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Financial statements of  
Erie St. Clair Local Health  
Integration Network

March 31, 2020

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## Independent Auditor's Report

To the Board of Directors of the  
Erie St. Clair Local Health Integration Network

### **Audit Opinion**

We have audited the accompanying financial statements of Erie St. Clair Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2020 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, 2020, and the results of its operations, changes in net financial 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 24, 2020

# Erie St. Clair Local Health Integration Network

## Statement of financial position

As at March 31, 2020

	Notes	2020 \$	2019 \$
<b>Assets</b>			
Current assets			
Cash		20,114,443	18,331,829
Due from Ministry of Health ("MOH")	12	877,881	12,154,200
Due from Health Shared Services Ontario		—	32,959
Due from other LHINs		—	353,134
Accounts receivable		510,554	1,024,467
Prepaid expenses		1,230,111	1,429,355
		<b>22,732,989</b>	33,325,944
Capital assets	6	950,266	1,371,058
		<b>23,683,255</b>	34,697,002
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities		14,523,605	15,766,461
Due to Health Service Providers ("HSPs")	12	877,881	10,481,000
Due to MOH	3	7,678,489	7,047,485
Deferred revenue		117,267	111,111
		<b>23,197,242</b>	33,406,057
Employee future benefits	7	2,163,900	2,096,300
Deferred capital contributions	8	950,266	1,371,058
		<b>26,311,408</b>	36,873,415
Commitments and contingencies	9 and 10		
<b>Net Assets</b>		<b>(2,628,153)</b>	(2,176,413)
		<b>23,683,255</b>	34,697,002

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

Approved by the Board



William Hatanaka, Board Chair



Garry Foster, Audit Committee Chair

## Erie St. Clair Local Health Integration Network

### Statement of operations

Year ended March 31, 2020

	Notes	2020 \$	2019 \$
<b>Revenue</b>			
MOH funding - transfer payments	12	<b>1,106,658,271</b>	1,082,223,070
MOH funding - operations and initiatives		<b>162,642,311</b>	163,510,972
Cancer Care Ontario	5	<b>458,342</b>	536,793
Amortization of deferred capital contributions		<b>433,757</b>	595,696
Other revenue		<b>797,803</b>	1,203,946
		<b>164,332,213</b>	165,847,407
Total revenue		<b>1,270,990,484</b>	1,248,070,477
<b>Expenses</b>			
HSP transfer payments	12	<b>1,106,658,271</b>	1,082,223,070
Operations and Initiatives			
Contracted out			
In-home/clinic services		<b>92,940,000</b>	90,748,796
School services		<b>3,352,391</b>	6,315,144
Hospice services		<b>4,276,544</b>	4,332,448
Salaries and benefits		<b>49,331,911</b>	48,814,606
Medical supplies		<b>6,109,692</b>	6,262,116
Medical equipment rental		<b>1,573,269</b>	1,490,580
Supplies and sundry		<b>4,103,600</b>	5,102,063
Equipment repairs, rental and minor equipment		<b>649,779</b>	759,807
Building and grounds		<b>2,013,010</b>	1,971,259
Amortization		<b>433,757</b>	595,696
		<b>164,783,953</b>	166,392,515
Total expenses		<b>1,271,442,224</b>	1,248,615,585
<b>Excess of expenses over revenue</b>		<b>(451,740)</b>	(545,108)

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

**Erie St. Clair Local Health Integration Network****Statement of changes in net financial assets**

Year ended March 31, 2020

	<b>Unrestricted</b>	<b>Employee</b>	<b>2020</b>	2019
	<b>\$</b>	<b>benefits</b>	<b>Total</b>	Actual
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Net assets, beginning of year</b>	—	<b>(2,176,413)</b>	<b>(2,176,413)</b>	(1,631,305)
Excess of expenses over revenue	<b>(371,566)</b>	<b>(80,174)</b>	<b>(451,740)</b>	(545,108)
<b>Net assets, end of year</b>	<b>(371,566)</b>	<b>(2,256,587)</b>	<b>(2,628,153)</b>	(2,176,413)

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

## Erie St. Clair Local Health Integration Network

### Statement of cash flows

Year ended March 31, 2020

	Notes	2020 \$	2019 \$
<b>Operating activities</b>			
Excess of revenue over expenses		(451,740)	(545,108)
Less amounts not affecting cash			
Amortization of capital assets		433,757	595,696
Amortization of deferred capital contributions	8	(433,757)	(595,696)
		(451,740)	(545,108)
Changes in non-cash working capital items	11	2,234,354	3,515,170
		<b>1,782,614</b>	<b>2,970,062</b>
<b>Investing activity</b>			
Purchase of capital assets		(12,965)	(136,503)
<b>Financing activity</b>			
Increase in deferred capital contributions	8	12,965	136,503
Net change in cash		<b>1,782,614</b>	2,970,062
Cash, beginning of year		<b>18,331,829</b>	15,361,767
<b>Cash, end of year</b>		<b>20,114,443</b>	<b>18,331,829</b>

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

# Erie St. Clair Local Health Integration Network

## Notes to the financial statements

March 31, 2020

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### 1. Description of business

The Erie St. Clair 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 Erie St. Clair 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 Municipalities of Essex, Lambton and Chatham-Kent. 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) Provide 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. The LHIN manages the placement of persons into long-term care homes, supportive housing programs, chronic care and rehabilitation beds in hospitals. The LHIN provides 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 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.

# Erie St. Clair Local Health Integration Network

## Notes to the financial statements

March 31, 2020

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### 2. Significant accounting policies (continued)

#### *Ministry of Health Funding (continued)*

Transfer payment amounts to HSPs are based on the terms of the HSPs 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 include only transfer payment funds and LHIN operating funds 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, 10 and 20 years
Computer and communications equipment	3 and 5 years
Leasehold improvements	5 and 10 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 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.

## Erie St. Clair Local Health Integration Network

### Notes to the financial statements

March 31, 2020

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## 2. Significant accounting policies (continued)

### *Employee future benefits*

The LHIN accrues its obligations relating to the defined benefit pension plan administered by the LHIN, other post-employment benefits and sick leave as the employees render services necessary to earn benefits. The LHIN has adopted the following policies:

- (i) The cost of benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation, mortality and termination rates, and retirement ages of employees;
- (ii) For the purpose of calculating expected return on plan assets related to the defined benefit pension plan, these assets are valued at fair value;
- (iii) The excess of the net actuarial gain /loss is amortized over the average remaining service period of the employees;
- (iv) Differences arising from changes in assumptions and experience gains and losses are amortized on a straight line basis over the average remaining service period of the employees;
- (v) Past service costs arising from plan amendments are recognized immediately in the period the plan amendments occur.

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

### *Use of estimates*

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates include depreciation rates for capital assets and certain accruals. Actual results could differ from those estimates.

## 3. Funding repayable to the MOH

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOH.

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

	<b>2020</b>	2019
	\$	\$
Due to MOH, beginning of year	<b>7,047,485</b>	4,260,763
Funding repaid to MOH	—	(521,959)
Funding repayable to the MOH related to current year activities	<b>487,570</b>	2,955,547
Funding repayable to the MOH related to current year ETI PMO Cluster activities	<b>143,434</b>	353,134
Due to MOH, end of year	<b>7,678,489</b>	7,047,485

## Erie St. Clair Local Health Integration Network

### Notes to the financial statements

March 31, 2020

#### 4. Enabling Technologies for Integration Project Management Office

Effective February 1, 2012, the LHIN entered into an agreement with South West, Waterloo Wellington and Hamilton Niagara Haldimand Brant LHINs (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.

Effective April 1, 2018 the Erie St. Clair LHIN was designated the Lead LHIN with this agreement and as such holds the accountability over the distribution of the funds and manages the shared Project Management Office. In the event that the Cluster experiences a surplus, each LHIN is responsible for returning those restricted funds to the MOH. The total Cluster funding received for the year ended March 31, 2020 was \$2,000,000 (\$4,475,000 in 2019).

Funding of \$1,500,000 (\$3,475,000 in 2019) was allocated to other LHIN's within the cluster who incurred eligible expenses of \$1,500,000 (\$3,121,866 in 2019). The LHIN has set up a payable to the MOH for \$143,434 (\$353,134 in 2019).

The following provides condensed financial information for the ETI PMO funding and expenses for the cluster:

	<b>Funding allocated</b>	<b>Eligible expenses</b>	<b>2020 Excess Funding</b>	2019 Excess Funding
	\$	\$	\$	\$
Erie St. Clair LHIN	<b>500,000</b>	<b>356,566</b>	<b>143,434</b>	—
Southwest LHIN	<b>500,000</b>	<b>500,000</b>	—	353,134
Waterloo Wellington LHIN	<b>500,000</b>	<b>500,000</b>	—	—
Hamilton Niagara Haldimand Brant LHIN	<b>500,000</b>	<b>500,000</b>	—	—
	<b>2,000,000</b>	<b>1,856,566</b>	<b>143,434</b>	353,134

#### 5. Related party transactions

##### *Health Shared Services Ontario (HSSO)*

HSSO was 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 was 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.

During the year, the LHIN received Business Technology Infrastructure (BTI) funding from HSSO/Ontario Health of \$271,801 (\$195,314 in 2019).

On December 2, 2019 the assets, liabilities, rights and obligations of HSSO were transferred to Ontario Health who continued to provide the shared services to the LHIN.

##### *Ontario Health*

Ontario Health is a Crown Agency established under the Connecting Care Act, 2019 and is a related party to the LHIN through the common control of the Province of Ontario (see Note 15).

On December 2, 2019, the LHIN signed a Memorandum of Understanding ("MOU") with Ontario Health and certain non-home and community care employees of the LHIN were transferred to Ontario Health. Under the MOU, for the period of December 2, 2019 to March 31, 2020, the LHIN continued to provide compensation and benefits to transferred employees.

## Erie St. Clair Local Health Integration Network

### Notes to the financial statements

March 31, 2020

#### 5. Related party transactions (continued)

*Ontario Health (continued)*

During this period, the LHIN incurred \$866,351 in salaries and benefits expense for the transferred employees, of which \$324,779 remained in accounts payable and accrued charges as at March 31, 2020. All amounts were recorded at cost in the Statement of operations and changes in net assets and the Statement of financial position.

Effective December 2, 2019 the assets, liabilities, rights and obligations of Cancer Care Ontario were transferred to Ontario Health.

#### 6. Capital assets

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
	\$	\$	\$	\$
Leasehold improvements	4,347,660	3,814,125	533,535	763,027
Furniture and equipment	2,601,623	2,376,337	225,286	305,957
Computer equipment	2,351,110	2,159,665	191,445	302,074
	<b>9,300,393</b>	<b>8,350,127</b>	<b>950,266</b>	<b>1,371,058</b>

#### 7. Employee future benefits

The net employee future benefits liability consists of:

	2020	2019
	\$	\$
(a) Pension plan – accrued future benefit asset	(172,300)	(250,300)
(b) Other benefits – accrued future benefit liability	2,247,500	2,002,600
(c) Accumulated sick leave liability	88,700	344,000
Net employee future benefits	<b>2,163,900</b>	<b>2,096,300</b>

##### (a) Pension plans

The LHIN has a defined benefit pension plan administered by the LHIN and managed by Standard Life of Canada, which provides pension benefits based on years of service prior to January 1, 1999 for some unionized employees and prior to January 1, 2002 for some non-unionized employees. Subsequent to the above mentioned dates, some of the respective employees became members of Healthcare of Ontario Pension Plan ("HOOPP"), a multi-employer final average pay contributory pension plan.

The LHIN uses actuarial reports prepared by independent actuaries for funding and accounting purposes. The most recent actuarial valuation of the pension plans for funding purposes was as of November 30, 2017. The measurement date is March 31, 2020.

# Erie St. Clair Local Health Integration Network

## Notes to the financial statements

March 31, 2020

### 7. Employee future benefits

(a) *Pension plans (continued)*

The following significant actuarial assumptions were employed to determine the periodic pension expense and the accrued benefit obligations:

	2020 %	2019 %
Assumptions		
Accrued benefit obligation as of March 31		
Discount rate	3.29	3.18
Rate of compensation increase	1.50	1.75
Benefit costs for period ended March 31		
Expected long-term rate of return on plan assets	5.00	5.00
Rate of compensation increase	1.50	1.75

Information about the LHINs defined benefit pension plan is as follows:

	2020 \$	2019 \$
Accrued benefit obligation		
Accrued benefit obligation, beginning of year	693,000	805,100
Interest cost	18,900	24,200
Benefits paid	(198,200)	(175,500)
Actuarial (gain) loss	(26,500)	39,200
	<b>487,200</b>	<b>693,000</b>

	2020 \$	2019 \$
Plan assets		
Fair value of plan assets, beginning of year	733,100	878,600
Actual return on plan assets	32,100	39,600
Contributions	17,500	1,700
Benefit payments	(198,200)	(175,500)
Actuarial loss	(54,000)	(11,300)
	<b>530,500</b>	<b>733,100</b>

*Funded status*

	2020 \$	2019 \$
Unamortized net actuarial loss	129,000	210,200
Funded status surplus	43,300	40,100
	<b>172,300</b>	<b>250,300</b>

**7. Employee future benefits (continued)**

(a) *Pension plans (continued)*

*Funded status (continued)*

Most employees are also members of HOOPP, which is a multi-employer plan, on behalf of approximately 505 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 2020 was \$3,745,892 (\$3,661,014 in 2019) for current service costs and is included as an expense in the 2020 Statement of operations. The last actuarial valuation was completed for the plan as of December 31, 2019. At that time, the plan was fully funded.

(b) *Other benefits*

The LHIN provides for the continuation of medical benefits to most employees upon retirement. Information about the plan is as follows:

Accrued benefit liability is determined as follows:

	<b>2020</b>	2019
	\$	\$
Accrued benefit obligation	<b>2,084,300</b>	2,109,100
Unamortized actuarial gain (loss)	<b>163,200</b>	(106,500)
	<b>2,247,500</b>	2,002,600

Continuity of benefit liability is as follows:

	<b>2020</b>	2019
	\$	\$
Balance, beginning of year	<b>2,002,600</b>	1,360,900
Current service cost	<b>195,700</b>	111,100
Past service cost	—	681,000
Immediate recognition of actuarial gains	—	(134,800)
Interest cost	<b>72,700</b>	43,800
Benefits paid	<b>(35,100)</b>	(43,300)
Amortization of net actuarial loss (gains)	<b>11,600</b>	(16,100)
Balance, end of year	<b>2,247,500</b>	2,002,600

The following significant actuarial assumptions were employed to determine the periodic benefit expense and the accrued benefit obligation:

	<b>2020</b>	2019
	%	%
Assumptions		
Accrued benefit obligation as of March 31		
Discount rate	<b>3.29%</b>	3.18%
Health care trend rate	<b>7% trending down by 1% to 5%</b>	8% trending down by 1% to 5%

## Erie St. Clair Local Health Integration Network

### Notes to the financial statements

March 31, 2020

#### 7. Employee future benefits (continued)

##### (c) Sick leave benefits

Under the sick leave benefit plan, unused sick leave for most employees can accumulate. Information about the plan is as follows:

Compensated absence liability is determined as follows:

	2020 \$	2019 \$
Accrued benefit obligation	2,170,500	2,067,000
Unamortized actuarial losses	(2,081,800)	(1,723,000)
	<b>88,700</b>	344,000

Continuity of benefit liability is as follows:

	2020 \$	2019 \$
Balance, beginning of year	344,000	506,400
Curtailment gain	—	(212,100)
Immediate recognition of actuarial loss	—	175,900
Interest cost	58,800	78,300
Benefits paid	(433,800)	(344,700)
Amortization of net actuarial gains	119,700	140,200
Balance, end of year	<b>88,700</b>	344,000

The following significant actuarial assumptions were employed to determine the periodic benefit expense and the accrued benefit obligation:

	2020 %	2019 %
Assumptions		
Accrued benefit obligation as of March 31		
Discount rate	3.29%	3.18%
Rate of compensation increase	1.50%	2.00%

#### 8. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of contributions received for the purchase of capital assets. The changes in the deferred capital contributions balance are as follows:

	2020 \$	2019 \$
Balance, beginning of year	1,371,058	1,830,251
Capital contributions received during the year	12,965	136,503
Amortization for the year	(433,757)	(595,696)
Balance, end of year	<b>950,266</b>	1,371,058

## Erie St. Clair Local Health Integration Network

### Notes to the financial statements

March 31, 2020

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#### 9. Commitments

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

	<u>\$</u>
2021	1,923,037
2022	1,257,214
2023	1,128,441
2024	<u>351,098</u>

#### 10. Contingencies

The LHIN enters into accountability agreements with HSPs which include planned funding targets. The actual funding provided by the LHIN is contingent on the MOH providing the funding.

The LHIN has been named as a defendant in various claims. Management believes any liability resulting from these actions would be adequately covered by existing liability insurance.

#### 11. Changes in non-cash working capital items

	<b>2020</b>	2019
	<b>\$</b>	<b>\$</b>
Due from MOH	<b>11,276,319</b>	(11,159,431)
Due from to Ontario Health / HSSO	<b>32,959</b>	79,833
Due from other LHINs	<b>353,134</b>	(353,134)
Accounts receivable	<b>513,913</b>	(354,376)
Prepaid expenses	<b>199,244</b>	(276,395)
Accounts payable and accrued liabilities	<b>(1,242,856)</b>	2,251,625
Due to HSPs	<b>(9,603,119)</b>	10,046,131
Due to MOH	<b>631,004</b>	2,786,722
Deferred revenue	<b>6,156</b>	(27,505)
Employee future benefits	<b>67,600</b>	521,700
Total change in non-cash working capital items	<b><u>2,234,354</u></b>	<u>3,515,170</u>

## Erie St. Clair Local Health Integration Network

### Notes to the financial statements

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#### 12. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$1,106,658,271 to various HSPs in its geographic area. The LHIN approved transfer payments to various sectors in 2020 as follows:

	<b>2020</b>	2019
	<b>\$</b>	\$
Operations of hospitals	<b>728,348,037</b>	712,182,729
Grants to compensate for municipal taxation – public hospitals	<b>156,975</b>	156,975
Long-Term Care Homes	<b>238,195,771</b>	233,724,875
Community support services	<b>27,253,972</b>	25,308,665
Assisted living services in supportive housing	<b>12,373,706</b>	13,029,706
Community health centres	<b>39,657,970</b>	38,035,581
Community mental health addictions program	<b>14,548,542</b>	14,136,789
Community mental health program	<b>46,123,298</b>	45,647,750
	<b>1,106,658,271</b>	1,082,223,070

The LHIN receives funding from the MOH and in turn allocates it to the HSPs. As at March 31, 2020, an amount of \$877,881 (\$10,481,000 in 2019) was receivable from the MOH, and was payable to HSPs. These amounts have been reflected as revenue and expenses in the Statement of operations and are included in the table above.

#### 13. Financial risk

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

Credit risk relates to the potential that one party to a financial instrument will fail to discharge an obligation and incur a financial loss. The maximum exposure to credit risk is the carrying value reported in the statement of financial position. Credit risk is mitigated through collection practices and the diverse nature of amounts with accounts receivable.

Liquidity risk is the risk that the LHIN will not be able to meet all cash flow obligations as they come due. The LHIN mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and cash flow analysis.

#### 14. 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.

## **Erie St. Clair Local Health Integration Network**

### **Notes to the financial statements**

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#### **15. The Connecting Care Act**

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. This legislation is a key component of the government's plan to build an integrated health care system. The CCA grants the Minister of Health (the "Minister") the power to transfer assets, liabilities, rights, obligations and employees of certain government organizations, including the LHINs, into Ontario Health, a health service provider, or an integrated care delivery system. The CCA also grants the Minister the power to dissolve the transferred organizations.

On March 8, 2019, the members of the board of directors of Ontario Health were appointed to also constitute the board of the LHIN. The board of directors of Ontario Health will oversee the process of transferring multiple provincial agencies into Ontario Health.

Effective December 2, 2019, pursuant to an order from the Minister made under the CCA, the LHIN transferred 10 non-home and community care employee positions to Ontario Health.

The transition process is ongoing and expected to occur over a number of years. A potential full transfer and dissolution date is currently unknown. In the meantime, the LHIN continues to operate as required under the *Local Health System Integration Act, 2016* and in accordance with its accountability agreement with the Minister.

#### **16. Corresponding figures**

Certain corresponding figures have been reclassified to conform to the current year's presentation.