
Financial statements of
Erie St. Clair Local Health
Integration Network

March 31, 2021

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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, 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 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 23, 2021

Erie St. Clair Local Health Integration Network

Statement of financial position

As at March 31, 2021

	Notes	2021 \$	2020 \$
Assets			
Current assets			
Cash		23,282,053	20,114,443
Due from Ministry of Health ("MOH")	11	112,257,208	877,881
Accounts receivable	4	700,446	510,554
Prepaid expenses		1,435,988	1,230,111
		137,675,695	22,732,989
Capital assets	5	638,447	950,266
		138,314,142	23,683,255
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	4	17,715,210	14,523,605
Due to Health Service Providers ("HSPs")	11	112,257,208	877,881
Due to MOH	3	7,667,598	7,678,489
Deferred revenue		151,692	117,267
		137,791,708	23,197,242
Employee future benefits	6	2,543,800	2,163,900
Deferred capital contributions	7	638,447	950,266
		140,973,955	26,311,408
Commitments and contingencies	8 and 9		
Net assets		(2,659,813)	(2,628,153)
		138,314,142	23,683,255

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

Approved by the Board



_____, Director



_____, Director

Erie St. Clair Local Health Integration Network
Statement of operations
Year ended March 31, 2021

	Notes	2021 \$	2020 \$
Revenue			
MOH funding - transfer payments	11	1,313,212,981	1,106,658,271
MOH funding - operations and initiatives		167,165,623	162,642,311
Ontario Health Cancer Care Division	4	634,800	458,342
Amortization of deferred capital contributions	7	315,486	433,757
Other revenue	4	559,569	797,803
		168,675,478	164,332,213
Total revenue		1,481,888,459	1,270,990,484
Expenses			
HSP transfer payments	11	1,313,212,981	1,106,658,271
Operations and Initiatives			
Contracted out			
In-home/clinic services		95,492,377	92,940,000
School services		1,308,974	3,352,391
Hospice services		4,472,830	4,276,544
Salaries and benefits		51,372,770	49,331,911
Medical supplies		8,352,378	6,109,692
Medical equipment rental		1,691,071	1,573,269
Supplies and sundry	4	3,170,686	4,103,600
Equipment repairs, rental and minor equipment		602,873	649,779
Building and grounds		1,927,693	2,013,010
Amortization		315,486	433,757
		168,707,138	164,783,953
Total expenses		1,481,920,119	1,271,442,224
Excess of expenses over revenue		(31,660)	(451,740)

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, 2021

	Unrestricted	Employee	2021	2020
	\$	benefits	Total	Total
	\$	\$	\$	\$
Net assets,				
beginning of year	(371,566)	(2,256,587)	(2,628,153)	(2,176,413)
Excess of expenses over revenue	371,566	(403,226)	(31,660)	(451,740)
Net assets, end of year	—	(2,659,813)	(2,659,813)	(2,628,153)

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, 2021

	Notes	2021 \$	2020 \$
Operating activities			
Excess of expenses over revenue		(31,660)	(451,740)
Less amounts not affecting cash			
Amortization of capital assets		315,486	433,757
Amortization of deferred capital contributions	7	(315,486)	(433,757)
		(31,660)	(451,740)
Changes in non-cash working capital items	10	3,199,270	2,234,354
		3,167,610	1,782,614
Investing activity			
Purchase of capital assets		(3,667)	(12,965)
Financing activity			
Increase in deferred contributions	7	3,667	12,965
Net change in cash		3,167,610	1,782,614
Cash, beginning of year		20,114,443	18,331,829
Cash, end of year		23,282,053	20,114,443

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, 2021

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.

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 Erie St. Clair 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).

Erie St. Clair 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 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.

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2021

2. Significant accounting policies (continued)

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.

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.

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2021

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. In fiscal year ended March 31, 2020 the LHIN incurred a deficit of \$371,566. In consultation with the Ministry of Health, the LHIN received permission to implement a plan that would return the LHIN back to a balance position in the next year. As a result of this agreement, the LHIN has a surplus of \$371,566 before accrued employee future benefits.

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

	2021 \$	2020 \$
Due to MOH, beginning of year	7,678,489	7,047,485
Funding repaid to MOH	(3,361,379)	—
Funding repayable to the MOH related to current year activities	3,438,246	487,570
Write-off of prior year repayable not recovered	(87,758)	—
Funding repayable to the MOH related to current year ETI PMO Cluster activities	—	143,434
Due to MOH, end of year	7,667,598	7,678,489

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. OH 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 OH and 10 non-home and community care employees of the LHIN were transferred to OH. Under the MOU, the LHIN continued to provide compensation and benefits to transferred employees.

During the year, the LHIN incurred \$1,600,857 (\$866,351 in 2020 for the period from December 2, 2019 to March 31, 2020) in salaries and benefits expense for the transferred employees, of which \$359,286 (\$324,779 in 2020) remained in accounts payable and accrued liabilities 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.

Due to a change in the scope of the transfer, effective April 1, 2021 5 positions previously transferred to OH on December 2, 2019 were assigned back to the LHIN.

During the year the LHIN recognized \$634,800 (\$458,342 in 2020) from OH (Cancer Care Division) which is reported as Ontario Health Cancer Care Division in the statement of operations, \$196,350 (\$271,801 in 2020) of Business Technology Infrastructure ("BTI") funding which is included as other revenue on the statement of operations, \$74,764 (\$30,304 in 2020) cost recovery which is included in the statement of operations as a reduction of miscellaneous costs and incurred miscellaneous costs of \$225,684 (\$30,080 in 2020) which are reported as supplies and sundry in the statement of operations. At year-end a total of \$16,149 (nil in 2020) due from OH related to BTI is included in accounts receivable and \$20,785 (\$4,080 in 2020) due to OH is included in accounts payable and accrued liabilities.

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2021

4. Related party transactions (continued)

Other LHINs

During year the LHIN recognized \$109,350 (nil in 2020) of revenue from Waterloo Wellington LHIN in respect of funding for enabling technologies and referral programs which is included as other revenue on the statement of operations and which remains due from Waterloo Wellington LHIN at year-end and is included in accounts receivable in the statement of financial position. During the year the LHIN recognized \$39,572 (nil in 2020) from South West LHIN in respect of remote patient monitoring which is included as other income in the statement of operations and which remains due from South West LHIN at year-end and is included in accounts receivable on the statement of financial position. During the year the LHIN incurred \$15,000 (\$15,000 in 2020) of expenses related to translation services from the Champlain LHIN and \$11,899 (\$11,000 in 2020) of miscellaneous expenses from South West LHIN which are included in supplies and sundry in the statement of operations of which \$7,500 (nil in 2020) is included in accounts payable and accrued liabilities in the statement of financial position at year-end.

5. Capital assets

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
	\$	\$	\$	\$
Leasehold improvements	4,347,660	3,986,863	360,797	533,535
Furniture and equipment	2,605,290	2,417,680	187,610	225,286
Computer equipment	2,351,110	2,261,070	90,040	191,445
	9,304,060	8,665,613	638,447	950,266

6. Employee future benefits

The net employee future benefits liability consists of:

	2021	2020
	\$	\$
(a) Pension plan – accrued future benefit asset	(38,000)	(172,300)
(b) Other benefits – accrued future benefit liability	2,456,200	2,247,500
(c) Accumulated sick leave liability	125,600	88,700
Net employee future benefits	2,543,800	2,163,900

(a) Pension plans

The LHIN has a defined benefit pension plan administered by the LHIN and managed by The Manufacturers Life Insurance Company, 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, 2021.

6. Employee future benefits (continued)

(a) Pension plans (continued)

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

	2021	2020
	%	%
Assumptions		
Accrued benefit obligation as of March 31		
Discount rate	3.21	3.29
Rate of compensation increase	1.50	1.50
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	1.50

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

	2021	2020
	\$	\$
Accrued benefit obligation		
Accrued benefit obligation, beginning of year	487,200	693,000
Interest cost	15,300	18,900
Benefits paid	(44,800)	(198,200)
Actuarial loss (gain)	6,200	(26,500)
	463,900	487,200

	2021	2020
	\$	\$
Plan assets		
Fair value of plan assets, beginning of year	530,500	733,100
Actual return on plan assets	24,900	32,100
Contributions	12,200	17,500
Benefit payments	(44,800)	(198,200)
Actuarial gain (loss)	92,900	(54,000)
Adjustment to assets	(16,200)	—
	599,500	530,500

Funded status

	2021	2020
	\$	\$
Funded status		
Unamortized net actuarial (gain) loss	(97,600)	129,000
Funded status surplus	135,600	43,300
	38,000	172,300

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2021

6. 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 510 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 \$3,676,892 (\$3,745,892 in 2020) for current service costs and is included as an expense in the 2021 Statement of operations. The last actuarial valuation was completed for the plan as of December 31, 2020. 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:

	2021 \$	2020 \$
Accrued benefit obligation	1,944,900	2,084,300
Unamortized actuarial gain	511,300	163,200
	2,456,200	2,247,500

Continuity of benefit liability is as follows:

	2021 \$	2020 \$
Balance, beginning of year	2,247,500	2,002,600
Current service cost	189,200	195,700
Interest cost	74,200	72,700
Benefits paid	(36,800)	(35,100)
Amortization of net actuarial (gains) loss	(17,900)	11,600
Balance, end of year	2,456,200	2,247,500

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

	2021 %	2020 %
Assumptions		
Accrued benefit obligation as of March 31		
Discount rate	3.21%	3.29%
Health care trend rate	6% trending down by 1% to 5%	6% trending down by 1% to 5%

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2021

6. 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:

	2021 \$	2020 \$
Accrued benefit obligation	2,283,800	2,170,500
Unamortized actuarial losses	(2,158,200)	(2,081,800)
	125,600	88,700

Continuity of benefit liability is as follows:

	2021 \$	2020 \$
Balance, beginning of year	88,700	344,000
Interest cost	68,500	58,800
Benefits paid	(175,200)	(433,800)
Amortization of net actuarial gains	143,600	119,700
Balance, end of year	125,600	88,700

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

	2021 %	2020 %
Assumptions		
Accrued benefit obligation as of March 31		
Discount rate	3.21	3.29
Rate of compensation increase	1.50	1.50

7. 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:

	2021 \$	2020 \$
Balance, beginning of year	950,266	1,371,058
Capital contributions received during the year	3,667	12,965
Amortization for the year	(315,486)	(433,757)
Balance, end of year	638,447	950,266

Erie St. Clair Local Health Integration Network
Notes to the financial statements
 March 31, 2021

8. Commitments

The LHIN has commitments under various operating leases extending to 2025 as follows:

	<u>\$</u>
2022	2,267,421
2023	1,524,134
2024	382,774
2025	23,569

9. Contingencies

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.

10. Changes in non-cash working capital items

	2021	2020
	\$	\$
Due from MOH	(111,379,327)	11,276,319
Accounts receivable	(189,892)	900,006
Prepaid expenses	(205,877)	199,244
Accounts payable and accrued liabilities	3,191,605	(1,242,856)
Due to HSPs	111,379,327	(9,603,119)
Due to MOH	(10,891)	631,004
Deferred revenue	34,425	6,156
Employee future benefits	379,900	67,600
Total change in non-cash working capital items	3,199,270	2,234,354

11. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$1,313,212,981 to various HSPs in its geographic area. The LHIN approved transfer payments to various sectors in 2021 as follows:

	2021	2020
	\$	\$
Operations of hospitals	918,106,175	728,348,037
Grants to compensate for municipal taxation – public hospitals	156,975	156,975
Long-Term Care Homes	245,729,158	238,195,771
Community support services	28,061,896	27,253,972
Assisted living services in supportive housing	14,632,231	12,373,706
Community health centres	39,747,322	39,657,970
Community mental health addictions program	18,199,387	14,548,542
Community mental health program	48,579,837	46,123,298
	1,313,212,981	1,106,658,271

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2021

11. Transfer payments to HSPs (continued)

The LHIN receives funding from the MOH/MLTC and in turn allocates it to the HSPs. As at March 31, 2021, an amount of \$112,257,208 (\$877,881 in 2020) was receivable from the MOH/MLTC, 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. Corresponding figures

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