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

March 31, 2023

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of North East Local Health Integration Network O/A Home and Community Care Support Services North East (the "LHIN"), which comprise the statement of financial position as at March 31, 2023, statement of operations, statement of changes in net assets (deficit), 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.



Chartered Professional Accountants, Licensed Public Accountants

Oakville, Ontario
June 26, 2023

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

	Notes	2023 \$	2022 \$
Assets			
Current assets			
Cash		33,831,984	23,444,820
Due from Ministry of Health ("MOH")		716,700	2,839,577
Accounts receivable	12	1,886,893	1,260,631
Prepaid expenses		381,424	1,418,431
		36,817,001	28,963,459
Capital assets			
	3	23,545	57,992
		36,840,546	29,021,451
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	12	15,613,672	16,844,225
Due to MOH	4	21,187,151	12,103,056
		36,800,823	28,947,281
Employee future benefits	6	4,216,507	4,420,002
Deferred capital contributions	5	23,545	57,992
		41,040,875	33,425,275
Commitments and contingencies	7 and 8		
Net assets (deficit)		(4,200,329)	(4,403,824)
		36,840,546	29,021,451

Approved by the Board


Joe Parker, Board Chair


Kate Fyfe - Finance, Audit and Information Chair

North East Local Health Integration Network
O/A Home and Community Care Support Services North East
Statement of operations
Year ended March 31, 2023

	Notes	2023	2022
		\$	\$
Revenue			
MOH funding		173,016,385	166,171,077
Ontario Health - Cancer Care Division		198,717	242,887
Amortization of deferred capital contributions	5	43,779	251,207
Other revenue		439,492	669,476
		173,698,373	167,334,647
Expenses			
Contracted out:			
In-home/clinic services		77,162,882	76,298,329
School services		1,113,921	607,976
Hospice services		8,439,709	8,943,660
Salaries and benefits	6, 10	65,848,093	62,520,697
Medical supplies		9,469,103	9,778,143
Medical equipment rental		3,441,799	3,634,812
Supplies and sundry	12	6,133,825	3,289,183
Building and grounds		2,045,262	2,010,640
Amortization of capital assets	3	43,779	251,207
		173,698,373	167,334,647
Excess of revenue over expenses before the undernoted		—	—
Employee future benefits recovery		203,495	129,477
Excess of revenue over expenses		203,495	129,477

The accompanying notes are an integral part of the financial statements

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

	Unrestricted	Employee	Internally	2023	2022
	\$	benefits	restricted	Total	Total
	\$	\$	\$	\$	\$
Net assets (deficit), beginning of year	—	(4,420,002)	16,178	(4,403,824)	(4,533,301)
Excess of revenue over expenses	203,495	—	—	203,495	129,477
Transfer to employee benefits	(203,495)	203,495	—	—	—
Net assets (deficit), end of year	—	(4,216,507)	16,178	(4,200,329)	(4,403,824)

North East Local Health Integration Network
O/A Home and Community Care Support Services North East
Statement of cash flows
Year ended March 31, 2023

	Notes	2023	2022
		\$	\$
Operating activities			
Excess of revenue over expenses		203,495	129,477
Less: amounts not affecting cash			
Amortization of capital assets	3	43,779	251,207
Amortization of deferred capital contributions	5	(43,779)	(251,207)
		203,495	129,477
Change in non-cash working capital items	9	10,183,669	1,546,156
		10,387,164	1,675,633
Investing activity			
Purchase of capital assets	3	(9,332)	—
Financing activity			
Increase in deferred capital contributions	5	9,332	—
Net increase in cash		10,387,164	1,675,633
Cash, beginning of year		23,444,820	21,769,187
Cash, end of year		33,831,984	23,444,820

The accompanying notes are an integral part of the financial statements

1. Description of Business

The North East 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 North East Local Health Integration Network (the "LHIN") and its Letters Patent 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 North East Community Care Access Centre and related records, rights and obligations to be transferred from the North East Community Care Access Centre to the North East LHIN.

On March 7, 2019, the Orders in Council appointing individuals to the Board of Directors of the North East LHIN were revoked, and members of the Board of Directors of Ontario Health ("OH") were cross-appointed to the North East LHIN. The OH Board continued in this capacity until July 1, 2021 when individuals newly appointed to the North East 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 North East 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 North East 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 North East LHIN is a Crown Agent and may exercise its powers only as an agent of the Crown. Limits on the North East LHIN's ability to undertake certain activities are set out in LHSIA. As an agent of the Crown, the North East LHIN is not subject to income taxation.

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

The mandate of the LHIN is as follows:

Provision of community services:

These services include health and related 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, to manage the placement of persons into long-term care homes, supportive housing programs, chronic care and rehabilitation beds in hospitals, and to provide information to the public about, and make referrals to, health and social services.

The North East LHIN has entered into an Accountability Agreement with the Ministry of Health ("MOH") which provides the framework for North East 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 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 MLAA, 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 assets acquired or brought into use, during the year, amortization is provided for a half year.

Deferred capital contributions

Contributions received for the purchase of capital assets are deferred and 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.

2. Significant accounting policies (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.

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, retirement ages of employees and other actuarial factors). Under this method, the benefit costs are recognized over the expected average service life of the employee group.

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 (7.4 to 11.6 years). The most recent actuarial valuation of the sick leave plan and the benefit plan was as of March 31, 2021 and extrapolated to March 31, 2023.

Substantially all 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 the 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, certain accruals and employee future benefits. 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	1,237,908	1,228,276	9,632	26,427
Furniture and equipment	494,224	492,886	1,338	4,015
Medical equipment	324,505	311,930	12,575	27,550
Leasehold improvements	3,187,686	3,187,686	—	—
	5,244,323	5,220,778	23,545	57,992

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

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	12,103,056	10,345,467
Funding repaid to MOH	-	(2,152,934)
Funding repayable to the MOH related to current year activities	8,064,278	3,762,558
Interest income for the current year	1,019,817	147,965
Due to MOH, end of year	21,187,151	12,103,056

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	57,992	309,199
Capital contributions received during the year	9,332	-
Amortization for the year	(43,779)	(251,207)
Balance, end of year	23,545	57,992

6. Employee future benefits

The North East Local Health Integration Network provides for the reimbursement of medical and some life insurance expenses to certain retired employees provided that specified conditions are met. The LHIN provides 50% of accumulated sick leave entitlement not taken by certain employees, on their departure, provided certain conditions are met. The LHIN provided for a non-vesting benefit where it accrues to employees. An actuarial calculation of the future liabilities thereof has been made and forms the basis for the liability reported in these financial statements.

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

6. Employee future benefits (continued)

The significant assumptions used are as follows (weighted-average):

	Vested and non-vested sick leave	Post-employment benefit obligation
Discount rate	4.04%	4.04%
Rate of compensation increases	4%	4%
Health care costs trend rate		6% trending to 4.5% over an 8 year period

Information about the LHIN's benefit plans in aggregate is as follows:

	Vested and non-vested sick leave	Other employee future benefits	Total
	\$	\$	\$
Balance, beginning of year	2,724,375	1,695,627	4,420,002
Benefit cost	138,582	40,067	178,649
Interest paid	93,200	38,642	131,842
Benefits paid	(256,222)	(48,641)	(304,863)
Amortization of actuarial gains	(50,791)	(158,332)	(209,123)
Employee future benefit liability March 31, 2023	2,649,144	1,567,363	4,216,507
Obligation	2,405,857	1,015,583	3,421,440
Unamortized net actuarial gains	243,287	551,780	795,067
Employee future benefits liability March 31, 2023	2,649,144	1,567,363	4,216,507

Employee future benefits expense

	Vested and non-vested sick leave	Other employee future benefits	Total
	\$	\$	\$
Benefit cost	138,582	40,067	178,649
Interest on accrued benefit obligation	93,200	38,642	131,842
Amortization charges	(50,791)	(158,332)	(209,123)
Employee future benefits expense (recovery)	180,991	(79,623)	101,368

6. Employee future benefits (continued)

A total recovery of \$101,368 (2022 – \$129,477) is included in the statement of operations. The Ministry does not fund the full actuarial expense, but rather the actual payments made during the year. The funded portion of the overall expense is reported through the unrestricted fund. The overfunded portion is reported in the employment benefit fund as follows:

	Vested and non-vested sick leave	Other employee future benefits	Total
	\$	\$	\$
Benefit expenses (recovery)	180,991	(79,623)	101,368
Funded portion of expense	(256,222)	(48,641)	(304,863)
Underfunded (overfunded) portion of expense	(75,231)	(128,264)	(203,495)

The accumulated non-vesting sick pay comprises the sick pay benefits that accumulate but do not vest. These adjustments are not funded by the MOH.

7. Commitments

The LHIN has commitments under various operating leases extending to fiscal 2026 as follows:

	\$
2024	765,276
2025	358,645
2026	144,681
	1,268,602

8. 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.

9. Change in non-cash working capital items

	2023	2022
	\$	\$
Due from MOH	2,122,877	(2,839,577)
Accounts receivable	(626,262)	110,408
Prepaid expenses	1,037,007	72,721
Accounts payable and accrued liabilities	(1,230,553)	2,574,492
Due to MOH	9,084,095	1,757,589
Employee future benefits	(203,495)	(129,477)
Total change in non-cash working capital items	10,183,669	1,546,156

10. Pension plan

The LHIN contributes to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 763 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 \$4,550,362 (\$4,405,731 - 2022) for current service costs and is included in salaries and benefits in the Statement of financial operations. 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.

11. 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.

12. Related party balances and transactions

The NE LHIN is related to other LHIN entities by virtue of having a common controlling board of Directors and CEO. The NE LHIN made payments for expenses on behalf of all the LHIN entities during the year ended March 31, 2023 totaling \$817,857 (2022 - \$Nil). The NE LHIN incurred costs totaling \$24,354 (2022 - \$Nil) which are payable to Central LHIN, Champlain LHIN and South West LHIN for shared cost recoveries. These transactions are in the normal course of operations and measured at the exchange amount. Included in accounts receivable is \$642,876 (2022 - \$Nil) due from other LHIN entities. Included in accounts payable and accrued liabilities is \$10,722 (2022 - \$Nil) due to other LHIN entities.