
Financial statements of
North West Local Health
Integration Network

March 31, 2021

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Independent Auditor's Report

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

Audit Opinion

We have audited the accompanying financial statements of North West 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

North West Local Health Integration Network

Statement of financial position

As at March 31, 2021

	Notes	2021 \$	2020 \$
Assets			
Current assets			
Cash		14,323,845	9,245,931
Due from Ministry of Health ("MOH")	11	75,346,955	11,813,884
Accounts receivable		194,935	207,250
Prepaid expenses		103,713	172,705
		89,969,448	21,439,770
Capital assets			
	5	72,389	98,911
		90,041,837	21,538,681
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		6,195,880	5,277,433
Due to Health Service Providers ("HSPs")	11	75,346,955	11,813,884
Due to MOH	3	8,426,613	4,348,453
		89,969,448	21,439,770
Deferred capital contributions			
	6	72,389	98,911
		90,041,837	21,538,681
Commitments and contingencies			
	7 and 8		
Net assets			
		—	—
		90,041,837	21,538,681

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

	Notes	2021 \$	2020 \$
Revenue			
MOH funding – transfer payments	11	811,918,382	696,204,351
MOH funding – operations and initiatives		62,476,606	60,215,887
Ontario Health Cancer Care Division		78,889	125,831
Amortization of deferred capital contributions	6	49,522	54,515
Other revenue	4	806,807	781,227
		63,411,824	61,177,460
		875,330,206	757,381,811
Expenses			
HSP transfer payments	11	811,918,382	696,204,351
Operations and initiatives			
Contracted out			
In-home/clinic services		36,294,345	33,497,490
School services		337,298	699,754
Hospice services		398,572	518,983
Medical supplies		3,089,033	2,646,174
Medical equipment rental		1,069,966	941,877
Salaries and benefits		19,867,139	20,002,004
Supplies and sundry	4	994,384	1,461,726
Building and ground		1,037,270	1,115,151
Equipment rental		274,295	239,786
Amortization		49,522	54,515
		63,411,824	61,177,460
		875,330,206	757,381,811
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.

North West Local Health Integration Network

Statement of cash flows

Year ended March 31, 2021

	Notes	2021 \$	2020 \$
Operating activities			
Excess of revenue over expenses		—	—
Less amounts not affecting cash			
Amortization of capital assets		49,522	54,515
Amortization of deferred capital contributions	6	(49,522)	(54,515)
		—	—
Changes in non-cash working capital items	10	5,077,914	904,152
		5,077,914	904,152
Investing activity			
Purchase of capital assets		23,000	33,750
Financing activity			
Increase in deferred capital contributions		(23,000)	(33,750)
Net increase in cash		5,077,914	904,152
Cash, beginning of year		9,245,931	8,341,779
Cash, end of year		14,323,845	9,245,931

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

North West Local Health Integration Network

Notes to the financial statements

March 31, 2021

1. Description of business

The North West Local Health Integration Network was incorporated by Letters Patent on June 16, 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 West 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 the Districts of Thunder Bay, Rainy River and most of Kenora. The LHIN enters into service accountability agreements with health service providers.

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 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 and as transfer payment expenses to Health Service Providers.

(b) Provision of community services within its geographic area

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 West 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, 2019. 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 West 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 for government not-for-profit organizations including the 4200 series standards, 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

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 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 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 improvements	5 years

For assets acquired or brought into use, during the year, amortization is provided for a full 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 West 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 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	4,348,453	3,031,683
Funding repaid to MOH	(1,770,296)	—
Funding repayable to the MOH related to current year activities	5,848,456	1,316,770
Due to MOH, end of year	<u>8,426,613</u>	<u>4,348,453</u>

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 9 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 \$1,194,600 (\$533,433 in 2020 for the period from December 2, 2019 to March 31, 2020) in salaries and benefits expense for the 9 transferred employees, of which \$ 49,484 (\$47,006 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.

North West 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, 1 position previously transferred to OH on December 2, 2019 was assigned back to the LHIN, however that position was vacant as at April 1, 2021.

During the year the LHIN recognized \$78,889 (\$125,831 in 2020) of funding from OH (Cancer Care Division) which is reported as Ontario Health Cancer Care Division in the statement of operations, \$146,097 (\$94,636 in 2020) of Business Technology Infrastructure ("BTI") funding which is included as other revenue on the statement of operations, and incurred miscellaneous costs from OH of \$165,319 (\$181,786 in 2020) which are reported as supplies and sundry in the statement of operations. At year-end a total of \$48,801 (\$13,301 in 2020) due to OH is included in accounts payable and accrued liabilities.

Other LHINs

During year the LHIN allocated \$474,180 (nil in 2020) to the North East LHIN in respect of funding for enabling technologies and eReferral programs and which remains due to the North East LHIN at year-end and is included in accounts payable and accrued liabilities. Additionally during the year the LHIN incurred \$15,000 (\$22,500 in 2020) of expense related to translation services from the Champlain LHIN of which nil (nil 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	489,207	489,207	—	—
Leasehold improvements	777,301	774,774	2,527	5,671
Furniture and equipment	2,034,237	1,964,375	69,862	93,240
	3,300,745	3,228,356	72,389	98,911

6. Deferred capital contributions

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

	2021	2020
	\$	\$
Balance, beginning of year	98,911	119,676
Capital contributions received during the year	23,000	33,750
Amortization for the year	(49,522)	(54,515)
Balance, end of year	72,389	98,911

North West Local Health Integration Network

Notes to the financial statements

March 31, 2021

7. Commitments

The LHIN has commitments under various operating leases related to building and equipment extending to 2023 as follows:

	\$
2022	285,362
2023	48,120
	<u>333,482</u>

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	(63,533,071)	(667,924)
Accounts receivable	12,315	65,054
Prepaid expenses	68,992	(71,785)
Accounts payable and accrued liabilities	918,447	(1,087,767)
Due to HSPs	63,533,071	1,345,724
Due to MOH	4,078,160	1,316,770
Total change in non-cash working capital items	<u>5,077,914</u>	<u>900,072</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 210 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 \$1,458,462 (\$1,518,360 in 2020) for current service costs and is included as an expense in the 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.

North West Local Health Integration Network

Notes to the financial statements

March 31, 2021

11. Transfer payment to HSPs

The LHIN has authorization to allocate funding of \$811,918,382 to various HSPs in its geographic area. The LHIN approved transfer payments to various sectors in 2021 as follows:

	2021	2020
	\$	\$
Operations of hospitals	602,580,567	499,889,022
Grants to compensate for municipal taxation – public hospitals	99,600	99,600
Long-term care homes	90,394,945	87,132,086
Community support services	18,246,048	17,290,972
Acquired brain injury	1,096,815	1,038,082
Assisted living services in supportive housing	18,368,749	15,222,808
Community health centres	12,632,179	12,621,944
Community mental health program	43,986,197	40,492,440
Addictions program	24,513,282	22,417,407
	811,918,382	696,204,361

The LHIN receives funding from the MOH and in turn allocates it to the HSPs. As at March 31, 2021, an amount of \$75,346,955 (\$11,813,884 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.

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.

14. Comparative figures

Certain of prior year's figures have been reclassified to conform with current years presentation.