Grant Thornton

Financial Statements

Occupational Health Clinics for Ontario Workers Inc.

March 31, 2015

Contents

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Independent Auditor's Report

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To the Directors of
Occupational Health Clinics for Ontario Workers Inc.

We have audited the accompanying financial statements of **Occupational Health Clinics for Ontario Workers Inc.,** which comprise the statement of financial position as at March 31, 2015 and the statements of operations, changes in net assets and cash flows for the year then ended and 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 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.

Auditor's 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 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 **Occupational Health Clinics for Ontario Workers Inc.** as at March 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other matter

Our audit was conducted for the purposes of forming an opinion on the financial statements taken as a whole. The schedule of revenue and expenses on page 14 is presented for purposes of additional information and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied only to the extent necessary to express an opinion in the audit of the financial statements taken as a whole.

Grant Thornton LLP

Toronto, Canada
June 23, 2015

Chartered Accountants
Licensed Public Accountants

Occupational Health Clinics for Ontario Workers Inc.

Statement of Operations

Year ended March 31	2015	2014 (Restated see Note 3)
Revenue		
Ministry of Labour		
Operational funding	**$ 7,083,449**	$ 7,037,919
Other program funding		
Services agreement	**55,743**	57,682
Occupational Health and Exposure Program	**67,780**	41,949
Occupational Disease Project	**10,772**	-
Other revenue		
Interest	**74,670**	80,528
Other revenue	**17,926**	4,968
Amortization of deferred revenue – capital assets (Note 8)	**15,410**	7,705
Recoveries – Conferences	**11,734**	-
Recoveries – Safety products	**-**	1,913
	7,337,484	7,232,664
Expenses		
Salaries – Other operations/support	**2,880,551**	2,793,269
Employee benefits	**1,019,720**	960,229
Doctors expenses	**883,214**	1,015,789
Occupancy	**699,347**	696,520
Salaries – Management	**636,979**	724,531
Professional services	**122,980**	35,458
Internet	**99,103**	80,515
Supplies and services	**95,753**	138,881
Employee future benefits	**95,000**	80,600
Other business expenses	**78,189**	82,006
Travel – Field consultants/trainers	**73,026**	87,342
Occupational Health and Exposure Program	**67,780**	41,949
Windsor Occupational Health Information Service	**65,004**	65,004
Telecommunications	**57,894**	65,541
Hardware	**55,434**	70,636
Services agreement	**55,743**	57,682
Other personnel costs	**52,688**	65,152
Equipment and maintenance	**39,400**	65,204
Other insurance	**38,611**	39,644
Legal	**34,220**	24,718
Audit	**33,802**	25,465
Board of Director expenses	**26,713**	7,784
Advertising and promotion	**21,871**	9,239
Vehicle expenses	**17,475**	10,920
Maintenance	**15,782**	5,909
Amortization	**15,410**	8,953
Postage, courier and freight	**15,217**	19,470
Software	**12,663**	17,586
Finance charges and bad debts	**11,200**	12,433
Occupational Disease Project	**10,772**	-
Subscriptions and library costs	**9,619**	12,538
Licensing	**8,707**	-
Travel – Other	**21**	1,555
	7,349,888	7,322,522
Deficiency of revenue over expenses	**$ (12,404)**	$ (89,858)

See accompanying notes to the financial statements.

Occupational Health Clinics for Ontario Workers Inc.
Statement of Changes in Net Assets
Year ended March 31

	Unrestricted	Invested in capital assets	Internally Restricted - severance reserve	Deferred benefit remeasurement	**2015 Total**	2014 Total
Balance, beginning of year	$ 282,566	$ -	$ 853,661	$ **-**	**$ 1,136,227**	$ 1,226,085
Change in accounting policy (Note 3)	-	-	-	(21,900)	**(21,900)**	103,000
Fund balances, beginning of year, as restated	282,566	-	853,661	(21,900)	**1,114,327**	1,329,085
Deficiency of revenue over expenses	(12,404)	-	-	-	**(12,404)**	(89,858)
Amortization of capital assets	15,410	(15,410)	-	-	**-**	-
Recognition of capital assets (Note 8)	(15,410)	15,410	-	-	**-**	-
Remeasurements and other items (Note 9)	-	-	-	(219,700)	**(219,700)**	(124,900)
Severance payments made	67,804	-	(67,804)	-	**-**	-
Adjustment to severance reserve	(39,856)	-	39,856	-	**-**	-
Balance, end of year	$ 298,110	$ -	$ 825,713	$ (241,600)	**$ 882,223**	$ 1,114,327

See accompanying notes to the financial statements.

Occupational Health Clinics for Ontario Workers Inc.
Statement of Financial Position

As at March 31		2015		2014 (Restated see Note 3)
Assets				
Current				
Cash	$	304,866	$	427,603
Investments (Note 4)		400,082		-
Accounts receivable (Note 5)		113,888		151,366
Prepaids		41,580		72,832
		860,416		651,801
Investments (Note 4)		2,456,081		2,786,647
Capital assets (Note 6)		23,118		38,528
	$	3,339,615	$	3,476,976
Liabilities				
Current				
Payables and accruals	$	485,964	$	649,239
Deferred revenue (Note 7)		76,210		86,982
		562,174		736,221
Deferred revenue – capital assets (Note 8)		23,118		38,528
Deferred benefit obligation (Note 3 and 9)		1,872,100		1,587,900
		2,457,392		2,362,649
Net Assets				
Unrestricted		298,110		282,566
Deferred benefit remeasurement		(241,600)		(21,900)
Internally restricted - severance reserve		825,713		853,661
		882,223		1,114,327
	$	3,339,615	$	3,476,976

Commitments (Note 10)

On behalf of the Board of Directors

David J. Chezzi Director

Director

See accompanying notes to the financial statements.

Occupational Health Clinics for Ontario Workers Inc.

Statement of Cash Flows

Year ended March 31		2015		2014 (Restated see Note 3)
Increase (decrease) in cash				
Operating activities				
Deficiency of revenue over expenses	**$**	**(12,404)**	$	(89,858)
Items not affecting cash				
Amortization of capital assets		**15,410**		8,953
Amortization of deferred revenue - capital assets		**(15,410)**		(7,705)
Non-cash portion of deferred benefit obligation		**95,000**		80,600
		82,596		(8,010)
Changes in non-cash operating working capital				
Accounts receivable		**37,478**		57,477
Prepaids		**31,252**		(39,338)
Payables and accruals		**(163,275)**		26,754
Deferred revenue		**(10,772)**		(1,204)
		(22,721)		35,679
Investing activities				
Interest receivable on investments		**(69,516)**		-
Benefit payments made		**(30,500)**		(31,300)
Purchase of capital assets		**-**		(46,233)
Proceeds from maturity of investments		**-**		1,013,881
Purchase of investments		**-**		(1,673,400)
		(100,016)		(737,052)
Financing activities				
Deferred revenue – capital assets		**-**		46,233
Decrease in cash		**(122,737)**		(655,140)
Cash, beginning of year		**427,603**		1,082,743
Cash, end of year	**$**	**(304,866)**	$	427,603

See accompanying notes to the financial statements.

1. Description of operations

Occupational Health Clinics for Ontario Workers Inc. (the "Clinics" or "Organization") is a network of inter-disciplinary occupational health clinics in Ontario. The Clinics provide clinical services to workers and groups of workers; prevention services to workers, unions, employers and workplaces; carries out participatory research and prevention tool development; and engages in knowledge transfer and exchange with workplace parties and the community.

The Clinics are designated to carry out this role under the Occupational Health & Safety Act and are primarily funded by the Province of Ontario through the Ministry of Labour through annual funding agreements.

As a not-for-profit organization, the Clinics are not taxable under the Income Tax Act (Canada). As is common with other not-for-profit organizations, the Clinics are economically dependent on the continued financial support from the government to meet its ongoing commitments.

2. Summary of significant accounting policies

Basis of presentation

The Clinics have prepared these financial statements in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO).

Revenue recognition

The Clinics follow the deferral method of accounting for contributions. Restricted contributions, if any, are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Capital assets

Capital assets are stated at cost less accumulated amortization. Amortization is provided in the accounts on a straight line basis at the following annual rate:

Computer software	-	33 1/3%
Computer hardware	-	33 1/3%
Office equipment	-	20%
Medical equipment	-	10%

In the year of acquisition and disposition, the Clinics record amortization at half the above rates. The Clinics review long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of the asset may not be recoverable and exceeds its fair value. The impairment loss, if any, is the excess of carrying value over fair value.

2. Summary of significant accounting policies (continued)

Deferred benefit obligation

The Clinics accrue obligations under employee benefit plans as the benefits are earned through employee service.

The post-retirement benefits earned by employees are actuarially determined using the projected unit credit actuarial cost method, prorated on service and management's best estimate of salary escalation, retirement ages of employees and expected health care costs.

The current service cost and finance cost related to the plan are expensed in the statement of operations each period. Remeasurements and other items for the period, which include actuarial gains and losses, past service costs and gains and losses arising from any settlements and curtailments are recorded directly in the statement of changes in net assets rather than the statement of operations.

Financial Instruments

Initial measurement
The Clinics' financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

Subsequent measurement
At each reporting date, the Clinics measure its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial assets), except for equities quoted in an active market, which must be measured at fair value. The financial instruments measured at amortized cost are cash, short and long term investment in guaranteed investment certificates, accounts receivable, and payables and accruals.

For financial assets measured at cost or amortized cost, the Clinics regularly assess whether there are any indications of impairment. If there is an indication of impairment, and the Clinics determine that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

2. Summary of significant accounting policies (continued)

Use of estimates

Management reviews the carrying amounts of items in the financial statements at each year end date to assess the need for revision or any possibility of impairment. Many items in the preparation of these financial statements require management's best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. These estimates are reviewed periodically and adjustments are made to deficiency of revenue over expenses as appropriate in the year they become known.

Items subject to significant management estimates include allowance for doubtful accounts and deferred benefit obligation.

Internally restricted - severance reserve

By resolution of the Board of Directors, the Clinics have provided a reserve in respect of the expected cost of employee severance. Annual estimated severance entitlements are charged to expenses as they are earned by employees through service and a corresponding transfer is made to the reserve. Concurrently, investments in respect of this reserve have been internally restricted, as discussed in Note 4.

3. Change in accounting policy

Effective April 1, 2014, the Organization retrospectively adopted the new accounting standards for employee future benefits, Section 3463 – *Reporting employee future benefits by not-for-profit organizations* and Section 3462 – *Employee Future Benefits.* The most significant impact is that the deferred benefit obligation reflects the plan deficit and does not reflect the deferral of actuarial gains and losses previously deferred and amortized over the estimated average remaining life of the benefit group.

This change in accounting policy was applied retrospectively and the figures for 2014 have been restated as follows:

March 31, 2014		Previously Reported	Adjustments		Restated
Statement of Financial Position					
Deferred benefit obligation	$	1,566,000	21,900	$	1,587,900
Deferred benefit remeasurement	$	-	(21,900)		(21,900)
Statement of Changes in Net Assets					
Deferred benefit remeasurement	$	-	21,900	$	21,900
Statement of Cash Flows					
Operating activities					
Non-cash portion of deferred benefit obligation	$	49,300	31,300	$	80,600
Investing activities					
Benefit payments made	$	-	(31,300)	$	(31,300)

4. Investments

	2015	2014 (Restated see Note 3)
Guaranteed Investment Certificates as follows:		
Interest at 3.17%, maturing December 21, 2015	**$ 400,082**	$ 387,789
Interest at 2.20%, maturing September 20, 2016	**1,654,222**	1,618,612
Interest at 2.77%, maturing October 26, 2016	**801,859**	780,246
	2,856,163	2,786,647
Less current portion	**400,082**	-
	$ 2,456,081	$ 2,786,647

The Clinics have internally restricted the investments above and a portion of the cash for the following obligations and reserve balances:

	2015	2014 (Restated see Note 3)
Employee future benefit obligation (Note 9)	**$ 1,872,100**	$ 1,587,900
Severance reserve	**825,713**	853,661
	$ 2,697,813	$ 2,441,561

5. Accounts receivable

Included in accounts receivable are government HST/GST remittances recoverable of $93,137 (2014 - $91,511).

6. Capital assets

	Cost	Accumulated Amortization	2015 Net Book Value	2014 Net Book Value (Restated see Note 3)
Computer hardware	$ 46,232	$ (23,114)	**$ 23,118**	$ 38,528

7. Deferred revenue

	Thunder Bay Funding	Other	**2015 Total**	2014 Total (Restated see Note 3)
Balance, beginning of year	$ 62,283	$ 24,699	**$ 86,982**	$ 88,186
Funds received	-	-	**-**	250,000
Less: revenue recognized during year	-	(10,772)	**(10,772)**	(251,204)
Balance, end of year	$ 62,283	$ 13,927	**$ 76,210**	$ 86,982

8. Deferred revenue – capital assets

	2015	2014 (Restated see Note 3)
Balance, beginning of year	**$ 38,528**	$ -
Funding received for capital assets	**-**	46,233
Less: revenue recognized during year	**(15,410)**	(7,705)
Balance, end of year	**$ 23,118**	$ 38,528

9. Deferred benefit obligation

The Clinics provide health care, hospitalization, vision care, dental and life insurance benefits to employees. The Clinics measure its deferred benefit obligation for accounting purposes as at March 31, 2015.

Details of the deferred benefit obligation are as follows:

	2015	2014 (Restated see Note 3)
Deferred benefit obligation, beginning of year	**$ 1,587,900**	$ 1,413,700
Current service cost	**23,300**	21,500
Interest cost on obligation	**71,700**	59,100
Benefits paid	**(30,500)**	(31,300)
Actuarial loss	**219,700**	124,900
Deferred benefit obligation, end of year	**$ 1,872,100**	$ 1,587,900

9. Deferred benefit obligation (continued)

The benefit expense for the year is determined as follows:

		2015		2014 (Restated see Note 3)
Current service cost	**$**	**23,300**	$	21,500
Interest cost on obligation		**71,700**		59,100
Benefit expense	**$**	**95,000**	$	80,600

The significant actuarial assumptions adopted in estimating the Clinics' deferred benefit obligation were as follows:

Discount rate - 3.7% (2014 – 4.5%)

Medical benefits cost escalation
- Supplementary hospital - 15.0% per annum for 4 years then gradually to 4.5% over 10 years
- Extended health care - 15.0% per annum for 4 years then gradually to 4.5% over 10 years
- Other health care - 15.0% per annum for 4 years then gradually to 4.5% over 10 years
- Prescription drugs - 15.0% per annum for 4 years then gradually to 4.5% over 10 years
- Dental care - 4.5 % per annum

Investments and cash have been internally restricted by the Board of Directors to fund the balance of the deferred benefit obligation in the amount of $1,872,100 (2014 – $1,587,900), as discussed in Note 4.

10. Lease commitments

At March 31, 2015, minimum payments under operating leases for rental of premises and equipment over the next five fiscal years approximate the following:

2016	$	433,000
2017		403,000
2018		316,000
2019		175,000
2020		124,000
2021		20,000
	$	1,471,000

11. Financial instruments

The main risks the Clinics are exposed to through its financial instruments are credit risk, interest risk and liquidity risk. There were no significant changes in exposure from the prior year.

Credit risk
The Clinics have determined that the financial assets with credit risk exposure are accounts receivable since failure of any of these parties to fulfill their obligations could result in significant financial losses for the Clinics. At March 31, 2015, the allowance for doubtful accounts is $Nil (2014 - $Nil). The Clinics are also exposed to concentration risk in that all of its cash and investments are held with one financial institution and the balances held are in excess of Canadian Deposit Insurance Corporation Limits.

Interest rate risk
Interest rate price risk is the risk that the fair value of an interest bearing financial instrument will fluctuate because of market changes in interest rates. The Clinics are exposed to interest rate risk with respect to investments that bear interest at a fixed rate.

Liquidity risk
Liquidity risk is the risk that the Clinics will encounter difficulty in meeting obligations associated with its financial liabilities. The Clinic is, therefore, exposed to liquidity risk with respect to its accounts payable.

12. Comparative amounts

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the 2015 financial statements.

Occupational Health Clinics for Ontario Workers Inc.

Schedule of Revenue and Expenses

Year ended March 31, 2015

	Clinical Services	Corporate Services	Non MOL	Total
Revenue				
Ministry of Labour				
Operational funding	$ 6,141,189	$ 942,260	$ -	**$ 7,083,449**
Other program funding				
Service agreement	-	-	55,743	**55,743**
Occupational Health and Exposure Program Project	-	-	67,780	**67,780**
Occupational Disease Project	-	-	10,772	**10,772**
Other revenue				
Interest	-	74,670	-	**74,670**
Amortization of deferred revenue – capital assets (Note 8)	13,074	2,336	-	**15,410**
Other revenue	17,926	-	-	**17,926**
Conference revenue	-	11,734	-	**11,734**
	6,172,189	1,031,000	134,295	**7,337,484**
Expenses				
Salaries and wages	3,028,755	488,775	-	**3,517,530**
Benefits				
Employee benefits	915,112	157,296	-	**1,072,408**
Employee future benefits	76,000	19,000	-	**95,000**
Other direct operating expenses				
Travel (Including Board expenses)	90,909	28,785	-	**119,694**
Advertising and promotion	18,740	3,131	-	**21,871**
Occupancy and rental	616,037	83,310	-	**699,347**
Other program expenses	165,018	52,865	134,295	**352,178**
IT costs	142,046	49,643	-	**191,689**
Consulting and professional fees	1,059,826	79,394	-	**1,139,220**
Other business expenses	49,005	26,725	-	**75,730**
Other expenses	32,075	17,736	-	**49,811**
Amortization	13,074	2,336	-	**15,410**
	6,206,597	1,008,996	134,295	**7,349,888**
(Deficiency) excess of revenue over expenses	$ (34,408)	$ 22,004	$ -	**$ (12,404)**

In accordance with the Ministry of Labor Transfer Payment Agreement, the above schedule of revenue and expenses is grouped and presented in accordance with the programs delivered.