
Financial statements of
Central Local Health
Integration Network
O/A Home and Community Care
Support Services Central

March 31, 2023

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Independent Auditor's Report

To the Board of Directors of Central Local Health Integration Network O/A Home and Community Care Support Services Central

Opinion

We have audited the financial statements of Central Local Health Integration Network O/A Home and Community Care Support Services Central (the "LHIN"), which comprise the statement of financial position as at March 31, 2023, the statement of operations and changes in net assets (deficit), and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the LHIN as at March 31, 2023, and its results of operations, changes in net assets (deficit) 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. 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.

Other Matter

The financial statements of the LHIN for the year ended March 31, 2022 were audited by another auditor who expressed an unqualified opinion on those statements on June 22, 2022.

Responsibilities of Management and Those Charged with Governance 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.

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 generally accepted auditing standards 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.

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with Canadian generally accepted auditing standards, 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Oakville, Ontario
June 26, 2023

Central Local Health Integration Network
O/A Home and Community Care Support Services Central
Statement of financial position
As at March 31, 2023

	Notes	2023	2022
		\$	\$
Assets			
Current assets			
Cash		46,376,244	30,123,822
Accounts Receivable		9,266,338	17,487,602
Prepaid expenses		1,341,187	1,083,942
		56,983,769	48,695,366
Capital assets	3	1,396,292	1,707,691
		58,380,061	50,403,057
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	11	40,305,784	38,038,788
Due to Ministry of Health "MOH"	4	16,677,985	12,486,988
		56,983,769	50,525,776
Deferred capital contributions	5	1,396,292	1,707,691
		58,380,061	52,233,467
Commitments and contingencies	6 and 7		
Net assets (deficit)		-	(1,830,410)
		58,380,061	50,403,057

Approved by the Board


Joe Parker, Board Chair


Kate Fyfe - Finance, Audit and Information Chair

The accompanying notes form an integral part of these financial statements

Central Local Health Integration Network
O/A Home and Community Care Support Services Central
Statement of operations and changes in net assets (deficit)
Year ended March 31, 2023

	Notes	2023	2022
		\$	\$
Revenue			
MOH funding		476,412,227	436,859,953
Ontario Health - Cancer Care Division		1,210,748	1,613,040
Amortization of deferred capital contributions	5	431,772	508,809
Other revenue		31,369	42,256
		478,086,116	439,024,058
Expenses			
Contracted out:			
In-home/clinic services		360,217,774	332,229,408
Hospice services		4,763,933	5,219,038
School services		6,762,392	4,533,384
Salaries and benefits	9	77,799,469	73,757,519
Medical supplies		17,951,975	17,141,693
Medical equipment rental		2,268,333	2,330,318
Supplies and sundry		3,117,463	2,208,844
Buildings and grounds		2,942,595	2,925,455
Amortization of capital assets		431,772	508,809
		476,255,706	440,854,468
Excess (deficiency) of revenue over expenses		1,830,410	(1,830,410)
Net assets (deficit), beginning of year		(1,830,410)	-
Net assets (deficit), end of year		-	(1,830,410)

The accompanying notes form an integral part of these financial statements

Central Local Health Integration Network
O/A Home and Community Care Support Services Central
Statement of cash flows

Year ended March 31, 2023

	Notes	2023	2022
		\$	\$
Operating activities			
Excess (deficiency) of revenue over expenses		1,830,410	(1,830,410)
Less amounts not affecting cash			
Amortization of capital assets		431,772	508,809
Amortization of deferred capital contributions		(431,772)	(508,809)
		1,830,410	(1,830,410)
Changes in non-cash working capital items	8	14,422,012	5,794,259
		16,252,422	3,963,849
Investing activity			
Purchase of capital assets		(120,373)	-
Investing activity			
Contributions received for capital asset purchases		120,373	-
Net increase in cash		16,252,422	3,963,849
Cash, beginning of year		30,123,822	26,159,973
Cash, end of year		46,376,244	30,123,822

The accompanying notes form an integral part of these financial statements

1. Description of business

The Central Health Integration Network was incorporated by letters patent on June 2, 2005 as a corporation without share capital. Following Royal Assent on March 28, 2006 to the *Local Health System Integration Act, 2006, S.O. 2006, c. 4 - Bill 36*, it was continued as the Central Local Health Integration Network ("LHIN") and the letters patent issued to constitute the corporation continued by this Act were extinguished.

Effective June 21, 2017, the Minister of Health and Long-Term Care issued a transfer order under section 34.2 of the *Local Health System Integration Act, 2006* ("LHSIA") and ordered all assets, liabilities, rights and obligations, and all records relating thereto, and all employees of the Central Community Care Access Centre and related records, rights and obligations to be transferred from the Central Community Care Access Centre to the Central LHIN.

On March 7, 2019, the Orders in Council appointing individuals to the Board of Directors of the Central LHIN were revoked, and members of the Board of Directors of Ontario Health ("OH") were cross-appointed to the Central LHIN. The OH Board continued in this capacity until July 1, 2021 when individuals newly appointed to the Central LHIN Board of Directors took effect.

On March 17, 2021, the Ontario Minister of Health issued a transfer order under subsection 40(1) of the *Connecting Care Act, 2019*, in which the Minister ordered specific assets, liabilities, rights and obligations to be transferred from the Central LHIN to Ontario Health. The items transferred were primarily associated with health system planning, funding, and integration of the local health system in its geographic area. In addition, certain staff positions of the Central LHIN were transferred to Ontario Health.

On July 8, 2020, the *Connecting People to Home and Community Care Act, 2020* received Royal Assent. This Act made legislative amendments to the *Connecting Care Act, 2019* relating to home and community care and, on May 1, 2022, O. Reg. 187/22 Home and Community Care Services under the *Connecting Care Act, 2019* was proclaimed into force. On the same day, the *Home Care and Community Services Act, 1994* and regulations thereunder were repealed and are no longer in force.

The Central LHIN is a Crown agent and may exercise its powers only as an agent of the Crown. Limits on the Central LHIN's ability to undertake certain activities are set out in LHSIA. As an agent of the Crown, the Central LHIN is not subject to income taxation.

The Central LHIN now operates under the business name Home and Community Care Support Services Central and is responsible for the provision of home and community care services within its geographic area.

The mandate of the Central LHIN includes the following:

Provision of community services:

These services include the provision of health and related services, medical supplies and equipment for the care of persons in home and community settings, and goods and services to assist caregivers in the provision of care for such persons. As well, its mandate includes managing the placement of persons into long-term care homes, supportive housing programs, chronic care and rehabilitation beds in hospitals, and providing information to the public about, and making referrals to, health and social services.

The Central LHIN has entered into an Accountability Agreement with the Ministry of Health ("MOH"), as required under section 18 of LHSIA, and a Memorandum of Understanding, which provides the framework for the Central LHIN's accountabilities and activities.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards including the 4200 series for government not-for-profit organizations, 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 collected and 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 approved by the MOH for the operations of the LHIN. Due to the nature of the Accountability Agreement, the LHIN is economically dependent on the MOH.

LHIN Financial Statements include LHIN operating funds included in the Ministry-LHIN Accountability Agreement and as amended by Ministry of Health funding letters.

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:

Computer equipment and software	3 years
Furniture and equipment	3-10 years
Medical equipment	5 years
Leasehold improvements	Over the term of the lease

For capital assets acquired or brought into use, during the year, amortization is provided for one half of a 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.

Central Local Health Integration Network
O/A Home and Community Care Support Services Central
Notes to the financial statements
March 31, 2023

2. Significant accounting policies (continued)

Financial instruments (continued)

Write-downs on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the write-down being recognized in the Statement of operations and changes in net assets.

Use of estimates

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

3. Capital assets

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
	\$	\$	\$	\$
Computer equipment and software	2,339,018	2,339,018	—	2,413
Furniture and equipment	1,892,238	1,869,106	23,132	47,761
Medical equipment	1,306,877	1,051,022	255,855	306,228
Leasehold improvements	3,325,848	2,208,543	1,117,305	1,351,289
	8,863,981	7,467,689	1,396,292	1,707,691

4. Due to MOH

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Any funding received from the MOH in excess of expenses incurred, is required to be returned to the MOH. The MOH requires any deficits incurred to be remediated by the LHIN generating a surplus equal to the deficit, in the following fiscal year. All interest income earned by the LHIN is payable to the MOH.

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

	2023	2022
	\$	\$
Due to MOH, beginning of year	12,486,988	12,246,916
Funding repaid to MOH	(2,176,955)	—
Funding repayable to MOH related to current year activities	4,810,225	—
Interest income for the current year	1,557,727	240,072
Due to MOH, end of year	16,677,985	12,486,988

5. 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:

	2023 \$	2022 \$
Balance, beginning of year	1,707,691	2,216,500
Capital contributions received during the year	120,373	—
Amortization for the year	(431,772)	(508,809)
Balance, end of year	<u>1,396,292</u>	<u>1,707,691</u>

6. Commitments

The LHIN has commitments under various operating leases extending to 2028 as follows:

	\$
2024	1,838,945
2025	1,785,003
2026	1,650,165
2027	1,061,906
2028	<u>1,174,495</u>
	<u>7,510,514</u>

7. Contingencies

The LHIN has been named as defendants in various claims due to the nature of its operations as well as grievances filed by its various unions. Management has recorded its best estimate of the outcome of these claims in these financial statements.

The LHIN is a member of the Healthcare Insurance Reciprocal of Canada (HIROC), which is a pooling of the liability insurance risks of its members. Members of the pool pay annual premiums that are actuarially determined. HIROC members are subject to reassessment for losses, if any, experienced by the pool for the years in which they are members, and these losses could be material. No reassessments have been made to March 31, 2023.

Should these result in additional revenues or costs, the difference will be recorded in the year of settlement.

8. Change in non-cash working capital items

	2023	2022
	\$	\$
Due from MOH	8,512,797	(286,618)
Accounts receivable	(291,533)	586,961
Prepaid expenses	(257,245)	(134,715)
Accounts payable and accrued liabilities	2,266,996	5,388,559
Due to MOH	4,190,997	240,072
Total change in non-cash working capital items	<u>14,422,012</u>	<u>5,794,259</u>

9. Pension plan

The LHIN contributes to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 785 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 2023 was \$5,245,645 (2022 - \$5,152,382) for current service costs and is included in salaries and benefits in the statement of operations and changes in net assets (deficit). The last actuarial valuation was completed by HOOPP as at December 31, 2022 disclosed net assets available for benefits of \$103,674,000,000 with pension obligations of \$92,721,000,000, resulting in a surplus of \$10,953,000,000.

10. 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.

11. Related party balances and transactions

The Central LHIN is related to other LHINs by virtue of having a common controlling board of Directors and CEO. The Central LHIN made payments for expenses on behalf of all the LHINs during the year ended March 31, 2023 totaling \$17,559 (2022 - \$Nil). The Central LHIN shared costs totaling \$79,031 during the year ended March 31, 2023 (2022 - \$Nil) which are payable to South West LHIN, Champlain LHIN and North East LHIN for shared cost recoveries. These transactions are in the normal course of operations and measured at the exchange amount. Included in accounts payable and accrued liabilities is \$56,691 (2022 - \$Nil) due to other LHINs.