395,248)

3. Capital assets:

March 31, 2013	Cost	Accumulated Amortization	Net book value
Equipment	$ 5,419,923	4,822,968	596,955
Leasehold improvements	3,689,515	1,834,067	1,855,448
	$ 9,109,438	6,657,035	2,452,403

March 31, 2012	Cost	Accumulated Amortization	Net book value
Equipment	$ 5,236,496	4,636,174	600,322
Leasehold improvements	3,454,098	1,614,966	1,839,132
	$ 8,690,594	6,251,140	2,439,454

April 1, 2011	Cost	Accumulated Amortization	Net book value
Equipment	$ 5,200,185	4,334,943	865,242
Leasehold improvements	3,261,714	1,379,034	1,882,680
	$ 8,461,899	5,713,977	2,747,922

4. Due to North East Local Health Integration Network:

The 2013 balance due to the North East Local Health Integration Network of $2,137,866 reflects the unspent component of the Nursing Initiatives Programs and Quality Based Procedures funding (2012 - $1,841,425 – Unspent Component of Nursing Initiatives funding).

5. Deferred contributions:

Deferred contributions represent the unspent amount of grants and other contributions received to fund expenditures of future periods.

		2013	2012	2011
Palliative care	$	12,432	15,522	15,834
North Network		19,571	23,331	19,780
Donations		8,075	5,963	10,873
Other		12,659	5,121	3,202
	$	52,737	49,937	49,689

Details of donations received and disbursed for purposes specified during the year are as follows:

		2013	2012	2011
Balance, beginning of year	$	5,963	10,873	9,922
Donations received		2,776	3,512	6,485
Disbursements		(664)	(8,422)	(5,534)
Balance, end of year	$	8,075	5,963	10,873

6. Employee future benefits:

The Centre provides for the reimbursement of medical and some life insurance expenses to certain retired employees provided that specified conditions are met. The Centre provides 50% of accumulated sick leave entitlement not taken by certain employees, on their departure, provided certain conditions are met. The Centre provided for a non-vesting benefit where it accrues to employees. An actuarial calculation of the future liabilities thereof has been made and forms the basis for the liability reported in these financial statements.

6. Employee future benefits (continued):

The significant assumptions used are as follows (weighted-average):

	2013		2012	
	Vested and non-vested Sick Leave	Post-employment benefit obligation	Vested and non-vested Sick Leave	Post-employment benefit obligation
Discount rate	3.94%	3.94%	4.69%	4.69%
Rate of compensation/ inflation increases	4%	4%	4%	4%
Health care costs trend rate reducing linearly to 4% over a 10 year period	–	6.0%	–	6.4%

Information about the North East Community Care Access Centre's benefit plans in aggregate is as follows:

Accrued benefit obligation - 2013	Vested and non-vested Sick Leave	Other Employee Future Benefits	Total
Balance – April 1, 2012	$ 1,521,390	1,297,914	2,819,304
Benefit cost	186,301	93,902	280,203
Interest cost	73,455	62,822	136,277
Benefits paid	(96,665)	(10,773)	(107,438)
Actuarial (gains) losses	99,776	(1,568)	98,208
Balance, end of year	1,784,257	1,442,297	3,226,554
Unamortized net actuarial gains and (losses)	(254,581)	55,331	(199,250)
Employee future benefit liability, March 31, 2013	1,529,676	1,497,628	3,027,304

6. Employee future benefits (continued):

Accrued benefit obligation - 2012		Vested and non-vested Sick Leave	Other Employee Future Benefits	Total
Balance – April 1, 2011	$	1,209,135	1,214,945	2,424,080
Benefit cost		158,646	84,962	243,608
Interest cost		70,276	67,685	137,961
Benefits paid		(80,414)	(10,565)	(90,979)
Actuarial (gains) losses		163,747	(59,113)	104,634
Balance, end of year		1,521,390	1,297,914	2,819,304
Unamortized net actuarial gains and (losses)		(163,747)	59,113	(104,634)
Employee future benefit liability, March 31, 2012	$	1,357,643	1,357,027	2,714,670

Employee future benefits expense				2013	2012
		Vested and Non-vested Sick Leave	Other Employee Future Benefits	Total	Total
Benefit cost	$	186,301	93,902	280,203	243,608
Interest on accrued benefit obligation		73,455	62,822	136,277	137,961
Benefits paid		(96,665)	(10,773)	(107,430)	(90,979)
Amortization charges		8,942	(5,350)	3,592	–
Employee future benefits expense	$	172,033	140,601	312,634	290,590

7. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount of grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations and changes in net assets

The changes in the deferred capital contributions balance are as follows:

	2013	2012	2011
Balance, beginning of year	$ 1,570,542	1,905,831	2,000,861
Add cash contributions received from the NELHIN for capital purposes	502,928	97,218	296,425
Less amortization of deferred capital contributions	(345,391)	(432,507)	(391,455)
Balance, end of year	$ 1,728,079	1,570,542	1,905,831

8. Capital net assets:

Capital net assets are calculated as follows:

	2013	2012	2011
Capital assets	$ 2,452,403	2,439,454	2,747,922
Less deferred capital contributions	(1,728,079)	(1,570,542)	(1,905,831)
	$ 724,324	868,912	842,091

9. Base funding:

	2013	2012
Base budget	$ 114,784,821	111,833,813
Less amounts received for capital assets	(502,928)	(97,218)
	$ 114,281,893	111,736,595

10. Salaries, wages and employee benefits:

	2013	2012
Salaries and Wages		
Direct Client Services:		
Case Management	$ 20,048,939	20,421,199
Internal Therapy	5,354,583	5,744,450
Other	2,238,682	1,144,965
Total Direct Client Services	27,642,204	27,310,614
Administration	5,663,393	5,037,493
Total Salaries and Wages	$ 33,305,597	32,348,107
Employee Benefits		
Direct Client Services:		
Case Management	$ 5,502,449	5,462,911
Internal Therapy	1,524,639	1,574,555
Other	591,101	302,750
Total Direct Client Services	7,618,189	7,340,216
Administration	1,421,769	1,256,682
Total Employee Benefits	$ 9,039,958	8,596,898

11. Changes in non-cash operating working capital:

The changes in non-cash operating working capital items are comprised of the following:

		2013	2012
Decrease (increase) in current assets:			
Accounts receivable	$	138,151	139,185
Prepaid expenses		48,049	155,231
Increase (decrease) in current liabilities:			
Accounts payable and accrued liabilities		(120,957)	(722,909)
Due to the North East Local Health Integration Network		296,441	1,841,425
	$	361,684	1,412,932

12. Pension expense:

Substantially all of the employees of the Centre are eligible to be members of the Health Care of Ontario Pension Plan (“HOOPP”) which is a multi-employer, defined benefit pension plan.

The Centre's contributions to HOOPP during the year amounted to $3,066,426 (2012 - $2,889,750) and are included in employee benefits expense in the statement of operations.

13. Commitments and contingencies:

(a) The Centre has access to a line of credit in the amount of $1,000,000. The line of credit bears interest at Royal Bank prime less 0.50%. As at March 31, 2013, the Centre has not drawn on this line of credit.

(b) The Centre participated in the Healthcare Insurance Reciprocal of Canada, a pooling of the public liability insurance risks of its members. All members of the 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 were members and these losses could be material. However, no assessments have been made to date.

(c) The Centre is committed to the operating lease payments for the operating location and office and computer equipment. Annual payments for the next five years are as follows:

2014	$	1,432,600
2015		1,229,600
2016		1,023,735
2017		971,995
2018		928,464

14. Financial risks:

(a) Credit and market risk:

The Centre has no significant exposure to credit or market risks.

(b) Liquidity risk:

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