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Financial statements of  
South West Local Health  
Integration Network

March 31, 2019

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## Independent Auditor's Report

To the Board of Directors of  
South West Local Health Integration Network

### Audit Opinion

We have audited the accompanying financial statements of South West 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.

A handwritten signature in cursive script that reads "Deloitte LLP".

Chartered Professional Accountants  
Licensed Public Accountants  
June 14, 2019

## South West Local Health Integration Network

### Statement of financial position

As at March 31, 2019

|   | Notes | 2019<br>\$        | 2018<br>\$ |
|---|-------|-------------------|------------|
| <b>Assets</b>                                       |       |                   |            |
| Current assets                                      |       |                   |            |
| Cash  |       | 47,186,469        | 33,795,044 |
| Due from Ministry of Health                         |       |                   |            |
| Long-Term Care ("MOHLTC")                           | 13    | 10,624,345        | 6,216,698  |
| Harmonized Sales Tax receivable                     |       | 768,983           | 749,387    |
| Accounts receivable – other                         |       | 491,256           | 559,524    |
| Prepaid expenses                                    |       | 1,268,174         | 863,448    |
|   |       | <b>60,339,227</b> | 42,184,101 |
| Capital assets                                      | 6     | 1,903,251         | 2,758,535  |
|   |       | <b>62,242,478</b> | 44,942,636 |
| <b>Liabilities</b>                                  |       |                   |            |
| Current liabilities                                 |       |                   |            |
| Accounts payable and accrued liabilities            | 16    | 29,926,686        | 24,192,933 |
| Due to Health Service Providers ("HSPs")            | 13    | 8,606,952         | 6,216,698  |
| Due to Ministry of Health                           |       |                   |            |
| Long-Term Care ("MOHLTC")                           | 3     | 22,031,229        | 11,654,347 |
| Due to Erie St. Clair LHIN                          | 4     | 353,134           | —          |
| Current portion of obligations under capital leases | 7     | 306,553           | 450,746    |
|   |       | <b>61,224,554</b> | 42,514,724 |
| Obligations under capital leases                    | 7     | 74,867            | 300,518    |
| Deferred capital contributions                      | 8     | 1,585,301         | 2,646,961  |
|   |       | <b>62,884,722</b> | 45,462,203 |
| Commitments   | 9     |                   |            |
| <b>Net assets</b>                                   |       | <b>(642,244)</b>  | (519,567)  |
|   |       | <b>62,242,478</b> | 44,942,636 |

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

Approved by the Board of Directors:



William Hatanaka, Board Chair



Garry Foster, Audit Committee Chair

## South West Local Health Integration Network

### Statement of operations

Year ended March 31, 2019

|  | Notes | 2019<br>Actual<br>\$ | 2018<br>Actual<br>\$ |
|--|-------|----------------------|----------------------|
| <b>Revenue</b>   |       |                      |                      |
| MOHLTC funding – transfer payments                         | 13    | <b>2,216,982,370</b> | 2,177,164,119        |
| MOHLTC funding – operations and initiatives                |       | <b>239,670,725</b>   | 202,344,217          |
| Interest income  |       | –                    | 364,532              |
| Amortization of deferred capital contributions             |       | <b>1,447,172</b>     | 1,728,850            |
| Other revenue  |       | <b>1,227,425</b>     | 1,313,297            |
|  |       | <b>2,459,327,692</b> | 2,382,915,015        |
| Enabling Technologies ETI PMO<br>allocated to other LHIN's | 4     | –                    | (1,530,000)          |
| Total revenue  |       | <b>2,459,327,692</b> | 2,381,385,015        |
| <b>Expenses</b>  |       |                      |                      |
| HSP transfer payments                                      | 13    | <b>2,216,982,370</b> | 2,177,164,119        |
| Operations and Initiatives                                 |       |                      |                      |
| Contracted out   |       |                      |                      |
| In-home/clinic services                                    |       | <b>131,445,865</b>   | 112,489,356          |
| School services  |       | <b>8,305,925</b>     | 6,866,801            |
| Hospice services   |       | <b>4,130,000</b>     | 2,898,226            |
| Salaries and benefits                                      |       | <b>72,280,937</b>    | 58,674,067           |
| Medical supplies   |       | <b>10,337,505</b>    | 8,660,433            |
| Medical equipment rental                                   |       | <b>1,267,332</b>     | 1,213,936            |
| Supplies and sundry  |       | <b>8,602,110</b>     | 7,307,969            |
| Building and ground  |       | <b>2,750,479</b>     | 2,678,481            |
| Amortization   |       | <b>1,375,457</b>     | 2,205,514            |
| Repairs and maintenance                                    |       | <b>1,972,389</b>     | 1,217,486            |
|  |       | <b>242,467,999</b>   | 204,212,269          |
| Total expenses   |       | <b>2,459,450,369</b> | 2,381,376,388        |
| Excess of revenue over expenses<br>before the undernoted   |       | <b>(122,677)</b>     | 8,627                |
| Net liabilities assumed on transition                      |       | –                    | (528,194)            |
| <b>Excess of revenue over expenses</b>                     |       | <b>(122,677)</b>     | (519,567)            |

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

**South West Local Health Integration Network****Statement of changes in net financial assets**Year ended March 31, 2019

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|   | <b>2019</b>         |                          | 2018             |                  |
|---|---------------------|--------------------------|------------------|------------------|
|   | <b>Unrestricted</b> | <b>Employee benefits</b> | <b>Total</b>     |                  |
|   | <b>\$</b>           | <b>\$</b>                | <b>\$</b>        |                  |
| <b>Net assets, beginning of year</b>                  | —                   | <b>(519,567)</b>         | <b>(519,567)</b> | —                |
| Excess of expenses over revenue before the undernoted | —                   | <b>(122,677)</b>         | <b>(122,677)</b> | 8,627            |
| Net liabilities assumed on transition                 | —                   | —                        | —                | (528,194)        |
| <b>Net assets, end of year</b>                        | <b>—</b>            | <b>(642,244)</b>         | <b>(642,244)</b> | <b>(519,567)</b> |

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

## South West Local Health Integration Network

### Statement of cash flows

Year ended March 31, 2019

|  | Notes | 2019<br>\$        | 2018<br>\$        |
|--|-------|-------------------|-------------------|
| <b>Operating activities</b>                    |       |                   |                   |
| Excess of revenue over expenses                |       | (122,677)         | (519,567)         |
| Cash received on transition                    |       | —                 | 23,827,333        |
| Net liabilities assumed on transition          |       | —                 | 528,194           |
| Less amounts not affecting cash                |       |                   |                   |
| Amortization of capital assets                 |       | 1,375,457         | 2,205,514         |
| Amortization of deferred capital contributions |       | (1,447,172)       | (1,728,850)       |
|  |       | (194,392)         | 24,312,624        |
| Changes in non-cash working capital items      | 11    | 14,090,322        | 8,945,202         |
|  |       | <b>13,895,930</b> | <b>33,257,826</b> |
| <b>Investing activity</b>                      |       |                   |                   |
| Purchase of capital assets                     |       | (520,173)         | (500,617)         |
| <b>Financing activities</b>                    |       |                   |                   |
| Capital lease obligations incurred             |       | 151,574           | —                 |
| Repayment of capital lease obligations         |       | (521,418)         | (451,363)         |
| Increase in deferred contributions             |       | 385,512           | 840,920           |
|  |       | <b>15,668</b>     | <b>389,557</b>    |
| Net change in cash                             |       | <b>13,391,425</b> | 33,146,766        |
| Cash, beginning of year                        |       | <b>33,795,044</b> | 648,278           |
| <b>Cash, end of year</b>                       |       | <b>47,186,469</b> | <b>33,795,044</b> |

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

# South West Local Health Integration Network

## Notes to the financial statements

March 31, 2019

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### 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 to Bill 36 on March 28, 2006, it was continued under the Local Health System Integration Act, 2006 (the "Act") as the South West 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 approximately 22,000 square kilometers from Tobermory in the north to Long Point in the south. 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) Provision of community services. These services include 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, to manage the placement of persons into long-term care homes, supportive housing programs, chronic care and rehabilitation beds in hospitals, 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 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 approved by the MOHLTC to support LHIN managed Health Services Providers and the operations of the LHIN. The LHIN cannot authorize payments in excess of the budgetary allocation set by the MOHLTC in the MLAA. Due to the nature of the Accountability Agreement, the LHIN is economically dependent on the MOHLTC.

## South West Local Health Integration Network

### Notes to the financial statements

March 31, 2019

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## 2. Significant accounting policies (continued)

### *Ministry of Health and Long-Term Care Funding (continued)*

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 to the Health Service Provider and does not flow through the LHIN bank account.

LHIN Financial Statements includes only transfer payment funds and LHIN operating funds included in the Ministry-LHIN Accountability Agreement.

### *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.

### *Deferred capital contributions*

Any amounts received that are used to fund expenses that are recorded as tangible capital assets, are recorded as deferred capital revenue and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the statement of operations, is in accordance with the amortization policy applied to the related tangible capital asset recorded.

### *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 straight-line method       |
| Computer software       | 3 years straight-line method       |
| Equipment capital lease | Life of lease straight-line method |
| Leasehold improvements  | Life of lease straight-line method |
| Furniture and equipment | 10 years straight-line method      |
| Phone system            | 5 years straight-line method       |

## South West Local Health Integration Network

### Notes to the financial statements

March 31, 2019

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## 2. Significant Accounting Policies (continued)

### *Capital assets (continued)*

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

### *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 MAAA, 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.

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

|   | 2019<br>\$        | 2018<br>\$        |
|---|-------------------|-------------------|
| Due to MOHLTC, beginning of year                                      | 11,654,347        | 96,316            |
| Funding repaid to MOHLTC  | (479,967)         | (96,316)          |
| Funding repayable to the MOHLTC<br>related to current year activities | 10,856,849        | 9,622,028         |
| Funding repayable to the MOHLTC<br>assumed on transition              | —                 | 2,032,319         |
| Due to MOHLTC, end of year  | <u>22,031,229</u> | <u>11,654,347</u> |

## 4. Enabling Technologies for Integration Project Management Office

Effective February 12, 2012, the LHIN entered into an agreement with Erie St Clair, 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.

The LHIN's financial statement reflects its share of the MOHLTC funding for Enabling Technologies for Integration Project Management Offices for its Cluster and related expenses. During the year, the LHIN received funding from Erie St Clair LHIN of \$1,000,000 and incurred eligible expenses of \$646,866. The unspent amount of \$353,134 has been set up as repayable to the Erie St. Clair LHIN. In 2018 South West LHIN was the cluster lead and distributed funding to the three other parties in the cluster.

## South West Local Health Integration Network

### Notes to the financial statements

March 31, 2019

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#### 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

|                         | <b>Cost</b>       | <b>Accumulated depreciation</b> | <b>2019 Net book value</b> | 2018 Net book value |
|-------------------------|-------------------|---------------------------------|----------------------------|---------------------|
|                         | \$                | \$                              | \$                         | \$                  |
| Computer equipment      | 4,941,537         | 4,339,241                       | 602,296                    | 700,949             |
| Computer software       | 2,231,898         | 2,204,315                       | 27,583                     | 63,548              |
| Equipment capital lease | 2,631,713         | 2,178,320                       | 453,393                    | 840,852             |
| Leasehold improvements  | 5,145,820         | 4,611,482                       | 534,338                    | 681,338             |
| Furniture and equipment | 5,067,139         | 4,818,487                       | 248,652                    | 413,294             |
| Phone system            | 1,342,568         | 1,305,579                       | 36,989                     | 58,554              |
|                         | <b>21,360,675</b> | <b>19,457,424</b>               | <b>1,903,251</b>           | 2,758,535           |

## South West Local Health Integration Network

### Notes to the financial statements

March 31, 2019

#### 7. Obligations under Capital Leases

|  | 2019<br>\$    | 2018<br>\$ |
|--|---------------|------------|
| Computer lease maturing in April 2019. Annual combined interest and principal payments of \$18,927 plus applicable taxes are required until maturity     | —             | 19,146     |
| Equipment lease maturing in April 2019. Monthly combined interest and principal payments of \$10,442 plus applicable taxes are required until maturity   | —             | 127,208    |
| Computer lease maturing in September 2019. Annual combined interest and principal payments of \$10,948 plus applicable taxes are required until maturity | —             | 11,091     |
| Computer lease maturing in January 2020. Annual combined interest and principal payments of \$27,803 plus applicable taxes are required until maturity   | —             | 28,166     |
| Computer lease maturing in March 2020. Annual combined interest and principal payments of \$21,480 plus applicable taxes are required until maturity     | —             | 21,760     |
| Computer lease maturing in March 2021. Annual combined interest and principal payments of \$16,554 plus applicable taxes are required until maturity     | <b>16,795</b> | 49,189     |
| Computer lease maturing in March 2021. Annual combined interest and principal payments of \$2,425 plus applicable taxes are required until maturity      | <b>2,460</b>  | 7,205      |
| Computer lease maturing in June 2021. Annual combined interest and principal payments of \$2,237 plus applicable taxes are required until maturity       | <b>4,485</b>  | 6,647      |
| Computer lease maturing in July 2021. Annual combined interest and principal payments of \$23,017 plus applicable taxes are required until maturity      | <b>46,144</b> | 68,392     |
| Computer lease maturing in July 2019. Annual combined interest and principal payments of \$4,773 plus applicable taxes are required until maturity       |               | 4,483      |
| Computer lease maturing in September 2019. Annual combined interest and principal payments of \$3,458 plus applicable taxes are required until maturity  | —             | 3,508      |
| Computer lease maturing in November 2019. Annual combined interest and principal payments of \$1,056 plus applicable taxes are required until maturity   | —             | 1,071      |
| Computer lease maturing in December 2019. Annual combined interest and principal payments of \$4,341 plus applicable taxes are required until maturity   | —             | 4,404      |
| Computer lease maturing in March 2020. Annual combined interest and principal payments of \$20,996 plus applicable taxes are required until maturity     | <b>20,443</b> | 40,380     |
| Subtotal   | <b>90,327</b> | 392,650    |

**South West Local Health Integration Network**  
**Notes to the financial statements**  
March 31, 2019

**7. Obligations under Capital Leases (continued)**

|  | <b>2019</b>    | 2018    |
|--|----------------|---------|
|  | \$             | \$      |
| Balance forward  | <b>90,327</b>  | 392,650 |
| Computer lease maturing in June 2020. Annual combined interest and principal payments of \$30,591 plus applicable taxes are required until maturity    | <b>29,787</b>  | 58,791  |
| Computer lease maturing in August 2020. Annual combined interest and principal payments of \$103,065 plus applicable taxes are required until maturity | <b>100,356</b> | 198,073 |
| Computer lease maturing in October 2020. Annual combined interest and principal payments of \$37,602 plus applicable taxes are required until maturity | <b>36,614</b>  | 72,264  |
| Computer lease maturing in January 2021. Annual combined interest and principal payments of \$7,074 plus applicable taxes are required until maturity  | <b>6,888</b>   | 13,596  |
| Computer lease maturing in January 2021. Annual combined interest and principal payments of \$2,283 plus applicable taxes are required until maturity  | <b>2,223</b>   | 4,387   |
| Computer lease maturing in February 2021. Annual combined interest and principal payments of \$9,280 plus applicable taxes are required until maturity | <b>9,036</b>   | 17,835  |
| Computer lease maturing in March 2021. Annual combined interest and principal payments of \$4,304 plus applicable taxes are required until maturity    | <b>4,191</b>   | 8,271   |
| Computer lease maturing in March 2021. Annual combined interest and principal payments of \$2,364 plus applicable taxes are required until maturity    | <b>2,302</b>   | 4,543   |
| Computer lease maturing in June 2021. Annual combined interest and principal payments of \$48,162 plus applicable taxes are required until maturity    | <b>92,559</b>  | —       |
| Computer lease maturing in March 2022. Annual combined interest and principal payments of \$3,714 plus applicable taxes are required until maturity    | <b>7,138</b>   | —       |
| Balance carry forward  | <b>381,420</b> | 770,409 |

Pledged as security for the above borrowings are the equipment under capital lease. The minimum payments over the remaining terms of the leases are as follows:

|                                    | \$             |
|------------------------------------|----------------|
| 2020                               | 313,668        |
| 2021                               | 77,130         |
| Total minimum payment              | 390,798        |
| Less: amount representing interest | 9,378          |
|                                    | <u>381,420</u> |

## South West Local Health Integration Network

### Notes to the financial statements

March 31, 2019

#### 8. Deferred capital contributions

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

|   | 2019             | 2018        |
|---|------------------|-------------|
|   | \$               | \$          |
| Balance, beginning of year  | 2,646,961        | 44,290      |
| Capital contributions received during the year                            | 385,512          | 3,490,601   |
| Capital contributions transferred from CCAC                               | —                | 840,920     |
| Amortization of deferred contributions recognized as revenue for the year | (1,447,172)      | (1,728,850) |
| Long-term deferred capital contributions balance, end of year             | <b>1,585,301</b> | 2,646,961   |

#### 9. Commitments

The LHIN has commitments under various operating leases expiring in 2023 as follows:

|      | \$        |
|------|-----------|
| 2019 | 1,424,284 |
| 2020 | 1,297,983 |
| 2021 | 1,249,823 |
| 2022 | 905,950   |
| 2023 | 268,650   |

#### 10. Contingencies

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

#### 11. Additional Information to the statement of cash flows

|  | 2019              | 2018        |
|--|-------------------|-------------|
|  | \$                | \$          |
| Due from MOHLTC HSP transfer payments          | (4,407,647)       | 1,440,002   |
| Accounts receivable                            | 68,268            | (830,117)   |
| Harmonized Sales Tax receivable                | (19,596)          | 262,862     |
| Prepaid expenses                               | (404,726)         | (222,898)   |
| Accounts payable and accrued liabilities       | 5,733,753         | 3,402,964   |
| Due to Health Service Providers                | 2,390,254         | (1,440,002) |
| Due to MOHLTC                                  | 10,376,882        | 6,332,391   |
| Due to Erie St. Clair LHIN                     | 353,134           | —           |
| Total change in non-cash working capital items | <b>14,090,322</b> | 8,945,202   |

## South West Local Health Integration Network

### Notes to the financial statements

March 31, 2019

#### 12. Pension plan

The LHIN contributes to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 881 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 \$5,084,665 (\$4,502,622 in 2018) for current service costs and is included as an expense in the 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.

#### 13. Transfer payment to HSPs

The LHIN has authorization to allocate funding of \$2,216,982,370 (\$2,177,164,119 in 2018) to various HSPs in its geographic area. The LHIN approved transfer payments to various sectors in 2019 as follows:

|  | 2019<br>\$           | 2018<br>\$    |
|--|----------------------|---------------|
| Operations of hospitals  | <b>1,665,840,578</b> | 1,619,917,047 |
| Grants to compensate for municipal taxation – public hospitals | <b>385,575</b>       | 385,575       |
| Long-Term care homes   | <b>364,817,291</b>   | 348,392,647   |
| Community care access centres                                  | —                    | 32,525,467    |
| Community support services                                     | <b>43,584,053</b>    | 42,447,240    |
| Assisted living services in supportive housing                 | <b>27,452,467</b>    | 26,882,147    |
| Community health centres                                       | <b>25,174,163</b>    | 22,914,143    |
| Acquired brain injury  | <b>9,330,016</b>     | 8,780,344     |
| Community mental health addictions program                     | <b>80,398,227</b>    | 74,919,509    |
|  | <b>2,216,982,370</b> | 2,177,164,119 |

The LHIN receives funding from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2019, an amount of \$8,606,952 (\$6,216,698 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 May 24, 2017 the LHIN assumed the assets, liabilities, rights and obligations of the South West Community Care Access Centre (CCAC). The 2018 comparative amount reported in respect of the CCAC in the table above represents funding provided to the CCAC up to the date of transfer.

#### 14. Board costs

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

|  | 2019<br>\$     | 2018<br>\$ |
|--|----------------|------------|
| Board Chair per diem expenses          | <b>62,608</b>  | 47,631     |
| Other Board members' per diem expenses | <b>88,720</b>  | 77,565     |
| Other governance and travel            | <b>19,166</b>  | 55,260     |
| Balance, end of year                   | <b>170,494</b> | 180,456    |

## South West Local Health Integration Network

### Notes to the financial statements

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#### 15. 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.

#### 16. Accumulated non-vesting sick pay

Accumulated non-vesting sick pay of \$642,244 (\$519,567 in 2018) is included in accounts payable and accrued liabilities. The amounts are not funded by the Ontario Ministry of Health and Long-Term Care until they are paid.

#### 17. 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.

#### 18. 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.