
Financial statements of
Central East Local Health
Integration Network
O/A Home and Community Care
Support Services Central East

For the period ended June 27, 2024

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Independent Auditor's Report

To the Board of Directors of Central East Local Health Integration Network O/A Home and Community Care Support Services Central East

Opinion

We have audited the financial statements of Central East Local Health Integration Network O/A Home and Community Care Support Services Central East (the "LHIN"), which comprise the statement of financial position as at June 27, 2024, statement of operations, statement of changes in net assets, statement of cash flows for the period from April 1, 2024 to June 27, 2024, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the LHIN as at June 27, 2024, and its results of operations and its cash flows for the period 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. 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 these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 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.

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Oakville, Ontario
September 25, 2024

**Central East Local Health Integration Network
O/A Home and Community Care Support Services Central East
Statement of financial position**

As at June 27, 2024

	Notes	June 27, 2024	March 31, 2024
		\$	\$
Assets			
Current assets			
Cash		50,712,075	88,594,887
Due from Ministry of Health ("MOH")		9,125,973	5,210,500
Accounts Receivable		1,206,523	1,755,156
Prepaid expenses		2,402,186	9,809,691
		63,446,757	105,370,234
Capital assets	3	192,852	213,974
		63,639,609	105,584,208
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	11	55,205,295	65,736,460
Due to MOH	4	7,064,411	39,633,774
Deferred revenue		1,177,051	-
		63,446,757	105,370,234
Deferred capital contributions	5	192,852	213,974
		63,639,609	105,584,208
Commitments and contingencies	6 and 7		
Net Assets			
		-	-
		63,639,609	105,584,208

Approved by the Board



Carol Annett, Board Chair



Kate Fyfe, Vice Chair

The accompanying notes form an integral part of these financial statements

**Central East Local Health Integration Network
O/A Home and Community Care Support Services Central East
Statement of operations and changes in net assets**

Period ended June 27, 2024

(Comparative amounts for the year ended)

	Notes	June 27, 2024	March 31, 2024
		\$	\$
Revenue			
MOH funding		121,978,922	477,795,101
Amortization of deferred capital contributions	5	21,121	114,017
Other revenue		118,341	608,599
		122,118,384	478,517,717
Expenses			
Contracted out:			
In-home/clinic services		85,084,204	336,689,149
Hospice services		1,695,545	6,313,431
School services		1,499,158	4,848,165
Salaries and benefits	9	26,195,484	97,334,041
Medical supplies		5,066,109	21,207,808
Medical equipment rental		926,168	3,787,283
Supplies and sundry		674,739	4,167,580
Buildings and grounds		955,856	4,056,243
Amortization of capital assets		21,121	114,017
		122,118,384	478,517,717
Excess of revenue over expenses		-	-
Net assets, beginning of period		-	-
Net assets, end of period		-	-

The accompanying notes form an integral part of these financial statements

Central East Local Health Integration Network
O/A Home and Community Care Support Services Central East
Statement of cash flows

Period ended June 27, 2024

(Comparative amounts for the year ended)

	Notes	June 27, 2024	March 31, 2024
		\$	\$
Operating activities			
Excess of revenue over expenses		-	-
Less amounts not affecting cash			
Amortization of capital assets		21,121	114,017
Amortization of deferred capital contributions		(21,121)	(114,017)
		-	-
Changes in non-cash working capital items	8	(37,882,812)	(1,919,557)
		(37,882,812)	(1,919,557)
Net decrease in cash		(37,882,812)	(1,919,557)
Cash, beginning of period		88,594,887	90,514,444
Cash, end of period		50,712,075	88,594,887

The accompanying notes form an integral part of these financial statements

1. Description of business

The Central East Health Integration Network was incorporated by letters patent on June 2, 2005 as a corporation without share capital. Following Royal Assent on March 28, 2006 to the *Local Health System Integration Act, 2006, S.O. 2006, c. 4 - Bill 36*, it was continued as the Central East Local Health Integration Network ("LHIN") and the letters patent issued to constitute the corporation continued by this Act were extinguished.

Effective June 21, 2017, the Minister of Health and Long-Term Care issued a transfer order under section 34.2 of the *Local Health System Integration Act, 2006* ("LHSIA") and ordered all assets, liabilities, rights and obligations, and all records relating thereto, and all employees of the Central East Community Care Access Centre and related records, rights and obligations to be transferred from the Central East Community Care Access Centre to the Central East LHIN.

On March 7, 2019, the Orders in Council appointing individuals to the Board of Directors of the Central East LHIN were revoked, and members of the Board of Directors of Ontario Health ("OH") were cross-appointed to the Central East LHIN. The OH Board continued in this capacity until July 1, 2021 when individuals newly appointed to the Central East LHIN Board of Directors took effect.

On March 17, 2021, the Ontario Minister of Health issued a transfer order under subsection 40(1) of the *Connecting Care Act, 2019*, in which the Minister ordered specific assets, liabilities, rights and obligations to be transferred from Central East LHIN to Ontario Health. The items transferred were primarily associated with health system planning, funding, and integration of the local health system in its geographic area. In addition, certain staff positions of the Central East LHIN were transferred to Ontario Health.

On July 8, 2020, the *Connecting People to Home and Community Care Act, 2020* received Royal Assent. This Act made legislative amendments to the *Connecting Care Act, 2019* relating to home and community care and, on May 1, 2022, O. Reg. 187/22 Home and Community Care Services under the *Connecting Care Act, 2019* was proclaimed into force. On the same day, the *Home Care and Community Services Act, 1994* and regulations thereunder were repealed and are no longer in force.

The Central East LHIN is a Crown agent and may exercise its powers only as an agent of the Crown. Limits on the Central East LHIN's ability to undertake certain activities are set out in LHSIA. As an agent of the Crown, the Central East LHIN is not subject to income taxation.

Central East LHIN now operates under the business name Home and Community Care Support Services Central East and is responsible for the provision of home and community care services within its geographic area.

The mandate of the Central East LHIN includes the following:

Provision of community services:

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

The Central East LHIN has entered into an Accountability Agreement with the Ministry of Health ("MOH"), as required under section 18 of LHSIA, and a Memorandum of Understanding, which provides the framework for Central East LHIN's accountabilities and activities.

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 the operations of the LHIN. Due to the nature of the Accountability Agreement, the LHIN is economically dependent on the MOH.

LHIN Financial Statements includes LHIN operating funds included in the Ministry-LHIN Accountability Agreement and as amended by Ministry of Health funding letters.

Capital assets

Purchased capital assets are recorded at cost. Repair 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:

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

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.

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.

Central East Local Health Integration Network
O/A Home and Community Care Support Services Central East
Notes to the financial statements

June 27, 2024

2. Significant accounting policies (continued)

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. Capital assets

	Cost	Accumulated amortization	June 27, 2024 Net book value	March 31, 2024 Net book value
	\$	\$	\$	\$
Computer equipment	4,024,189	4,009,041	15,148	20,829
Furniture and equipment	6,341,845	6,270,246	71,599	74,414
Leasehold improvements	5,012,678	4,906,572	106,106	118,730
	15,378,712	15,185,859	192,853	213,973

4. Due to MOH

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Any funding received from the MOH in excess of expenses incurred, is required to be returned to the MOH. The MOH requires any deficits incurred to be remediated by the LHIN generating a surplus equal to the deficit, in the following fiscal year. All interest income earned by the LHIN is payable to the MOH.

The amount due to the MOH at June 27 is made up as follows:

	June 27, 2024	March 31, 2024
	\$	\$
Due to MOH, beginning of period	39,633,774	34,567,835
Funding repaid to MOH	(33,487,507)	(1,080,328)
Funding repayable to MOH related to current period activity	—	973,119
Interest	918,144	5,173,148
Due to MOH, end of period	7,064,411	39,633,774

**Central East Local Health Integration Network
O/A Home and Community Care Support Services Central East**

Notes to the financial statements

June 27, 2024

5. 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:

	June 27, 2024	March 31, 2024
	<u>\$</u>	<u>\$</u>
Balance, beginning of period	213,974	327,991
Amortization for the period	(21,121)	(114,017)
Balance, end of period	<u>192,853</u>	<u>213,974</u>

6. Commitments

The LHIN has commitments under various operating leases extending to 2027 as follows:

	<u>\$</u>
2025	1,575,887
2026	1,936,735
2027	430,163
	<u>3,942,785</u>

7. Contingencies

The LHIN has been named as defendants in various claims due to the nature of its operations as well as grievances filed by its various unions. Management has recorded its best estimate of the outcome of these claims in these financial statements.

The LHIN is a member of the Healthcare Insurance Reciprocal of Canada (HIROC), which is a pooling of the liability insurance risks of its members. Members of the pool pay annual premiums that are actuarially determined. HIROC members are subject to reassessment for losses, if any, experienced by the pool for the years in which they are members, and these losses could be material. No reassessments have been made to June 27, 2024.

Should these result in additional revenues or costs, the difference will be recorded in the year of settlement.

8. Change in non-cash working capital items

	June 27, 2024	March 31, 2024
	<u>\$</u>	<u>\$</u>
Due from MOH	(3,915,473)	(5,210,500)
Accounts receivable	548,633	138,128
Prepaid expenses	7,407,505	(7,992,820)
Accounts payable and accrued liabilities	(10,531,165)	6,358,071
Due to MOH	(32,569,363)	5,065,939
Deferred revenue	1,177,051	(278,375)
Total change in non-cash working capital items	<u>(37,882,812)</u>	<u>(1,919,557)</u>

9. Pension plan

The LHIN contributes to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 1078 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 the period ended June 27, 2024 was \$1,809,469 (March 31, 2024 - \$7,265,033) for current service costs and is included as an expense in the April 1 – June 27, 2024 statement of financial operations and changes in net assets. The last actuarial valuation was completed for the plan as of December 31, 2023 disclosed net assets available for benefits of \$112,635,000,000 with pension obligations of \$102,454,000,000, resulting in a surplus of \$10,181,000,000.

10. 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.

11. Related Parties

The Central East LHIN is related to other LHINs by virtue of having a common controlling board of Directors and CEO. The LHIN incurred costs totaling \$51,247 during the period ended June 27, 2024 (March 31, 2024 - \$175,292) which are payable to North East LHIN for shared cost recoveries. These transactions were incurred in the normal course of operations and were measured at exchange amount. Included in accounts payable and accrued liabilities is \$51,247 (March 31, 2024- \$85,751) due to other LHINs.

12. Subsequent Event

The Convenient Care at Home Act, 2023 was proclaimed into force on June 28, 2024, resulting in the 14 local health integration networks, each operating as Home and Community Care Support Services organizations being amalgamated to form a single new service organization named Ontario Health atHome.

Ontario Health atHome is a Crown agency and a subsidiary of Ontario Health with its own board of directors and chief executive officer. It is directly accountable to Ontario Health and, indirectly accountable to the Minister of Health through Ontario Health.

Ontario Health atHome will continue to support the coordination of home care services across the province, and support Ontario Health Teams as they take on responsibility for home care.

All employees of Home and Community Care Support Services organizations immediately before amalgamation, by operation of law, automatically became employees of Ontario Health atHome as of June 28, 2024.