

# **CorHealth Ontario**

## **Financial Statements**

**For the Year Ended March 31, 2020**

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of CorHealth Ontario

### *Opinion*

We have audited the financial statements of CorHealth Ontario, (the "Organization"), which comprise the statement of financial position as at March 31, 2020 and the the statements of operations and fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

RSM Canada LLP

Chartered Professional Accountants

Licensed Public Accountants

June 18, 2020

Toronto, Ontario

**CorHealth Ontario**  
**Statement of Financial Position**  
**As at March 31, 2020**

	Operating Fund	Special Purpose Fund	Internally Restricted Fund	Total 2020	Operating Fund	Special Purpose Fund	Total 2019
<b>Assets</b>							
<b>Current</b>							
Cash	\$ 928,229	\$ 290,823	\$ 2,617,655	\$ 3,836,707	\$ 4,062,400	\$ 542,324	\$ 4,604,724
Prepaid expenses	3,099	-	-	3,099	62,735	-	62,735
Accounts receivable (Note 4)	637,494	-	-	637,494	234,792	-	234,792
	1,568,822	290,823	2,617,655	4,477,300	4,359,927	542,324	4,902,251
<b>Capital and intangible assets</b> (Note 3)	169,722	20,404	-	190,126	272,894	38,808	311,702
	\$ 1,738,544	\$ 311,227	\$ 2,617,655	\$ 4,667,426	\$ 4,632,821	\$ 581,132	\$ 5,213,953
<b>Liabilities</b>							
<b>Current</b>							
Accounts payable and accrued liabilities (Notes 4 and 5)	\$ 956,559	\$ 166,187	\$ 62,150	\$ 1,184,896	\$ 1,122,199	\$ 185,050	\$ 1,307,249
Deferred capital grants (Note 6)	169,722	20,404	-	190,126	272,894	38,808	311,702
Deferred sponsorship revenue	17,453	-	-	17,453	-	-	-
Deferred special purpose grants (Notes 4 and 7)	-	124,636	-	124,636	-	357,274	357,274
Employee future benefits liability (Note 8)	223,200	-	-	223,200	197,000	-	197,000
	1,366,934	311,227	62,150	1,740,311	1,592,093	581,132	2,173,225
<b>Fund balances</b>	371,610	-	2,555,505	2,927,115	3,040,728	-	3,040,728
	\$ 1,738,544	\$ 311,227	\$ 2,617,655	\$ 4,667,426	\$ 4,632,821	\$ 581,132	\$ 5,213,953

*Commitments* (Note 13)

Approved by the Board

  
 Director

  
 Director

**CorHealth Ontario**  
**Statement of Operations and Fund Balances**  
**Year Ended March 31, 2020**

	Operating Fund	Special Purpose Fund	Internally Restricted Fund	Total 2020	Operating Fund	Special Purpose Fund	Total 2019
<b>Revenue</b>							
MOH	\$ 7,938,402	\$ -	\$ -	\$ 7,938,402	\$ 9,229,968	\$ -	\$ 9,229,968
MOH funding settlement recoveries	-	-	-	-	7,337	-	7,337
Interest income	57,889	-	-	57,889	50,669	-	50,669
Sponsorship revenue	20,046	-	-	20,046	-	-	-
Amortization of deferred capital grants (Note 6)	103,172	18,404	-	121,576	148,205	18,404	166,609
Amortization of deferred special purpose grants (Note 7)	-	1,119,908	-	1,119,908	-	1,752,270	1,752,270
	<b>8,119,509</b>	<b>1,138,312</b>	<b>-</b>	<b>9,257,821</b>	<b>9,436,179</b>	<b>1,770,674</b>	<b>11,206,853</b>
<b>Expenses</b>							
Salaries, wages and employee benefits	6,874,950	1,101,259	171,502	8,147,711	7,922,604	1,626,194	9,548,798
Office support and other	315,685	-	-	315,685	445,582	-	445,582
Rent	664,643	-	-	664,643	653,163	-	653,163
Amortization of capital assets	103,172	18,404	-	121,576	148,205	18,404	166,609
Legal fees	60,792	-	-	60,792	76,173	-	76,173
Travel and meetings	61,078	18,649	-	79,727	77,046	126,076	203,122
	<b>8,080,320</b>	<b>1,138,312</b>	<b>171,502</b>	<b>9,390,134</b>	<b>9,322,773</b>	<b>1,770,674</b>	<b>11,093,447</b>
<b>Excess (deficiency) of revenue over expenses for the year</b>	<b>39,189</b>	<b>-</b>	<b>(171,502)</b>	<b>(132,313)</b>	<b>113,406</b>	<b>-</b>	<b>113,406</b>
<b>Fund balances - beginning of year</b>	<b>3,040,728</b>	<b>-</b>	<b>-</b>	<b>3,040,728</b>	<b>2,982,722</b>	<b>-</b>	<b>2,982,722</b>
<b>Fund transfer</b>	<b>(2,727,007)</b>	<b>-</b>	<b>2,727,007</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Actuarial gain (loss) - employee future benefits (Note 8)</b>	<b>18,700</b>	<b>-</b>	<b>-</b>	<b>18,700</b>	<b>(55,400)</b>	<b>-</b>	<b>(55,400)</b>
<b>Fund balances - end of year</b>	<b>\$ 371,610</b>	<b>\$ -</b>	<b>\$ 2,555,505</b>	<b>\$ 2,927,115</b>	<b>\$ 3,040,728</b>	<b>\$ -</b>	<b>\$ 3,040,728</b>

**CorHealth Ontario**  
**Statement of Cash Flows**  
**Year Ended March 31, 2020**

	Operating Fund	Special Purpose Fund	Internally Restricted Fund	Total 2020	Operating Fund	Special Purpose Fund	Total 2019
<b>Cash provided by (used in)</b>							
<b>Operations</b>							
Excess (deficiency) of revenue over expenses for the year	\$ 39,189	\$ -	\$ (171,502)	\$ (132,313)	\$ 113,406	\$ -	\$ 113,406
Items not affecting cash							
Amortization of deferred capital grants (Note 6)	(103,172)	(18,404)	-	(121,576)	(148,205)	(18,404)	(166,609)
Amortization of sponsorship revenue	(20,046)	-	-	(20,046)	-	-	-
Amortization of deferred special purpose grants (Note 7)	-	(1,119,908)	-	(1,119,908)	-	(1,752,270)	(1,752,270)
Amortization of capital assets	103,172	18,404	-	121,576	148,205	18,404	166,609
Net post-employment benefits cost	44,900	-	-	44,900	33,599	-	33,599
Establishment of new restricted fund (Note 9)	(2,727,007)	-	2,727,007	-	-	-	-
Net change in non-cash working capital (Note 12)	(508,707)	(18,863)	62,150	(465,420)	(409,200)	30,038	(379,162)
	(3,171,671)	(1,138,771)	2,617,655	(1,692,787)	(262,195)	(1,722,232)	(1,984,427)
<b>Financing activities</b>							
Deferred special purpose grants received (Note 7)	-	1,000,000	-	1,000,000	-	1,865,000	1,865,000
Deferred sponsorship revenue received	37,500	-	-	37,500	-	-	-
Increase in deferred capital grants (Note 6)	-	-	-	-	42,873	-	42,873
MOH funding recovery	-	(112,730)	-	(112,730)	-	(178,639)	(178,639)
	37,500	887,270	-	924,770	42,873	1,686,361	1,729,234
<b>Investing activities</b>							
Purchase of capital and intangible assets	-	-	-	-	(42,873)	-	(42,873)
Increase (decrease) in cash during the year	(3,134,171)	(251,501)	2,617,655	(768,017)	(262,195)	(35,871)	(298,066)
<b>Cash - beginning of year</b>	<b>4,062,400</b>	<b>542,324</b>	<b>-</b>	<b>4,604,724</b>	<b>4,324,595</b>	<b>578,195</b>	<b>4,902,790</b>
<b>Cash - end of year</b>	<b>\$ 928,229</b>	<b>\$ 290,823</b>	<b>\$ 2,617,655</b>	<b>\$ 3,836,707</b>	<b>\$ 4,062,400</b>	<b>\$ 542,324</b>	<b>\$ 4,604,724</b>

**1. DESCRIPTION OF OPERATIONS**

CorHealth Ontario ("CHO") serves as a system support to the Ministry of Health ("MOH"), Local Health Integration Networks, hospitals and care providers and is dedicated to improving the quality, efficiency, access and equity in the delivery of the continuum of adult cardiac, stroke and vascular services in Ontario.

CHO is incorporated under the Corporations Act (Ontario) and is exempt from income taxes subject to maintaining certain tax filings.

The financial statements are prepared on a going concern basis assuming that CHO will receive funding from the MOH to support its operations for the next 12 months subsequent to March 31, 2020.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Preparation**

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") and reflect the following policies.

**Revenue Recognition**

CHO follows the deferral method of accounting for grants.

The operating grant is recognized as revenue in the Operating Fund when received or receivable from the MOH. The operating grant used for the purchase of capital assets (i.e. deferred capital grants) is considered restricted for the purchase of such capital assets and is therefore deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization of the related assets.

CHO receives grants for specific projects and programs, which are recognized as deferred special purpose grants in the Special Purpose Fund. As the related expense is incurred, the deferred special purpose grant is recognized as revenue in the statement of operations and fund balances for the Special Purpose Fund.

All interest income earned is allocated to the Operating Fund unless specifically related to MOH funding sources. Interest income represents amounts earned on funds received from non-MOH sources. In accordance with the accountability agreement with the MOH, interest earned on funds received from MOH sources is repayable to the MOH on request.

Sponsorship revenue has been received from medical device vendors for the purpose of supporting in-person meetings among providers, patients and family advisors, and the MOH to develop and implement a new model of care for aortic stenosis. These are recognized as revenue as the meetings are held.

Other revenue amounts are recognized in the statement of operations and fund balances when services have been performed and billed.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**Capital and Intangible Assets**

Capital and intangible assets are recorded at cost and amortized on a straight-line basis over the assets' estimated useful lives as follows:

Leasehold improvements	lease term
Computer equipment	5 years
Furniture	5 years
Intangible assets - software	5 years

On April 1, 2019, the Organization adopted the new accounting standards for tangible capital and intangible assets held by not-for-profit organizations. As a result, when conditions indicate a tangible capital or intangible asset is impaired, it will be written down to its fair value or replacement cost, with the write-down recorded as an expense. Write-downs will not be reversed.

**Employee Future Benefits**

CHO has elected to use the actuarial valuation for accounting purposes for its employee benefit plans.

The cost of retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of salary escalation, retirement ages of employees and expected health-care costs.

Actuarial gains and losses arise when the accrued benefit obligations change during the year. The actuarial gains and losses are recorded in the statement of operations and fund balances.

**Financial Instruments**

CHO initially recognizes all its financial assets and financial liabilities at fair value and subsequently at amortized cost. Financial assets include cash and accounts receivable. Financial liabilities include accounts payable and accrued liabilities. Financial assets are tested for impairment at the end of each reporting period when there are indicators the asset may be impaired.

**Use of Estimates**

The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect 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. Actual results could differ from those estimates. The estimates are reviewed periodically and as adjustments become necessary, they are reported in the statement of operations and fund balances in the period in which they become known.



**CorHealth Ontario**  
**Notes to Financial Statements**  
**March 31, 2020**

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**3. CAPITAL AND INTANGIBLE ASSETS**

	Cost	Accumulated Amortization	Net 2020
Capital assets			
Leasehold improvements	\$ 154,103	\$ 154,103	\$ -
Computer equipment	832,006	690,589	141,417
Furniture	207,423	192,308	15,115
Total capital assets	1,193,532	1,037,000	156,532
Intangible assets - software	632,252	598,658	33,594
<b>Capital and intangible assets</b>	<b>\$ 1,825,784</b>	<b>\$ 1,635,658</b>	<b>\$ 190,126</b>
	Cost	Accumulated Amortization	Net 2019
Capital assets			
Leasehold improvements	\$ 154,103	\$ 143,318	\$ 10,785
Computer equipment	832,006	611,892	220,114
Furniture	207,423	182,751	24,672
Total capital assets	1,193,532	937,961	255,571
Intangible assets - software	632,252	576,121	56,131
<b>Capital and intangible assets</b>	<b>\$ 1,825,784</b>	<b>\$ 1,514,082</b>	<b>\$ 311,702</b>

**4. DUE TO MOH**

In accordance with an MOH agreement, unspent grants and interest earned on funds provided by the MOH are subject to repayment. In this regard, \$279,084 (2019 - \$138,992) payable to the MOH is included in accounts payable and accrued liabilities and \$Nil (2019 - \$112,730) is included in deferred special purpose grants as at March 31, 2020.

In addition, certain special purpose grants had not yet been received by CHO as at March 31, 2020. In this regards, \$500,000 (2019 - \$Nil) receivable from the MOH is included in accounts receivable as at March 31, 2020.

**5. GOVERNMENT REMITTANCES**

Government remittances consist of amounts (such as payroll withholding taxes) required to be paid to government authorities and are recognized when the amounts come due. As at March 31, 2020, government remittances to the federal and provincial governments, included in accounts payable and accrued liabilities, amounted to \$62,625 (2019 - \$46,609).

**6. DEFERRED CAPITAL GRANTS**

	<b>2020</b>	2019
Balance - beginning of year	\$ 311,702	\$ 435,438
Capital grants deferred during the year	-	42,873
Amortization of deferred capital grants	<b>(121,576)</b>	(166,609)
Balance - end of year	<b>\$ 190,126</b>	\$ 311,702

**7. DEFERRED SPECIAL PURPOSE GRANTS**

	<b>2020</b>	2019
Balance - beginning of year	\$ 357,274	\$ 423,183
Special purpose grants received	<b>1,000,000</b>	1,865,000
MOH recovery of special purpose grants	<b>(112,730)</b>	(178,639)
Amortization of deferred special purpose grants	<b>(1,119,908)</b>	(1,752,270)
Balance - end of year	<b>\$ 124,636</b>	\$ 357,274

**8. PENSION PLAN AND EMPLOYEE FUTURE BENEFITS**

**Multi-employer Plan**

Employees of CHO participate in the Healthcare of Ontario Pension Plan ("HOOPP"), a multi-employer, defined benefit contributory pension plan. Contributions to HOOPP are expensed as incurred. For the year ended March 31, 2020, CHO contributed \$498,784 (2019 - \$546,603).

**Employee Future Benefits**

CHO provides extended health-care and dental benefits to substantially all employees. The plan, covering the period from retirement to age 65, is unfunded and requires a 25% cost-sharing contribution from retirees. CHO's accrued benefit obligation relating to employee future non-pension benefit plans has been calculated by the projected benefit method pro-rated on service. The date of the most recent actuarial valuation was March 31, 2020. The accrued benefit obligation as at March 31, 2020 is \$223,200 (2019 - \$197,000).

**8. PENSION PLAN AND EMPLOYEE FUTURE BENEFITS (Cont'd)**

**Employee Future Benefits (Cont'd)**

The movement in the defined benefit obligation during the year is as follows:

	<b>2020</b>	2019
Present value of defined benefit obligation - opening	<b>\$ 197,000</b>	\$ 108,000
Current service cost	<b>38,300</b>	28,800
Interest on the defined benefit obligation	<b>6,600</b>	4,800
Actuarial (gain) loss on the defined benefit obligation	<b>(18,700)</b>	(14,800)
Past service cost (gain)	-	70,200
<b>Present value of defined benefit obligation - closing</b>	<b>\$ 223,200</b>	\$ 197,000

The following amounts were recognized in the statement of operations and fund balances:

	<b>2020</b>	2019
Current service cost	<b>\$ 38,300</b>	\$ 28,800
Interest on the defined benefit obligation	<b>6,600</b>	4,800
	<b>\$ 44,900</b>	\$ 33,600

The following amounts were recognized directly within fund balances:

	<b>2020</b>	2019
Actuarial gain (loss) on the defined benefit obligation	<b>\$ 18,700</b>	\$ (55,400)

The significant actuarial assumptions adopted in estimating CHO's accrued benefit obligation are of a long-term nature, consistent with the nature of employee future benefits as follows:

Discount rate for accrued benefit obligation and expense	2.80%
Discount rate for net benefit cost	3.70%
Dental benefits cost escalation	3.00% - 4.75%, differing by year
Medical benefits cost escalation - extended health care	5.25% in fiscal 2020 decreasing annually to an ultimate rate of 3.57%

**9 INTERNALLY RESTRICTED FUND**

The internally restricted fund balance represents funds that have been restricted by the Board of Directors for purposes of Board approved cardiac program initiatives. During 2020 the Board approved a transfer of \$2,727,007 (2019 - \$Nil) from the operating fund to the internally restricted fund.

**10. ECONOMIC DEPENDENCE**

CHO depends on the MOH for a significant portion of its funding. The use of the funding provided each year by the MOH is governed by an accountability agreement. The current agreement expired on March 31, 2020. During the fiscal year ended March 31, 2020, 100% (2019 - 100%) of operating grants and 100% (2019 - 100%) of special purpose grants were received from the MOH.

**11. FINANCIAL RISK MANAGEMENT**

CHO is exposed to financial risks, including credit and liquidity risk. CHO has adopted an integrated risk management framework. The framework provides a consistent methodology to manage risks. Management believes exposure to other risks, including interest rate and market risks, is minimal.

**Credit Risk**

Credit risk arises from the potential that a counterparty will fail to perform its obligations. CHO is subject to credit risk related to its cash. Credit risk with respect to cash is managed by holding cash balances at a high credit quality financial institution in Canada.

**Liquidity Risk**

Liquidity risk results from CHO's potential inability to meet its obligations associated with financial liabilities as they come due. CHO manages its liquidity risk by forecasting cash flows from operations and anticipating investing and financing activities to ensure it has sufficient available funds to meet current and foreseeable financial requirements. CHO's exposure to liquidity risk relates to the amount of accounts payable and accrued liabilities.

**12. SUPPLEMENTAL CASH FLOW INFORMATION**

Net change in non-cash working capital is as follow:

	<b>Operating Fund</b>	<b>Special Purpose Fund</b>	<b>Internally Restricted Fund</b>	<b>Total 2020</b>	<b>Total 2019</b>
Cash provided by (used in)					
Prepaid expenses	\$ 59,635	\$ -	\$ -	\$ 59,635	\$ (35,100)
Accounts receivable	402,702	-	-	402,702	13,176
Accounts payable and accrued liabilities	(165,640)	(18,863)	62,150	(122,353)	(357,238)
	<b>\$ 296,697</b>	<b>\$ (18,863)</b>	<b>\$ 62,150</b>	<b>\$ 339,984</b>	<b>\$ (379,162)</b>

**13. COMMITMENTS**

CHO has entered into an operating lease for its premises. The lease for the premises expires on June 30, 2024. Minimum future lease payments are as follows:

Fiscal 2021	\$ 303,140
Fiscal 2022	322,910
Fiscal 2023	329,500
Thereafter	411,875
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	\$ 1,367,425
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