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

March 31, 2022

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Independent Auditor's Report

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

Audit Opinion

We have audited the accompanying financial statements of the 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, 2022 and the statements of operations, 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, 2022, and the results of its operations, changes in net assets (liabilities), 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 exercised professional judgment and maintained 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
June 22, 2022

**Waterloo Wellington Local Health Integration Network
O/A Home and Community Care Services Waterloo Wellington
Statement of financial position**

As at March 31, 2022

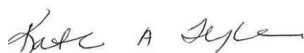
	Notes	2022 \$	2021 \$
Assets			
Current assets			
Cash		15,255,326	22,919,504
Due from Ministry of Health ("MOH")		6,124,488	99,059,276
Accounts receivable		1,501,066	2,121,437
Prepaid expenses		879,622	1,014,739
		23,760,502	125,114,956
Capital assets	4	45,157	160,558
		23,805,659	125,275,514
Liabilities			
Accounts payable and accrued liabilities		18,252,575	18,315,173
Due to Health Service Providers ("HSPs")		—	96,219,976
Due to MOH	5	5,507,927	10,579,807
		23,760,502	125,114,956
Employee future benefits	6	2,019,113	1,908,056
Deferred capital contributions	7	45,157	160,558
		25,824,772	127,183,570
Commitments and contingencies	8 and 9		
Net assets		(2,019,113)	(1,908,056)
		23,805,659	125,275,514

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

Approved by the Board



Joe Parker, Board Chair



Kate Fyfe, Finance, Audit and Information Committee Chair

Waterloo Wellington Local Health Integration Network
O/A Home and Community Care Support Services Waterloo Wellington
Statement of operations
Year ended March 31, 2022

	Notes	2022 Actual \$	2021 Actual \$
Revenue			
Revenue from continuing operations			
MOH funding		184,213,556	163,612,162
Ontario Health Cancer Care Division		295,063	312,991
Amortization of deferred capital contributions	7	115,402	162,495
Other revenue		1,653,021	1,926,581
		186,277,042	166,014,229
Revenue from transferred operations	3		
MOH transfer payments		—	1,300,879,988
MOH funding - operations and initiatives		—	6,157,630
		186,277,042	1,473,051,847
Expenses			
Expenses from continuing operations			
Contracted out			
In-home/clinic services		123,449,130	107,044,144
School services		2,972,328	1,931,056
Hospice services		5,721,825	3,594,310
Salaries and benefits		41,059,677	38,855,351
Medical supplies		7,269,981	7,964,126
Medical equipment rental		1,713,307	1,860,939
Supplies and sundry		2,261,616	2,737,958
Building and grounds		1,713,777	1,863,850
Amortization		115,401	162,495
		186,277,042	166,014,229
Expenses from transferred operations	3		
HSP transfer payments		—	1,300,879,988
Salaries and benefits		—	3,641,980
Supplies and sundry		—	2,515,650
		186,277,042	1,473,051,847
Excess of revenue over expenses before the undernoted		—	—
Employee future benefits expense		(111,057)	(166,049)
Expenditures from donations fund		—	(14,898)
Excess of expenses over revenue		(111,057)	(180,947)

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 assets
Year ended March 31, 2022

	Unrestricted	Donations	Employee	2022	2021
	\$	Fund	benefits	Total	Total
	\$	\$	\$	\$	\$
Net assets (liabilities), beginning of year	—	—	(1,908,056)	(1,908,056)	(1,727,109)
Excess of expenses over revenue	—	—	(111,057)	(111,057)	(180,947)
Net liabilities, end of year	—	—	(2,019,113)	(2,019,113)	(1,908,056)

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 cash flows
Year ended March 31, 2022

	Notes	2022	2021
		\$	\$
Operating activities			
Excess of expenses over revenue		(111,057)	(180,947)
Add amounts not affecting cash			
Amortization of capital assets		115,401	162,495
Amortization of deferred capital contributions	7	(115,401)	(162,495)
		(111,057)	(180,947)
Changes in non-cash working capital items	10	(7,553,121)	2,831,368
Net(decrease) increase in cash		(7,664,178)	2,650,421
Cash, beginning of year		22,919,504	20,269,083
Cash, end of year		15,255,326	22,919,504

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

1. Description of business

The Waterloo Wellington West 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 Waterloo Wellington 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 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 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. Most provisions of O. Reg. 187/22 have come into force, and some provisions are anticipated to come into force on September 1, 2022.

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.

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 Central LHIN's accountabilities and activities.

2. Significant accounting policies

Provision of community services (continued)

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations including the 4200 series standards, as issued by the Public Sector Accounting Board. Significant accounting policies adopted by the LHIN are as follows:

Revenue recognition

The LHIN follows the deferral method of accounting for contributions. Contributions from the MOH represent externally restricted contributions which must be spent within the fiscal year provided. Unspent contributions from the MOH are set up as repayable to the MOH at the end of the year. Unrestricted contributions are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Ministry of Health Funding

The LHIN is funded by the Province of Ontario in accordance with the Ministry-LHIN Accountability Agreement ("MLAA"), which describes budgetary arrangements established by the MOH.

LHIN financial statements include LHIN operating funds included in the Ministry-LHIN Accountability Agreement.

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 and communications equipment	3 years
Computer software	3 years
Leasehold improvements	Term of the lease
Furniture and equipment	10 years

For assets acquired or brought into use, during the year, amortization is provided for at one half of the annual rate.

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.

2. Significant accounting policies (continued)

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, 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. The most recent actuarial valuation of the sick leave plan and the benefit plan was as of March 31, 2022.

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 and certain accruals. Actual results could differ from those estimates.

3. Restructuring

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

The LHIN has reported and disclosed the impact of the restructuring in accordance with Public Sector Accounting Standards section 3430 Restructuring Transactions. The revenue and expenses of the prior year relating to the restructured activities have been separately disclosed in the Statement of Operations. The net effect of the restructuring is \$nil. The liabilities transferred to Ontario Health relate primarily to employee salaries and benefits for the staff positions transferred and were immaterial.

Waterloo Wellington Local Health Integration Network
O/A Home and Community Care Support Services Waterloo Wellington
Notes to the financial statements
 March 31, 2022

4. Funding repayable to the MOH

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

	2022	2021
	\$	\$
Due to MOH, beginning of year	10,579,807	8,981,813
Funding repaid to MOH	(5,355,055)	(1,348,163)
Funding repayable to the MOH related to current year activities	283,175	2,946,157
Due to MOH, end of year	5,507,927	10,579,807

5. Capital assets

	Cost	Accumulated depreciation	2022 Net book value	2021 Net book value
	\$	\$	\$	\$
Computer equipment	45,088	42,237	2,851	8,552
Computer software	21,678	21,678	—	3,613
Leasehold improvements	716,748	679,818	36,930	142,023
Furniture and equipment	263,144	257,768	5,376	6,370
	1,046,658	1,001,501	45,157	160,558

6. 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, 2022 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, 2022.

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

	2022 %
Inflation	2.00
Discount on accrued benefit obligation	3.21
Compensation increase	3.00
Dental cost trends	4.00
Health care cost trends	6.00

Waterloo Wellington Local Health Integration Network
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Notes to the financial statements
March 31, 2022

6. Employee future benefits (continued)

Information about the employee future benefit plan is as follows:

	2022	2021
	\$	\$
Accrued benefit liability, beginning of year	1,908,056	1,742,007
Current service cost	206,680	227,099
Interest on obligation	77,230	76,352
Amortization of actuarial losses	81,407	77,461
Benefits transferred to Ontario Health	(76,760)	
Benefits paid	(177,500)	(214,863)
Accrued benefit liability, end of year	2,019,113	1,908,056
Accrued benefit obligation	2,344,060	2,473,232
Unamortized actuarial losses	(324,947)	(565,176)
Accrued benefit liability, end of year	2,019,113	1,908,056

7. 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:

	2022	2021
	\$	\$
Balance, beginning of year	160,558	305,948
Amortization for the year	(115,401)	(162,495)
Balance, end of year	45,157	143,453

8. Commitments

The LHIN has commitments under various operating leases extending to 2024 as follows:

	\$
2022	688,233
2023	156,442
2024	34,675
	879,350

9. Contingencies

The LHIN has been named as defendants in various claims. Management believes any liability resulting from these actions would be adequately covered by existing liability insurance.

Waterloo Wellington Local Health Integration Network
O/A Home and Community Care Support Services Waterloo Wellington
Notes to the financial statements
 March 31, 2022

10. Changes in non-cash working capital items

	2022	2021
	\$	\$
Due from MOH	(3,285,188)	(2,771,333)
Accounts receivable	620,371	182,520
Prepaid expenses	135,117	863,651
Accounts payable and accrued liabilities	(62,598)	2,796,488
Due to MOH	(5,071,880)	1,597,994
Deferred revenue	—	(4,001)
Employee future benefits	111,057	166,049
	(7,553,121)	2,831,368

11. Pension plan

The LHIN contributes to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 459 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 2022 was \$2,988,766 (\$2,988,766 in 2021) for current service costs and is included as an expense in the 2022 statement of operations. The last actuarial valuation was completed for the plan as of December 31, 2021. At that time, the plan was 120% funded.

12. Financial risk

The LHIN through its exposure to financial assets and liabilities, has exposure to credit risk and liquidity risk as follows:

- (i) Credit risk relates to the potential that one party to a financial instrument will fail to discharge an obligation and incur a financial loss. The maximum exposure to credit risk is the carrying value reported in the statement of financial position. Credit risk is mitigated through collection practices and the diverse nature of amounts with accounts receivable.
- (ii) Liquidity risk is the risk that the LHIN will not be able to meet all cash flow obligations as they come due. The LHIN mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and cash flow analysis.

13. Accumulated non-vesting sick pay

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

14. 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.

15. Comparative figures

Certain of prior year's comparative figures have been reclassified to conform with current years presentation.