
Financial statements of
Central East Local Health
Integration Network

March 31, 2021

Independent Auditor's Report	1-2
Statement of financial position	3
Statement of operations and changes in net assets	4
Statement of cash flows	5
Notes to the financial statements	6-11

Independent Auditor's Report

To the Members of the Board of Directors of
Central East Local Health Integration Network

Audit Opinion

We have audited the accompanying financial statements of Central East Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2021 and the statements of operations and changes in net assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements"). We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the LHIN as at March 31, 2021, and the results of its operations, changes in net assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian 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.

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

Those charged with governance are responsible for overseeing the LHIN'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 GAAS 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 GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 23, 2021

Central East Local Health Integration Network

Statement of financial position

As at March 31, 2021

	Notes	2021 \$	2020 \$
Assets			
Current assets			
Cash		67,477,501	40,116,213
Due from the Ministry of Health("MOH")	11	125,130,360	6,049,330
Accounts receivable	4	1,843,275	2,327,211
Prepaid expenses		1,043,151	1,046,090
		195,494,287	49,538,844
Capital assets			
	5	701,799	954,062
		196,196,086	50,492,906
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	3 and 4	50,891,131	41,206,211
Due to Health Service Providers ("HSPs")	11	125,130,360	3,820,055
Due to MOH	3	18,429,968	3,942,996
Deferred operating contributions		1,042,828	569,582
		195,494,287	49,538,844
Deferred capital contributions	6	701,799	954,062
		196,196,086	50,492,906
Commitments and contingencies	7 and 8		
Net assets			
		—	
		196,196,086	50,492,906

The accompanying notes are an integral part of the financial statements.

Approved by the Board



William Hatanaka, Board Chair



Garry Foster, Audit Committee Chair

Central East Local Health Integration Network
Statement of operations and changes in net assets
Year ended March 31, 2021

	Notes	2021 Actual \$	2020 Actual \$
Revenue			
MOH funding – transfer payments	11	2,511,125,943	2,161,734,186
MOH funding – operations and initiatives		365,174,376	357,110,160
Ontario Health Cancer Care Division	4	1,608,959	1,494,177
Amortization of deferred capital contributions	6	292,556	461,505
Other revenue	4	1,719,286	1,625,217
		368,795,177	360,691,059
Total revenue		2,879,921,120	2,522,425,245
Expenses			
HSP transfer payments	11	2,511,125,943	2,161,734,186
Operations and initiatives			
Contracted out			
In-home/clinic services		237,678,242	231,868,365
School services		2,015,521	5,476,673
Hospice services		2,960,152	1,985,323
Salaries and benefits		92,995,378	93,226,792
Medical supplies		20,629,097	14,904,274
Medical equipment rental		3,762,140	3,333,613
Supplies and sundry		2,264,500	3,185,364
Building and ground		4,512,087	4,621,617
Amortization		292,556	461,505
Repairs and maintenance		1,685,504	1,627,533
		368,795,177	360,691,059
Total expenses		2,879,921,120	2,522,425,245
Excess of revenue over expenses		—	—
Net assets, beginning of year		—	—
Net assets, end of year		—	—

The accompanying notes are an integral part of the financial statements.

Central East Local Health Integration Network

Statement of cash flows

Year ended March 31, 2021

		2021	2020
	Notes	\$	\$
Operating activities			
Excess of revenue over expenses		—	—
Less amounts not affecting cash			
Amortization of deferred capital contributions		(292,559)	(461,505)
Amortization of capital assets	6	292,559	461,505
		—	—
Changes in non-cash working capital items	9	27,361,288	(7,974,940)
		27,361,288	(7,974,940)
Investing activity			
Purchase of capital assets		(40,296)	(98,131)
Financing activity			
Increase in deferred capital contributions	6	40,296	98,131
Net change in cash		27,361,288	(7,974,940)
Cash, beginning of year		40,116,213	48,091,153
Cash, end of year		67,477,501	40,116,213

The accompanying notes are an integral part of the financial statements.

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2021

1. Description of business

The Central East Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act, 2006* (the "Act") as the Central East Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The mandate of the LHIN is as follows:

(a) Plan, fund and integrate the local health system within its geographic area

The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers Durham North East, Durham West, Halliburton County and the City of Kawartha Lakes, Northumberland County, Peterborough City and County, Scarborough North and Scarborough South. The LHIN enters into service accountability agreements with health service providers.

The LHIN has also entered into an accountability agreements with the Ministry of Health ("MOH"), which provide the framework for LHIN accountabilities and activities.

All funding payments to LHIN managed Health Service Providers are flowed through the LHIN's financial statements. Funding payments authorized by the LHIN to Health Service Providers, are recorded in the LHIN's Financial Statements as revenue from the MOH as transfer payment expenses to Health Service Providers.

(b) Provision of community services

These services include health and related social services, medical supplies and equipment for the care of persons in home and community settings and to provide goods and services to assist caregivers in the provision of care for such persons, to manage the placement of persons into long-term care homes, supportive housing programs, chronic care and rehabilitation beds in hospitals, and to provide information to the public about, and make referrals to, health and social services.

On March 17, 2021 in accordance with subsection 40(1) of the Connecting Care Act, 2019 the Ontario Minister of Health issued a transfer order to the LHIN which transferred certain assets, liabilities, rights and obligations of the LHIN, primarily those related to the activities related to planning, funding and integration as described in (a) above to Ontario Health in addition certain staff positions of the LHIN were also transferred to Ontario Health.

Operating as Home and Community Care Support Services Central East the LHIN will continue to be responsible for the provision of home and community services within its geographic area. The Board of Directors of Ontario Health ("OH") were appointed to constitute the Board of Directors of the LHIN on March 8, 2018. The OH board will continue in this capacity until such time as a new Board is appointed.

A memorandum of understanding between the LHIN and OH outlining the process to be followed with respect to the transfer of certain assets and liabilities between the LHIN and OH under the transfer order is currently being developed. It is anticipated that the amounts involved will primarily be liabilities associated with employees transferred to OH and reassigned back to the LHIN as part of the transfer. The amounts of assets and liabilities transferred are not expected to be material (see note 4).

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2021

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards including the 4200 series standards for government not-for-profit organizations, as issued by the Public Sector Accounting Board. Significant accounting policies adopted by the LHIN are as follows:

Revenue recognition

The LHIN follows the deferral method of accounting for contributions. Contributions from the MOH represent externally restricted contributions which must be spent within the fiscal year provided. Unspent contributions from the MOH are set up as repayable to the MOH at the end of the year. Unrestricted contributions are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Ministry of Health Funding

The LHIN is funded by the Province of Ontario in accordance with the Ministry-LHIN Accountability Agreement ("MLAA"), which describes budgetary arrangements established by the MOH. The Financial Statements reflect funding approved by the MOH to support LHIN managed Health Services Providers and the operations of the LHIN. The LHIN cannot authorize payments in excess of the budgetary allocation set by the MOH in the MLAA. Due to the nature of the Accountability Agreement, the LHIN is economically dependent on the MOH.

Transfer payment amounts to Health Service Providers are based on the terms of the Health Service Provider Accountability Agreements with the LHIN, including any amendments made throughout the year. During the year, the LHIN authorizes the transfer of cash to the Health Service Providers. The cash associated with the transfer payment flows directly from the MOH to the Health Service Provider and does not flow through the LHIN bank account.

LHIN Financial Statements includes only transfer payment funds and LHIN operating funds included in the Ministry-LHIN Accountability Agreement.

Capital assets

Purchased capital assets are recorded at cost. Repairs and maintenance costs are charged to expense. Betterments, which extend the estimated life of a capital asset, are capitalized.

Capital assets are amortized on a straight-line basis based on their estimated useful life as follows:

Computer equipment and software	3 years
Furniture and equipment	10 years
Leasehold improvements	Over the term of the lease
Medical equipment	10 years

For capital assets acquired or brought into use, during the year, amortization is provided for one half of a year.

Deferred capital contributions

Contributions received for the purchase of capital assets are deferred and are amortized to income at the same rate as the corresponding capital asset.

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2021

2. Significant accounting policies (continued)

Financial instruments

Financial assets and liabilities are measured at amortized cost, with the exception of cash that is measured at fair value. Financial instruments measured at amortized cost are initially recognized at cost, and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets. Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Write-downs on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the write-down being recognized in the Statement of operations and changes in net assets.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates include depreciation rates for capital assets and certain accruals. Actual results could differ from those estimates.

3. Funding repayable to the MOH

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOH.

The amount due to the MOH at March 31 is made up as follows:

	2021	2020
	\$	\$
Due to MOH, beginning of year	3,942,996	4,778,781
Funding repaid to MOH		(2,122,789)
Funding repayable to MOH related to current year activities	14,486,972	1,287,004
Due to MOH, end of year	18,429,968	3,942,996

4. Related party transactions

Ontario Health

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. Ontario Health is a related party to the LHIN through the common control of the Province of Ontario. On December 2, 2019, the LHIN signed a Memorandum of Understanding ("MOU") with Ontario Health October 29, 2020 and 15 non-home and community care employees of the LHIN were transferred to Ontario Health. Under the MOU, the LHIN continued to provide compensation and benefits to transferred employees.

During the year, the LHIN incurred \$2,534,380 (\$939,860 in 2020 for the period from December 2, 2019 to March 31, 2020) in salaries and benefits expense for the 15 transferred employees, of which \$25,412 (\$21,620 in 2020) remained in accounts payable and accrued liabilities as at year-end. All amounts were recorded at cost in the Statement of operations and changes in net assets and the Statement of financial position.

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2021

4. Related party transactions (continued)

Ontario Health (continued)

Due to a change in the scope of the transfer, effective April 1, 2021 6 employees previously transferred to OH on December 2, 2019 were assigned back to the LHIN.

During the year, the LHIN recognized revenue of \$1,608,959 (\$1,494,177 in 2020) from OH (Cancer Care Division) which is reported as Ontario Health Cancer Care Division in the statement of operations. In addition, the LHIN recognized \$412,632 (\$536,611 in 2020) of Business Technology Infrastructure (BTI) funding from OH which is included as other revenue in the statement of operations and incurred various miscellaneous costs from OH totaling \$406,078 (\$262,444 in 2020) which are reported as expenses in the statement of operations. At year-end a total of \$18,360 (nil in 2020) due to OH is included in accounts payable and accrued liabilities.

Other LHINs

During year the LHIN recognized \$232,536 (\$116,893 in 2020) of revenue from Champlain LHIN in respect of funding for enabling technologies and eReferral programs which is included as other income in the statement of operations and of which \$232,536 remains due from Champlain LHIN and is included in accounts receivable at March 31, 2021. Additionally, during the year, the LHIN incurred \$7,500 (\$15,000 in 2020) of expense related to translation services from the Champlain LHIN of which nil (\$15,000 in 2020) is included in accounts payable and accrued charges at year-end.

5. Capital assets

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
	\$	\$	\$	\$
Computer equipment and software	3,949,205	3,938,393	10,812	21,623
Leasehold improvements	5,012,678	4,607,550	405,128	536,313
Furniture and equipment	4,779,244	4,592,714	186,530	139,233
Medical equipment	1,562,600	1,463,271	99,329	184,567
Construction-in-progress	—	—	—	72,326
	15,303,727	14,601,928	701,799	954,062

6. Deferred capital contributions

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

	2021	2020
	\$	\$
Balance, beginning of year	954,062	1,317,436
Capital contributions received during the year	40,296	98,131
Amortization for the year	(292,559)	(461,505)
Balance, end of year	701,799	954,062

Central East Local Health Integration Network
Notes to the financial statements
 March 31, 2021

7. Commitments

The LHIN has commitments under various operating leases extending to 2023 as follows:

(a) Property leases

	\$
2022	1,156,831
2023	576,660
	<u>1,733,491</u>

(b) Computer and office equipment leases

	\$
2022	<u>146,281</u>

The LHIN enters into accountability agreements with the HSP's which include planned funding targets. The actual funding providing by the LHIN is contingent on the MOH providing the funding.

8. Contingencies

The LHIN has been named as defendants in various claims. Management believes any liability resulting from these actions would be adequately covered by existing liability insurance.

9. Change in non-cash working capital items

	2021 \$	2020 \$
Due from MOH	(119,081,030)	(738,477)
Accounts receivable	483,936	(867,470)
Prepaid expenses	2,939	(263,283)
Accounts payable and accrued liabilities	9,684,920	(7,484,302)
Due to HSPs	121,310,305	2,430,602
Due to MOH	14,486,972	(835,785)
Deferred operating contributions	473,246	(213,225)
Total change in non-cash working capital items	<u>27,361,288</u>	<u>(7,971,940)</u>

10. Pension plan

The LHIN contributes to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 1,020 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2021 was \$ 6,683,789 (\$6,941,824 in 2020) for current service costs and is included as an expense in the 2021 Statement of operations and changes in net assets. The last actuarial valuation was completed for the plan as of December 31, 2020. At that time, the plan was fully funded.

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2021

11. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$2,511,125,943 to various HSPs in its geographic area. The LHIN approved transfer payments to various sectors in 2020 as follows:

	2021	2020
	\$	\$
Operations of hospitals	1,634,191,126	1,335,737,148
Grants to compensate for municipal taxation – public hospitals	282,000	280,350
Long-Term Care Homes	509,251,616	492,081,533
Lakeridge Health HCC	4,950,600	4,185,900
Community support services	66,645,258	62,301,456
Assisted living services in supportive housing	17,863,979	15,929,844
Community health centres	42,432,153	39,125,631
Community mental health addictions program	80,468,542	75,410,089
Specialty psychiatric hospitals	152,374,466	134,430,942
Acquired brain injury	2,639,878	2,224,968
Grants to compensate for municipal taxation – psychiatric hospitals	26,325	26,325
	2,511,125,943	2,161,734,186

The LHIN receives funding from the MOH and in turn allocates it to the HSPs. As at March 31, 2021, an amount of \$125,130,360 (\$3,820,055 in 2020) was receivable from the MOH and was payable to HSPs. These amounts have been reflected as revenue and expenses in the Statement of operations and changes in net assets and are included in the table above.

12. Financial risk

The LHIN through its exposure to financial assets and liabilities, has exposure to credit risk and liquidity risk as follows:

- (i) Credit risk relates to the potential that one party to a financial instrument will fail to discharge an obligation and incur a financial loss. The maximum exposure to credit risk is the carrying value reported in the statement of financial position. Credit risk is mitigated through collection practices and the diverse nature of amounts with accounts receivable.
- (ii) Liquidity risk is the risk that the LHIN will not be able to meet all cash flow obligations as they come due. The LHIN mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and cash flow analysis.

13. Guarantees

The LHIN is subject to the provisions of the Financial Administration Act. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favor of third parties, except in accordance with the Financial Administration Act and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the Local Health System Integration Act, 2006 and in accordance with s.28 of the Financial Administration Act.