
Financial statements of
North East Local Health
Integration Network

March 31, 2021

Independent Auditor's Report	1-2
Statement of financial position	3
Statement of operations	4
Statement of changes in net financial assets	5
Statement of cash flows	6
Notes to the financial statements	7-14

Independent Auditor's Report

To the Board of Directors of
North East Local Health Integration Network

Audit Opinion

We have audited the accompanying financial statements of North East Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2021 and the statements of operations, changes in net financial 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

North East Local Health Integration Network

Statement of financial position

As at March 31, 2021

	Notes	2021 \$	2020 \$
Assets			
Current assets			
Cash		21,769,187	19,829,822
Due from Ministry of Health ("MOH")	12	166,325,360	2,618,520
Accounts receivable		1,371,039	841,066
Prepaid expenses		1,491,152	222,502
		190,956,738	23,511,910
Capital assets	5	309,199	541,525
		191,265,937	24,053,435
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		14,269,733	17,409,790
Due to Health Service Providers ("HSPs")	12	166,325,360	2,618,520
Due to MOH	3	10,345,467	3,467,422
		190,940,560	23,495,732
Employee future benefits	6	4,549,479	4,546,762
Deferred capital contributions	7	309,199	541,525
		195,799,238	28,584,019
Commitments and contingencies	8 and 9		
Net liabilities		(4,533,301)	(4,530,584)
		191,265,937	24,053,435

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

Approved by the Board



William Hatanaka, Board Chair



Garry Foster, Audit Committee Chair

North East Local Health Integration Network

Statement of operations

Year ended March 31, 2021

	Notes	2021 \$	2020 \$
Revenue			
MOH funding - transfer payments	12	1,752,190,662	1,470,244,941
MOH funding - operations and initiatives		164,346,022	156,768,657
Ontario Health Cancer Care Division	4	445,555	211,493
Amortization of deferred capital contributions	7	256,170	429,271
Other revenue	4	1,364,740	1,787,077
		166,412,487	159,196,498
		1,918,603,149	1,629,441,439
Expenses			
HSP transfer payments	12	1,752,190,662	1,470,244,941
Operations and Initiatives			
Contracted out			
In-home/clinic services		73,259,813	68,606,337
School services		374,264	1,012,703
Hospice services		6,289,992	5,214,313
Salaries and benefits		65,429,616	66,229,254
Medical supplies		10,782,992	6,729,467
Medical equipment rental		3,756,422	2,969,690
Supplies and sundry	4	4,110,263	5,504,076
Building and ground		2,155,672	2,486,135
Amortization	5	256,170	429,271
		166,415,204	159,181,246
		1,918,605,866	1,629,426,187
(Deficiency) excess of revenue over expenses		(2,717)	15,252

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

North East Local Health Integration Network**Statement of changes in net financial assets**

Year ended March 31, 2021

	Unrestricted	Employee	Internally	2021	2020
	\$	benefits	restricted	Total	Total
	\$	\$	\$	\$	\$
Net assets, beginning of year	—	(4,546,762)	16,178	(4,530,584)	(4,545,836)
(Deficiency) excess of revenue over expenses	—	(2,717)	—	(2,717)	15,252
Net assets, end of year	—	(4,549,479)	16,178	(4,533,301)	(4,530,584)

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

North East Local Health Integration Network

Statement of cash flows

Year ended March 31, 2021

		2021	2020
	Notes	\$	\$
Operating activities			
(Deficiency) excess of revenue over expenses		(2,717)	15,252
Less: amounts not affecting cash			
Amortization of capital assets	5	256,170	429,271
Amortization of deferred capital contributions	7	(256,170)	(429,271)
		(2,717)	15,252
Change in non-cash working capital items	10	1,942,082	(92,332)
		1,939,365	(77,080)
Investing activities			
Purchase of capital assets	5	(23,844)	(15,597)
Disposal of capital assets	5	—	3,640
		(23,844)	(11,957)
Financing activity			
Increase in deferred capital contributions	7	23,844	11,957
Net change in cash		1,939,365	(77,080)
Cash, beginning of year		19,829,822	19,906,902
Cash, end of year		21,769,187	19,829,822

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

North East Local Health Integration Network

Notes to the financial statements

March 31, 2021

1. Description of Business

The North 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 North 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 most of the North East. The LHIN enters into service accountability agreements with Health Service Providers ("HSPs").

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

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

(b) The delivery of home and community care 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. The transfer became effective April 1, 2021.

Operating as Home and Community Care Support Services North 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).

North 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 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 collected 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 arrangements approved by the MOH. The LHIN cannot authorize payments in excess of the budgetary allocation set by the MOH. Due to the nature of the MLAA, the LHIN is economically dependent on the MOH.

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

LHIN Financial Statements do not include transfer payment funds not 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 an asset, are capitalized.

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

Furniture and equipment	5 years
Computer equipment	3 years
Leasehold improvement	Over the lease term

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

Deferred capital contributions

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

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.

North East Local Health Integration Network

Notes to the financial statements

March 31, 2021

2. Significant accounting policies (continued)

Financial instruments (continued)

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.

Employee future benefits

The LHIN accrues its obligations for sick leave and post-employment benefit plans as the employees render the services necessary to earn the benefits. The actuarial determination of the accrued benefit obligations uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, 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.

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. The excess of the future actuarial gains and losses will be amortized over the estimated average remaining service life of the employees (7.4 to 11.6 years). The most recent actuarial valuation of the sick leave plan and the benefit plan was as of March 31, 2021.

Substantially all of the employees of the LHIN are eligible to be members of the Health Care of Ontario Pension Plan ("HOOPP"), which is a multi-employer, defined benefit, final average earnings and contributory pension plan. Defined contribution plan accounting is applied to HOOPP as the LHIN has insufficient information to apply defined benefit accounting.

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 from MOH, beginning of year	3,467,422	757,473
Funding received from MOH	208,590	1,465,846
Funding repaid to MOH	—	(10,260)
Funding repayable to the MOH related to current year activities	6,669,455	1,254,363
Due to MOH, end of year	10,345,467	3,467,422

North East Local Health Integration Network

Notes to the financial statements

March 31, 2021

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 and 19 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 \$3,530,771 (\$1,305,983 in 2020) in salaries and benefits expense for the 19 transferred employees, of which \$338,390 (\$356,389 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.

Due to a change in the scope of the transfer, effective April 1, 2021 5 employees previously transferred to OH on December 2, 2019 were assigned back to the LHIN.

During the year the LHIN recognized \$445,555 (\$211,493 in 2020) of funding from OH (Cancer Care Division) which is reported as Ontario Health Cancer Care Division in the statement of operations, \$229,407 (\$238,510 in 2020) of Business Technology Infrastructure ("BTI") funding which is included as other revenue on the statement of operations, and incurred miscellaneous costs of \$52,931 (\$1,995 in 2020) which are reported as supplies and sundry in the statement of operations. At year-end a total of \$65,905 (nil in 2020) due to OH is included in accounts payable and accrued liabilities.

Other LHINs

During year the LHIN recognized \$474,180 (nil in 2020) of revenue from North West 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 \$474,180 remains due from North West LHIN and is included in accounts receivable at March 31, 2021. Additionally, during the year, the LHIN incurred \$30,000 (\$22,500 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 liabilities at year-end.

5. Capital assets

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
	\$	\$	\$	\$
Furniture and equipment	878,229	829,015	49,214	55,102
Computer equipment	1,228,576	1,156,712	71,864	95,065
Leasehold improvements	3,393,737	3,205,616	188,121	391,358
	5,500,542	5,191,343	309,199	541,525

North East Local Health Integration Network

Notes to the financial statements

March 31, 2021

6. Employee future benefits

The North East Local Health Integration Network provides for the reimbursement of medical and some life insurance expenses to certain retired employees provided that specified conditions are met. The LHIN provides 50% of accumulated sick leave entitlement not taken by certain employees, on their departure, provided certain conditions are met. The LHIN provided for a non-vesting benefit where it accrues to employees. An actuarial calculation of the future liabilities thereof has been made and forms the basis for the liability reported in these financial statements.

The significant assumptions used are as follows (weighted-average):

	Vested and non-vested sick leave	Post-employment benefit obligation
Discount rate	3.21%	3.21%
Rate of compensation increases	3%	3%
Health care costs trend rate		6% trending to 4.5% over a 8 year period

Information about the LHIN's benefit plans in aggregate is as follows:

	Vested and non-vested sick leave	Other employee future benefits	Total
	\$	\$	\$
Balance, beginning of year	2,698,839	1,847,923	4,546,762
Benefit cost	157,747	63,644	221,391
Interest paid	83,229	43,828	127,057
Benefits paid	(192,780)	(38,220)	(231,000)
Amortization of actuarial gains	(15,745)	(98,986)	(114,731)
Employee future benefit liability March 31, 2021	2,731,290	1,818,189	4,549,479
Obligation	2,541,685	1,027,381	3,569,066
Unamortized net actuarial gains	189,605	790,808	980,413
Employee future benefit liability March 31, 2021	2,731,290	1,818,189	4,549,479

North East Local Health Integration Network

Notes to the financial statements

March 31, 2021

6. Employee future benefits (continued)

Employee future benefits expense

	Vested and non-vested sick leave \$	Other employee future benefits \$	Total \$
Benefit cost	157,747	63,644	221,391
Interest on accrued benefit obligation	83,229	43,828	127,057
Amortization charges	(15,745)	(98,986)	(114,731)
Employee future benefits expense	225,231	8,486	233,717

A total loss of \$2,717 is included in the statement of operations. The Ministry does not fund the full actuarial expense, but rather the actual payments made during the year. The funded portion of the overall expense is reported through the unrestricted fund, the overfunded portion is reported in the employment benefit fund as follows:

	Vested and non-vested sick leave \$	Other future benefits \$	Total \$
Benefit expense	225,231	8,486	233,717
Funded portion of expense	(192,780)	(38,220)	(231,000)
Underfunded (overfunded) portion of expense	32,451	(29,734)	2,717

7. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of contributions received for the purchase of capital assets. Deferred capital contributions are amortized to income at the same rate as the corresponding capital asset. The changes in the deferred capital contributions balance are as follows:

	2021 \$	2020 \$
Balance, beginning of year	541,525	958,839
Capital contributions received during the year	23,844	11,957
Amortization for the year	(256,170)	(429,271)
Balance, end of year	309,199	541,525

8. Commitments

The LHIN has commitments under various operating leases extending to 2024 as follows:

	\$
2022	1,600,175
2023	1,125,776
2024	313,803

North East Local Health Integration Network

Notes to the financial statements

March 31, 2021

9. 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.

10. Change in non-cash working capital items

	2021	2020
	\$	\$
Due from MOH	(163,706,840)	57,441
Accounts receivable	(529,973)	79,779
Prepaid expenses	(1,268,650)	(3,910)
Accounts payable and accrued liabilities	(3,140,057)	(2,860,184)
Due to HSPs	163,706,840	(57,441)
Due to MOH	6,878,045	2,709,950
Deferred revenue		(2,715)
Employee future benefits	2,717	(15,252)
Change in non-cash working capital items	1,942,082	(92,332)

11. Pension plan

The LHIN contributes to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 738 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 \$4,753,976 (\$4,858,422 in 2020) for current service costs and is included as an expense in the 2021 Statement of financial operations. The last actuarial valuation was completed for the plan as of December 31, 2020. At that time, the plan was fully funded.

12. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$1,752,190,662 to various HSPs in its geographic area. The LHIN approved transfer payments to various sectors in 2021 as follows:

	2021	2020
	\$	\$
Operations of hospitals	1,288,739,294	1,023,421,118
Grants to Compensate for		
Municipal Taxation – Public Hospitals	199,575	211,500
Long-Term Care Homes	250,760,295	243,329,862
Community Support Services	47,460,906	47,058,953
Acquired Brain Injury	5,314,154	4,303,283
Assisted Living Services in Supportive Housing	27,897,624	25,334,831
Community Health Centers	26,477,401	25,084,434
Community Mental Health	75,759,397	73,802,537
Substance Abuse and Gambling Problem	29,582,016	27,698,423
	1,752,190,662	1,470,244,941

North East Local Health Integration Network

Notes to the financial statements

March 31, 2021

12. Transfer payments to HSPs (continued)

The LHIN receives funding from the MOH and in turn allocates it to the HSPs. As at March 31, 2021, an amount of \$166,325,360 (\$2,618,520 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 are included in the table above.

13. Financial risk

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

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.

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.

14. Accumulated non-vesting sick pay

The accumulated non-vesting sick pay comprises the sick pay benefits that accumulated but do not vest. These adjustments are not funded by the MOH.

15. 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.