Financial Statements of

NORTH EAST COMMUNITY CARE ACCESS CENTRE

Year ended March 31, 2015

KPMG LLP
Claridge Executive Centre
144 Pine Street
Sudbury ON P3C 1X3

Telephone (705) 675-8500
Fax (705) 675-7586
In Watts (1-800) 461-3551
Internet www.kpmg.ca

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, 2015, 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, 2015, its results of operations, changes in net assets (deficiency) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 11, 2015
Sudbury, Canada

NORTH EAST COMMUNITY CARE ACCESS CENTRE

Statement of Financial Position

March 31, 2015, with comparative information for 2014

		2015	2014
Assets			
Current assets:			
Cash	$	12,860,875	5,581,983
Due from the North East Local Health Integration Network (note 2)		-	961,838
Accounts receivable		973,117	924,855
Prepaid expenses		765,472	242,108
		14,599,464	7,710,784
Capital assets (note 3)		2,105,659	2,449,610
	$	16,705,123	10,160,394
Liabilities, Deferred Contributions and Net Assets (Deficiency)			
Current liabilities:			
Accounts payable and accrued liabilities (note 4)	$	14,736,051	8,420,946
Due to the North East Local Health Integration Network (note 2)		157,147	-
Deferred contributions (note 5)		72,298	180,831
		14,965,496	8,601,777
Employee future benefits (note 6)		3,655,310	3,331,994
Deferred capital contributions (note 7)		2,079,472	1,904,677
		20,700,278	13,838,448
Net assets (deficiency)		(3,995,155)	(3,678,054)
Pension expense (note 12)			
Commitments and contingencies (note 13)			
	$	16,705,123	10,160,394

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, 2015, with comparative information for 2014

		2015	2014
Revenue:			
Grants - North East Local Health Integration Network:			
Base funding (note 9)	$	126,254,033	122,743,696
One-time funding		4,799,390	8,691,540
Base technology infrastructure		297,833	298,425
Nurse practitioner		110,568	110,568
Recoveries and other		1,748,356	490,919
Amortization of deferred capital contributions (note 7)		372,074	414,956
Investment		72,894	47,208
		133,655,148	132,797,312
Expenses:			
Purchased client services		63,622,497	67,205,752
Salaries and wages (note 10)		41,731,299	39,098,643
Employee benefits (note 10)		10,426,871	10,073,941
Medical supplies and equipment		8,075,787	7,083,500
Office and other operating		3,290,371	3,968,123
Building occupancy		2,087,164	2,019,627
Travel and training		1,401,679	1,447,493
One-time costs		731,052	508,668
Amortization of capital assets		365,859	474,446
Equipment rentals and maintenance		753,714	697,289
Employee future benefits (note 6)		323,316	304,690
Other		1,162,640	279,320
		133,972,249	133,161,492
Deficiency of revenue over expenses	$	(317,101)	(364,180)

See accompanying notes to financial statements.

NORTH EAST COMMUNITY CARE ACCESS CENTRE

Statement of Changes in Net Assets (Deficiency)

Year ended March 31, 2015, with comparative information for 2014

		Operating					
		North East Local Health Integration Network	Employee Future Benefits	Internally Generated	Capital (note 8)	2015 Total	2014 Total
Net assets (deficiency), beginning of year	$	(944,362)	(3,331,994)	53,369	544,933	(3,678,054)	(3,313,874)
Excess (deficiency) of revenue over expenses		-	(323,316)	-	6,215	(317,101)	(364,180)
Transfer for capital assets		524,962	-	-	(524,962)	-	-
Net assets (deficiency), end of year	$	(419,400)	(3,655,310)	53,369	26,186	(3,995,155)	(3,678,054)

See accompanying notes to financial statements.

NORTH EAST COMMUNITY CARE ACCESS CENTRE

Statement of Cash Flows

Year ended March 31, 2015, with comparative information for 2014

		2015	2014
Cash flows from operating activities:			
Deficiency for the year	$	(317,101)	(364,180)
Adjustments for:			
Amortization of deferred capital contributions		(372,074)	(414,956)
Amortization of capital assets		365,859	474,446
Employee future benefits		323,316	304,690
		-	-
Changes in non-cash operating working capital (note 11)		6,862,463	(5,108,010)
		6,862,463	(5,108,010)
Capital activities:			
Purchase of capital assets		(21,907)	(471,653)
Increase in deferred capital contributions		546,869	591,554
		524,962	119,901
Financing activities:			
Increase (decrease) in deferred contributions		(108,533)	128,094
Net increase (decrease) in cash		7,278,892	(4,860,015)
Cash, beginning of year		5,581,983	10,441,998
Cash, end of year	$	12,860,875	5,581,983

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	Useful Life
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, 2015.

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, benefit reserves, pay equity and obligations related to payroll and 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. Due from (to) the North East Local Health Integration Network:

The 2015 balance due to the North East Local Health Integration Network of $157,147 reflects the unspent component of the Nursing of Initiatives Programs $205,002 and other funding initiatives $267,574 less one-time funding receivable of $186,000, base funding of $123,746, other initiatives $5,683. In 2014, the balance reflected the unspent component of the Nursing Initiatives and one-time funding owed from the North East Local Health Integration Network.

3. Capital assets:

2015	Cost	Accumulated Amortization	Net book value
Equipment	$ 5,354,257	4,993,190	361,067
Leasehold improvements	3,254,117	1,509,525	1,744,592
	$ 8,608,374	6,502,715	2,105,659

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

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances of $637,610 (2014 - $586,458), 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.

	2015	2014
Palliative care	$ 11,258	11,273
Other	32,668	9,806
Donations	10,697	12,216
Connecting Northern and Eastern Ontario	17,675	147,536
	$ 72,298	180,831

5. Deferred contributions (continued):

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

		2015	2014
Balance, beginning of year	$	12,216	8,075
Donations received		2,219	6,824
Disbursements		(3,738)	(2,683)
Balance, end of year	$	10,697	12,216

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):

	2015		2014	
	Vested and non-vested Sick Leave	Post-employment benefit obligation	Vested and non-vested Sick Leave	Post-employment benefit obligation
Discount rate	3.31%	3.31%	4.36 %	4.36 %
Rate of compensation increases	4%	4%	4 %	4 %
Health care costs trend rate	-	8%	–	8 %

6. Employee future benefits (continued):

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

	Vested and non-vested Sick Leave	Other Employee Future Benefits	Total
Balance - April 1, 2014	$ 1,698,682	1,633,312	3,331,994
Benefit cost	301,817	81,544	383,361
Interest cost	76,005	53,701	129,706
Benefits paid	(108,018)	(32,806)	(140,824)
Actuarial loss (gains)	117,069	(386,962)	(269,893)
Balance, end of year	2,085,555	1,348,789	3,434,344
Unamortized net actuarial gains	(120,015)	340,981	220,966
Employee future benefit liability, March 31, 2015	$ 1,965,540	1,689,770	3,655,310

	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

6. Employee future benefits (continued):

Employee future benefits expense			2015	2014
	Vested and Non-vested Sick Leave	Other Employee Future Benefits	Total	Total
Benefit cost	$ 301,817	81,544	383,361	330,499
Interest on accrued benefit obligation	76,005	53,701	129,706	130,482
Benefits paid	(108,018)	(32,806)	(140,824)	(160,132)
Amortization charges	(2,946)	(45,981)	(48,927)	3,841
Employee future benefits expense	$ 266,858	56,458	323,316	304,690

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:

	2015	2014
Balance, beginning of year	$ 1,904,677	1,728,079
Add cash contributions received from the NELHIN for capital purposes	546,869	591,554
Less amortization of deferred capital contributions	(372,074)	(414,956)
Balance, end of year	$ 2,079,472	1,904,677

8. Capital net assets:

Capital net assets are calculated as follows:

	2015	2014
Capital assets	$ 2,105,659	2,449,610
Less deferred capital contributions	(2,079,473)	(1,904,677)
	$ 26,186	544,933

9. Base funding:

		2015	2014
Base budget	$	126,800,902	123,335,250
Less amounts received for capital assets		(546,869)	(591,554)
	$	126,254,033	122,743,696

10. Salaries, wages and employee benefits:

		2015	2014
Salaries and Wages			
Direct Patient Services:			
Care Coordination	$	24,208,559	22,730,868
Internal Therapy		5,197,218	5,276,712
Other		6,227,187	5,201,433
Total Direct Patient Services		35,632,964	33,209,013
Administration		6,098,335	5,889,630
Total Salaries and Wages	$	41,731,299	39,098,643
Employee Benefits			
Direct Patient Services:			
Care Coordination	$	6,131,328	5,994,295
Internal Therapy		1,526,445	1,425,105
Other		1,313,947	1,221,839
Total Direct Patient Services		8,971,720	8,641,239
Administration		1,455,151	1,432,702
Total Employee Benefits	$	10,426,871	10,073,941

11. Changes in non-cash operating working capital:

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

	2015	2014
Decrease (increase) in current assets:		
Accounts receivable	$ (48,263)	(81,597)
Prepaid expenses	(523,364)	(142,943)
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	6,315,105	(1,783,766)
Due to/from the North East Local Health Integration Network	1,118,985	(3,099,704)
	$ 6,862,463	(5,108,010)

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 $3,460,097 (2014 - $3,444,076) and are included in employee benefits expenses in the statement of operations.

13. Commitments and contingencies:

(a) The Centre has access to a line of credit in the amount of $4.0 million. The line of credit bears interest at Royal Bank prime less 0.50%, which has not 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:

2016	$ 1,684,907
2017	1,569,929
2018	1,380,839
2019	1,250,224
2020	1,066,779

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.

15. Adoption of new accounting policy:

The Centre adopted Public Sector Accounting Board Standard *PS 3260 Liability for Contaminated Sites* effective April 1, 2014. Under PS 3260, contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. This Standard relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination. The Centre adopted this standard on a retroactive basis and there were no adjustments as a result of the adoption of this standard.

16. Comparative figures:

Certain 2014 comparative information have been reclassified to conform with the financial statement presentation adopted for the current year.