Financial statements of
Erie St. Clair Local Health Integration Network

March 31, 2019

Deloitte.

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Independent Auditor's Report

To the Board of Directors of the
Erie St. Clair Local Health Integration Network

Audit Opinion

We have audited the accompanying financial statements of Erie St. Clair Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2019 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"). We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the LHIN as at March 31, 2019, 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 14, 2019

Erie St. Clair Local Health Integration Network

Statement of financial position

As at March 31, 2019

	Notes	2019 $	2018 $
Assets			
Current assets			
Cash		**18,331,829**	15,361,767
Due from Ministry of Health and Long-Term Care ("MOHLTC")		**12,154,200**	994,769
Due from Health Shared Services Ontario	5	**32,959**	120,092
Due from South West LHIN		**353,134**	—
Accounts receivable		**1,024,467**	670,091
Prepaid expenses and supplies		**1,429,355**	1,152,960
		33,325,944	18,299,679
Capital assets	6	**1,371,058**	1,830,251
		34,697,002	20,129,930
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**15,766,461**	13,514,836
Due to Health Service Providers ("HSPs")	12	**10,481,000**	434,869
Due to Ministry of Health and Long-Term Care ("MOHLTC")	3	**7,047,485**	4,260,763
Deferred revenue		**111,111**	138,616
Due to Health Shared Services Ontario	5	**—**	7,300
		33,406,057	18,356,384
Post Employment Benefits and Compensated Absence	7	**2,096,300**	1,574,600
Deferred capital contributions	8	**1,371,058**	1,830,251
		36,873,415	21,761,235
Commitments	9		
Net assets		**(2,176,413)**	(1,631,305)
		34,697,002	20,129,930

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

Approved by the Board of Directors:

Bill Hatanaka

William Hatanaka, Board Chair

Garry Foster

Garry Foster, Audit Committee Chair

	Notes	2019 $	2018 $
Revenue			
MOHLTC funding – transfer payments	12	**1,082,223,070**	1,080,822,329
MOHLTC funding – Operations and Initiatives		**169,788,930**	124,831,594
Interest income		**—**	188,126
Amortization of deferred capital contributions		**595,696**	511,316
Other revenue		**1,740,739**	1,261,635
Less			
Funding repayable to MOHLTC		**(3,156,092)**	(3,361,379)
e-health-Enabling Technologies for Integration allocated to LHIN's	4	**(3,121,866)**	—
Total LHIN Operations, Initiatives, Amortization		**165,847,407**	123,431,292
		1,248,070,477	1,204,253,621
Expenses			
HSP transfer payments	12	**1,082,223,070**	1,080,822,329
Operations and Initiatives			
Contracted out			
In-home/clinic services		**90,748,796**	62,655,229
School services		**6,315,144**	5,976,378
Hospice services		**4,332,448**	3,418,719
Salaries and benefits		**48,814,606**	37,521,115
Medical supplies		**6,262,116**	5,298,079
Medical equipment rental		**1,490,580**	962,407
Supplies and sundry		**3,057,291**	2,727,001
Equipment		**759,807**	613,487
Building and ground		**1,971,259**	1,522,865
Amortization		**595,696**	511,316
Professional service		**1,980,445**	1,573,407
Board costs	13	**64,327**	137,554
LHIN Operations, Initiatives, Amortization		**166,392,515**	122,917,557
Total expenses		**1,248,615,585**	1,203,739,886
Excess of (expenses over revenue) revenue over expenses before the undernoted		**(545,108)**	513,735
Net liabilities assumed on transition		**—**	(2,145,040)
Excess of expenses over revenue		**(545,108)**	(1,631,305)

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

Erie St. Clair Local Health Integration Network
Statement of changes in net assets
Year ended March 31, 2019

			2019	2018
	Unrestricted	Employee benefits	Total	Actual
	$	$	$	$
Net assets, beginning of year	—	(1,631,305)	(1,631,305)	—
Excess of revenue over expenses before the undernoted	—	(545,108)	(545,108)	513,735
Net liabilities assumed on transition	—	—	—	(2,145,040)
Net assets, end of year	—	(2,176,413)	(2,176,413)	(1,631,305)

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

Erie St. Clair Local Health Integration Network
Statement of cash flows
Year ended March 31, 2019

	Notes	2019 $	2018 $
Operating activities			
Excess of revenue over expenses		**(545,108)**	(1,631,305)
Cash received on transition		**—**	12,548,860
Net liabilities assumed on transition		**—**	2,145,040
Less amounts not affecting cash			
Amortization of capital assets		**595,696**	511,316
Amortization of deferred capital contributions		**(595,696)**	(511,316)
		(545,108)	13,062,595
Changes in non-cash working capital items	11	**3,515,170**	1,383,570
		2,970,062	14,446,165
Investing activities			
Purchase of capital assets		**136,503**	328,367
(Decrease) increase in deferred contributions		**(136,503)**	(328,367)
		—	—
Net change in cash		**2,970,062**	14,446,165
Cash, beginning of year		**15,361,767**	915,602
Cash, end of year		**18,331,829**	15,361,767

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

1. Description of business

The Erie St. Clair 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 Erie St. Clair 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.

On April 3, 2017 the Minister of Health and Long-Term Care made an order under the provisions of the Local Health System Integration Act, 2006, as amended by the Patients First Act, 2016 to require the transfer of all assets, liabilities, rights and obligations of the Erie St. Clair Community Care Access Centre (CCAC), to the LHIN, including the transfer of all employees of the CCAC. This transition took place on June 21, 2017. Prior to the transition, the LHIN funded a significant portion of the CCACs operations via HSP transfer payments. Subsequent to transition date, the costs incurred for the delivery of services previously provided by the CCAC were incurred directly by the LHIN and are reported in the appropriate lines reported for 2018 in the statement of operations.

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 the Municipalities of Essex, Lambton and Chatham-Kent. The LHIN enters into service accountability agreements with health service providers.

The LHIN has also entered into an accountability agreement with the Ministry of Health and Long Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

All funding payments to LHIN managed Health Service Providers are flowed through the LHIN's financial statements. Funding payments authorized by the LHIN to Health Service Providers, are recorded in the LHIN's Financial Statements as revenue from the MOHLTC and as transfer payment expenses to Health Service Providers.

(b) Provide health and related social 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. The LHIN manages the placement of persons into long-term care homes, supportive housing programs, chronic care and rehabilitation beds in hospitals. The LHIN provides 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 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 MOHLTC represent externally restricted contributions which must be spent within the fiscal year provided. Unspent contributions from the MOHLTC are set up as repayable to the MOHLTC 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 and Long-Term Care 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 MOHLTC. The Financial Statements reflect funding arrangements approved by the MOHLTC. The LHIN cannot authorize payments in excess of the budgetary allocation set by the MOHLTC. Due to the nature of the Accountability Agreement, the LHIN is economically dependent on the MOHLTC.

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

LHIN Financial Statements do not include transfer payment funds not 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:

Furniture and equipment	5, 10 and 20 years
Computer and communications equipment	3 and 5 years
Leasehold improvements	5 and 10 years

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

Deferred capital contributions

Contributions received for the purchase of capital assets are deferred and are amortized to income at the same rate as the corresponding capital asset.

Financial instruments

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

2. Significant accounting policies (continued)

Financial instruments (continued)

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

Post employment benefits and compensated absences

The LHIN accrues its obligations relating to the defined benefit pension plan administered by the LHIN, other post employment benefits and sick leave as the employees render services necessary to earn benefits. The LHIN has adopted the following policies:

(i) The cost of benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation, mortality and termination rates, and retirement ages of employees;

(ii) For the purpose of calculating expected return on plan assets related to the defined benefit pension plan, these assets are valued at fair value;

(iii) The excess of the net actuarial gain /loss is amortized over the average remaining service period of the employees;

(iv) Differences arising from changes in assumptions and experience gains and losses are amortized on a straight line basis over the average remaining service period of the employees;

(v) Past service costs arising from plan amendments are recognized immediately in the period the plan amendments occur.

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

3. Funding repayable to the MOHLTC

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 MOHLTC.

3. Funding repayable to the MOHLTC (continued)

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

	2019	2018
	$	$
Due to MOHLTC, beginning of year	**4,260,763**	45,627
Funding repaid to MOHLTC	**(521,959)**	(45,627)
Funding repayable to the MOHLTC related to current year activities	**2,955,547**	3,361,379
Funding repayable to the MOHLTC related to current year ETI PMO Cluster activities	**353,134**	—
Funding repayable to the MOHLTC assumed on transition	**—**	899,384
Due to MOHLTC, end of year	**7,047,485**	4,260,763

4. Enabling Technologies for Integration Project Management Office

Effective February 1, 2012, the LHIN entered into an agreement with South West, Waterloo Wellington and Hamilton Niagara Haldimand Brant 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.

Effective April 1, 2018 the Erie St. Clair LHIN was designated the Lead LHIN with this agreement and as such holds the accountability over the distribution of the funds and manages the shared Project Management Office. In the event that the Cluster experiences a surplus, each LHIN is responsible for returning those restricted funds to the MOHLTC. The total Cluster funding received for the year ended March 31, 2019 was $4,475,000.

Funding of $3,475,000 was allocated to other LHIN's within the cluster who incurred eligible expenses of $3,121,866. The LHINs have set up a payable to the MOHLTC for $353,134.

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

	Funding allocated	**Eligible expenses**	**2019 Excess Funding**
	$	**$**	**$**
Erie St. Clair LHIN	**1,000,000**	**1,000,000**	**—**
Southwest LHIN	**1,000,000**	**646,866**	**353,134**
Waterloo Wellington LHIN	**1,000,000**	**1,000,000**	**—**
Hamilton Niagara Haldimand Brant LHIN	**1,475,000**	**1,475,000**	**—**
	4,475,000	**4,121,866**	**353,134**

During the prior year, 2018, the LHIN received funding from South West LHIN of $510,000 and incurred expenses of $510,000.

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 LHSIA with objects to provide shared services to LHINs in areas that include human resources 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 Minister of Health and Long-Term Care.

6. Capital assets

	Cost $	Accumulated amortization $	2019 Net book value $	2018 Net book value $
Leasehold improvements	**4,347,660**	**3,584,633**	**763,027**	996,198
Furniture and equipment	**2,588,658**	**2,282,701**	**305,957**	402,402
Computer equipment	**2,351,110**	**2,049,036**	**302,074**	431,651
	9,287,428	**7,916,370**	**1,371,058**	1,830,251

7. Post employment benefits and compensated absences

The net post employment benefits and compensated absences liability consists of:

	2019 $	2018 $
(a) Pension plan – accrued future benefit asset	**(250,300)**	(292,700)
(b) Other benefits – accrued future benefit liability	**2,002,600**	1,360,900
(c) Accumulated sick leave liability	**344,000**	506,400
Net post employment benefits and compensated absences	**2,096,300**	1,574,600

(a) Pension plans

The LHIN has a defined benefit pension plan administered by the LHIN and managed by Standard Life of Canada, which provides pension benefits based on years of service prior to January 1, 1999 for some unionized employees and prior to January 1, 2002 for some non-unionized employees. Subsequent to the above mentioned dates, some of the respective employees became members of Healthcare of Ontario Pension Plan ("HOOPP"), a multi-employer final average pay contributory pension plan.

The LHIN uses actuarial reports prepared by independent actuaries for funding and accounting purposes. The most recent actuarial valuation of the pension plans for funding purposes was as of November 30, 2017. The measurement date is March 31, 2019.

7. Post employment benefits and compensated absences (continued)

(a) Pension plans (continued)

The following significant actuarial assumptions were employed to determine the periodic pension expense and the accrued benefit obligations:

	2019	2018
	%	%
Assumptions		
Accrued benefit obligation as of March 31		
Discount rate	**3.18**	3.37
Rate of compensation increase	**1.75**	2.00
Benefit costs for period ended March 31		
Expected long-term rate of return on plan assets	**5.00**	5.00
Rate of compensation increase	**1.75**	2.00

Information about the LHINs defined benefit pension plan is as follows:

	2019	2018
	$	$
Accrued benefit obligation		
Accrued benefit obligation, beginning of year	**805,100**	—
Accrued benefit obligation, transferred from CCAC	**—**	967,000
Interest cost	**24,200**	23,900
Benefits paid	**(175,500)**	(300,900)
Actuarial loss	**39,200**	115,100
	693,000	805,100

	2019	2018
	$	$
Plan assets		
Fair value of plan assets, beginning of year	**878,600**	—
Fair value of plan assets, transferred from CCAC	**—**	1,133,600
Actual return on plan assets	**39,600**	38,500
Contributions	**1,700**	16,800
Benefit payments	**(175,500)**	(300,900)
Actuarial loss	**(11,300)**	(9,400)
	733,100	878,600

Funded status

	2019	2018
	$	$
Unamortized net actuarial loss	**210,200**	219,200
Funded status surplus	**40,100**	73,500
	250,300	292,700

7. Post employment benefits and compensated absences (continued)

(a) Pension plans (continued)

Most employees are also members of HOOPP, which is a multi-employer plan, on behalf of approximately 513 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 2019 was $3,661,014 ($2,930,989 in 2018) for current service costs and is included as an expense in the 2019 Statement of operations. The last actuarial valuation was completed for the plan as of December 31, 2018. At that time, the plan was fully funded.

(b) Other benefits

The LHIN provides for the continuation of medical benefits to most employees upon retirement. Information about the plan is as follows:

Accrued benefit liability is determined as follows:

	2019	2018
	$	$
Accrued benefit obligation	**2,109,100**	1,210,000
Unamortized actuarial (loss) gain	**(106,500)**	150,900
	2,002,600	1,360,900

Continuity of benefit liability is as follows:

	2019	2018
	$	$
Balance, beginning of year	**1,360,900**	—
Balance, transferred from CCAC	**—**	1,341,400
Current service cost	**111,100**	64,800
Past service cost	**681,000**	—
Immediate recognition of actuarial gains	**(134,800)**	—
Interest cost	**43,800**	28,300
Benefits paid	**(43,300)**	(43,300)
Amortization of net actuarial gains	**(16,100)**	(30,300)
Balance, end of year	**2,002,600**	1,360,900

The following significant actuarial assumptions were employed to determine the periodic benefit expense and the accrued benefit obligation:

	2019	2018
	%	%
Assumptions		
Accrued benefit obligation as of March 31		
Discount rate	**3.18%**	3.37%
Health care trend rate	**8% trending down by 1% to 5%**	8% trending down by 1% to 5%

7. Post employment benefits and compensated absences (continued)

(c) Sick leave benefits

Under the sick leave benefit plan, unused sick leave for most employees can accumulate. Information about the plan is as follows:

Compensated absence liability is determined as follows:

	2019 $	2018 $
Accrued benefit obligation	**2,067,000**	2,496,800
Unamortized actuarial losses	**(1,723,000)**	(1,990,400)
	344,000	506,400

Continuity of benefit liability is as follows:

	2019 $	2018 $
Balance, beginning of year	**506,400**	—
Balance, transferred from CCAC	**—**	686,700
Curtailment gain	**(212,100)**	—
Immediate recognition of actuarial loss	**175,900**	—
Interest cost	**78,300**	45,600
Benefits paid	**(344,700)**	(282,700)
Amortization of net actuarial gains	**140,200**	56,800
Balance, end of year	**344,000**	506,400

The following significant actuarial assumptions were employed to determine the periodic benefit expense and the accrued benefit obligation:

	2019 %	2018 %
Assumptions		
Accrued benefit obligation as of March 31		
Discount rate	**3.18%**	3.37%
Rate of compensation increase	**2.00%**	2.00%

8. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of contributions received for the purchase of capital assets. The changes in the deferred capital contributions balance are as follows:

	2019 $	2018 $
Balance, beginning of year	**1,830,251**	142,369
Capital contributions received during the year	**136,503**	328,367
Capital contributions transferred from CCAC	**—**	1,870,831
Amortization for the year	**(595,696)**	(511,316)
Balance, end of year	**1,371,058**	1,830,251

9. Commitments

The LHIN has commitments under various operating leases expiring in 2024 as follows:

	$
2020	1,801,851
2021	1,479,466
2022	1,192,457
2023	1,149,934
2024	351,098

10. Contingencies

The LHIN enters into accountability agreements with Health Service Providers which include planned funding targets. The actual funding provided by the LHIN is contingent on the MOHLTC providing the funding.

The LHIN has been named as defendants in various claims. Based on the opinion of legal counsel as to the realistic estimates of the merits of these actions and the LHINs potential liability, management believes any liability resulting from these actions would be adequately covered by existing liability insurance.

11. Changes in non-cash working capital balances

	2019	2018
	$	$
Due From Ministry of Health and Long Term Care	**(11,159,431)**	3,258,731
Due from Health Shared Services Ontario	**87,133**	(120,092)
Due from South West LHIN	**(353,134)**	—
Accounts receivable other	**(354,376)**	(237,010)
Prepaid expenses	**(276,395)**	71,967
Accounts payable and accrued liabilities	**2,251,625**	(914,443)
Due to Health Service Providers	**10,046,131**	(3,818,631)
Due to MOHLTC	**2,786,722**	3,315,752
Deferred revenue	**(27,505)**	65,396
Due to Health Shared Services Ontario	**(7,300)**	7,300
Post employment benefits and compensated absenc	**521,700**	(245,400)
Total change in non-cash working capital items	**3,515,170**	1,383,570

12. Transfer payment to HSPs

The LHIN has authorization to allocate funding of $1,082,223,070 to various HSPs in its geographic area. The LHIN approved transfer payments to various sectors in 2019 as follows:

	2019 $	2018 $
Operations of hospitals	**712,182,729**	691,997,489
Grants to compensate for municipal taxation – public hospitals	**156,975**	156,975
Long-Term Care Homes	**233,724,875**	226,437,014
Community Care Access Centres	**—**	32,168,352
Community support services	**25,308,665**	23,678,658
Assisted living services in supportive housing	**13,029,706**	13,070,797
Community health centres	**38,035,581**	37,035,831
Community mental health addictions program	**14,136,789**	13,365,190
Community mental health program	**45,647,750**	42,912,023
	1,082,223,070	1,080,822,329

The LHIN receives funding from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2019, an amount of $10,481,000 ($434,869 in 2018) was receivable from the MOHLTC, and was payable to HSPs. These amounts have been reflected as revenue and expenses in the Statement of operations and are included in the table above.

Effective June 21, 2017 the LHIN assumed the assets, liabilities, rights and obligations of the Erie St. Clair CCAC. Prior year amounts reported in respect of the CCAC in the table above represent funding provided to the CCAC up to the date of transfer.

13. Board expenses

The following provides the details of Board expenses reported in the statement of operations and changes in net assets:

	2019 $	2018 $
Board Chair per diem expenses	**25,175**	34,325
Other Board members' per diem expenses	**21,975**	54,150
Other governance and travel	**17,177**	49,079
Total Board costs	**64,327**	137,554

14. 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.

15. 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.

16. The People's Health Care Act

On April 18, 2019, *The People's Health Care Act* (the "Act") received Royal Assent.
This legislation is a key component of the government's plan to build a modern, sustainable and integrated health care system. The Act grants the Minister of Health and Long-Term Care (the "Minister") the power to transfer assets, liabilities, rights, obligations and employees of certain government organizations, including the LHIN, into Ontario Health (a new Crown Agency created by the Act), a health service provider, or an integrated care delivery system. The Act also grants the Minister the power to dissolve these 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 is tasked with overseeing the transition process of transferring multiple provincial agencies into Ontario Health. Following the transfer the LHIN, would be dissolved.

The transition process is expected to occur over a number of years. A potential transfer and dissolution date is currently unknown. In the meantime, the LHIN continues to operate as required under the Local Health System Integration Act, 2006 and in accordance with its accountability agreement with the Minister.