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Financial statements of  
Toronto Central Local Health  
Integration Network

March 31, 2019

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## Independent Auditor's Report

To the Members of the Board of Directors of the  
Toronto Central Local Health Integration Network

### Audit Opinion

We have audited the accompanying financial statements of Toronto Central 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.

The image shows a handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants  
Licensed Public Accountants  
June 14, 2019

# Toronto Central Local Health Integration Network

## Statement of financial position

As at March 31, 2019

	Notes	2019 \$	2018 \$
<b>Assets</b>			
Current assets			
Cash		<b>25,080,671</b>	18,245,200
Due from Ministry of Health and Long-Term Care ("MOHLTC") regarding operations		<b>3,671,900</b>	1,281,400
Due from MOHLTC regarding HSP transfer payments	11	<b>7,563,372</b>	17,461,797
Due from Health Shared Services Ontario ("HSSOntario")		<b>210,785</b>	337,700
Accounts receivable		<b>496,005</b>	1,391,167
Prepaid expenses		<b>318,746</b>	338,477
		<b>37,341,479</b>	39,055,741
Rental and security deposits		<b>107,501</b>	107,501
Capital assets	6	<b>477,907</b>	570,887
		<b>37,926,887</b>	39,734,129
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued charges		<b>28,873,743</b>	21,367,069
Due to Health Service Providers ("HSPs")	11	<b>7,563,372</b>	17,461,797
Due to MOHLTC	3	<b>1,011,865</b>	334,376
		<b>37,448,980</b>	39,163,242
Deferred capital contributions	7	<b>477,907</b>	570,887
		<b>37,926,887</b>	39,734,129
Commitments	8		
<b>Net assets</b>			
		<b>—</b>	—
		<b>37,926,887</b>	39,734,129

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

Approved by the Board



William Hatanaka, Board Chair



Garry Foster, Audit Committee Chair

**Toronto Central Local Health Integration Network**  
**Statement of operations and changes in net assets**  
Year ended March 31, 2019

	Notes	2019 \$	2018 \$
<b>Revenues</b>			
MOHLTC - Transfer payments	11	<b>4,946,686,488</b>	4,844,923,299
MOHLTC funding - Operations and initiatives		<b>284,810,269</b>	225,896,238
Amortization of deferred capital contributions		<b>92,980</b>	2,003,047
Other revenues		<b>1,740,788</b>	1,181,989
		<b>286,644,037</b>	229,081,274
eHealth-Enabling Technologies for Integration allocated to Central LHIN	5	<b>(510,000)</b>	—
Total revenues		<b>5,232,820,525</b>	5,074,004,573
<b>Expenses</b>			
HSP transfer payments	11	<b>4,946,686,488</b>	4,844,923,299
Operations and initiatives			
Contracted out			
In-home/clinic services		<b>184,377,609</b>	146,082,690
School services		<b>5,213,343</b>	4,679,809
Hospice services		<b>3,595,213</b>	2,152,076
Salaries and benefits		<b>69,225,024</b>	53,088,680
Medical supplies		<b>9,561,325</b>	7,590,514
Medical equipment rental		<b>2,602,608</b>	2,693,060
Supplies and sundry		<b>7,740,364</b>	6,229,687
Building and ground		<b>3,087,363</b>	1,972,437
Amortization		<b>92,980</b>	2,003,047
Repairs and maintenance		<b>638,208</b>	420,484
		<b>286,134,037</b>	226,912,484
Total expenses		<b>5,232,820,525</b>	5,071,835,783
Excess of revenues over expenses before the undernoted		—	2,168,790
Net liabilities assumed on transition		—	(2,168,790)
Net assets, beginning of year		—	—
<b>Net assets, end of year</b>		<b>—</b>	<b>—</b>

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

## Toronto Central Local Health Integration Network

### Statement of cash flows

Year ended March 31, 2019

	Notes	2019 \$	2018 \$
<b>Operating activities</b>			
Excess of revenues over expenses		—	—
Cash received on transition		—	16,468,992
Net liabilities assumed on transition		—	2,168,790
Less amounts not affecting cash			
Amortization of capital assets		<b>92,980</b>	2,003,047
Amortization of deferred capital contributions		<b>(92,980)</b>	(2,003,047)
		—	18,637,782
Changes in non-cash working capital items	9	<b>6,835,471</b>	(1,489,068)
		<b>6,835,471</b>	17,148,714
<b>Investing activity</b>			
Purchase of capital assets		—	(429,140)
<b>Financing activity</b>			
Increase in deferred capital contributions		—	429,140
Net increase in cash		<b>6,835,471</b>	17,148,714
Cash, beginning of year		<b>18,245,200</b>	1,096,486
<b>Cash, end of year</b>		<b>25,080,671</b>	18,245,200

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

# Toronto Central Local Health Integration Network

## Notes to the financial statements

March 31, 2019

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### 1. Description of business

The Toronto Central 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 Toronto Central 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 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.

On June 7, 2017 the LHIN assumed the assets, liabilities, rights and obligations of the Toronto Central Community Care Access Centre. The comparative amounts include transactions for ten months to March 31, 2018.

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 most of City of Toronto. The LHIN enters into service accountability agreements with health service providers.

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. The LHIN has the responsibility to provide health and related social services and supplies and equipment for the care of persons in home, community and other settings and to provide goods and services to assist caregivers in the provision of care for such persons, to manage the placement of persons into long-term care homes, supportive housing programs, chronic care and rehabilitation beds in hospitals, and other programs and places where community services are provided under the Home Care and Community Services Act, 1994 and to provide information to the public about, and make referrals to, health and social services.

### 2. Significant accounting policies

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

# Toronto Central 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*

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 lives of an asset, are capitalized.

Capital assets are amortized on a straight-line basis based on their estimated useful lives as follows:

Furniture and equipment	5 years
Computer and communications equipment	3 years
Client serving equipment	5 years
Leasehold improvements	Life of lease

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.

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.

**2. Significant accounting policies (continued)**

*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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues 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. Due to 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.

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

	<b>2019</b>	2018
	\$	\$
Due to MOHLTC, beginning of year	<b>(334,376)</b>	(28,217)
Funding repaid to MOHLTC	—	28,217
Funding repayable to the MOHLTC related to current year activities	<b>(677,489)</b>	(334,376)
Due to MOHLTC, end of year	<b>(1,011,865)</b>	(334,376)

**4. Related party transactions**

*Health Shared Services Ontario ("HSSOntario")*

HSSOntario is a provincial agency established January 1, 2017 by O. Reg. 456/16 made under the Local Health System Integration Act with objects to provide shared services to LHINs in areas that include human resources management, logistics, finance and administration and procurement. HSSOntario as a provincial agency is subject to legislation, policies and directives of the Government of Ontario and the Memorandum of Understanding between HSSOntario and the Minister of Health and Long-Term Care.

**5. Enabling technologies for integration project management office**

Effective April 1, 2018, the LHIN entered into an agreement with Central LHIN (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.

Toronto Central LHIN is designated the Lead LHIN with this agreement and as such holds the accountability over the distribution of the funds and manages the shared Project Management Office. In the event that the Cluster experiences a surplus, the Lead LHIN is responsible for returning those funds to the MOHLTC.

## Toronto Central Local Health Integration Network

### Notes to the financial statements

March 31, 2019

#### 5. Enabling technologies for integration project management office (continued)

Total Cluster funding received for the year ended March 31, 2019 was \$1,510,000, of which \$510,000 was allocated to Central LHIN. The following provides condensed financial information for the ETI PMO funding and expenses for the Cluster:

	Funding allocated \$	Eligible expenses \$	2019 Excess funding \$
Toronto Central LHIN	1,000,000	1,000,000	—
Central LHIN	510,000	510,000	—
	<b>1,510,000</b>	<b>1,510,000</b>	<b>—</b>

In the prior year the LHIN was in a Cluster where Central West LHIN was the cluster lead. In 2018 the LHIN received \$423,000 in relation to ETI PMO funding of \$423,000 and incurred eligible expenses of \$423,000.

#### 6. Capital assets

	Cost \$	Accumulated depreciation \$	2019 Net book value \$	2018 Net book value \$
Computer and communication equipment	13,802,756	(13,802,756)	—	—
Leasehold improvements	4,304,402	(3,920,042)	384,360	429,140
Furniture and equipment	2,160,107	(2,160,107)	—	1,427
Client serving equipment	233,866	(140,319)	93,547	140,320
	<b>20,501,131</b>	<b>(20,023,224)</b>	<b>477,907</b>	<b>570,887</b>

#### 7. Deferred capital contributions

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

	2019 \$	2018 \$
Balance, beginning of year	570,887	200,031
Capital contributions received during the year	—	429,140
Capital contributions assumed on transition	—	1,944,763
Amortization for the year	(92,980)	(2,003,047)
Balance, end of year	<b>477,907</b>	<b>570,887</b>

**Toronto Central Local Health Integration Network**  
**Notes to the financial statements**  
 March 31, 2019

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**8. Commitments**

The LHIN has commitments under various operating leases as follows:

	<u>\$</u>
2020	2,853,508
2021	2,364,225
2022	1,832,023
2023	1,849,991
2024	1,730,942
Thereafter	6,204,769
	<u>16,835,458</u>

**9. Change in non-cash working capital items**

	<b>2019</b>	2018
	<b>\$</b>	\$
Due from HSSOntario	<b>126,915</b>	(312,571)
Due from MOHLTC regarding operations	<b>(2,390,500)</b>	(1,281,400)
Due from MOHLTC regarding HSP transfer payments	<b>9,898,425</b>	4,351,828
Accounts receivable	<b>895,162</b>	890,703
Prepaid expenses	<b>19,731</b>	489,120
Rental and security deposits	—	(107,501)
Accounts payable and accrued charges	<b>7,506,674</b>	(1,473,578)
Due to HSPs	<b>(9,898,425)</b>	(4,351,828)
Due to MOHLTC	<b>677,489</b>	306,159
Total change in non-cash working capital items	<b>6,835,471</b>	(1,489,068)

**10. Pension Plan**

The LHIN contributes to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 669 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 \$4,810,292 (\$4,331,114 in 2018) for current service costs and is included as an expense in the statement of operations and changes in net assets. The last actuarial valuation was completed for the plan as of December 31, 2018. At that time, the plan was fully funded.

## Toronto Central Local Health Integration Network

### Notes to the financial statements

March 31, 2019

#### 11. Transfer payment to HSPs

The LHIN has authorization to allocate funding of \$4,946,686,488 to various HSPs in its geographic area. The LHIN approved transfer payments to various sectors as follows:

	<b>2019</b>	2018
	<b>\$</b>	\$
Operations of hospitals	<b>3,861,233,854</b>	3,762,942,504
Grants to compensate for municipal taxation – public hospitals	<b>715,275</b>	715,050
Long-term care homes	<b>297,080,950</b>	286,436,318
Community care access centres	—	45,672,039
Community support services	<b>129,612,303</b>	121,219,547
Assisted living services in supportive housing	<b>64,830,980</b>	61,296,702
Community health centres	<b>108,627,486</b>	101,968,489
Community mental health	<b>157,391,369</b>	146,069,582
Addictions program	<b>41,200,121</b>	39,665,607
Acquired brain injury	<b>3,102,707</b>	3,096,818
Specialty psychiatric hospital	<b>282,842,393</b>	275,791,593
Grants to compensate for municipal taxation – psychiatric hospital	<b>49,050</b>	49,050
	<b>4,946,686,488</b>	4,844,923,299

The LHIN receives funding from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2019, an amount of \$7,563,372 (\$17,461,797 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 changes in net assets and are included in the table above.

#### 12 Financial risk

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

Credit risk relates to the potential that one party to a financial instrument will fail to discharge an obligation and incur a financial loss. The maximum exposure to credit risk is the carrying value reported in the statement of financial position. Credit risk is mitigated through collection practices and the diverse nature of amounts with accounts receivable.

Liquidity risk is the risk that the LHIN will not be able to meet all cash flow obligations as they come due. The LHIN mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and cash flow analysis.

#### 13 Guarantees

The LHIN is subject to the provisions of the Financial Administration Act. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favor of third parties, except in accordance with the Financial Administration Act and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the Local Health System Integration Act, 2006 and in accordance with s.28 of the Financial Administration Act.

## Toronto Central Local Health Integration Network

### Notes to the financial statements

March 31, 2019

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#### 14 Board Costs

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

	<b>2019</b>	2018
	<b>\$</b>	\$
Board Chair per diem expenses	<b>10,850</b>	14,700
Other Board members' per diem expenses	<b>33,600</b>	52,100
Other governance and travel	<b>1,644</b>	509
	<b>46,094</b>	67,309

#### 15 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.

#### 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.