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

March 31, 2023

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Independent Auditor's Report

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

Opinion

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

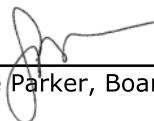
Chartered Professional Accountants, Licensed Public Accountants

Oakville, Ontario
June 26, 2023

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

	Notes	2023 \$	2022 \$
Assets			
Current assets			
Cash		20,365,857	15,255,326
Due from Ministry of Health ("MOH")		1,713,097	6,124,488
Accounts receivable		2,697,108	1,501,066
Prepaid expenses		963,519	879,622
		<u>25,739,581</u>	<u>23,760,502</u>
Capital assets			
	3	12,159	45,157
		<u>25,751,740</u>	<u>23,805,659</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	12	15,367,048	18,252,575
Due to MOH	4	10,372,533	5,507,927
		<u>25,739,581</u>	<u>23,760,502</u>
Deferred capital contributions			
	6	12,159	45,157
Employee future benefits			
	5	2,152,557	2,019,113
		<u>27,904,297</u>	<u>25,824,772</u>
Commitments and contingencies			
	7 and 8		
Net debt			
		(2,152,557)	(2,019,113)
		<u>25,751,740</u>	<u>23,805,659</u>

Approved by the Board


Joe Parker, Board Chair


Kate Fyfe - Finance, Audit and Information Chair

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

	Notes	2023 \$	2022 \$
Revenue			
MOH funding		185,984,086	184,213,556
Ontario Health - Cancer Care Division		67,528	295,063
Amortization of deferred capital contributions	6	42,329	115,402
Other revenue		943,304	1,653,021
		187,037,247	186,277,042
Expenses			
Contracted out:			
In-home/clinic services		121,854,140	123,449,130
School services		4,642,145	2,972,328
Hospice services		5,476,132	5,721,825
Salaries and benefits	10	42,512,351	41,059,677
Medical supplies		6,108,164	7,269,981
Medical equipment rental		2,272,685	1,713,307
Supplies and sundry		2,492,261	2,261,616
Building and ground		1,637,040	1,713,777
Amortization of capital assets		42,329	115,401
		187,037,247	186,277,042
Excess (deficiency) of revenue over expenses before the undernoted		—	—
Employee future benefits expense		(133,444)	(111,057)
		(133,444)	(111,057)

The accompanying notes are an integral part of the financial statements

Waterloo Wellington Local Health Integration Network
O/A Home and Community Care Support Services Waterloo Wellington
Statement of changes in net debt
Year ended March 31, 2023

	Unrestricted	Employee	2023	2022
	\$	benefits	Total	Total
	\$	\$	\$	\$
Net debt, beginning of year	—	(2,019,113)	(2,019,113)	(1,908,056)
Deficiency of revenue over expenses	(133,444)	—	(133,444)	(111,057)
Transfer to employee benefits	133,444	(133,444)	—	—
Net debt, end of year	—	(2,152,557)	(2,152,557)	(2,019,113)

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

	Notes	2023 \$	2022 \$
Operating activities			
Deficiency of revenue over expenses		(133,444)	(111,057)
Less amounts not affecting cash			
Amortization of capital assets		42,329	115,401
Amortization of deferred capital contributions	6	(42,329)	(115,401)
		(133,444)	(111,057)
Changes in non-cash working capital items	9	5,243,975	(7,553,121)
		<u>5,110,531</u>	<u>(7,664,178)</u>
Investing activity			
Purchase of capital assets		<u>(9,331)</u>	—
Financing activity			
Contributions received for capital asset purchases	6	<u>9,331</u>	—
Net increase (decrease) in cash		5,110,531	(7,664,178)
Cash, beginning of year		15,255,326	22,919,504
Cash, end of year		<u>20,365,857</u>	<u>15,255,326</u>

1. Description of business

The Waterloo Wellington 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 Waterloo Wellington 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 Waterloo Wellington Community Care Access Centre and related records, rights and obligations to be transferred from the Waterloo Wellington Community Care Access Centre to the Waterloo Wellington LHIN.

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

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

The mandate of the Waterloo Wellington 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 Waterloo Wellington 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 Waterloo Wellington 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
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.

Employee Future Benefits

The LHIN accrues its obligations for the post-employment benefit plans as the employees render the services necessary to earn the benefits. The actuarial determination of the accrued benefit obligations uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, and other actuarial factors). Under this method, the benefit costs are recognized over the expected average service life of the employee group.

2. Significant accounting policies (continued)

Employee Future Benefits (continued)

Actuarial gains and losses on the accrued benefit obligation arise from differences between actual and expected experience and from changes to the actuarial assumptions used to determine the accrued benefit obligation. The excess of the future actuarial gains and losses will be amortized over the estimated average remaining service life of the employees. The most recent actuarial valuation of the benefit plan was as of March 31, 2021 and extrapolated to March 31, 2023.

Financial instruments

Financial assets and liabilities are measured at amortized cost, with the exception of cash that is measured at fair value. Financial instruments measured at amortized cost are initially recognized at cost, and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets. Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

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

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates include depreciation rates for capital assets, 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	76,097	68,321	7,776	2,851
Furniture and equipment	263,144	258,761	4,383	5,376
Leasehold improvements	716,748	716,748	—	36,930
	1,055,989	1,043,830	12,159	45,157

Waterloo Wellington Local Health Integration Network
O/A Home and Community Care Support Services Waterloo Wellington
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	5,507,927	10,579,807
Funding repaid to MOH	—	(5,355,055)
Funding repayable to MOH related to current year activities	4,140,584	236,101
Interest income for the current year	724,022	47,074
Due to MOH, end of year	10,372,533	5,507,927

5. Employee future benefits

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

The accrued benefit obligation for early retirement benefits as at March 31, 2023 is based on an actuarial valuation for accounting purposes using the projected benefit method pro-rated on service. The most recent actuarial valuation of the early retirement benefits obligation was completed March 31, 2021 and extrapolated to March 31, 2023.

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

	2023
	%
Inflation	2.00
Discount on accrued benefit obligation	3.89
Compensation increase	3.00
Dental cost trends	4.00
Health care cost trends	5.80

5. Employee future benefits (continued)

Information about the employee future benefit plan is as follows:

	2023	2022
	\$	\$
Accrued benefit liability, beginning of year	2,019,113	1,908,056
Current service cost	194,931	206,680
Interest on obligation	90,469	77,230
Amortization of actuarial losses	69,444	81,407
Benefits transferred to Ontario Health	—	(76,760)
Benefits paid	(221,400)	(177,500)
Accrued benefit liability, end of year	2,152,557	2,019,113
Accrued benefit obligation	2,373,825	2,344,060
Unamortized actuarial losses	(221,268)	(324,947)
Accrued benefit liability, end of year	2,152,557	2,019,113

6. 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	45,157	160,558
Capital contributions received during the year	9,331	—
Amortization for the year	(42,329)	(115,401)
Balance, end of year	12,159	45,157

7. Commitments

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

	\$
2024	1,123,377
2025	521,718
2026	102,542
2027	81,669
2028	20,790
	1,850,096

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	4,411,391	(3,285,188)
Accounts receivable	(1,196,042)	620,371
Prepaid expenses	(83,897)	135,117
Accounts payable and accrued liabilities	(2,885,527)	(62,598)
Due to MOH	4,864,606	(5,071,880)
Employee Future Benefits	133,444	111,057
Total change in non-cash working capital items	5,243,975	(7,553,121)

10. Pension plan

The LHIN contributes to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 501 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 \$2,871,443 (2022 - \$2,796,469) for current service costs and is included as an expense in salaries and benefits in the statement of 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:

- (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.

12. Related party balances and transactions

The Waterloo Wellington LHIN is related to other LHINs by virtue of having a common controlling board of Directors and CEO. The Waterloo Wellington LHIN incurred costs totaling \$83,278 during the year ended March 31, 2023 (2022 - \$125,674) which are payable to South West LHIN, North East LHIN, Champlain LHIN, and Central LHIN for shared cost recoveries. These transactions were incurred in the normal course of operations and were measured at exchange amount. Included in accounts payable and accrued liabilities is \$59,941 (2022 - \$14,041) due to other LHINs.