

Ontario Telemedicine Network

Financial statements

March 31, 2020



Independent auditor's report

To the Members of
Ontario Telemedicine Network

Opinion

We have audited the financial statements of **Ontario Telemedicine Network** ["OTN"] which comprise the balance sheet as at March 31, 2020 and the statement of operations and changes in unrestricted net assets, statement of changes in net assets and statement of 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 OTN 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 OTN 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.

Emphasis of matter – transfer of Ontario Telemedicine Network assets and liabilities to Ontario Health

We draw attention to note 1 in the financial statements, which describes the transfer of the assets and liabilities of OTN to the Ontario Health Agency effective April 1, 2020. OTN was dissolved on April 1, 2020 in accordance with the Order to Dissolve issued by the Minister of Health in accordance with the *Connecting Care Act*. Our opinion is not modified in respect to this matter.

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 OTN'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 OTN or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing OTN'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 OTN'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 OTN'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 OTN 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.

Toronto, Canada
June 24, 2020

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants



Ontario Telemedicine Network

Balance sheet

As at March 31

	2020	2019
	\$	\$
Assets		
Current		
Cash	9,205,836	11,882,398
Accounts and grants receivable [note 4]	2,002,506	1,821,770
Equipment held for members [note 5]	74,446	278,142
Prepaid expenses	824,645	898,272
Total current assets	12,107,433	14,880,582
Capital assets, net [note 6]	1,927,373	2,246,104
	14,034,806	17,126,686
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities [note 7]	4,272,342	4,774,525
Deferred revenue [note 8]	7,630,106	5,787,185
Current portion of deferred lease inducements [note 9]	66,392	34,296
Deferred grants for equipment held for members [note 10]	74,446	278,142
Total current liabilities	12,043,286	10,874,148
Deferred lease inducements [note 9]	519,337	617,825
Deferred capital contributions [note 11]	1,291,835	1,603,982
Total liabilities	13,854,458	13,095,955
Contingent liabilities, commitments, guarantees and indemnities [notes 15, 16 and 19]		
Net assets		
Internally restricted [note 12]	4,813	1,514,759
Unrestricted	175,535	2,515,972
Total net assets	180,348	4,030,731
	14,034,806	17,126,686

See accompanying notes

On behalf of the Board:



Director



Director

Ontario Telemedicine Network

Statement of operations and changes in unrestricted net assets

Year ended March 31

	2020	2019
	\$	\$
Revenue <i>[note 21]</i>		
Ministry of Health		
Base funding	21,861,070	22,675,035
One-time funding	9,372,259	15,238,977
Canada Health Infoway	363,648	552,708
Other grants and income	909,937	1,723,564
Amortization of deferred capital contributions <i>[note 11]</i>	392,005	419,967
Other revenue <i>[note 13]</i>	4,209,130	3,806,949
	37,108,049	44,417,200
Operating expenses <i>[note 21]</i>		
Salaries and benefits <i>[note 14]</i>	27,604,808	28,964,747
Consulting and contractor fees	1,579,867	2,161,202
Administration [including business support]	1,589,981	2,667,602
Amortization of capital assets	398,589	469,467
Communications	96,338	424,234
Facilities and maintenance <i>[notes 9 and 16]</i>	1,839,810	1,563,315
Supplies <i>[note 5]</i>	3,573,148	3,963,657
Telecommunications	521,439	2,025,498
Warranty, software licenses, support and maintenance	3,754,452	3,814,471
	40,958,432	46,054,193
Deficiency of revenue over expenses for the year	(3,850,383)	(1,636,993)
Unrestricted net assets, beginning of year	2,515,972	2,327,561
Interfund transfers <i>[note 12]</i>	1,509,946	1,825,404
Unrestricted net assets, end of year	175,535	2,515,972

See accompanying notes

Ontario Telemedicine Network

Statement of changes in net assets

Year ended March 31

	Internally restricted	Unrestricted	2020	2019
	\$	\$	\$	\$
	<i>[note 12]</i>			
Balance, beginning of year	1,514,759	2,515,972	4,030,731	5,667,724
Deficiency of revenue over expenses for the year	—	(3,850,383)	(3,850,383)	(1,636,993)
Interfund transfers <i>[note 12]</i>	(1,509,946)	1,509,946	—	—
Balance, end of year	4,813	175,535	180,348	4,030,731

See accompanying notes

Ontario Telemedicine Network

Statement of cash flows

Year ended March 31

	2020	2019
	\$	\$
Operating activities		
Deficiency of revenue over expenses for the year	(3,850,383)	(1,636,993)
Add (deduct) items not involving cash		
Amortization of capital assets	398,589	469,467
Amortization of deferred capital contributions	(392,005)	(419,967)
Amortization of lease inducements	(66,392)	(56,167)
	<u>(3,910,191)</u>	<u>(1,643,660)</u>
Changes in non-cash working capital balances related to operations		
Accounts and grants receivable	(180,736)	802,395
Equipment held for members	203,696	187,284
Prepaid expenses	73,627	552,787
Accounts payable and accrued liabilities	(509,246)	(2,294,427)
Deferred revenue	1,842,921	1,626,259
Deferred grants for equipment held for members	(203,696)	(187,284)
Cash used in operating activities	<u>(2,683,625)</u>	<u>(956,646)</u>
Investing activities		
Purchase of capital assets	(72,795)	(1,908,111)
Cash used in investing activities	<u>(72,795)</u>	<u>(1,908,111)</u>
Financing activities		
Contributions received to fund capital assets	79,858	1,186,865
Lease inducements received	—	663,919
Cash provided by financing activities	<u>79,858</u>	<u>1,850,784</u>
Net decrease in cash during the year	<u>(2,676,562)</u>	<u>(1,013,973)</u>
Cash, beginning of year	11,882,398	12,896,371
Cash, end of year	<u>9,205,836</u>	<u>11,882,398</u>
Supplemental cash flow information		
Capital asset purchases in accounts payable and accrued liabilities	—	7,063

See accompanying notes

Ontario Telemedicine Network

Notes to financial statements

March 31, 2020

1. Purpose of organization

The mission of the Ontario Telemedicine Network ["OTN"] is to develop and support telemedicine solutions that enhance access and quality of health care in Ontario, and inspire adoption by health care providers, organizations and the public.

OTN brings virtual care innovation to the healthcare system so that the people of Ontario can get the care they need when and where they need it most: at home, in their community or in hospital. For more than a decade, OTN has increased access to health care and education across the province with one of the world's most extensive telemedicine networks. Working with its many partners and leveraging its unique knowledge of healthcare and digital technology, OTN addresses challenges by introducing and spreading new ways of delivering care that benefit patients, care providers and the healthcare system. An independent, not-for-profit organization, OTN is primarily funded by the Government of Ontario.

OTN is incorporated without share capital by letters patent dated May 31, 2006 under the laws of Ontario. OTN is a not-for-profit organization and, under the *Income Tax Act* (Canada), is exempt from income taxes.

On May 30, 2019, the *Connecting Care Act* [the "CCA"] was proclaimed with key sections of the Act, including the creation of a new Crown agency called Ontario Health, effective June 6, 2019. This legislation is a key component of the government's plan to build an integrated health care system. Schedule 1 of *The People's Health Care Act* enacts the CCA. The CCA grants the Minister of Health [the "Minister"] the power to transfer assets, liabilities, rights, obligations and employees of certain government organizations into Ontario Health, a health service provider, or an integrated care delivery system. The CCA also grants the Minister the power to dissolve the transferred organizations.

The board of directors of Ontario Health will oversee the transition process of transferring multiple provincial agencies into Ontario Health. The transition process is ongoing and expected to occur over a number of years.

On January 1, 2020, Ontario Regulation 390/19 made under the CCA gave the Minister the authority to transfer OTN into Ontario Health.

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March 31, 2020

On March 18, 2020, the Minister issued a transfer order to OTN. Effective April 1, 2020, the employees, assets, liabilities, rights and obligations of OTN will be transferred to Ontario Health for no compensation and then OTN will be dissolved. Below are the details of assets and liabilities transferred to Ontario Health based on their carrying values at March 31, 2020:

	\$
Cash	9,205,837
Accounts and grants receivable <i>[note 4]</i>	2,002,506
Equipment held for members <i>[note 5]</i>	74,446
Prepaid expenses	824,645
Capital assets <i>[note 6]</i>	1,927,373
Total assets	14,034,807
Accounts payable and accrued liabilities	4,272,342
Deferred revenue <i>[note 8]</i>	7,630,106
Deferred grants for equipment held for members <i>[note 10]</i>	74,446
Deferred lease inducements <i>[note 9]</i>	585,729
Deferred capital contributions <i>[note 11]</i>	1,291,835
Total liabilities	13,854,458
Net assets transferred to Ontario Health	180,348

2. Summary of significant accounting policies

These financial statements are prepared in accordance with Part III of the *CPA Canada Handbook – Accounting*, which sets out generally accepted accounting principles for not-for-profit organizations and includes the significant accounting policies summarized below.

Revenue recognition

OTN follows the deferral method of accounting for contributions, which include grants. Unrestricted contributions are recorded as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are deferred when initially recorded in the accounts and recognized as revenue in the year in which the related expenses are recognized. Contributions externally restricted for capital assets are recorded as deferred capital contributions and are amortized to operations on the same basis as the related asset is amortized.

OTN reconciles funds related to government grants annually. Any surplus realized in the year is to be refunded to the respective ministry and any deficit is expected to be absorbed by OTN.

Membership fees are recorded in deferred revenue and recognized as revenue on a pro rata basis based on the membership period.

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Notes to financial statements

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Revenue from all other sources, including site and system installation, personal computer video conferencing, premium service fees and Telehomecare device rentals, is recognized when the service is provided or as earned, the amount to be received can be reasonably estimated and collection is reasonably assured.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The amount of revenue recognized from the Ontario Ministry of Health [the "MOH"] requires a number of estimates. OTN has entered into an accountability agreement with the MOH that sets out the rights and obligations of the two parties in respect of funding provided to OTN by the MOH for fiscal year 2020.

The accountability agreement also sets out certain performance measures and reporting obligations that establish acceptable results for OTN's performance in a number of areas, including targeted service levels.

If OTN does not meet its performance standards or obligations, the MOH has the right to adjust funding received by OTN. The MOH is not required to communicate certain funding adjustments until after the submission of year-end data. Since this data is not submitted until after the completion of the financial statements, the amount of MOH funding received during the year may be increased or decreased subsequent to year-end. The amount of revenue recognized in these financial statements represents management's best estimate of any amounts that have been earned during the year.

Financial assets and liabilities

OTN initially measures its financial assets and liabilities at fair value. OTN subsequently measures all its financial assets and liabilities at amortized cost, net of any provisions for impairment.

Financial assets and liabilities measured at amortized cost include cash, accounts and grants receivable and accounts payable and accrued liabilities.

Unless otherwise noted, OTN is not subject to any significant risks.

Equipment held for members

Equipment held for members is stated at the lower of cost, determined on a first-in, first-out basis, and current replacement cost.

Prepaid expenses

Future benefits of software licenses and warranty relating to capital equipment used for core operations are included in prepaid expenses and recognized in expenses over the term the benefits are provided. Licenses and warranty expenses for projects are recorded in the period when the related revenue is recognized.

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Capital assets

Capital assets are recorded at cost and amortized on a straight-line basis over their estimated useful lives at the following rates:

Furniture	5 years
Computer equipment	3 years
Centralized asset management devices	3 years
Leasehold improvements	Over the terms of the leases

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not contribute to OTN's ability to provide goods and services. Any impairment results in a write-down of the asset and an expense in the statement of operations. An impairment loss is not reversed if the fair value of the related asset subsequently increases.

Deferred lease inducements

Deferred lease inducements represent amounts received for leasehold improvements and the value of rent-free periods. Lease inducements are deferred and amortized on a straight-line basis over the term of the lease and the amortization is recorded as a reduction of rent expense for the year.

Employee benefit plan

Substantially all of the employees of OTN are members of the Healthcare of Ontario Pension Plan ["HOOPP"], which is a multi-employer, defined benefit contributory pension plan. Contributions are expensed on an accrual basis, as OTN has insufficient information to apply defined benefit plan accounting.

Allocation of expenses

Expenses are charged directly to the individual projects wherever possible. Facilities and maintenance expenses are allocated based on the funders' approved budgets. All other general and overhead expenses are not allocated.

New accounting standards

During the year, OTN adopted the new accounting standard Section 4433, *Tangible Capital Assets*, as of April 1, 2019. Section 4433, *Tangible Capital Assets* replaces the previous Section 4431, *Tangible Capital Assets* and provides additional guidance on contributed assets and the write-down [partial impairment] of assets. The changes did not have any impact on these financial statements.

3. Credit facility

OTN had an unsecured demand line of credit for \$6,500,000 bearing interest at the bank's prime rate. There were no advances against this credit facility as at March 31, 2020 or 2019. This credit facility has been cancelled effective April 1, 2020 as a result of the integration with Ontario Health [note 1].

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Notes to financial statements

March 31, 2020

4. Accounts and grants receivable

Accounts and grants receivable include the following receivables:

	2020	2019
	\$	\$
Canada Health Infoway	717,475	92,337
Membership fees	—	5,932
Installation, site, system and other revenue from members and users [net of allowance for doubtful accounts of nil [2019 – nil]]	58,139	650,465
Other receivables [net of allowance for doubtful accounts of nil [2019 – nil]]	1,001,892	1,073,036
Ministry of Health one-time funding	225,000	—
	2,002,506	1,821,770

5. Equipment held for members

Equipment held for members consists primarily of room-based video equipment for Telemedicine Network Conversion routers and Telehomecare equipment, peripherals and consumables. This equipment is primarily distributed free of charge to members. Equipment distributed free of charge and expensed during the year [note 10] amounted to \$53,912 [2019 – \$84,724] and is included in supplies expense on the statement of operations. During the year, obsolete Telehomecare equipment was disposed of [note 10] in the amount of \$149,784 [2019 – 102,085] and is included in supplies expense on the statement of operations and changes in unrestricted net assets.

6. Capital assets

Details of capital assets are as follows:

	2020		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Furniture	992,578	726,551	266,027
Computer equipment	10,191,148	9,899,355	291,793
Centralized asset management devices	2,140,307	2,140,307	—
Leasehold improvements	2,695,592	1,326,039	1,369,553
	16,019,625	14,092,252	1,927,373

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	2019		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Furniture	992,578	635,584	356,994
Computer equipment	10,111,290	9,674,137	437,153
Centralized asset management devices	2,140,307	2,140,307	—
Leasehold improvements	2,695,592	1,243,635	1,451,957
	15,939,767	13,693,663	2,246,104

During 2019, a number of fully amortized leasehold improvements with an original cost of \$169,807, as well as computer equipment with an original cost of \$91,965 that were no longer in use, were written off.

7. Accounts payable and accrued liabilities

As at March 31, 2020, accounts payable and accrued liabilities include \$1,155,192 [2019 – \$74,523] refundable to the MOH. As at March 31, 2020 and 2019, there were no amounts payable for government remittances.

8. Deferred revenue

Deferred revenue consists of the following:

	2020	2019
	\$	\$
Membership fees	60,813	64,750
Installation fees	50,900	25,625
Mental Health & Addictions Program	4,238,593	4,293,500
Telemedicine Core Program	1,383,093	1,101,987
Telehomecare	6,868	46,743
Canada Health Infoway	1,733,014	—
Other	156,825	254,580
	7,630,106	5,787,185

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Notes to financial statements

March 31, 2020

9. Deferred lease inducements

Deferred lease inducements are created when a landlord provides for leasehold improvement allowances or collects lower monthly rental amounts in the early period of a lease term as part of the lease agreement. OTN records these allowances as an obligation and amortizes the amount to facilities and maintenance expense on the statement of operations over the term of the leases.

Details of deferred lease inducements are as follows:

	2020	2019
	\$	\$
Balance, beginning of year	652,121	254,194
Additional lease inducements	—	454,094
Amortization to rent expense	(66,392)	(56,167)
Balance, end of year	585,729	652,121
Less current portion	66,392	34,296
Long-term portion	519,337	617,825

10. Deferred grants for equipment held for members

Deferred grants for equipment held for members represent grants received to fund equipment held for members. An amount equal to the expense recognized in connection with equipment distributed during the year is recorded as revenue in the statement of operations and changes in unrestricted net assets. Details of deferred grants are as follows:

	2020	2019
	\$	\$
Balance, beginning of year	278,142	465,426
Grants related to equipment distributed during the year <i>[note 5]</i>	(53,912)	(84,724)
Grants related to equipment sold during the year	—	(475)
Grants related to disposal of obsolete equipment <i>[note 5]</i>	(149,784)	(102,085)
Balance, end of year	74,446	278,142

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Notes to financial statements

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11. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of grants received for the purchase of capital assets and the leasehold improvements at the new Toronto office. The amortization of grants related to capital assets during the year is recognized as revenue in the statement of operations and changes in unrestricted net assets. Details of deferred capital contributions are as follows:

	2020 \$	2019 \$
Balance, beginning of year	1,603,982	837,084
Capital contributions received in the year	79,858	1,186,865
Amortization for the year	(392,005)	(419,967)
Balance, end of year	1,291,835	1,603,982

12. Internally restricted net assets

Internally restricted net assets consist of the following:

	2020 \$	2019 \$
Invested in capital assets	4,813	11,398
Centralized asset management pool	—	1,503,361
	4,813	1,514,759

Invested in capital assets represents the net book value of the leasehold improvements at the Timmins location [2019 – both the Timmins and London locations], which were internally funded.

During fiscal 2016, OTN entered into agreements with Telehomecare programs to acquire their existing Telehomecare devices to form a centralized asset management pool [note 6] for programs across the province. Losses related to the rental revenue of Telehomecare devices [note 13], net of amortization expense of nil [2019 – nil] and other expenses of \$3,386,983 [2019 – \$4,108,955] have been funded by the prior year internally restricted funds for the continuation of the Telehomecare program.

On March 18, 2020, the OTN Board of Directors passed a motion to remove the previous internal restriction of funds to support the Telehomecare program.

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Notes to financial statements

March 31, 2020

13. Other revenue

Details of other revenue are as follows:

	2020 \$	2019 \$
Membership fees	438,813	568,094
Installation, site, system and other revenue from members and users	285,580	397,036
Telehomecare device rentals <i>[note 12]</i>	3,347,107	2,725,577
Interest income	137,630	116,242
	4,209,130	3,806,949

14. Pension plan

Substantially all of the employees of OTN are members of the HOOPP, which is a multi-employer, defined benefit, highest consecutive average earnings, contributory pension plan. Contributions made to the plan during the year amounted to \$2,144,708 [2019 – \$2,355,653], and are included in salaries and benefits expense in the statement of operations. The most recent valuation for financial reporting purposes completed by HOOPP as at December 31, 2019 disclosed net assets available for benefits of \$94,102 million with pension obligations of \$73,547 million, resulting in a surplus of \$20,555 million.

15. Contingent liabilities

- [a] OTN is subject to various claims and potential claims related to operations. Where the potential liability is likely and able to be estimated, management has recorded its best estimate of the potential liability. In other cases, the ultimate outcome of the claims cannot be determined at this time. Any additional losses related to claims will be recorded in the year during which the liability is able to be estimated or adjustments to the amount recorded are determined to be required.
- [b] OTN participates in the Healthcare Insurance Reciprocal of Canada ["HIROC"]. The HIROC is a pooling of the public liability insurance risks of its members. All members of the HIROC 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. No assessments have been made for the year ended March 31, 2020.

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Notes to financial statements

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16. Commitments

OTN leases office space under long-term leases. The future minimum rental payments under these leases are as follows:

	\$
2021	762,985
2022	730,516
2023	702,499
2024	735,345
2025	770,307
Thereafter	2,696,075
	<u>6,397,727</u>

In addition, OTN is obligated to pay its proportionate share of realty taxes and operating expenses, which amounts to approximately \$824,269 [2019 – \$563,082] annually and is recorded in facilities and maintenance expense in the statement of operations.

17. Financial instruments and risk management

OTN is exposed to various risks through transactions in financial instruments. The following analysis provides a measure of OTN's risk exposure as at the balance sheet date.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. OTN's main credit risk relates to accounts receivable. OTN mitigates credit risk by assessing the financial position of its customers and regular monitoring of the accounts.

18. Economic dependence

OTN primarily depends on the continued funding from the MOH. As of April 1, 2020, OTN's assets and liabilities were transferred to Ontario Health [note 1] and the funding for OTN as a business unit within Ontario Health has continued.

Notes to financial statements

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19. Guarantees and indemnities

In the normal course of business, OTN enters into agreements that include indemnities in favour of third parties, either expressed or implied, such as in-service contracts, leasing agreements and sales and purchase contracts. In these agreements, OTN agrees to indemnify the counterparties in certain circumstances against losses or liabilities arising from the acts or omissions of OTN. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated. OTN has purchased liability insurance to mitigate the cost of any potential future claims and losses.

20. Comparative financial statements

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2020 financial statements.

Ontario Telemedicine Network

Notes to financial statements

March 31, 2020

21. Details of operations

Revenue and expenses relating to major projects, including base operations, funded during the year are as follows:

Year ended March 31, 2020

	Total	Operating	Telemedicine Network Circuits/ Transformational Projects*	Digital Health Strategy	Mental Health	Telehomecar e Solutions	Other Projects
	\$	\$	\$	\$	\$	\$	\$
Revenue							
Ministry of Health							
Base funding	21,861,070	21,850,140	—	—	—	—	10,930
One-time funding	9,372,259	—	608,576	5,866,760	2,067,593	—	829,330
Canada Health Infoway	363,648	—	—	323,772	—	39,876	—
Other grants and income	909,937	909,937	—	—	—	—	—
Amortization of deferred capital contributions	392,005	392,005	—	—	—	—	—
Other revenue	4,209,130	862,023	—	—	—	3,347,107	—
	37,108,049	24,014,105	608,576	6,190,532	2,067,593	3,386,983	840,260
Operating expenses							
Salaries and benefits	27,604,808	21,787,782	—	5,079,864	420,980	—	316,182
Consulting and contractor fees	1,579,867	1,120,940	—	452,526	—	(3,599)	10,000
Total compensation	29,184,675	22,908,722	—	5,532,390	420,980	(3,599)	326,182
Administration							
Business support	1,589,981	632,725	1,563	95,595	374,348	(18,328)	504,078
Amortization	398,589	398,589	—	—	—	—	—
Communications	96,338	42,284	—	592	—	53,462	—
Facilities and maintenance	1,839,810	1,603,410	236,400	—	—	—	—
Supplies	3,573,148	226,041	—	—	—	3,347,107	—
Telecommunications	521,439	454,626	66,813	—	—	—	—
Warranty software licenses, support and maintenance	3,754,452	1,598,091	303,800	561,955	1,272,265	8,341	10,000
	11,773,757	4,955,766	608,576	658,142	1,646,613	3,390,582	514,078
	40,958,432	27,864,488	608,576	6,190,532	2,067,593	3,386,983	840,260
Deficiency of revenue over expenses for the year	(3,850,383)	(3,850,383)	—	—	—	—	—

Ontario Telemedicine Network

Notes to financial statements

March 31, 2020

Year ended March 31, 2019

	Telemedicine Network						
	Total	Operating	Circuits/Transformational Projects	Digital Health Strategy	Mental Health	Telehomecare Solutions	Other Projects
	\$	\$	\$	\$	\$	\$	\$
Revenue							
Ministry of Health							
Base funding	22,675,035	22,479,466	—	195,569	—	—	—
One-time funding	15,238,977	1,040,318	7,834,182	3,445,500	1,517,778	816,199	585,000
Canada Health Infoway	552,708	—	—	—	—	552,708	—
Other grants and income	1,723,564	983,245	—	245,533	456,073	—	38,713
Amortization of deferred capital contributions	419,967	419,967	—	—	—	—	—
Other revenue	3,806,949	820,267	—	—	—	2,986,682	—
	<u>44,417,200</u>	<u>25,743,263</u>	<u>7,834,182</u>	<u>3,886,602</u>	<u>1,973,851</u>	<u>4,355,589</u>	<u>623,713</u>
Operating expenses							
Salaries and benefits	28,964,747	18,943,664	5,018,510	2,644,349	1,138,945	1,074,033	145,246
Consulting and contractor fees	2,161,202	316,444	981,240	837,439	—	16,079	10,000
Total compensation	<u>31,125,949</u>	<u>19,260,108</u>	<u>5,999,750</u>	<u>3,481,788</u>	<u>1,138,945</u>	<u>1,090,112</u>	<u>155,246</u>
Administration							
Business support	1,844,799	1,005,621	38,746	222,996	10,125	197,154	370,157
Insurance	137,075	130,055	—	—	7,020	—	—
Office supplies	112,988	108,651	1,109	1,656	21	1,023	528
Travel and development	572,740	526,042	11,222	25,192	2,149	8,135	—
Amortization	469,467	469,467	—	—	—	—	—
Communications	424,234	232,076	100	5,970	160,080	24,528	1,480
Facilities and maintenance	1,563,315	1,563,315	—	—	—	—	—
Supplies	3,963,657	932,138	—	—	—	3,031,519	—
Telecommunications	2,025,498	352,126	1,672,864	—	28	(122)	602
Warranty software licenses, support and maintenance	3,814,471	2,800,657	110,391	149,000	655,483	3,240	95,700
	<u>14,928,244</u>	<u>8,120,148</u>	<u>1,834,432</u>	<u>404,814</u>	<u>834,906</u>	<u>3,265,477</u>	<u>468,467</u>
	<u>46,054,193</u>	<u>27,380,256</u>	<u>7,834,182</u>	<u>3,886,602</u>	<u>1,973,851</u>	<u>4,355,589</u>	<u>623,713</u>
Deficiency of revenue over expenses for the year	<u>(1,636,993)</u>	<u>(1,636,993)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>