
Financial statements of
Waterloo Wellington Local Health
Integration Network

March 31, 2018

Independent Auditor's Report

To the Members of the Board of Directors of the
Waterloo Wellington Local Health Integration Network

We have audited the accompanying financial statements of the Waterloo Wellington Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2018, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the LHIN as at March 31, 2018, and the results of its operations, changes in its net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Waterloo Wellington Local Health Integration Network

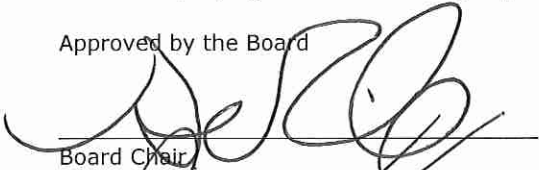
Statement of financial position

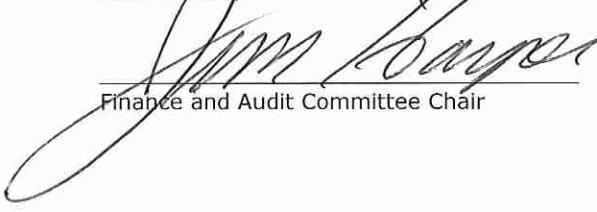
As at March 31, 2018

	Notes	2018	2017
		\$	\$
Assets			
Current assets			
Cash		11,708,066	713,807
Due from Ministry of Health and Long-Term Care ("MOHLTC")		8,071,353	2,449,272
Accounts receivable		2,593,872	84,865
Prepaid expenses		759,711	56,740
		23,133,002	3,304,684
Rental, security and benefit deposits		41,650	-
Capital assets	7	555,009	149,390
		23,729,661	3,454,074
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		15,979,710	700,940
Due to Health Service Providers ("HSPs")		6,800,553	2,449,272
Due to Ministry of Health and Long-Term Care ("MOHLTC")	4	362,828	154,472
Deferred revenue		4,743	-
		23,147,834	3,304,684
Post employment benefits	8	1,281,829	-
Sick leave benefits	17	29,996	-
Deferred capital contributions	9	555,009	149,390
Commitments	10	25,014,668	3,454,074
		(1,285,007)	-
Net liabilities (assets)		23,729,661	3,454,074

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

Approved by the Board


Board Chair


Finance and Audit Committee Chair

Waterloo Wellington Local Health Integration Network

Statement of changes in net financial assets

Year ended March 31, 2018

				2018
	Unrestricted	Donations Fund	Employee benefits	Total
			\$	\$
Net assets, beginning of year	—	—	—	—
Excess of revenue over expenses before the undernoted	964,349	(24,146)	(172,864)	767,339
Net liabilities assumed on transition	(964,349)	50,964	(1,138,961)	(2,052,346)
Net liabilities (assets), end of year	—	26,818	(1,311,825)	(1,285,007)

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

Waterloo Wellington Local Health Integration Network
Statement of operations and changes in net assets
Year ended March 31, 2018

	Notes	2018	2017
		Actual	Actual
		\$	\$
Revenue			
MOHLTC funding - transfer payments	15	985,588,120	1,082,899,573
MOHLTC funding - operations and initiatives		147,962,830	6,177,119
Interest income		161,458	—
Amortization of deferred capital contributions		127,445	50,116
Other revenue		2,013,083	—
		150,264,816	6,227,235
Total revenue		1,135,852,936	1,089,126,808
Expenses			
HSP transfer payments	15	985,588,120	1,082,899,573
Operations and initiatives			
Contracted out			—
In-home/clinic services		83,051,148	—
School services		4,871,672	—
Hospice services		2,624,347	—
Salaries and benefits		39,358,220	4,735,071
Medical supplies		4,071,510	—
Medical equipment rental		1,301,943	—
Supplies and sundry		1,242,462	34,036
Building and ground		1,866,234	318,039
Amortization		127,445	50,116
Repairs and maintenance		73,149	—
Other operating expenses		10,712,337	1,089,973
		149,300,467	6,227,235
Total expenses		1,134,888,587	1,089,126,808
Excess of revenue over expenses before the undernoted		964,349	—
Post employment benefits expenses		(172,864)	—
Expenditures from donations fund		(24,146)	—
Net liabilities assumed on transition	13	(2,052,346)	—
Excess of expenses over revenue		(1,285,007)	—

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

Waterloo Wellington Local Health Integration Network
Statement of cash flows
Year ended March 31, 2018

	Notes	2018	2017
		\$	\$
Operating activities			
Excess of revenue over expenses		(1,285,007)	—
Cash received on Transition		9,483,705	-
Net liabilities assumed on transition		2,052,346	-
Add amounts not affecting cash			
Amortization of capital assets		127,445	50,115
Amortization of deferred capital contributions		(127,445)	(50,115)
		10,251,044	—
Changes in non-cash working capital items	12	743,215	174,252
		10,994,259	174,252
Investing activities			
Purchase of capital assets		(169,438)	—
Financing activity			
Increase in deferred capital contributions	9	169,438	—
Net (decrease) change in cash		10,994,259	174,252
Cash, beginning of year		713,807	539,555
Cash, end of year		11,708,066	713,807

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

Waterloo Wellington Local Health Integration Network
Notes to the financial statements
Year ended March 31, 2018

1. Description of business

The Waterloo Wellington 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 Waterloo Wellington 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 Regions of Waterloo Wellington. 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 and Long Term Care ("MOHLTC"), 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 MOHLTC and as transfer payment expenses to Health Service Providers.

Effective May 17, 2017 the LHIN assumed the responsibility to provide 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 under the Home Care and Community Services Act, 1994 and to provide information to the public about, and make referrals to, health and social services.

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 MOHLTC represent externally restricted contributions which must be spent within the fiscal year provided. Unspent contributions from the MOHLTC are set up as repayable to the MOHLTC 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.

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

Year ended March 31, 2018

2. Significant accounting policies (continued)

Ministry of Health and Long-Term Care 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 MOHLTC. The Financial Statements reflect funding arrangements approved by the MOHLTC. The LHIN cannot authorize payments in excess of the budgetary allocation set by the MOHLTC. Due to the nature of the Accountability Agreement, the LHIN is economically dependent on the MOHLTC.

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 MOHLTC 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	10 years
Computer and communications equipment	3 years
Leasehold improvements	5 years

For assets acquired or brought into use, during the year, amortization is provided for at one half of the annual rate.

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.

Adoption of PSAS 3430 – Restructuring transactions

The LHIN has implemented Public sector Accounting Board ("PSAB") section 3430 Restructuring Transactions. Section 3430 requires that the assets and liabilities assumed in a restructuring agreement be recorded at the carrying value and that the increase in net assets or net liabilities received from the transferor be recognized as revenue or expense. Restructuring is an event that changes the economics of the recipient from the restructuring date onward. It does not change their history or accountability in the past, and therefore retroactive application with restatement of prior periods permitted only in certain circumstances. The impact of this policy on the current year is detailed in note 13.

Waterloo Wellington Local Health Integration Network
Notes to the financial statements
Year ended March 31, 2018

2. Significant accounting policies (continued)

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, 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. The most recent actuarial valuation of the sick leave plan and the benefit plan was as of March 31, 2018.

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. Change in accounting policy

As a result of the transition of responsibility for the delivery of certain services related to home care as described above, there has been a significant change in the operations of the LHIN over prior year. As a result of these changes, the LHIN has determined that the adoption of Canadian public sector accounting standards for Government not-for-profit organizations is appropriate. Previously the LHIN followed Canadian public sector accounting standards. The adoption of this policy has no impact on numbers previously reported. The impact of the change is limited to presentation only, and as a result the prior year figures presented for comparative purposes have been reclassified to conform with the current years presentation.

4. Funding repayable to the MOHLTC

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 MOHLTC.

Waterloo Wellington Local Health Integration Network
Notes to the financial statements
Year ended March 31, 2018

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

	2018	2017
	\$	\$
Due to MOHLTC, beginning of year	154,472	194,990
Funding repaid to MOHLTC	(154,472)	(192,450)
Funding repayable to the MOHLTC from WWCCAC transition	793	—
Funding repayable to the MOHLTC related to current year activities	362,035	151,932
Funding repayable to the MOHLTC related to current year ETI PMO Cluster activities	—	—
Due to MOHLTC, end of year	362,828	154,472

5. Enabling Technologies for Integration Project Management Office

Effective January 31, 2014, the WWLHIN entered into an agreement with Erie St. Clair, Hamilton Niagara Haldimand Brant and South West (the "Cluster") in order to enable the effective and efficient delivery of e-health programs and initiatives within the geographic area of the Cluster. Under the agreement, decisions related to the financial and operating activities of the Enabling Technologies for Integration Project Management Office are shared. No LHIN is in a position to exercise unilateral control.

The WWLHIN's financial statement reflects its share of the MOHLTC funding for Enabling Technologies for Integration Project Management Offices for its Cluster and related expenses. During the year, the LHIN received funding from the South West LHIN of \$510,000 (\$510,000 in 2017).

6. Related party transactions

Health Shared Services Ontario (HSSO)

HSSO is a provincial agency established January 1, 2017 by O. Reg. 456/16 made under LHSIA with objects to provide shared services to LHINs in areas that include human resources management, logistics, finance and administration and procurement. HSSO as a provincial agency is subject to legislation, policies and directives of the Government of Ontario and the Memorandum of Understanding between HSSO and the Minister of Health and Long-Term Care.

7. Capital assets

	2018			2017
	Cost	Accumulated Depreciation	Net book value	Net book value
	\$	\$	\$	\$
Computer equipment	742,566	719,248	23,318	—
Leasehold improvements	1,104,203	583,193	521,010	143,880
Furniture and equipment	848,275	837,594	10,681	5,509
	2,695,044	2,140,035	555,009	149,389

Waterloo Wellington Local Health Integration Network
Notes to the financial statements
Year ended March 31, 2018

8. Post employment benefits

The LHIN has a defined early retirement benefit plan that provides benefits to employee who are 55 years of age, have retired and are withdrawing funds from the pension plan. The early retirement benefits cease when the individual reaches 65 years of age.

The accrued benefit obligation for early retirement benefits as at March 31, 2018 is based on an actuarial valuation for accounting purposes using the projected benefit method pro-rated on service. The most recent actuarial valuation of the early retirement benefits obligation was completed March 31, 2018.

Waterloo Wellington Local Health Integration Network
Notes to the financial statements
Year ended March 31, 2018

8. Post employment benefits (continued)

This valuation was based on assumptions about future events. The economic assumptions used in these valuations are management's best estimates of expected rates of:

	2018
	%
Inflation	2.0
Discount on accrued benefit obligation	3.6
Compensation increase	3.0
Dental cost trends	4.0
Health care cost trends	6.0

Information about the post employment benefit plan is as follows:

	2018	2017
	\$	\$
Accrued benefit liability, transferred from Waterloo Wellington CCAC	1,108,964	-
Current service cost	172,058	-
Interest on obligation	64,549	-
Amortization of actuarial losses	60,858	-
Benefits paid	(124,600)	-
Accrued benefit liability, end of year	1,281,829	-
Accrued benefit obligation	2,012,129	-
Unamortized actuarial losses	(730,300)	-
Accrued benefit liability, March 31, 2018	1,281,829	-

9. 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:

	2018	2017
	\$	\$
Balance, beginning of year	149,390	199,505
Capital contributions assumed on transition	363,626	-
Capital contributions received during the year	169,438	-
Amortization for the year	(127,445)	(50,115)
Balance, end of year	555,009	149,390

Waterloo Wellington Local Health Integration Network
Notes to the financial statements
Year ended March 31, 2018

10. Commitments

The LHIN has commitments under various operating leases as follows:

	\$
2018	1,617,313
2019	1,364,731
2020	987,415
2021	904,708
2022	351,021

11. Contingencies

The LHIN enters into accountability agreements with Health Service Providers which include planned funding targets. The actual funding provided by the LHIN is contingent on the MOHLTC providing the funding.

The LHIN has been named as defendants in various claims. Based on the opinion of legal counsel as to the realistic estimates of the merits of these actions and the LHINs potential liability, management believes any liability resulting from these actions would be adequately covered by existing liability insurance.

12. Additional information to the statement of cash flows

	2018	2017
	\$	\$
Due from MOHLTC	(5,622,081)	8,986,928
Accounts Receivable	(1,094,237)	(51,941)
Prepaid Expenses	887,608	(25,773)
Deposits	(41,650)	-
Accounts payable and accrued liabilities	2,288,562	309,019
Due to HSP	4,351,281	(8,986,928)
Due to MOHLTC	205,386	(40,518)
Due to LSSO	-	(16,535)
Deferred revenue	(404,518)	-
Post employment benefits	172,864	-
	743,215	174,252

13. Transition of Waterloo Wellington Community Care Access Centre

On April 3, 2017 the Minister of Health and Long-Term Care made an order under the provisions of the Local Health System Integration Act, 2006, as amended by the Patients First Act, 2016 to require the transfer of all assets, liabilities, rights and obligations of the Waterloo Wellington Community Care Access Centre the (WWCCAC), to the Waterloo Wellington LHIN (LHIN), including the transfer of all employees of the WWCCAC. This transition took place on May 17, 2017. Prior to the transition, the LHIN funded a significant portion of the WWCCACs operations via HSP transfer payments. Subsequent to transition date, the costs incurred for the delivery of

Waterloo Wellington Local Health Integration Network
Notes to the financial statements
Year ended March 31, 2018

services previously provided by the WWCCAC were incurred directly by the LHIN and are reported in the appropriate lines in the statement of operations.

Waterloo Wellington Local Health Integration Network
Notes to the financial statements
Year ended March 31, 2018

13. Transition of Waterloo Wellington Community Care Access Centre (continued)

The WWLHIN assumed the following assets and liabilities, which were recorded at the carrying value of the WWCCAC.

	<u>2017</u>
	\$
Cash	9,483,705
Accounts receivable	1,414,770
Prepaid expenses	1,590,579
Capital assets	<u>363,626</u>
	<u>12,852,680</u>
Accounts payable and accrued liabilities	12,990,208
Deferred revenue	409,261
Due to MOHLTC	2,970
Deferred capital contributions	363,626
Post-employment benefits and compensated absences	<u>1,138,961</u>
	<u>14,905,026</u>
Net liabilities assumed	<u>(2,052,346)</u>

The Net liabilities resulting from this transaction is recorded as revenue in the statement of operations.

14. Pension plan

The LHIN contributes to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 533 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 2018 was \$2,692.122 (2017 - \$347,875 for 35 members of LHIN only) for current service costs and is included as an expense in the 2018 Statement of Financial Operations. The last actuarial valuation was completed for the plan as of December 31, 2016. At that time, the plan was fully funded.

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

Year ended March 31, 2018

15. Transfer payment to HSPs

The LHIN has authorization to allocate funding of \$985,588,120 to various HSPs in its geographic area. The LHIN approved transfer payments to various sectors in 2017 as follows:

	2018	2017
	\$	\$
Operations of hospitals	617,197,091	598,060,559
Grants to compensate for municipal taxation – public hospitals	159,225	159,225
Long-Term Care Homes	202,450,016	195,888,555
Community Care Access Centres	17,453,771	146,637,176
Community support services	29,490,832	28,349,482
Assisted living services in supportive housing	6,471,004	6,471,004
Community health centres	24,210,476	22,693,581
Community mental health addictions program	88,155,705	84,639,991
	985,588,120	1,082,899,573

The LHIN receives funding from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2018, an amount of \$6,800,553 (\$2,449,272 in 2017) was receivable from the MOHLTC, 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.

Pursuant to note 13, effective May 17, 2017 the LHIN assumed the assets, liabilities, rights and obligations of the Waterloo Wellington CCAC (WWCCAC). Current year amounts reported in respect of the WWCCAC in the table above represent funding provided to the WWCCAC from the date of transfer.

16. 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.

17. 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 Ontario Ministry of Health and Long-Term Care.

Waterloo Wellington Local Health Integration Network
Notes to the financial statements

Year ended March 31, 2018

18. 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.