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

March 31, 2024

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Independent Auditor's Report

To the Board of Directors of South West Health Integration Network O/A Home and Community Care Support Services South West

Opinion

We have audited the financial statements of South West Health Integration Network O/A Home and Community Care Support Services South West (the "LHIN"), which comprise the statement of financial position as at March 31, 2024, the statement of operations and changes in net debt, and the 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, 2024, 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.

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 (continued)

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 28, 2024

South West Local Health Integration Network
O/A Home and Community Care Support Services South West
Statement of financial position

As at March 31, 2024

	Notes	2024 \$	2023 \$
Assets			
Current assets			
Cash		51,094,445	56,567,447
Due from Ministry of Health ("MOH")		10,691,700	—
Accounts receivable	12	1,071,189	1,460,286
Prepaid expenses		1,415,105	987,691
		64,272,439	59,015,424
Capital assets			
	3	371,955	602,852
		64,644,394	59,618,276
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	11 and 12	31,816,736	30,489,263
Due to MOH	4	33,688,312	29,062,304
		65,505,048	59,551,567
Deferred capital contributions	5	371,955	602,852
		65,877,003	60,154,419
Commitments and contingencies	6 and 7		
Net debt		(1,232,609)	(536,143)
		64,644,394	59,618,276

Approved by the Board



 Joe Parker, Board Chair



 Kate Fyfe, Finance, Audit and Information Committee Chair

South West Local Health Integration Network
O/A Home and Community Care Support Services South West
Statement of operations
Year ended March 31, 2024

	Notes	2024	2023
		\$	\$
Revenue			
MOH funding		301,312,558	254,700,844
Ontario Health - Cancer Care Division		135,914	146,714
Amortization of deferred capital contributions	5	267,298	240,093
Other revenue		397,020	1,134,338
		302,112,790	256,221,989
Expenses			
Contracted out:			
In-home/clinic services		187,095,927	147,140,165
School services		8,325,793	6,377,677
Hospice services		7,212,085	5,751,900
Salaries and benefits	9	75,910,800	72,622,313
Medical supplies		14,984,599	13,500,981
Medical equipment rental		2,303,536	2,084,930
Supplies and sundry and minor equipment		4,698,887	6,253,225
Building and ground		2,012,524	2,250,705
Amortization of capital assets		267,298	240,093
		302,811,449	256,221,989
Excess (deficiency) of revenue over expenses before the undernoted		(698,659)	—
Employee future benefits recovery		2,193	111,349
Excess (deficiency) of revenue over expenses		(696,466)	111,349

The accompanying notes are an integral part of the financial statements

South West Local Health Integration Network
O/A Home and Community Care Support Services South West
Statement of changes in net debt
Year ended March 31, 2024

	Unrestricted	Employee	2024	2023
	\$	benefits	Total	Total
	\$	\$	\$	\$
Net debt, beginning of year	—	(536,143)	(536,143)	(647,492)
Excess (deficiency) of revenue over expenses	(696,466)		(696,466)	111,349
Transfer to employee benefits	(2,193)	2,193	—	—
Net debt, end of year	(698,659)	(533,950)	(1,232,609)	(536,143)

South West Local Health Integration Network
O/A Home and Community Care Support Services South West
Statement of cash flows
Year ended March 31, 2024

	Notes	2024	2023
		<u>\$</u>	<u>\$</u>
Operating activities			
Excess (deficiency) of revenue over expenses		(696,466)	111,349
Less amounts not affecting cash			
Amortization of capital assets		267,298	240,093
Amortization of deferred capital contributions	5	(267,298)	(240,093)
		(696,466)	111,349
Changes in non-cash working capital items	8	(4,776,536)	19,580,148
		(5,473,002)	19,691,497
Investing activity			
Purchase of capital assets		(36,401)	(670,386)
Financing activity			
Increase in deferred capital contributions	5	36,401	670,386
Net increase (decrease) in cash		(5,473,002)	19,691,497
Cash, beginning of year		56,567,447	36,875,950
Cash, end of year		51,094,445	56,567,447

The accompanying notes are an integral part of the financial statements

South West Local Health Integration Network
O/A Home and Community Care Support Services South West
Notes to the financial statements
March 31, 2024

1. Description of business

The South West Local 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 South West 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 South West Community Care Access Centre and related records, rights and obligations to be transferred from the South West Community Care Access Centre to the South West LHIN.

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

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

The mandate of the South West 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 South West 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 the South West 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	3 years
Computer software	3 years
Equipment capital lease	Over the term of the lease
Leasehold improvements	Over the term of the lease
Furniture and equipment	3-10 years
Phone system	5 years

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.

South West Local Health Integration Network
O/A Home and Community Care Support Services South West
Notes to the financial statements
March 31, 2024

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 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.

3. Capital assets

	Cost	Accumulated depreciation	2024 Net book value	2023 Net book value
	\$	\$	\$	\$
Computer equipment	2,454,446	2,365,944	88,502	126,151
Computer software	177,774	177,774	—	—
Equipment capital lease	1,878,369	1,607,412	270,957	451,596
Leasehold improvements	3,143,216	3,143,216	0	0
Furniture and equipment	4,597,251	4,584,755	12,496	25,105
Phone system	1,304,857	1,304,857	—	—
	13,555,913	13,183,958	371,955	602,852

South West Local Health Integration Network
O/A Home and Community Care Support Services South West
Notes to the financial statements
March 31, 2024

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:

	2024	2023
	\$	\$
Due to MOH, beginning of year	29,062,304	18,526,659
Funding repayable to MOH related to current year activities	1,122,949	8,809,568
Interest income for the current year	3,503,059	1,726,077
Due to MOH, end of year	33,688,312	29,062,304

5. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of contributions received for the purchase of capital assets. Deferred capital contributions are amortized to income at the same rate as the corresponding capital asset. The changes in the deferred capital contributions balance are as follows:

	2024	2023
	\$	\$
Balance, beginning of year	602,852	172,559
Capital contributions received during the year	36,401	670,386
Amortization for the year	(267,298)	(240,093)
Balance, end of year	371,955	602,852

6. Commitments

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

	\$
2025	1,030,159
2026	434,580
	1,464,739

South West Local Health Integration Network
O/A Home and Community Care Support Services South West
Notes to the financial statements
March 31, 2024

7. 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, 2024.

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

8. Change in non-cash working capital items

	2024	2023
	\$	\$
Due from MOH	(10,691,700)	6,548,386
Accounts receivable	389,097	1,479,017
Prepaid expenses	(427,414)	113,187
Accounts payable and accrued liabilities	1,327,473	903,913
Due to MOH	4,626,008	10,535,645
Total change in non-cash working capital items	(4,776,536)	19,580,148

9. Pension plan

The LHIN contributes to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 890 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 2024 was \$5,168,311 (2023 - \$4,744,191) for current service costs and is included in salaries and benefits in the statement of operations. The last actuarial valuation was completed by HOOPP as at December 31, 2023 disclosed net assets available for benefits of \$112,635,000,000 with pension obligations of \$102,454,000,000, resulting in a surplus of \$10,181,000,000.

10. 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.

11. Accumulated non-vesting sick pay

Accumulated non-vesting sick pay of \$533,950 (2023 - \$536,142) is included in accounts payable and accrued liabilities. The amounts are not funded by the Ontario Ministry of Health until they are paid.

12. Related party balances and transactions

The South West LHIN is related to other LHINs by virtue of having a common controlling board of Directors and CEO. The South West LHIN made payments for expenses on behalf of all the LHINs during the year ended March 31, 2024 totaling \$54,642 (2023 - \$165,510). The South West LHIN shared costs totaling \$358,070 during the year ended March 31, 2024 (2023 - \$74,015) which are payable to North East LHIN, Toronto Central LHIN, Central LHIN and Champlain LHIN for shared cost recoveries. These transactions are in the normal course of operations and measured at the exchange amount. Included in accounts receivable is \$Nil (2023 - \$144,137) due from other LHINs. Included in accounts payable and accrued liabilities is \$264,859 (2023 - \$42,822) due to other LHINs.

13. The Convenient Care at Home Act

On December 4th, 2023, the Convenient Care at Home Act, 2023 received royal assent. When proclaimed on a day named by the Lieutenant Governor, it will amend the Connecting Care at Home Act, 2019 (the "CCA") and consolidate the 14 Local Health Integration Networks into a new service organization named Ontario Health atHome. LHINs would no longer exist, and the Local Health System Integration Act, 2006 (LHSIA), would be repealed.

Ontario Health atHome would assume all staff, service contracts with Service Provider Organizations (SPOs), and assets, liabilities, rights, and obligations of the LHINs. Ontario Health (OH) would be responsible for funding and overseeing Ontario Health atHome, and Ontario Health atHome would be a Crown agency, a subsidiary of Ontario Health and a health service provider (HSP) under the CCA.