
Financial statements of Champlain Local Health Integration Network

March 31, 2020

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Independent Auditor's Report

To the Members of the Board of Directors of the
Champlain Local Health Integration Network

Opinion

We have audited the financial statements of the Champlain Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2020, and the statements of operations and changes in net 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").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the LHIN as at March 31, 2020, and the results of its operations, changes in net assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the LHIN in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the LHIN's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the LHIN or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the LHIN's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the LHIN's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the LHIN's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the LHIN to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 24, 2020

Champlain Local Health Integration Network
Statement of financial position
As at March 31, 2020

	Notes	2020 \$	2019 \$
Assets			
Current assets			
Cash		18,142,470	19,387,658
Due from Ministry of Health ("MOH")	11	13,173,378	18,140,637
Due from other LHINs		57,274	194,267
Due from Ontario Health		—	93,747
Accounts receivable		2,102,510	1,620,619
Prepaid expenses		46,079	8,018
		33,521,711	39,444,946
Capital assets			
	6	1,281,024	1,582,951
		34,802,735	41,027,897
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		13,764,493	19,370,200
Due to Health Service Providers ("HSPs")	11	13,173,378	14,837,917
Due to MOH	3	6,583,840	5,236,829
		33,521,711	39,444,946
Deferred capital contributions	7	1,281,024	1,582,951
		34,802,735	41,027,897
Commitments and contingencies	8 & 14		
Net assets			
		—	—
		34,802,735	41,027,897

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

Approved by the Board



William Hatanaka, Board Chair



Garry Foster, Audit Committee Chair

Champlain Local Health Integration Network
Statement of operations and changes in net assets
Year ended March 31, 2020

	Notes	2020	2019
		\$	\$
Revenue			
MOH funding - transfer payments	11	2,584,037,896	2,534,762,181
MOH funding - operations and initiatives		292,526,272	283,591,821
Cancer Care Ontario	5	170,039	348,131
Amortization of deferred capital contributions	7	349,126	335,109
Other revenue		1,730,285	1,263,708
		294,775,722	285,538,769
Total revenue		2,878,813,618	2,820,300,950
Expenses			
HSP transfer payments	11	2,584,037,896	2,534,762,181
Operations and initiatives			
Contracted out			
In-home/clinic services		183,525,354	178,666,221
School services		3,611,515	6,359,739
Hospice services		6,888,657	6,081,385
Salaries and benefits		79,825,430	71,134,816
Medical supplies		10,871,293	10,913,018
Medical equipment rental		3,023,767	3,369,627
Supplies and sundries		3,815,311	5,797,131
Building and ground		2,865,269	2,881,723
Amortization		349,126	335,109
		294,775,722	285,538,769
Total expenses		2,878,813,618	2,820,300,950
Excess of revenue over expenses		—	—
Net assets, beginning of year		—	—
Net assets, end of year		—	—

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

Champlain Local Health Integration Network

Statement of cash flows

Year ended March 31, 2020

	Notes	2020 \$	2019 \$
Operating activities			
Excess of revenue over expenses		—	—
Less amounts not affecting cash			
Amortization of capital assets		349,126	335,109
Amortization of deferred capital contributions	7	(349,126)	(335,109)
		—	—
Changes in non-cash operating working capital items	9	(1,245,188)	3,897,765
Investing activity			
Purchase of capital assets		(47,199)	(727,336)
Financing Activity			
Increase in deferred capital contributions	7	47,199	727,336
Net change in cash		(1,245,188)	3,897,765
Cash, beginning of year		19,387,658	15,489,893
Cash, end of year		18,142,470	19,387,658

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

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2020

1. Description of business

The Champlain 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 Champlain 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 Renfrew County, the City of Ottawa, Prescott & Russell, Stormont, Dundas & Glengarry, North Grenville and four parts of North Lanark. Most people live in the Ottawa area. Cornwall, Clarence-Rockland and Pembroke/Petawawa are also large communities. The LHIN enters into service accountability agreements with Health Service Providers (HSP).

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 HSP are flowed through the LHIN's financial statements. Funding payments authorized by the LHIN to HSP are recorded in the LHIN's financial statements as revenue from the MOH and as transfer payment expenses to HSP.

- (b) Effective May 24, 2017, the LHIN assumed the responsibility to provide health and related social services and supplies and equipment for the care of persons in home, community and other 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 other programs and places where community services are provided under the *Home Care and Community Services Act, 1994*, and to provide information to the public about, and make referrals to, health and social services.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards 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.

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2020

2. Significant accounting policies (continued)

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 to support LHIN managed HSP and the operations of the LHIN. The LHIN cannot authorize payments in excess of the budgetary allocation set by the MOH in the MLAA. Due to the nature of the MLAA, the LHIN is economically dependent on the MOH.

Transfer payment amounts to HSP are based on the terms of the Health Service Provider MLAA with the LHIN, including any amendments made throughout the year. During the year, the LHIN authorizes the transfer of cash to the HSP. The cash associated with the transfer payment flows directly from the MOH to the HSP and does not flow through the LHIN bank account.

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 on the following terms:

Furniture and equipment	10 years
Computer and communication equipment	3 years
Leasehold improvements	5 years

For assets acquired or brought into use, during the year, amortization is provided for a full year.

Deferred capital contributions

Any amounts received that are used to fund expenses that are recorded as capital asset are recorded as deferred capital contributions and are recognized as revenue over the estimated useful life of the asset reflective of the provision of its services. This amortization revenue is in accordance with the amortization policy applied to the related capital asset.

Financial instruments

Financial assets and financial 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 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.

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2020

3. Funding repayable to the MOH

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

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

	2020	2019
	\$	\$
Due to MOH, beginning of year	5,236,829	3,633,517
Funding repaid to MOH	(1,191,127)	(1,589,913)
Overpayment made by MOH	—	1,050,000
Interest received from bank	—	495,141
Funding repayable to MOH related to current year activities	2,482,579	1,255,720
Funding repayable to MOH related to current year ETI PMO Cluster activities (note 4)	55,559	392,364
Due to MOH, end of year	6,583,840	5,236,829

4. Enabling Technologies for Integration Project Management Office

In fiscal 2016, the LHIN entered into an agreement with the South East, North East and North West LHINs (the "Cluster") in order to enable the effective and efficient delivery of e-health programs and initiatives within the geographic area of the Cluster. Under the agreement, decisions related to the financial and operating activities of the Enabling Technologies for Integration Project Management Office are shared. No LHIN is in a position to exercise unilateral control.

The Champlain LHIN is designated the Lead LHIN with this agreement and as such holds the accountability over the distribution of the funds and manages the shared Integration Project Management Office. In the event that the Cluster experiences a surplus, the Lead LHIN is responsible for returning those funds to the MOH. The total Cluster funding received for the year ended March 31, 2020, was \$1,020,000 (\$2,040,000 in 2019).

Funding of \$765,000 (\$1,530,000 in 2019) was allocated to other LHINs within the Cluster who incurred eligible expenses of \$754,456 (\$1,378,358 in 2019). The LHIN has set up a payable to the MOH for \$55,559 (\$392,364 in 2019).

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

	Funding allocated	Eligible expenses	2020 Excess funding	2019 Excess funding
	\$	\$	\$	\$
Champlain LHIN	255,000	209,985	45,015	240,722
South East LHIN	255,000	244,456	10,544	65,674
North East LHIN	255,000	255,000	—	55,383
North West LHIN	255,000	255,000	—	30,585
	1,020,000	964,441	55,559	392,364

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2020

5. Related party transactions

Health Shared Services Ontario (HSSO)

HSSO is a provincial agency established January 1, 2017, by O. Reg. 456/16 made under *Local Health System Integration Act, 2006* (LHSIA) with objects to provide shared services to LHINs in areas, that include human resource management, logistics, finance and administration and procurement. HSSO as a provincial agency is subject to legislation, policies and directives of the Government of Ontario and the Memorandum of Understanding between HSSO and the MOH.

During the year, the LHIN received Business Technology Infrastructure (BTI) funding from HSSO/Ontario Health of \$374,160 (\$467,700 in 2019).

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

Ontario Health

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

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

During this period, the LHIN incurred \$555,379 in salaries and benefits expense for the transferred employees, of which \$49,212 remained in accounts payable and accrued charges as at March 31, 2020. All amounts were recorded at cost in the Statement of operations and changes in net assets and the Statement of financial position.

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

6. Capital assets

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
	\$	\$	\$	\$
Furniture and equipment	3,953,938	2,883,399	1,070,539	1,258,787
Computer and communication equipment	4,941,705	4,755,263	186,442	297,318
Leasehold improvements	4,754,604	4,730,561	24,043	26,846
	13,650,247	12,369,223	1,281,024	1,582,951

7. Deferred capital contributions

The changes in the deferred capital contributions balance are as follows:

	2020	2019
	\$	\$
Balance, beginning of year	1,582,951	1,190,724
Capital contributions received during the year	47,199	727,336
Amortization for the year	(349,126)	(335,109)
Balance, end of year	1,281,024	1,582,951

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2020

8. Commitments

Facilities

The LHIN has entered into lease agreements for multiple facilities. Annual lease payments for the next five years at their current rates are as follows:

	\$
2021	2,497,120
2022	2,193,082
2023	2,148,765
2024	1,891,244
2025	1,653,729

Operations

The LHIN has entered into operating lease commitments for equipment rental with varied conditions. Annual lease payments for the next year are as follows:

	\$
2021	305,037

9. Change in non-working capital items

	2020 \$	2019 \$
Due from MOH	4,967,259	(6,888,478)
Due from other LHINs	136,993	(45,881)
Due from Ontario Health	93,747	313,721
Accounts receivable	(481,891)	767,818
Prepaid expenses	(38,061)	—
Accounts payable and accrued liabilities	(5,605,707)	4,242,290
Due to HSPs	(1,664,539)	3,913,683
Due to MOH	1,347,011	1,603,312
Due to Ontario Health	—	(8,700)
	(1,245,188)	3,897,765

10. Pension plan

The LHIN contributes to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 758 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2020 was \$5,184,517 (\$5,035,525 in 2019) for current service costs and is included as an expense in the statement of operation and changes in net assets. The last actuarial valuation was completed for the plan as of December 31, 2019. At that time, the plan was fully funded.

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2020

11. Transfer payments to HSP

The LHIN has authorization to allocate funding of \$2,584,037,896 (2019 - \$2,543,762,181) to various HSP in its geographic area. The LHIN approved transfer payments to various sectors as follows:

	2020	2019
	\$	\$
Operations of Hospitals	1,812,122,759	1,784,054,373
Grants to compensate for Municipal Taxation – Public Hospitals	355,650	355,650
Long-Term Care Homes	390,478,424	379,814,940
Community Support Services and Acquired Brain Injury	58,378,742	55,246,824
Assisted Living Services in Supportive Housing	26,686,035	25,752,761
Community Health Centres	73,539,761	71,208,867
Community Mental Health and Addictions Programs	111,768,387	108,660,508
Specialty Psychiatric Hospitals	110,680,163	109,640,283
Grants to compensate for Municipal Taxation – Psychiatric Hospitals	27,975	27,975
	2,584,037,896	2,534,762,181

The LHIN receives funding from the MOH and in turn allocates it to the HSP. As at March 31, 2020, an amount of \$13,173,378 (\$14,837,917 as at March 31, 2019) was receivable from the MOH, and was payable to HSP. These amounts have been reflected as revenue and expenses in the statement of operations and changes in net assets 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:

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.

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*.

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2020

14. Contingent liabilities

Operations

Due to the nature of its operations, the LHIN is susceptible to claims from clients, employees, suppliers and past service provider agencies. Management has recorded its best estimate of the outcome of these claims in these financial statements.

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

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, 2020.

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

GST/HST on Personal Support Services

The 2014 federal budget proposed to formally expand the tax exemption for homemaker services to include personal support services. This treatment is in line with current provincial and territorial practices. Starting March 22, 2013, personal support services are HST exempt. However, services provided before this date remain taxable. It is unclear at this time if the Canada Revenue Agency will proceed with the audit and reassessment of personal support service providers. While the LHIN believes this course of action is unlikely, such exposure could represent a significant financial liability for the LHIN. The LHIN has not recorded any liabilities with respect to this matter.

15. The Connecting Care Act

On May 30, 2019, the *Connecting Care Act* (the "CCA") was proclaimed with key sections of the Act, including the creation of a new Crown Agency called Ontario Health, effective June 6, 2019. This legislation is a key component of the government's plan to build an integrated health care system. The CCA grants the Minister of Health (the "Minister") the power to transfer assets, liabilities, rights, obligations and employees of certain government organizations, including the LHINs, into Ontario Health, a health service provider, or an integrated care delivery system. The CCA also grants the Minister the power to dissolve the transferred organizations.

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

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

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

16. Corresponding figures

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