
Financial statements of
Hamilton Niagara Haldimand Brant
Local Health Integration Network

March 31, 2021

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Independent Auditor's Report

To the Members of the Board of Directors of the
Hamilton Niagara Haldimand Brant Local Health Integration Network

Audit Opinion

We have audited the accompanying financial statements of Hamilton Niagara Haldimand Brant 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 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

Hamilton Niagara Haldimand Brant Local Health Integration Network

Statement of financial position

As at March 31, 2021

	Notes	2021 \$	2020 \$
Assets			
Current assets			
Cash		28,545,162	24,580,967
Due from Ministry of Health ("MOH")		248,937,160	21,041,840
Accounts receivable		2,812,402	1,935,017
Prepaid expenses		2,966,759	2,433,884
		283,261,483	49,991,708
Capital assets	5	764,088	1,010,182
		284,025,571	51,001,890
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		27,564,408	23,083,676
Due to Health Service Providers ("HSPs")	12	248,937,160	21,041,840
Due to MOH	3	6,688,562	5,535,471
Deferred operating contributions		71,353	330,721
		283,261,483	49,991,708
Deferred capital contributions	6	764,088	1,010,182
Employee future benefits	7	3,766,237	3,704,366
		287,791,808	54,706,256
Commitments and contingencies	8 and 9		
Net assets		(3,766,237)	(3,704,366)
		284,025,571	51,001,890

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

Approved by the Board



William Hatanaka, Board Chair



Garry Foster, Audit Committee Chair

Hamilton Niagara Haldimand Brant Local Health Integration Network

Statement of operations

Year ended March 31, 2021

	Notes	2021 \$	2020 \$
Revenue			
MOH funding – transfer payments	12	3,465,035,113	2,941,982,544
MOH funding – operations and initiatives		393,450,123	373,402,412
Ontario Health - Cancer Care Division	4	183,530	569,929
Amortization of deferred capital contributions	6	246,094	260,407
Other revenue	4	(6,169)	499,825
		393,873,578	374,732,573
		3,858,908,691	3,316,715,117
Expenses			
HSP transfer payments	12	3,465,035,113	2,941,982,544
Operations and initiatives			
Contracted out			
In-home/clinic services		258,064,489	239,077,750
School services		4,622,818	9,620,642
Hospice services		5,752,863	4,785,587
Salaries and benefits		91,339,940	92,053,124
Medical supplies		22,525,364	17,147,916
Medical equipment rental		3,484,862	3,184,617
Supplies and sundry		4,839,871	5,685,427
Building and ground		2,997,277	2,917,103
Amortization		246,094	260,407
		393,873,578	374,732,573
		3,858,908,691	3,316,715,117
Excess of revenue over expenses before the undernoted		—	—
Accrued non vested sick benefits		(61,871)	(46,102)
		(61,871)	(46,102)

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

Hamilton Niagara Haldimand Brant Local Health Integration Network

Statement of changes in net financial assets

Year ended March 31, 2021

	Unrestricted	Employee	2021	2020
	\$	benefits	Total	Actual
	\$	\$	\$	\$
Net assets, beginning of year	—	(3,704,366)	(3,704,366)	(3,658,264)
Excess of revenue over expenses before the undernoted	—	(61,871)	(61,871)	(46,102)
Net assets, end of year	—	(3,766,237)	(3,766,237)	(3,704,366)

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

Hamilton Niagara Haldimand Brant Local Health Integration Network

Statement of cash flows

Year ended March 31, 2021

	Notes	2021 \$	2020 \$
Operating activities			
Excess of expenses over revenue		(61,871)	(46,102)
Less: amounts not affecting cash			
Amortization of capital assets		246,094	260,407
Amortization of deferred capital contributions	6	(246,094)	(260,407)
		(61,871)	(46,102)
Changes in non-cash working capital items	10	4,026,066	4,411,002
Net increase in cash		3,964,195	4,364,900
Cash, beginning of year		24,580,967	20,216,067
Cash, end of year		28,545,162	24,580,967

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

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2021

1. Description of business

The Hamilton Niagara Haldimand Brant 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 Hamilton Niagara Haldimand Brant 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 Counties of Hamilton, Niagara, Haldimand, Brant, most of the County of Norfolk and the City of Burlington. 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) Provision of community services. These services include providing health and related social services and supplies and equipment for the care of persons in home, community and other 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 other programs and places where community services are provided 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 Hamilton, Niagara, Haldimand, Brant 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).

Hamilton Niagara Haldimand Brant 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 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 Accountability Agreement, the LHIN is economically dependent on the MOH.

Transfer payment amounts to HSPs 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 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 MLAA.

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 to 10 years
Computer equipment and software	3 years
Leasehold improvements	Over the remaining lease term

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.

Accrued non-vested sick benefits

The LHIN provides a sick leave benefit plan to all permanent employees and accrues it obligations as the employees render the service necessary to earn the benefits. The actuarial determination of the accrued benefit obligation uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, 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.

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2021

2. Significant accounting policies (continued)

Accrued non-vested sick benefits (continued)

The accrued benefit obligation is equal to the present value of the cost of sick leave credits accumulated to date that are expected to be used in the future in excess of the current yearly allotment of 18 days (pro-rated accordingly for part-time employees).

The current service costs for a particular period is equal to the actuarial present value of the cost of sick leave credits earned in the year that are expected to be used in the future in excess of the yearly allotment.

Actuarial gains and losses on the accrued benefit obligation arise from the differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. Any gains or losses are amortized over the estimated average remaining service life of the employees. The most recent actuarial evaluation of the sick leave plan was as of March 31, 2021.

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.

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	5,535,471	4,478,805
Funding repaid during year	(2,973,663)	—
Funding repayable to the MOH related to current year activities	4,126,754	1,056,666
Due to MOH, end of year	6,688,562	5,535,471

Hamilton Niagara Haldimand Brant 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 13 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 \$2,489,157 (\$891,974 in 2020 for the period from December 2, 2019 to March 31, 2020) in salaries and benefit expense for the 13 transferred employees, of which \$28,868 (nil 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 the Statement of financial position.

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 incurred \$65,743 (nil in 2020) for staff secondments to OH which was reported under salaries and benefit expense. The LHIN recognized \$65,743 in revenue from OH in respect of funding for staff secondments reported under other revenue. At year-end, a total of \$51,868 due from OH is included in accounts receivable in the statement of financial position.

During the year, the LHIN recognized \$183,530 (\$569,929 in 2020) of funding from OH (Cancer Care Division) which is reported as Ontario Health Cancer Care Division in the statement of operations, \$422,928 (\$427,200 in 2020) of Business Technology Infrastructure (BTI) which is included as other revenue on the statement of operations and incurred miscellaneous costs of \$57,523 (nil in 2020) which are reported as supplies and sundry in the Statement of operations.

Other LHINs

During the year, the LHIN incurred \$15,000 (\$15,000 in 2020) of expenses related to translation services from Champlain LHIN. During the year, the LHIN incurred \$321,359 (nil in 2020) for staff secondment to the Central West LHIN which was reported under salaries and benefit expense. The LHIN recognized \$321,359 in revenue from Central West LHIN in respect of funding for staff secondment reported under other revenue. At year-end, a total of \$31,176 (nil in 2020) due from Central West LHIN is included in accounts receivable in the statement of financial position.

5. Capital assets

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
	\$	\$	\$	\$
Computer equipment and software	633,809	633,809	—	5,255
Leasehold improvements	5,836,582	5,098,879	737,703	969,750
Furniture and equipment	6,471,421	6,445,036	26,385	35,177
	12,941,812	12,177,724	764,088	1,010,182

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2021

6. Deferred capital contributions

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

	2021	2020
	\$	\$
Balance, beginning of year	1,010,182	1,270,589
Capital contributions received during the year	—	—
Amortization for the year	(246,094)	(260,407)
Balance, end of year	764,088	1,010,182

7. Employee future benefits

All full-time and part-time employees are credited with 1.5 days per month (pro-rated accordingly for part-time employees) for use as paid absences in the year, due to illness or injury. Employees are allowed to accumulate unused sick day credits each year, up to a maximum of 130 days for unionized employees and 120 days for non-union employees. Accumulated credits may be used in future years if the employee's illness or injury exceeds the annual allocation of credits. Employees are not entitled to any cash payment upon retirement.

The significant assumptions used are as follows:

	2021	2020
	%	%
Discount rate	3.21%	3.29%
Rate of compensation/inflation increases	2.00%	2.00%

Accrued benefit liability is determined as follows:

	2021	2020
	\$	\$
Accrued benefit obligation	3,473,498	3,265,600
Unamortized actuarial gain	292,739	438,766
Accrued benefit liability	3,766,237	3,704,366

Continuity of the accrued benefit liability is as follows:

	2021	2020
	\$	\$
Change in liability	3,704,366	3,658,264
Benefit expense	564,852	547,875
Less: benefits paid	(502,981)	(501,773)
Accrued benefit liability, end of year	3,766,237	3,704,366

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2021

7. Employee future benefits (continued)

The accrued non-vested sick benefit expense is as follows:

	2021	2020
	\$	\$
Benefit cost	478,778	466,327
Interest on accrued benefit obligation	114,916	108,953
Amortization of actuarial losses	(28,842)	(27,405)
Accrued non-vested sick benefits expense	564,852	547,875

The current year expense in excess of actual benefits paid of \$61,871 is recorded through the employee benefits fund.

8. Commitments

The LHIN is committed to the following operating lease payments extending to 2025 as follows:

	\$
2021	1,840,055
2022	1,612,610
2023	1,159,391
2024	1,119,141
2025	798,259

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	(227,895,320)	5,156,430
Accounts receivable	(877,385)	6,174,796
Prepaid expenses	(532,875)	(1,244,849)
Accounts payable and accrued liabilities	4,480,732	(1,583,933)
Due to HSPs	227,895,320	(5,156,430)
Due to MOH	1,153,091	1,056,666
Deferred operating contributions	(259,368)	(37,780)
Employee future benefits	61,871	46,102
Total change in non-cash working capital items	4,026,066	4,411,002

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2021

11. Pension Plan

The LHIN contributes to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 1,024 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 \$6,440,395 (\$6,673,800 in 2020). 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 \$3,465,035,113 to various HSPs in its geographic area. The LHIN approved transfer payments to various sectors in 2020 as follows:

	2021	2020
	\$	\$
Operations of hospitals	2,631,100,565	2,152,887,700
Grants to compensate for municipal taxation – public hospitals	452,250	459,750
Long-Term Care Homes	561,480,026	543,199,892
Community support services	67,012,873	60,858,003
Acquired brain injury	12,291,007	10,729,789
Assisted living services in supportive housing	47,326,708	39,789,313
Community health centres	35,437,435	33,240,262
Community mental health addictions program	109,934,249	100,817,835
	3,465,035,113	2,941,982,544

The LHIN receives funding from the MOH and in turn allocates it to the HSPs. As at March 31, 2021, an amount of \$248,937,160 (\$21,041,840 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.

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2021

14. 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.