Hamilton Niagara Haldimand Brant
Local Health Integration Network
Minutes of the Meeting of the Audit Committee June 28, 2017

A meeting of the Audit Committee of the Board of Directors of the Hamilton Niagara Haldimand Brant (HNHB) Local Health Integration Network (LHIN) was held on June 28, 2017, at the Webster/Albion Falls Room, Hamilton Niagara Haldimand Brant Local Health Integration Network, 211 Pritchard Road, Unit 1, Hamilton, Ontario, beginning at 1:00 p.m.

Present Voting Members:	Bill Thompson, Chair Madhuri Ramakrishnan, Member Dominic Ventresca, Member
Regrets:	Saqib Cheema, Member
Non-voting:	Janine van den Heuval, Board Chair
HNHB LHIN Staff in Attendance:	Donna Cripps, Chief Executive Officer Helen Rickard, Corporate Coordinator, Recording Secretary Derek Bodden, Director, Funding Emily Christoffersen, VP Commissioning, Performance and Accountability Anna DiPietro, Director, Finance Dr. Jennifer Everson, VP Clinical Dilys Haughton, VP Home and Community Care Miranda Ingribelli, VP People and Talent Management Trish Nelson, Director, Communications Tom Peirce, Executive Lead, Transition and Project Management Office Martina Rozsa, VP Health System Strategy and Integration Cindy Ward, VP Resource Stewardship and CFO
Guest:	Heather Doerksen, Audit Senior Manager, KPMG

A. Convening the Meeting

A.1 Call to Order

A quorum was present.

A.2 Approval of the Agenda

MOVED: Madhuri Ramakrishnan
SECOND: Dominic Ventresca

That the agenda of June 28, 2017, be adopted, as circulated.

CARRIED

A.3 Declaration of Conflicts

No conflicts were identified at this time.

B. New/Other Business

B.1 CCAC 2017-18 Financial Audit (Stub Period)

MOVED: Madhuri Ramakrishnan
SECOND: Dominic Ventresca

That the Audit Committee recommends that the Board of Directors of the Hamilton Niagara Haldimand Brant Local Health Integration Network approve KPMG's Audit Findings Report and Audited Financial Statements related to HNHB Community Care access Centre's 2017/18 fiscal period April 1 – May 9, 2017.

CARRIED

Key Points of Discussion:

- Heather Doerksen, Audit Senior Manager, KPMG provided an overview of the findings on the Audit Findings Report and Financial Statement.

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C. Closed Session

C.1 Matters of Personal or Public Interest

MOVED: Bill Thompson
SECOND: Dominic Ventresca

That the Audit Committee of the Hamilton Niagara Haldimand Brant Local Health Integration Network move to a closed session at 1:11 p.m. to discuss a matter of personal or public interest.

CARRIED

D.2 Report of the Audit Committee Chair on the Closed Session

MOVED: Bill Thompson
SECOND: Madhuri Ramakrishnan

That the Audit Committee moved to a closed session at 1:11 p.m. to discuss a Matter of public/personnel interest and returned to an open session at 1:15 p.m.

D.3 Meeting Adjournment

MOVED: Dominic Ventresca
SECOND: Madhuri Ramakrishnan

The Audit Committee Meeting adjourned at 1:15 p.m.

CARRIED

Original Signed by:	August 30, 2017
Bill Thompson, Audit Committee Chair	**Date**
Original Signed by:	August 30, 2017
Donna Cripps, Corporate Secretary	**Date**

Appendix A

KPMG

Hamilton Niagara Haldimand Brant

Community Care Access Centre

Audit Findings Report

June 28, 2017

kpmg.ca/audit

The contacts at KPMG in connection with this report are:

Ruth Todd, CPA, CA

Lead Audit Engagement Partner

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Heather Doerksen, CPA, CA

Audit Senior Manager

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Executive summary

Purpose of this report*

The purpose of this Audit Findings Report is to assist you, as a member of the audit committee, in your review of the results of our audit of the financial statements of Hamilton Niagara Haldimand Brant Community Care Access Centre as at and for the period ended May 9, 2017.

Changes from the Audit Plan

There have been no significant changes regarding our audit from the Audit Planning Report previously presented to you.

Audit risks and results

We discussed with you at the start of the audit a number of **significant financial reporting risks**.

These included estimates as well as matters relating to revenue recognition and management override of controls. We are satisfied that our audit work has appropriately dealt with the risks.

These risks have been addressed in our audit.

We also discussed with you some **other areas of audit focus**. We have no significant matters to report to the audit committee in respect of them.

See page 7

Adjustments and differences

We did not identify differences that remain uncorrected.

See page 10

This Audit Findings Report should not be used for any other purpose or by anyone other than the Audit Committee. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Findings Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Executive summary

Finalizing the audit

As of June 28th, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- receipt of six legal confirmation letters dated for response up to June 14th
- receipt of signed management representation letter
- completing our discussions with the audit committee;
- obtaining evidence of the Board's approval of the financial statements.

We will update the audit committee, and not solely the Chair (as required by professional standards), on significant matters, *if any*, arising from the completion of the audit, including the completion of the above procedures. Our auditors' report will be dated upon the completion of any remaining procedures.

Control and other observations

We did not identify any control deficiencies that we determined to be significant deficiencies in ICFR.

Critical accounting estimates

Overall, we are satisfied with the reasonability of critical accounting estimates.

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Independence

We are independent with respect to the HNHB CCAC, within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any other standards or applicable legislation or regulation.

Significant accounting policies and practices

There have been no initial selections of, or changes to, significant accounting policies and practices to bring to your attention.

Audit risks and results

Inherent risk of material misstatement is the susceptibility of a balance or assertion to misstatement which could be material, individually or when aggregated with other misstatements, assuming that there are no related controls.

We highlight our significant findings in respect of significant financial reporting risks as identified in our discussion with you in the Audit Plan, as well as any additional significant risks identified.

Significant financial reporting risks	Why	Our response and significant findings
Fraud risk from revenue recognition	This is a presumed fraud risk.	Our audit approach consisted of substantive procedures to address the relevant assertions associated with the significant risk. We obtained a confirmation of revenue from the Local Health Integration Network ("LHIN") and verified the reconciliation between the LHIN amounts and those recorded by the CCAC. We did not identify any issues related to fraud risk associated with revenue recognition.
Risk of management override of controls	This is a presumed fraud risk.	We performed procedures consistent with professional standards including testing journal entries, performing a retrospective review of estimates, evaluating the business rationale of significant transactions and carrying out audit procedures with an element of unpredictability. We did not identify any issues or concerns regarding management override of controls.

Critical accounting estimates

Management makes assumptions about the future at the end of the reporting period, that could have a significant risk of resulting in a material adjustment to carrying amounts of assets and liabilities within the next financial year. Generally, these are considered to be "critical accounting estimates."

We have summarized our assessment of the subjective areas.

Critical accounting estimates

Liability	Amount	KPMG comment
Sick leave accrual	$3,471,014	• Management concluded that the actuarial valuation as of March 31, 2017 would not be materially different than a valuation as of May 9, 2017. As a result, it was decided to forego the cost of an updated valuation and rely on the figures determined in the March 31, 2017 report. KPMG assessed this assumption and determined it to be reasonable. • KPMG obtained the March 31, 2017 report from actuary Morneau Shepell, which calculated the benefit expense and year-end liability for 2017 based on the full valuation completed at March 31, 2015. As at May 9, 2017, the total accrued benefit liability recorded in the financial statements is $3,471,014, compared to the accrued benefit obligation of $3,403,353. The fiscal 2017 estimate was calculated using a discount rate of 3.56%, which is equal to the MOHLTC's recommendation for the determination of the discount rate. KPMG reviewed the assessment by the actuary and agreed with Management's conclusion. • As a full valuation was completed during fiscal 2015, KPMG performed testing of the underlying census data during the 2015 year-end audit. In the current period audit, we inquired with management regarding any significant changes to the underlying data and confirmed with the actuary that changes did not have a significant impact on the estimated liability.

We believe management's process for identifying critical accounting estimates is adequate.

Significant areas of focus

We have summarized our assessment of the subjective areas.

Area of focus	Amount	KPMG comment
Ministry of Health and Long-term Care Revenue	$35,182,419	• For the period between April 1, 2017 and May 9, 2017, the total MOHLTC revenue recognized in the financial statements is $35,182,419. Ministry of Health (MOH) revenue is the most significant source of funding for the HNHB CCAC. Funding from the MOH was confirmed by KPMG and the amount was reconciled to the amounts recorded through testing of the reconciliation prepared by Management. No exceptions from the Ministry revenue to the amounts reported by HNHB CCAC were noted.
Pay Equity Accrual	$587,481	• During fiscal 2014, the HNHB CCAC obtained correspondence indicating that a pay equity review would be completed relating to HNHB CCAC ONA employees. This is consistent with our understanding across the province relating to other healthcare service entities. Our review of this matter has not resulted in any concrete determination of the appropriate level of accrual that might be required. As historical pay equity settlements have typically resulted in a 1% pay increase, the HNHB CCAC has accrued $587,500 using a probability factor of 25% applied to a 1% pay-out for all applicable salaries from April, 2007 to March, 2015. Management has not increased this accrual for wages up to May 9, 2017. The decision to not increase the accrual is supported by Management's discussions with industry experts.
Purchased Services and Payroll	$32,900,508	• As purchased services and payroll are the two largest expenditures of the HNHB CCAC, KPMG performed a walk-through of the controls for each of these two areas. No exceptions were noted as a result of our testing.

Significant areas of focus (continued)

We have summarized our assessment of the subjective areas.

Area of focus	KPMG comment
Reserve with Benefits Administrator	• HNHB CCAC is part of a group insurance consortium which utilizes a self-insured underwriting arrangement for employee health and dental benefits ("benefits reserve"). As part of this arrangement, the benefits reserve is required to maintain prudent levels to appropriately manage the health and dental claims. • Early claims' experience from 2009 to 2011 was significantly greater than actuarial expectations at the time. Since fiscal 2011/2012 the claims experience has improved favourably and has resulted in a surplus in reserve funds. • At the recommendation from external advisor Donnelly Management Advisory Services Limited, HNHB CCAC withdrew $400,000 out of the benefits reserve in fiscal 2017 to realign the reserve with the claims experience since 2011. The withdrawal leaves the reserve at a level considered prudent to conservatively fund employee benefits based on recent claims experience. This amount has been deferred and will be utilized to offset benefits expenses in a future period. • As we proposed in the prior year, we continue to recommend that this review and analysis be completed annually and provided to the Audit Committee for their review.

Financial statement presentation and disclosure

The presentation and disclosure of the financial statements are, in all material respects, in accordance with the Company's relevant financial reporting framework. Misstatements, including omissions, if any, related to disclosure or presentation items are in the management representation letter included in the Appendices.

We also highlight the following:

Form, arrangement, and content of the financial statements	The financial statements are, in all material respects, in accordance with the applicable financial accounting framework. The disclosures in the notes to the financial statements are adequate.
Application of accounting pronouncements issued but not yet effective	There are no concerns at this time regarding future implementation of new and revised standards. We encourage management to begin assessing the impact of the new/revised accounting pronouncements for disclosure of the impacts in next year's financial statements. Please see Appendix 4 – Current Developments

Adjustments

Adjustments and differences identified during the audit have been categorized as “Corrected adjustments” or “Uncorrected differences”. These include disclosure adjustments and differences.

Professional standards require that we request of management and the audit committee that all identified differences be corrected. We have already made this request of management.

Corrected adjustments

The management representation letter includes all adjustments identified as a result of the audit, communicated to management and subsequently corrected in the financial statements.

Uncorrected differences

We did not identify differences that remain uncorrected.

Other matters

Professional standards require us to communicate to the Audit Committee Other Matters, such as material inconsistencies or material misstatements between MD&A and the audited financial statements, identified fraud or non-compliance with laws and regulations, consultations with other accountants, significant matters relating to the Company's related parties, significant difficulties encountered during the audit, and disagreements with management.

We have highlighted below other significant matters that we would like to bring to your attention:

Matter	KPMG comment
Transfer of the CCAC to the LHIN	• Minister's Order has directed the transfer of the CCAC to the LHIN on May 10, 2017. We have included a note in the financial statements disclosing the matter.

Appendices

Appendix 1: Required communications

In accordance with professional standards, there are a number of communications that are required during the course of and upon completion of our audit. These include:

- **Auditors' report** – the conclusion of our audit is set out in our draft auditors' report attached to the draft financial statements
- **Management representation letter** –In accordance with professional standards, copies of the management representation letter are provided to the Audit Committee.
- **CPAB Big Four Firm Public Report (November 2016)** – Please refer to http://www.cpab-ccrc.ca/Documents/Annual%20Reports/CPAB_2016_Big_Four_Inspections_Report_EN.pdf
- **CPAB 2016 Big Four Public Report: Highlights for Audit Committees** – Please refer to http://www.cpab-ccrc.ca/Documents/Annual Reports/CPAB_2016_Big_Four_Highlights_EN.pdf

Appendix 2: Audit Quality and Risk Management

KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards.

Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarises the six key elements of our quality control systems.

Visit our [Audit Quality Resources page] for more information including access to our audit quality report, [Audit quality: Our hands-on process.]

- Other controls include:
  - Before the firm issues its audit report, the Engagement Quality Control Reviewer reviews the appropriateness of key elements of publicly listed client audits.
  - Technical department and specialist resources provide real-time support to audit teams in the field.
- We conduct regular reviews of engagements and partners. Review teams are independent and the work of every audit partner is reviewed at least once every three years.
- We have policies and guidance to ensure that work performed by engagement personnel meets applicable professional standards, regulatory requirements and the firm's standards of quality.
- All KPMG partners and staff are required to act with integrity and objectivity and comply with applicable laws, regulations and professional standards at all times.

- We do not offer services that would impair our independence.
- The processes we employ to help retain and develop people include:
  - Assignment based on skills and experience;
  - Rotation of partners;
  - Performance evaluation;
  - Development and training; and
  - Appropriate supervision and coaching.
- We have policies and procedures for deciding whether to accept or continue a client relationship or to perform a specific engagement for that client.
- Existing audit relationships are reviewed annually and evaluated to identify instances where we should discontinue our professional association with the client.

Appendix 3: Background and professional standards

Internal control over financial reporting

As your auditors, we are required to obtain an understanding of internal control over financial reporting (ICFR) relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on internal control. Accordingly, we do not express an opinion on the effectiveness of internal control.

Our understanding of ICFR was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies and therefore, there can be no assurance that all significant deficiencies and other control deficiencies have been identified. Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors.

The control deficiencies communicated to you are limited to those control deficiencies that we identified during the audit.

Documents containing or referring to the audited financial statements

We are required by our professional standards to read only documents containing or referring to audited financial statements and our related auditors' report that are available through to the date of our auditors' report. The objective of reading these documents through to the date of our auditors' report is to identify material inconsistencies, if any, between the audited financial statements and the other information. We also have certain responsibilities, if on reading the other information for the purpose of identifying material inconsistencies, we become aware of an apparent material misstatement of fact.

We are also required by our professional standards when the financial statements are translated into another language to consider whether each version, available through to the date of our auditors' report, contains the same information and carries the same meaning.

Appendix 4: Current developments

Current developments, created by KPMG Public Sector and Not-for-profit Practice, summarizes regulatory and governance matters impacting Government Organizations. We provide this information to help you understand upcoming changes and challenges they may face in the industry. We attach this summary to every audit plan and findings report (if significant changes occur).

A new accounting standard that addresses the reporting of legal obligations associated with the retirement of long-lived tangible capital assets currently in productive use is under development by PSAB. An Exposure Draft that addresses the accounting and reporting of retirement obligations associated with tangible capital assets controlled by a public sector entity was issued in March 2017. PSAB has had regular updates on this project. Implementation of this standard will require a review of the legal obligations associated with the retirement of long-lived tangible capital assets. This standard is effective for years beginning on or after April 1, 2021.

The following is a summary of the current developments that are relevant to the CCAC:

Standard	Summary and implications
PS 3380 – Contractual Rights	This standard is a disclosure standard which defines contractual rights to future assets and revenue and sets out the required disclosures. Information about a public sector entity's contractual rights should be disclosed in notes or schedules to the financial statements and should include descriptions about their nature and extent and the timing. The standard also indicates that the exercise of professional judgment would be required when determining contractual rights that would be disclosed. Factors to consider include, but are not limited to: (a) contractual rights to revenue that are abnormal in relation to the financial position or usual business operations; and (b) contractual rights that will govern the level of certain type of revenue for a considerable period into the future. Examples of a contractual right include contractual rights to receive payments under a shared cost agreement or contractual rights to receive lease payments. This standard is effective for fiscal periods beginning on or after April 1, 2017 (the CCAC's March 31, 2018 year-end). Implications: Additional disclosures may be required if contractual rights to assets or revenue exist.
PS 3210, Assets	– This Standard provides a definition of assets and further expands that definition as it relates to control. Assets are defined as follows: – They embody future economic benefits that involve a capacity, singly or in combination with other assets, to provide goods and services, to provide future cash inflows, or to reduce cash outflows. – The public sector entity can control the economic resources and access to the future economic benefits. – The transaction or event giving rise to the public sector entity's control has already occurred.

	– The standard also includes some disclosure requirements related to economic resources that are not recorded as assets to provide the user with better information about the types of resources available to the public sector entity. – This standard is effective for fiscal periods beginning on or after April 1, 2017 (the CCAC's March 31, 2018 year-end). – Implications: Assets such as accrued receivables will have to be reviewed to determine if they meet this definition.
PS 3320, Contingent Assets	This standard defines contingent assets. They have two basic characteristics: – An existing condition or situation that is unresolved at the financial statement date. – An expected future event that will resolve the uncertainty as to whether an asset exists. The standard also has specific disclosure requirements for contingent assets when the occurrence of the confirming event is likely. This standard is effective for fiscal periods beginning on or after April 1, 2017 (the CCAC's March 31, 2018 year-end). Contingent assets include grants receivable where the conditions are met but funding is conditional upon approval of an application for funding. Implications: Additional disclosures may be required if contingent assets exist.
PS 2200 Related Party Disclosures	This standard relates to related party disclosures and defines related parties. Related parties could be either an entity or an individual. Related parties exist when one party has the ability to control or has shared control over another party. Individuals that are key management personnel or close family members may also be related parties. Disclosure is only required when the transactions or events between related parties occur at a value different from what would have been recorded if they were not related and the transactions could have a material financial impact on the financial statements. Material financial impact would be based on an assessment of the terms and conditions underlying the transaction, the financial materiality of the transaction, the relevance of the information and the need for the information to enable the users to understand the financial statements and make comparisons. This standard also specifies the information required to be disclosed including the type of transactions, amounts classified by financial statement category, the basis of measurement, and the amounts of any outstanding items, any contractual obligations and any contingent liabilities. The standard also requires disclosure of related party transactions that have occurred where no amounts has been recognized. This standard is effective for fiscal periods beginning on or after April 1, 2017 (the CCAC's March 31, 2018 year-end). Implications: Related parties will have to be identified. Additional disclosures may be required with respect to transactions with related parties.
PS 3420 Inter-entity Transactions	This standard relates to the measurement of transactions between public sector entities that comprise the government's reporting entity. Transactions are recorded at carrying amounts with the exception of the following:

	– In the normal course of business – use exchange amount – Fair value consideration – use exchange amount – No or nominal amount – provider to use carrying amount; recipient choice of either carrying amount or value fair. – Cost allocation – use exchange amount This standard is effective for fiscal periods beginning on or after April 1, 2018 (the CCAC's March 31, 2018 year-end). Implications: The CCAC will have to identify these transactions and determine if they have been measured at the carrying amount if required.
Financial Instruments	A standard has been issued, establishing a standard on accounting for and reporting all types of financial instruments including derivatives. The effective date of this standard has recently been deferred and it is now effective for fiscal periods beginning on or after April 1, 2019 (the CCAC's March 31, 2018 year-end). Implications: This standard will require the CCAC to identify any contracts that have embedded derivatives and recognize these on the statement of financial position at fair value. Portfolio investments in equity instruments are required to be recorded at fair value. Changes in fair value will be reported in a new financial statement – statement of re-measurement gains and losses. This standard sets out a number of disclosures in the financial statements designed to give the user an understanding of the significance of financial instruments to the CCAC. These disclosures include classes of financial instruments and qualitative and quantitative risk disclosures describing the nature and extent of risk by type. The risks to be considered include credit, currency, interest rate, liquidity, and market risk.

Hamilton Niagara Haldimand Brant

CCAC CASC

Community Care Access Centre

Centre d'accès aux soins communautaires

Financial Statements of

HAMILTON NIAGARA HALDIMAND BRANT COMMUNITY CARE ACCESS CENTRE

Period ended May 9, 2017

KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Directors of Hamilton Niagara Haldimand Brant Community Care Access Centre

We have audited the accompanying financial statements of Hamilton Niagara Haldimand Brant Community Care Access Centre, which comprise the statements of financial position as at May 9, 2017 and the statements of operations, changes in deficit and cash flows for the period 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.

Auditor's 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 the auditor's 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, the auditor considers 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 Hamilton Niagara Haldimand Brant Community Care Access Centre, as at May 9, 2017, and the results of its operations, changes in deficit and its cash flows for the period then ended, and the remeasurement gains and losses for the period ended May 9, 2017 in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

June 28, 2017
Hamilton, Canada

HAMILTON NIAGARA HALDIMAND BRANT COMMUNITY CARE ACCESS CENTRE

Statement of Financial Position

May 9, 2017, with comparative information for March 31, 2017

	May 9, 2017	March 31, 2017
Assets		
Current assets:		
Cash	$ 13,701,728	$ 11,024,581
Accounts receivable	5,190,870	8,305,906
Prepaid expenses	1,270,171	1,176,605
Total current assets	20,162,769	20,507,092
Capital assets (note 2)	1,727,406	1,757,034
Total assets	$ 21,890,175	$ 22,264,126
Liabilities and Deficit		
Current liabilities:		
Accounts payable and accrued liabilities (note 3)	$ 13,821,407	$ 20,022,509
Due to MOHLTC/LHIN	100,100	100,100
Deferred operating contributions (note 4)	6,527,058	384,483
	20,448,565	20,507,092
Deferred capital contributions (note 5)	1,727,406	1,757,034
Accrued non-vested sick benefits (note 6)	3,471,014	3,471,014
	25,646,985	25,735,140
Deficit	(3,756,810)	(3,471,014)
Commitments and contingencies (note 9)		
	$ 21,890,175	$ 22,264,126

See accompanying notes to financial statements.

On behalf of the Board:

_______________________________________ Chair

HAMILTON NIAGARA HALDIMAND BRANT COMMUNITY CARE ACCESS CENTRE

Statement of Operations

Period ended May 9, 2017, with comparative information for the year ended March 31, 2017

	May 9, 2017	March 31, 2017
Revenues:		
MOHLTC/LHIN (note 10)	$ 35,182,419	$ 329,239,771
Interest income	7,499	35,543
Miscellaneous income	98,884	1,614,483
Amortization of deferred capital contributions	29,628	400,000
	35,318,430	331,289,797
Expenses:		
Patient care services	24,563,846	222,547,647
Patient care medical supplies and equipment	1,867,940	18,415,676
Salaries and benefits	8,336,663	79,062,897
Other expenses	806,149	10,863,577
Amortization of capital assets	29,628	400,000
	35,604,226	331,289,797
Excess of expenses over revenues before the undernoted	(285,796)	-
Accrued non-vested sick benefits (note 6)	-	(88,868)
Excess of expenses over revenues (note 7)	$ (285,796)	$ (88,868)

See accompanying notes to financial statements

HAMILTON NIAGARA HALDIMAND BRANT COMMUNITY CARE ACCESS CENTRE

Statement of Changes in Deficit

Period ended May 9, 2017, with comparative information for the year ended March 31, 2017

	May 9, 2017	March 31, 2017
Deficit, beginning of period	$ (3,471,014)	$ (3,382,146)
Excess of expenses over revenues	(285,796)	(88,868)
Deficit, end of period	$ (3,756,810)	$ (3,471,014)

See accompanying notes to financial statements.

HAMILTON NIAGARA HALDIMAND BRANT COMMUNITY CARE ACCESS CENTRE

Statement of Cash Flows

Period ended May 9, 2017, with comparative information for the year ended March 31, 2017

	May 9, 2017	March 31, 2017
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses	$ (285,796)	$ (88,868)
Items not involving cash:		
Amortization of capital assets	29,628	400,000
Amortization of deferred capital contributions	(29,628)	(400,000)
Change in accrued non-vested sick benefits	-	88,868
Change in non-cash working capital (note 11)	2,962,943	2,180,286
	2,677,147	2,180,286
Capital activities:		
Purchase of capital assets	-	(48,145)
Amounts funded by deferred capital contributions	-	48,145
	-	-
Increase in cash	2,677,147	2,180,286
Cash, beginning of period	11,024,581	8,844,295
Cash, end of period	$ 13,701,728	$ 11,024,581

See accompanying notes to the financial statements.

The Hamilton Niagara Haldimand Brant Community Care Access Centre (the "Centre") provides a single point of access to information, co-ordinated health care and support services, long-term care placement and monitoring of the provision of these services, through case management, to the residents of Hamilton, Niagara, Haldimand-Norfolk, Brant and Burlington and their caregivers. The various co-ordinated services include nursing, occupational therapy, social work, speech-language pathology, physiotherapy, nutrition counseling, and personal support services. The Centre is a registered charity within the meaning of Income Tax Act (Canada) and, as such, is exempt from income taxes.

On December 8, 2016, Ontario Bill 41, the *Patients First Act, 2016*, received Royal Ascent which repealed the Community Care Access Corporation Act, 2001 and made significant amendments to the Local Health System Integration Act, 2006 as well as various other statutes. As a result of these changes in legislation, all of the employees, assets, liabilities, rights and obligations of the Ontario Community Care Access centres were transferred to Local Health Integration Networks within the same geographic boundaries. This transfer was ordered on April 7, 2017 and was effective May 10, 2017 for the Centre. As a result, these financial statements have been prepared for the Centre for the period of April 1, 2017 to May 9, 2017. Effective May 10, 2017, the operations of the Centre will be included in the Hamilton Niagara Haldimand Brant Local Health Integration Network.

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 Ministry of Health and Long-Term Care/Hamilton Niagara Haldimand Brant Local Health Integration Network (the "MOHLTC/LHIN") 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.

1. Significant accounting policies (continued):

(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
Furniture and fixtures	5 to 10 years
Computer equipment and software	3 years
Leasehold improvements	Over the remaining lease term
Medical equipment	3 to 10 years

(d) Deferred capital contributions:

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

(e) Pension plan:

Substantially all of the employees of the Centre are eligible to be members of the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer, defined benefit, final average earnings, contributory pension plan. As HOOPP's assets and liabilities are not segmented by participating employer, the Centre accounts for its HOOPP obligation on a cash basis (as a defined contribution plan).

(f) Accrued non-vested sick benefits:

The Centre provides a sick leave benefit plan to all permanent employees and accrues it obligations as the employees render the service necessary to earn the benefits. The actuarial determination of the accrued benefit obligation uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, 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. The accrued benefit obligation is equal to the present value of the cost of sick leave credits accumulated to date that are expected to be used in the future in excess of the current yearly allotment of 18 days.

The current service costs for a particular period is equal to the actuarial present value of the cost of sick leave credits earned in the year that are expected to be used in the future in excess of the yearly allotment.

1. Significant accounting policies (continued):

(f) Accrued non-vested sick benefits (continued):

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. Any gains or losses are amortized over the estimated average remaining service life of the employees. The most recent actuarial evaluation of the sick leave plan was as of March 31, 2015.

(g) Use of estimates:

The preparation of financial statements 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 date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets, and obligations related to accrued non-vested sick benefits. Actual results could differ from those estimates.

(h) Financial instruments:

Financial instruments are initially recorded on the statement of financial position at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. Management has elected to record assets at fair value as they are managed and evaluated on a fair value basis.

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

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Centre determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Centre expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

1. Significant accounting policies (continued):

(h) Financial instruments (continued):

The Standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 – Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

2. Capital assets:

May 9, 2017	Cost	Accumulated amortization	Net book value
Furniture and fixtures	$ 5,932,709	$ 5,798,872	$ 133,837
Computer equipment and software	278,311	257,704	20,607
Leasehold improvements	5,203,919	3,630,957	1,572,962
	$ 11,414,939	$ 9,687,533	$ 1,727,406

March 31, 2017	Cost	Accumulated amortization	Net book value
Furniture and fixtures	$ 5,932,709	$ 5,788,590	$ 144,119
Computer equipment and software	278,311	257,114	21,197
Leasehold improvements	5,203,919	3,612,201	1,591,718
	$ 11,414,939	$ 9,657,905	$ 1,757,034

3. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances payable of $1,652,186 (March 31, 2017 - $2,959,601), which included amounts payable for payroll related taxes.

During the normal course of operation, the CCAC is involved in certain employment related matters and has recorded accruals based on management's estimate of potential settlement amounts where these amounts are reasonably determinable.

4. Deferred operating contributions:

Deferred operating contributions represent the unamortized amount of grants and other contributions received to fund expenditures of future periods. BTI equipment leases represent the unamortized amount of grants received for the payment of computer leases under the Base Technology Infrastructure Project.

	May 9, 2017	March 31, 2017
MOHLTC/LHIN BTI equipment leases	$ 276,868	$ 329,152
MOHLTC/LHIN operating	5,812,824	14,943
Other	437,366	40,388
	$ 6,527,058	$ 384,483

During 2016/17, donations were received from various estates which are to be used for specific operating purposes. The amount of the donations was $40,388 which has been grouped into the Other category above.

5. 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.

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

	May 9, 2017	March 31, 2017
Balance, beginning of period	$ 1,757,034	$ 2,108,889
Add: cash contributions received from the MOHLTC/LHIN for capital purposes	-	48,145
Less: amortization of deferred capital contributions	(29,628)	(400,000)
Balance, end of period	$ 1,727,406	$ 1,757,034

6. Accrued non-vested sick benefits

All permanent full-time and part-time employees are credited with 1.5 days per month for use as paid absences in the year, due to illness or injury. Employees are allowed to accumulate unused sick day credits each year, up to a maximum of 130 days for unionized employees and 120 days for non union employees. Accumulated credits may be used in future years if the employee's illness or injury exceeds the annual allocation of credits. Employees are not entitled to any cash payment upon retirement.

The Centre has accrued for sick leave that accumulates but does not vest. The accrued benefit obligation is equal to the actuarial present value of the cost of sick leave credits accumulated to date that are expected to be used in the future in excess of the current yearly allotment.

The current service cost for a particular period is equal to the actuarial present value of the cost of sick leave credits earned in the year that are expected to be used in the future in excess of the yearly allotment. These actuarial valuations were based on assumptions about future events.

6. Accrued non-vested sick benefits (continued):

The significant assumptions used are as follows:

	May 9, 2017	March 31, 2017
Discount rate	3.56%	3.56%
Rate of compensation/inflation increases	2.5%	2.5%

Accrued benefit liability:	May 9, 2017	March 31, 2017
Accrued benefit obligation, beginning of period	$ 3,359,024	$ 3,318,548
Change in obligation on revaluation:		
Benefit cost	-	467,678
Interest cost	-	117,050
Actuarial gain	-	(44,329)
Less: benefits paid	-	(499,923)
Accrued benefit obligation, end of period	3,359,024	3,359,024
Unamortized actuarial gains	111,990	111,990
	$ 3,471,014	$ 3,471,014

Accrued non-vested sick benefits expense:	Period ended May 9, 2017	Year ended March 31, 2017
Benefit cost	$ -	$ 467,678
Interest on accrued benefit obligation	-	117,050
Amortization of actuarial loss	-	4,063
Accrued non-vested sick benefits expense	-	588,791
Less: total payments made during the period	-	(499,923)
	$ -	$ 88,868

7. Period end financial position:

In fiscal 2016/17, the Centre incurred a deficit of $88,868 as a result of the non-vested sick benefits being excluded from funding by the MOHLTC/LHIN through the Community Financial Policy (2011). This policy is required to be followed under the Multi-sector Service Accountability Agreement. The agreement is signed by the LHIN and the CCAC.

The Centre's deficit at May 9, 2017 is a result of greater than planned growth in demand for patient services. As required by the MOHLTC, the financial position of the CCAC at the end of the stub period is carried into the HNHB LHIN upon its Transition Day of May 10, 2017. The LHIN must then manage this deficit throughout the rest of the fiscal year. At the end of the next fiscal year (ie, March 31, 2018), any net surpluses will be recovered and any net deficits will not be funded by the MOHLTC.

8. Pension expense:

The most recent actuarial valuation of HOOPP was done December 31, 2015. As at December 31, 2016, their financial report indicates that the plan is fully funded with assets exceeding its liabilities by 22%.

The Centre's contributions to HOOPP during the period amounted to $514,357 (year ended March 31, 2017 - $5,559,469) and are included in salaries and benefits expense in the statement of operations.

9. Commitments and contingencies:

(a) The Centre has access to a line of credit in the amount of $20.1 million. The line of credit bears interest at Royal Bank prime less 0.50% on any outstanding balance greater than $10,000. As at May 9, 2017, the Centre has not drawn on this line of credit.

(b) The Centre participates 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. At May 9, 2017, the Centre has not been made aware of any additional assessments.

(c) The Centre is committed to the following operating lease payments through 2022 for the operating location and office and computer equipment in the amount of $11,050,747. Annual payments for the next five years are as follows:

2018	$ 2,286,117
2019	2,358,763
2020	2,217,379
2021	2,158,229
2022	2,030,259
	$ 11,050,747

10. MOHLTC/LHIN:

	Period ended May 9, 2017	Year ended March 31, 2017
Base budget	$ 32,944,452	$ 303,456,450
One-time funding	2,184,727	25,416,182
Deferred operating contributions - programs at beginning of year	328,510	310,934
Base Technology Infrastructure Project (BTI) and other funding	957	532,960
	35,458,646	329,716,526
Deduct:		
Due to MOHLTC/LHIN for the year ended March 31:		
Operating	-	4,825
Project funding	-	95,275
	-	100,100
Deferred operating contributions - programs at end of year	276,227	328,510
Amounts received for capital assets from deferred capital contributions	-	48,145
	-	376,655
	$ 35,182,419	$ 329,239,771

11. Change in non-cash operating working capital:

The net change in non-cash working capital balances related to operations consists of the following:

	Period ended May 9, 2017	Year ended March 31, 2017
Accounts receivable	$ 3,115,036	$ 931,933
Prepaid expenses	(93,566)	(436,986)
Accounts payable and accrued liabilities	(6,201,102)	1,934,494
Due to MOHLTC/LHIN	-	(197,460)
Deferred operating contributions	6,142,575	(51,695)
	$ 2,962,943	$ 2,180,286

12. Financial risks:

(a) Credit, interest rate and market risk:

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

(b) Liquidity risk:

Liquidity risk is the risk 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. There have been no changes to the risk exposures from the year ended March 31, 2017.