Financial Statements of

NORTH EAST COMMUNITY CARE ACCESS CENTRE

Year ended March 31, 2014

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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 statement of financial position as at March 31, 2014, the statements of operations, changes in net assets (deficiency) 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 North East Community Care Access Centre as at March 31, 2014, its results of operations, remeasurement gains and losses, changes in net assets (deficiency) and its cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

June 19, 2014
Sudbury, Canada

NORTH EAST COMMUNITY CARE ACCESS CENTRE

Statement of Financial Position

March 31, 2014, with comparative information for 2013

		2014	2013
Assets			
Current assets:			
Cash	$	5,581,983	10,441,998
Due from the North East Local Health Integration Network (note 2)		961,838	-
Accounts receivable		924,855	843,258
Prepaid expenses		242,108	99,165
		7,710,784	11,384,421
Capital assets (note 3)		2,449,610	2,452,403
	$	10,160,394	13,836,824
Liabilities, Deferred Contributions and Net Assets (Deficiency)			
Current liabilities:			
Accounts payable and accrued liabilities (note 4)	$	8,420,946	10,204,712
Due to the North East Local Health Integration Network (note 2)		-	2,137,866
Deferred contributions (note 5)		180,831	52,737
		8,601,777	12,395,315
Employee future benefits (note 6)		3,331,994	3,027,304
Deferred capital contributions (note 7)		1,904,677	1,728,079
		13,838,448	17,150,698
Net assets (deficiency)		(3,678,054)	(3,313,874)
Pension expense (note 12)			
Commitments and contingencies (note 13)			
	$	10,160,394	13,836,824

See accompanying notes to financial statements.

On behalf of the Board:

_________________________________ Director

_________________________________ Director

NORTH EAST COMMUNITY CARE ACCESS CENTRE

Statement of Operations

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

		2014	2013
Revenue:			
Grants - North East Local Health Integration Network:			
Base funding (note 9)	$	122,743,696	114,281,893
One-time funding		8,691,540	2,904,744
Base technology infrastructure		298,425	284,654
Nurse practitioner		110,568	110,568
Recoveries and other		490,919	439,566
Amortization of deferred capital contributions (note 7)		414,956	345,391
Investment		47,208	82,241
		132,797,312	118,449,057
Expenses:			
Purchased client services		67,205,752	61,009,794
Salaries and wages (note 10)		39,099,490	33,305,597
Employee benefits (note 10)		10,073,094	9,039,958
Medical supplies and equipment		7,083,500	6,855,940
Office and other operating		3,968,123	3,226,263
Building occupancy		2,019,627	1,986,450
Travel and training		1,447,493	1,545,240
One-time costs		508,668	537,319
Amortization of capital assets		474,446	405,894
Equipment rentals and maintenance		697,289	480,255
Employee future benefits (note 6)		304,690	312,634
Other		279,320	116,850
		133,161,492	118,822,194
Deficiency of revenue over expenses	$	(364,180)	(373,137)

See accompanying notes to financial statements.

NORTH EAST COMMUNITY CARE ACCESS CENTRE

Statement of Changes in Net Assets (Deficiency)

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

		Operating					
		North East Local Health Integration Network	Employee Future Benefits	Internally Generated	Capital (note 8)	2014 Total	2013 Total
Net assets (deficiency), beginning of year	$	(1,064,263)	(3,027,304)	53,369	724,324	(3,313,874)	(2,940,737)
Deficiency of revenue over expenses		-	(304,690)	-	(59,490)	(364,180)	(373,137)
Transfer for capital assets		119,901	-	-	(119,901)	-	-
Net assets (deficiency), end of year	$	(944,362)	(3,331,994)	53,369	544,933	(3,678,054)	(3,313,874)

See accompanying notes to financial statements.

NORTH EAST COMMUNITY CARE ACCESS CENTRE

Statement of Cash Flows

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

		2014	2013
Cash flows from operating activities:			
Deficiency of revenue over expenses	$	(364,180)	(373,137)
Adjustments for:			
Amortization of deferred capital contributions		(414,956)	(345,391)
Amortization of capital assets		474,446	405,894
Employee future benefits		304,690	312,634
		-	-
Changes in non-cash operating working capital (note 11)		(5,108,010)	361,684
		(5,108,010)	361,684
Capital activities:			
Purchase of capital assets		(471,653)	(418,845)
Increase in deferred capital contributions		591,554	502,928
		119,901	84,083
Financing activities:			
Increase in deferred contributions		128,094	2,801
Net increase (decrease) in cash		(4,860,015)	448,568
Cash, beginning of year		10,441,998	9,993,430
Cash, end of year	$	5,581,983	10,441,998

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.

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

(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.

1. Significant accounting policies (continued):

(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 (8.7 to 11.8 years). The most recent actuarial valuation of the sick leave plan and the benefit plan was as of March 31, 2014.

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.

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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. Due from (to) the North East Local Health Integration Network:

The 2014 balance due from the North East Local Health Integration Network of $961,838 reflects one-time funding receivable of $1,600,000 less the unspent component of the Nursing Initiatives Programs ($418,160) and other one-time funding initiatives ($220,002).

In 2013, the balance reflected the unspent component of the Nursing Initiatives and Quality Based Procedures funding, owed to the North East Local Health Integration Network.

3. Capital assets:

March 31, 2014	Cost	Accumulated Amortization	Net book value
Equipment	$ 5,349,870	4,895,711	454,159
Leasehold improvements	4,154,289	2,158,838	1,995,451
	$ 9,504,159	7,054,549	2,449,610

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

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances of $586,458 (2013 - $499,437), which include amounts payable for payroll related taxes.

5. Deferred contributions:

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

	2014	2013
Palliative care	$ 11,273	12,432
Other	9,806	32,230
Donations	12,216	8,075
Connecting Northern and Eastern Ontario	147,536	–
	$ 180,831	52,737

5. Deferred contributions (continued):

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

		2014	2013
Balance, beginning of year	$	8,075	5,963
Donations received		6,824	2,776
Disbursements		(2,683)	(664)
Balance, end of year	$	12,216	8,075

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.

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

	2014		2013	
	Vested and non-vested Sick Leave	Post-employment benefit obligation	Vested and non-vested Sick Leave	Post-employment benefit obligation
Discount rate	4.36 %	4.36 %	3.94%	3.94%
Rate of compensation increases	4 %	4 %	4%	4%
Health care costs trend rate	–	8 %	–	6.0%

6. Employee future benefits (continued):

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

Accrued benefit obligation - 2014	Vested and non-vested Sick Leave	Other Employee Future Benefits	Total
Balance - April 1, 2013	$ 1,529,676	1,497,628	3,027,304
Benefit cost	221,326	109,173	330,499
Interest cost	72,011	58,471	130,482
Amortization charges	10,131	(6,021)	4,110
Benefits paid	(134,462)	(25,670)	(160,132)
Actuarial gains	(52,350)	(426,254)	(478,604)
Balance, end of year	1,646,332	1,207,327	2,853,659
Unamortized net actuarial gains	52,350	425,985	478,335
Employee future benefit liability, March 31, 2014	$ 1,698,682	1,633,312	3,331,994

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):

Employee future benefits expense			2014	2013
	Vested and Non-vested Sick Leave	Other Employee Future Benefits	Total	Total
Benefit cost	$ 221,326	109,173	330,499	280,203
Interest on accrued benefit obligation	72,011	58,471	130,482	136,277
Benefits paid	(134,462)	(25,670)	(160,132)	(107,438)
Amortization charges	10,131	(6,290)	3,841	3,592
Employee future benefits expense	$ 169,006	135,684	304,690	312,634

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:

	2014	2013
Balance, beginning of year	$ 1,728,079	1,570,542
Add cash contributions received from the NELHIN for capital purposes	591,554	502,928
Less amortization of deferred capital contributions	(414,956)	(345,391)
Balance, end of year	$ 1,904,677	1,728,079

8. Capital net assets:

Capital net assets are calculated as follows:

	2014	2013
Capital assets	$ 2,449,610	2,452,403
Less deferred capital contributions	(1,904,677)	(1,728,079)
	$ 544,933	724,324

9. Base funding:

	2014	2013
Base budget	$ 123,335,250	114,784,821
Less amounts received for capital assets	(591,554)	(502,928)
	$ 122,743,696	114,281,893

10. Salaries, wages and employee benefits:

	2014	2013
Salaries and Wages		
Direct Patient Services:		
Care Coordination	$ 22,730,868	20,048,939
Internal Therapy	5,276,712	5,354,583
Other	5,202,280	2,238,682
Total Direct Patient Services	33,209,860	27,642,204
Administration	5,889,630	5,663,393
Total Salaries and Wages	$ 39,099,490	33,305,597
Employee Benefits		
Direct Patient Services:		
Care Coordination	$ 5,994,295	5,502,449
Internal Therapy	1,425,105	1,524,639
Other	1,221,839	591,101
Total Direct Patient Services	8,641,239	7,618,189
Administration	1,431,855	1,421,769
Total Employee Benefits	$ 10,073,094	9,039,958

11. Changes in non-cash operating working capital:

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

	2014	2013
Decrease (increase) in current assets:		
Accounts receivable	$ (81,597)	138,151
Prepaid expenses	(142,943)	48,049
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	(1,783,766)	(120,957)
Due to/from the North East Local Health Integration Network	(3,099,704)	296,441
	$ (5,108,010)	361,684

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 $3,444,076 (2013 - $3,066,426) 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 $3.5 million. The line of credit bears interest at Royal Bank prime less 0.50%, which had been utilized throughout the year.

(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:

2015	$ 1,688,970
2016	1,680,823
2017	1,594,775
2018	1,551,404
2019	1,434,275

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.