



**Ontario
Health**

Financial Statements

March 31, 2020



**Ontario
Health**

June 24, 2020

Management's Responsibility for Financial Information

Management and the Board of Directors are responsible for the financial statements and all other information presented in this financial statement. The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and, where appropriate, include amounts based on management's best estimates and judgements.

Ontario Health is dedicated to the highest standards of integrity and patient care. To safeguard Ontario Health's assets, a sound and dynamic set of internal financial controls and procedures that balance benefits and costs has been established. Management has developed and maintains financial and management controls, information systems and management practices to provide reasonable assurance of the reliability of financial information. Internal audits are conducted to assess management systems and practices, and reports are issued to the Finance, Audit and Risk Committee.

For the period ended March 31, 2020, Ontario Health's Board of Directors, through the Finance, Audit and Risk Committee was responsible for ensuring that management fulfilled its responsibilities for financial reporting and internal controls. The Committee meets regularly with management and the Auditor General to satisfy itself that each group had properly discharged its respective responsibility, and to review the financial statements before recommending approval by the Board of Directors. The Auditor General had direct and full access to the Finance, Audit and Risk Committee, with and without the presence of management, to discuss their audit and their findings as to the integrity of Ontario Health's financial reporting and the effectiveness of the system of internal controls.

The financial statements have been examined by the Office of the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian public sector accounting standards. The Auditor's Report outlines the scope of the Auditor's examination and opinion.

On behalf of Ontario Health Management,

Handwritten signature of Elham Roushani in blue ink.

Elham Roushani, BSc, CPA, CA
Interim Finance Lead

Handwritten signature of Melissa Sears in blue ink.

Melissa Sears, CPA, CA
Director, Financial Reporting



INDEPENDENT AUDITOR'S REPORT

To the Ontario Health

Opinion

I have audited the financial statements of the Ontario Health, which comprise the statement of financial position as at March 31, 2020, and the statements of operations, changes in net debt and cash flows for the period from June 6, 2019 to March 31, 2020, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Ontario Health as at March 31, 2020, and the results of its operations and its cash flows for the period from June 6, 2019 to March 31, 2020 in accordance with Canadian public sector accounting standards.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of Ontario Health in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 Ontario Health'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 Ontario Health either intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Ontario Health's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 Ontario Health'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 Ontario Health's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause Ontario Health to cease to continue as 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.

I 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 I identify during my audit.



Toronto, Ontario
June 24, 2020

Bonnie Lysyk, MBA, FCPA, FCA, LPA
Auditor General

Statement of Financial Position

As at March 31, 2020
(in thousands of dollars)

| | 2020 |
|--|-----------------|
| | \$ |
| Financial assets | |
| Cash (note 5) | 31,924 |
| Investments (note 6) | 54,016 |
| Accounts receivable (note 7) | 162,564 |
| | <hr/> 248,504 |
| Liabilities | |
| Accounts payable and accrued liabilities (note 8) | 231,912 |
| Deferred revenue (note 9) | 4,764 |
| Obligations under capital leases (note 10) | 830 |
| Post-employment benefits other than pension plan (note 11) | 2,175 |
| Deferred revenue related to capital assets (note 12) | 63,148 |
| | <hr/> 302,829 |
| Net debt | (54,325) |
| Non-financial assets | |
| Tangible capital assets (note 13) | 67,648 |
| Prepaid expenses and other assets (note 14) | 23,533 |
| | <hr/> 91,181 |
| Accumulated surplus | 36,856 |
| Commitments and contingencies (notes 19 and 20) | |
| Guarantees (note 21) | |

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

Approved by the Board of Directors



Director



Director

Statement of Operations

For the period from June 6, 2019 to March 31, 2020
(in thousands of dollars)

| | 2020 |
|--|-------------------------|
| | \$ |
| Revenues | |
| Ministry of Health (note 9a) | 999,080 |
| Amortization of deferred revenue related to capital assets (note 12) | 8,945 |
| Other revenue and recoveries | 1,393 |
| Grant funding (note 9a) | 680 |
| | <u>1,010,098</u> |
| Expenses | |
| Cancer and screening services | 471,028 |
| Chronic kidney disease services | 227,324 |
| Cancer Drug Reimbursement Program | 195,777 |
| Digital Services | 80,147 |
| Health Shared Services Program | 13,868 |
| Health Quality Program | 10,248 |
| Ontario Health Corporate Services | 9,655 |
| Health Marketing and Recruitment Program | 2,051 |
| | <u>1,010,098</u> |
| Operating surplus | - |
| Net Assets transferred to Ontario Health (note 4) | 36,856 |
| Surplus | <u>36,856</u> |
| Accumulated surplus, beginning of period | - |
| Accumulated surplus, end of period | <u>36,856</u> |

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

Statement of Changes in Net Debt

For the period from June 6, 2019 to March 31, 2020
(in thousands of dollars)

| | 2020 |
|---|-----------------|
| | \$ |
| Net debt, beginning of period | - |
| Surplus | 36,856 |
| Non-financial assets transferred to Ontario Health (note 4) | (98,585) |
| Change in non-financial assets: | |
| Acquisition of tangible capital assets | (7,112) |
| Disposal of tangible capital assets (note 13) | 205 |
| Amortization of tangible capital asset | 9,243 |
| Change in prepaid expenses and other non-financial assets | 5,068 |
| Change in net debt | <u>(54,325)</u> |
| Net debt, end of period | (54,325) |

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

Statement of Cash Flows

For the period from June 6, 2019 to March 31, 2020
(in thousands of dollars)

| | 2020 |
|--|---------------|
| | \$ |
| Operating transactions: | |
| Surplus | 36,856 |
| Changes in non-cash items: | |
| Amortization of tangible capital assets | 9,243 |
| Recognition of deferred capital revenue (note 12) | (8,945) |
| Loss on disposal of tangible capital assets (note 13) | 205 |
| Decrease (increase) in: | |
| Accounts receivable | (14,253) |
| Prepaid expenses and other non-financial assets | 5,068 |
| Accounts payable and accrued liabilities | (34,498) |
| Non-pension post-retirement benefits (note 11) | (43) |
| Deferred revenue (note 9) | (65,075) |
| Non-cash balances transferred to Ontario Health (note 4) | 73,089 |
| | <hr/> 1,647 |
| Capital transactions: | |
| Acquisition of tangible capital assets (note 13) | (7,112) |
| Investing transactions: | |
| Proceeds on maturity of investments | 30,489 |
| Financing transactions: | |
| Restricted capital contributions received (note 12) | 7,003 |
| Payments on obligations under capital leases (note 10) | (103) |
| | <hr/> 6,900 |
| Increase in cash | 31,924 |
| Cash, beginning of period | - |
| Cash, end of period | 31,924 |

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

Notes to Financial Statements

For the period ended March 31, 2020

(in thousands of dollars)

1. Nature of operations

Ontario Health (the Agency) is a Crown Agency established on June 6, 2019 pursuant to the Connecting Care Act, 2019 (the CCA). This legislation is a key component of the government's plan to build an integrated health care system. The Agency is responsible for implementing the health system strategies developed by the Ministry of Health (the Ministry) and for managing health service needs across Ontario consistent with the Ministry's health system strategies to ensure the quality and sustainability of the Ontario health system. The Agency's objectives are contained in the CCA and associated Ontario regulations.

Under the CCA, the Lieutenant Governor in Council appoints the members to form the board of directors of the Agency. The members of the board of directors of the Agency, also form the board of directors for Trillium Gift of Life Network, Ontario Telemedicine Network, and of each of the 14 Local Health Integration Networks (LHINs) in the province. The financial transactions of these entities are not included within the statements of the Agency.

The CCA grants the Minister of Health (the Minister) the power to transfer assets, liabilities, rights, obligations and employees of certain government organizations into Ontario Health, a health service provider, or an integrated care delivery system. The CCA also grants the Minister the power to dissolve the transferred organizations. The transition process is ongoing and expected to occur over a number of years.

On November 13, 2019, the Minister issued transfer orders to the following five provincial agencies: Cancer Care Ontario, Ontario Health Quality Council, eHealth Ontario, Health Shared Services Ontario, and HealthForceOntario Marketing and Recruitment Agency. Effective December 2, 2019, the employees, assets, liabilities, rights and obligations of each of the five agencies were fully transferred to Ontario Health.

Effective December 2, 2019, pursuant to 14 concurrent transfer orders from the Minister made under the CCA, the LHINs collectively transferred 183 non-home and community care employee positions to Ontario Health (see note 17). LHINs are the health authorities responsible for regional administration of public healthcare services in Ontario, including planning, integrating, and distributing provincial healthcare services funding.

The Agency is primarily funded by the Province of Ontario through the Ministry of Health. As a Crown Corporation of the Province of Ontario, the Agency is exempt from income taxes.

2. Significant accounting policies

Basis of presentation

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards (PSAS) and reflect the following significant accounting policies.

Revenue Recognition

Revenue is recognized in the period in which the transactions or events that give rise to the revenue occurs, as described below. All revenue is recorded on an accrual basis, except when the accrual cannot be determined within a reasonable degree of certainty or when estimation is impracticable.

(i) Government transfers

Transfers from the Ministry and other government entities are referred to as government transfers.

Government transfers are recorded as deferred revenue when the eligibility criteria for the use of the transfer, or the stipulations together with the Agency's actions and communications as to the use of the transfer, create a liability. These transfers are recognized as revenue as the stipulations are met and, when applicable, the Agency complies with its communicated use of the transfer.

All other government transfers, without stipulations for the use of the transfer, are recorded as revenue when the transfer is authorized and the Agency meets the eligibility criteria.

Government transfers received for the purpose of capital assets are recorded as deferred capital revenue and are amortized on the same basis as the related capital assets.

(ii) Non-government contributions

The Agency has received approval from the Lieutenant Governor of Ontario to receive funding from sources other than the Ministry of Health and to generate revenue in connection with specified activities as specified in the Order in Council 322/2020. These other revenues and recoveries, without stipulations, are recorded as revenue when the transfer is authorized and the Agency meets the eligibility criteria.

Externally restricted, non-government contributions, are recorded as deferred revenue if the terms for their use, or the terms along with the Agency's actions and communications as to their use create a liability. These resources are recognized as revenue as the terms are met and, when applicable, the Agency complies with its communicated use.

(iii) Investment income

Investment income earned is recorded as a liability payable to Ministry.

Expenses

Expenses are reported on an accrual basis. The cost of all services received during the year are expensed.

Expenses include grants and transfer payments to recipients under funding agreements. Grants and transfers are recorded as expenses when the transfer is authorized and eligibility criteria have been met by the recipient. Recoveries of grants and transfers are recorded as a reduction to expenses when the recovery is reasonably estimated and likely to occur.

The Agency records a number of its expenses by program. The cost of each program includes the transfer payments that are directly related to providing the program.

Cash and cash equivalents

The Agency considers deposits in banks and guaranteed investment certificates with original maturities of three months or less as cash.

Financial instruments

Financial instruments are measured at fair value when acquired or issued. In subsequent periods, financial instruments (including investments) are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when there is objective evidence of impairment. When there has been a loss in value of investments that is other than a temporary decline, the investment is written down and the loss is recorded in the statement of operations. For receivables, when a loss is considered probable, the receivable is reflected at its estimated net recoverable amount, with the loss reported on the statement of operations. Transaction costs on the acquisition or sale of financial instruments are charged to the financial instrument. All Financial instruments of the Agency are categorized Level 2 in the fair value hierarchy.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than the Level 1 quoted prices that are observable for the asset or liability either directly (i.e. prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market inputs (unobservable inputs).

Tangible capital assets

Tangible capital assets are recorded at cost, less accumulated amortization and accumulated impairment losses, if any. The cost of capital assets includes the cost directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. Third party and internal labour costs are capitalized under software in connection with the development of information technology projects.

Capital assets are amortized on a straight-line basis over the estimated useful lives of the assets as follows:

| Asset | Useful Life |
|---|-------------------------|
| Computer hardware | 4 years |
| Computer software | 3 years |
| Software – internally developed business applications | 3-10 years |
| Office furniture and equipment | 5 years |
| Leasehold improvements | Remaining term of lease |

Land and buildings includes four lodges transferred to the Agency from Cancer Care Ontario, which were originally donated by the Canadian Cancer Society - Ontario Division. They are recorded at nominal value, as the fair value was not reasonably determinable at the time of the donation.

When a capital asset no longer has any long-term service potential to the Agency, the differential of its net carrying amount and any residual value, is recognized as a gain or loss, as appropriate, in the statement of operations.

For assets acquired or brought into use during the year, amortization is calculated for the remaining months.

Pension costs

Employees transferred to the Agency have continued their pension plan enrollment.

The Agency accounts for its participation in the Healthcare of Ontario Pension Plan (HOOPP) and the Public Service Pension Plan (PSPP), both multi-employer defined benefit pension plans, as defined contribution plans because the Agency has insufficient information to apply defined benefit plan accounting. Therefore, the Agency's contributions are accounted for as if the plans were a defined contribution plan with the Agency's contributions being expensed in the period they come due.

The Agency also administers a defined contribution pension plan for employees transferred from eHealth Ontario. The investments are managed by Sun Life Financial Services of Canada Inc. Under the plan, the Agency matches employees' contributions up to a maximum of 6% of their annual earnings. The Agency's contributions to the plan are expensed on an accrual basis.

Post-employment benefits other than pension plan

The cost of post-employment benefits other than pension plan is actuarially determined using the projected benefit method pro-rated on services and expensed as employment services are rendered. Adjustments to these costs arising from changes in estimates and actuarial experience gains and losses are amortized over the estimated average remaining service life of the employee groups on a straight-line basis.

Use of estimates

The preparation of financial statements 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 year. Items subject to such estimates and assumptions include accruals related to drug expenditures, accruals and recoveries of grants and transfers, useful life of tangible capital assets, and liability for post-employment benefits other than pension plan. Actual results could differ from those estimates.

3. Budget

The Agency did not have a Board approved budget for the inaugural period of June 6, 2019 to March 31, 2020.

4. Transfers to Ontario Health

On December 2, 2019, the employees, assets, liabilities, rights and obligations of each of the five agencies (Cancer Care Ontario, Ontario Health Quality Council, eHealth Ontario, Health Shared Services Ontario, and HealthForceOntario Marketing and Recruitment Agency) were fully transferred to Ontario Health for no compensation. The net effect of this restructuring transaction on the Agency was \$36,856. Below are the details of the net assets transferred to the Agency based on their audited carrying values at December 1, 2019:

| | Cancer Care Ontario | eHealth Ontario | Health Shared Services Ontario | Health Quality Ontario | Health Force Ontario | Total |
|--|------------------------------------|----------------------------|---|---------------------------------------|-------------------------------------|-----------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Financial assets | | | | | | |
| Cash | 75,760 | 9,621 | 7,934 | 14,731 | 1,899 | 109,945 |
| Investments | 84,505 | - | - | - | - | 84,505 |
| Accounts receivable | 128,315 | 19,226 | 651 | 110 | 9 | 148,311 |
| | <u>288,580</u> | <u>28,847</u> | <u>8,585</u> | <u>14,841</u> | <u>1,908</u> | <u>342,761</u> |
| Liabilities | | | | | | |
| Accounts payable and accrued liabilities | 232,496 | 18,814 | 7,433 | 5,874 | 1,793 | 266,410 |
| Deferred revenue (note 9) | 29,422 | 29,889 | 706 | 9,142 | 680 | 69,839 |
| Obligations under capital leases | 933 | - | - | - | - | 933 |
| Post-employment benefits other than pension plan | 2,218 | - | - | - | - | 2,218 |
| Deferred contributions related to capital assets (note 12) | 3,316 | 56,826 | 4,095 | 853 | - | 65,090 |
| | <u>268,385</u> | <u>105,529</u> | <u>12,234</u> | <u>15,869</u> | <u>2,473</u> | <u>404,490</u> |
| Net assets (debt) | 20,195 | (76,682) | (3,649) | (1,028) | (565) | (61,729) |
| Non-financial assets | | | | | | |
| Tangible capital assets (note 13) | 7,891 | 56,826 | 4,413 | 853 | 1 | 69,984 |
| Prepaid expenses and other assets | 4,132 | 19,856 | 4,204 | 175 | 234 | 28,601 |
| | <u>12,023</u> | <u>76,682</u> | <u>8,617</u> | <u>1,028</u> | <u>235</u> | <u>98,585</u> |
| Net assets (debt) and non-financial assets transferred to Ontario | | | | | | |
| Health | 32,218 | - | 4,968 | - | (330) | 36,856 |

5. Cash

Cash includes \$348 held in escrow for a pension plan that has been dissolved in the event that former members put forth a claim, and \$88 held as restricted cash for an endowment. These funds are subject to externally imposed restrictions and are not available for general use.

6. Investments

Guaranteed investments certificates, redeemable on demand, are as follows:

| | |
|--|---------------|
| Interest at 2.60%, maturing September 5, 2020 | \$ 46,670 |
| Interest at 2.10%, maturing September 21, 2020 | 7,346 |
| | <u>54,016</u> |

7. Accounts receivable

| | |
|---------------------------|----------------|
| | \$ |
| Due from Ministry | 155,180 |
| Recoverable HST | 6,828 |
| Other accounts receivable | 556 |
| | <u>162,564</u> |

8. Accounts payable and accrued liabilities

| | |
|---------------------------------------|----------------|
| | \$ |
| Trade payables | 79,907 |
| Accrued liabilities | 114,461 |
| Payable to Ministry | 34,714 |
| Payable to Ministry – interest earned | 2,482 |
| Pension escrow (note 5) | 348 |
| | <u>231,912</u> |

9. Deferred revenue

a) The change in the deferred revenue balance is as follows:

| | Ministry of Health \$ | Other Funders \$ | Total \$ |
|--|-----------------------------|------------------------|-----------------|
| Deferred revenue – beginning of period | - | - | - |
| Transferred to Ontario Health (note 4) | 68,928 | 911 | 69,839 |
| Funding received | 940,441 | 1,247 | 941,688 |
| Amounts recognized as revenue | (999,080) | (680) | (999,760) |
| Amounts utilized for capital purchases (note 12) | (7,003) | - | (7,003) |
| | <u>(65,642)</u> | <u>567</u> | <u>(65,075)</u> |
| Deferred revenue – end of period | <u>3,286</u> | <u>1,478</u> | <u>4,764</u> |

b) The deferred revenue balance at the end of the period is restricted for the following purposes:

| | Ministry of Health \$ | Other Funders \$ | Total \$ |
|-------------------------------|-----------------------------|------------------------|--------------|
| Cancer and screening services | 1,405 | - | 1,405 |
| Software licenses | 318 | - | 318 |
| Research and Education | - | 1,390 | 1,390 |
| Endowment | - | 88 | 88 |
| Other | 1,563 | - | 1,563 |
| | <u>3,286</u> | <u>1,478</u> | <u>4,764</u> |

10. Obligations under capital leases

The Agency was transferred capital leases, with interest rates ranging from 5.7% to 6.1% and bargain purchase options for \$1 at the end of the lease, for computer hardware. The computer hardware is amortized on a straight-line basis over its economic life of 4 years. The following is a schedule of future minimum lease payments, which expire in January 2023 together with the balance of the obligations.

| | |
|--|--------------|
| | \$ |
| 2021 | 359 |
| 2022 | 359 |
| 2023 | 185 |
| Total minimum lease payments | <u>903</u> |
| Interest | <u>(73)</u> |
| Balance of the obligations | 830 |
| Less: current portion | <u>(359)</u> |
| Non-current obligations under capital leases | <u>471</u> |

Total interest expense on capital leases for the period was \$17.

11. Pension costs and post-employment benefits

Multi-employer contributory defined benefit pension plans

The Agency has 1014 employees who are members of the Healthcare of Ontario Pension Plan (HOOPP) and 265 employees who are members of the Public Service Pension Plan (PSPP). Both are multi-employer contributory defined benefit pension plans, and the members will receive benefits based on length of service and the average annualized earnings.

Contributions made to multi-employer plans during the period by the Agency on behalf of its employees amounted to \$3,568 and are included in salaries and benefits expense, as detailed in note 15.

eHealth Ontario Employees' Retirement Plan

The Agency has 645 employees who are members of the eHealth Ontario Employees' Retirement Plan. The Agency's contributions to this defined contribution plan for the period of December 2, 2019 to March 31, 2020 amounted to \$2,751 and are included in salaries and benefits expense, as detailed in note 15.

Post-employment benefits plan other than pension plan

A closed post-employment non-pension benefit plan which provides health and dental benefits to employees who retired prior to January 1, 2006 was transferred to the Agency on December 2, 2019. Benefits paid during the period from December 2, 2019 to March 31, 2020 were \$60. The actuarial valuation report for the post-employment benefits other than pension plan is dated November 30, 2019 and was extrapolated to March 31, 2020.

Information about the Agency's post-employment benefits other than pension plan is as follows:

| | |
|--|--------------|
| | \$ |
| Accrued benefit obligation | 1,591 |
| Unamortized actuarial gains/(losses) | 584 |
| Post-employment benefits other than pension plan | <u>2,175</u> |

The movement in the employee future benefits liability during the period is as follows:

| | |
|--|--------------|
| | \$ |
| Post-employment benefits other than pension plan – balance transferred to Ontario Health | 2,218 |
| Interest cost | 17 |
| Funding contributions | (60) |
| Post-employment benefits other than pension plan – ending balance | <u>2,175</u> |

The actuarially determined present value of the accrued benefit obligation is measured using management's best estimates based on assumptions that reflect the most probable set of economic circumstances and planned courses of action as follows:

| | |
|---|--|
| Discount rate | 3.25% |
| Extended health care trend rate | 6.75% in 2020 to 3.75% in 2029 and after |
| Dental cost trend rates | 3.75% |
| Employee average remaining service life | 9.0 years |

12. Deferred contributions related to capital assets

The change in the deferred contributions related to capital assets is as follows:

| | |
|--|---------------|
| | \$ |
| Balance – beginning of period | - |
| Transferred from five provincial agencies (note 4) | 65,090 |
| Amounts received related to capital assets (note 9a) | 7,003 |
| Less: amounts recognized as revenue | (8,945) |
| Balance – end of period | <u>63,148</u> |

13. Tangible capital assets

| Cost | Beginning of Period | Transferred to Ontario Health (note 4) | Additions | Disposals | End of Period |
|-------------------------|----------------------------|---|------------------|------------------|----------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Computer hardware | - | 113,466 | 5,217 | (2,094) | 116,589 |
| Computer software | - | 181,357 | 1,069 | - | 182,426 |
| Furniture and equipment | - | 15,952 | 4 | (25) | 15,931 |
| Leasehold improvements | - | 19,512 | 102 | - | 19,614 |
| Land and building | - | 1 | - | - | 1 |
| Work in progress | - | 1,750 | 720 | - | 2,470 |
| | - | <u>332,038</u> | <u>7,112</u> | <u>(2,119)</u> | <u>337,031</u> |

| Accumulated Amortization | Beginning of Period | Transferred to Ontario Health (note 4) | Amortization | Disposals | End of Period |
|---------------------------------|----------------------------|---|---------------------|------------------|----------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Computer hardware | - | 85,042 | 4,070 | (1,889) | 87,223 |
| Computer software | - | 147,237 | 4,012 | - | 151,249 |
| Furniture and equipment | - | 14,142 | 581 | (25) | 14,698 |
| Leasehold improvements | - | 15,633 | 580 | - | 16,213 |
| | - | <u>262,054</u> | <u>9,243</u> | <u>(1,914)</u> | <u>269,383</u> |

| | |
|-------------------------|---------------|
| Net Book Value | \$ |
| Computer hardware | 29,366 |
| Computer software | 31,177 |
| Furniture and equipment | 1,233 |
| Leasehold improvements | 3,401 |
| Land and building | 1 |
| Work in progress | 2,470 |
| | <u>67,648</u> |

14. Prepaid expenses and other assets

| | |
|---|---------------|
| | \$ |
| Prepaid hardware and software maintenance | 22,128 |
| Other prepaid expenses and other assets | 1,405 |
| | <u>23,533</u> |

15. Operating expenses by object

| | |
|--|------------------|
| | \$ |
| Transfer payment – Cancer and screening services | 430,168 |
| Transfer payment – Chronic kidney disease services | 223,567 |
| Transfer payment – Cancer Drug Reimbursement Program | 195,777 |
| Transfer payment – Digital Services | 12,955 |
| Salaries and benefits | 78,149 |
| Information technology support and maintenance | 24,602 |
| Purchased services | 21,473 |
| Amortization | 9,243 |
| Occupancy costs | 6,295 |
| Screening services | 3,585 |
| Other operating expenses | 4,079 |
| Loss on disposal | 205 |
| | <u>1,010,098</u> |

16. Board remuneration

During the period 12 members served on the Board of Directors. Total remuneration paid to members of the Board of Directors during the period amounted to \$125.

17. Expenses related to transferred non-home and community care employees

Effective December 2, 2019, pursuant to 14 concurrent transfer orders from the Minister made under the CCA, the Local Health Integration Networks (LHINs) collectively transferred 183 non-home and community care employee positions to Ontario Health. Effective December 2, 2019 the Agency entered into a Memorandum of Understanding with each of the five regions representing the 14 LHINs to set out the expectations for the financial, administrative and staffing procedures and requirements for the provision of services between the LHINs and OH. As part of this MOU, the LHINs continue to provide compensation and applicable benefits to the transferred employees. Transferred employees remain on the payroll of the LHINs and the associated salary and benefit expenses, and corresponding funding, is reported on the financial statements of the LHINs. As a result, these expenditures are not included in the Agency's financial statements. The total expenditure related to these employees for the period of December 2, 2019 to March 31, 2020 amounted to \$11,540.

18. Related party transactions

The Province of Ontario controls the Agency by its virtue of its ability to appoint the Agency's Board of Directors, and is therefore a related party to other organizations that are controlled by or subject to significant influence by the Province of Ontario. To carry out the Agency's objectives, as set forth in the CCA, the Agency provides funding for health services needs to these other organizations, including Hospitals and Local Health Integration Networks.

Related party transactions, beyond funding for health service needs directed by the CCA, are outlined below. Transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

- a) The Agency incurred expenses of \$6,451 to Hydro One for network services. This amount is included in the Digital Services expense line on the Statement of Operations. As at March 31, accounts payable and accrued liabilities include \$3,418 payable to Hydro One
- b) The Agency incurred expenses of \$2,570 and \$673 for the rental of office space and other facility-related expenses from Infrastructure Ontario and the Ministry of Government and Consumer Services, respectively. These amounts are included in the Digital Services and Health Quality Program lines of the Statement of Operations. As at March 31, accounts payable and accrued liabilities include \$1,283 and \$406 payable to Infrastructure Ontario and the Ministry of Government and Consumer Services, respectively.
- c) The Agency recorded expenses of \$309 for the provision of administrative and other support services from the Ministry of Government and Consumer Services. This amount is included in the Digital Services expense line on the Statement of Operations. As at March 31, accounts payable and accrued liabilities include \$698 in respect of these services.
- d) The Agency entered into a service provider agreement with the University Health Network for the provision of support services in connection with one of its information technology applications and incurred expenses of \$126 in connection with this agreement. This amount is included in the Digital Services expense line on the Statement of Operations. As at March 31, accounts payable and accrued liabilities include \$63 payable to the entity.
- e) Under an arrangement with Mohawk College of Applied Arts and Technology, the Agency incurred expenses of \$31 to develop prototypes and proofs of concept for the electronic health record infrastructure. This amount is included in the Digital Services expense line on the Statement of Operations. As at March 31, accounts payable and accrued liabilities include \$31 in respect of these services.

19. Commitments

- a) The Agency has various multi-year contractual commitments for operating and information technology services. Payments required on these contracts are as follows.

| | |
|-------------|---------------|
| | \$ |
| 2021 | 49,671 |
| 2022 | 19,344 |
| 2023 | 9,644 |
| 2024 | - |
| 2025 | - |
| | <u>78,659</u> |

Commitments above include \$52,753 payable to Hydro One under a network services contract and \$3,545 payable to the Ministry of Government and Consumer Services for facility-related costs.

- b) The Agency has various multi-year contractual commitments rental of office space. Payments required on these contracts are as follows

| | |
|-------------|---------------|
| | \$ |
| 2021 | 14,516 |
| 2022 | 10,876 |
| 2023 | 6,939 |
| 2024 | 2,816 |
| 2025 | 2,487 |
| | <u>37,634</u> |

Commitments above include \$19,289 payable to Infrastructure Ontario.

20. Contingencies

The Agency is a member of the Healthcare Insurance Reciprocal of Canada (HIROC), which was established by hospitals and other organizations to self-insure. If the aggregate premiums paid are not sufficient to cover claims, the Agency will be required to provide additional funding on a participatory basis. Since the inception, HIROC has accumulated an unappropriated surplus, which is the total of premiums paid by all subscribers plus investment income less the obligation for claims reserves and expenses and operating expenses.

In the normal course of operations, the Agency is subject to various claims and potential claims. Management has recorded its best estimate of the potential liability related to these claims where potential liability is likely and able to be estimated. In other cases, the ultimate outcome of the claims cannot be determined at this time.

Any additional losses related to claims will be recorded in the year during which the liability is able to be estimated or adjustments to any amount recorded are determined to be required.

21. Guarantees

Director/officer indemnification

The Agency's general by-laws contained an indemnification of its directors/officers, former directors/officers and other persons who have served on board committees against all costs incurred by them in connection with any action, suit or other proceeding in which they are sued as a result of their service, as well as all other costs sustained in or incurred by them in relation to their service. This indemnity excludes costs that are occasioned by the indemnified party's own dishonesty, wilful neglect or default.

The nature of the indemnification prevents the Agency from making a reasonable estimate of the maximum amount that it could be required to pay to counterparties. To offset any potential future payments, the Agency has purchased from HIROC directors' and officers' liability insurance to the maximum available coverage. The Agency has not made any payments under such indemnifications, and no amount has been accrued in the accompanying financial statements with respect to the contingent aspect of these indemnities.

Other indemnification agreements

In the normal course of its operations, the Agency executes agreements that provide for indemnification to third parties. These include, without limitation: indemnification of the landlords under the Agency's leases of premises; indemnification of the Ministry from claims, actions, suits or other proceedings based upon the actions or omissions of the representative groups of medical, radiation

and gynaecology/oncology physicians under certain Alternate Funding Agreements; and indemnification of the Integrated Cancer Program host hospitals from claims, actions, costs, damages and expenses brought about as a result of any breach by the Agency of its obligations under the Cancer Program Integration Agreement and the related documentation.

While the terms of these indemnities vary based upon the underlying contract, they normally extend for the term of the contract. In most cases, the contract does not provide a limit on the maximum potential amount of indemnification, which prevents the Agency from making a reasonable estimate of its maximum potential exposure. The Agency has not made any payments under such indemnifications, and no amount has been accrued in the accompanying financial statements with respect to the contingent aspect of these indemnities.

22. Financial instruments

The Agency's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk, and liquidity risk.

Credit risk

Credit risk arises from cash and cash equivalents and investments held with financial institutions and credit exposures on outstanding receivables. Cash and cash equivalents and investments are held at major financial institutions that have high credit ratings assigned to them by credit-rating agencies minimizing any potential exposure to credit risk. The Agency assesses the credit quality of the counterparties, taking into account their financial position and other factors. The risk related to receivables is minimal as most of the receivables are from federal and provincial governments and organizations controlled by them.

The Agency's maximum exposure to credit risk related to accounts receivable at March 31, 2020 was as follows:

| | 0 to 30 days \$ | 31 to 60 days \$ | 61 to 90 days \$ | 91+ days \$ | Total \$ |
|---------------------------|--------------------------------|---------------------------------|---------------------------------|----------------------------|---------------------|
| Due from Ministry | 152,970 | - | - | 2,210 | 155,180 |
| Recoverable HST | 6,828 | - | - | - | 6,828 |
| Other accounts receivable | 390 | 64 | 2 | 100 | 556 |
| Amount receivable | <u>160,188</u> | <u>64</u> | <u>2</u> | <u>2,310</u> | <u>162,564</u> |

An impairment allowance of \$10 has been recognized and included in the amounts above.

Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of financial instruments will fluctuate due to changes in market interest rates. The Agency currently is only exposed to interest rate risk from its investments. The Agency does not expect fluctuations in market interest rates to have a material impact on its financial performance and does not use derivative instruments. The Agency mitigates interest rate risk on its investments by purchasing guaranteed investment certificates with short-term maturities and demand features.

Liquidity risk

Liquidity risk is the risk the Agency will not be able to meet its cash flow obligations as they fall due. The Agency mitigates this risk by monitoring cash activities and expected outflows and maintaining

investments that may be converted to cash in the near term if unexpected cash outflows arise. The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

| | 0 to 30 days \$ | 31 to 60 days \$ | 61 to 90 days \$ | 91+ days \$ | Total \$ |
|--|--------------------------------|---------------------------------|---------------------------------|----------------------------|---------------------|
| Trade payable | 16,829 | 38,403 | 14,317 | 10,358 | 79,907 |
| Accrued liabilities | 114,461 | - | - | - | 114,461 |
| Payable to Ministry | 4,027 | - | - | 30,687 | 34,714 |
| Payable to Ministry – interest income | 2,251 | - | - | 231 | 2,482 |
| Pension escrow | - | - | - | 348 | 348 |
| Amount payable | <u>137,568</u> | <u>38,403</u> | <u>14,317</u> | <u>41,624</u> | <u>231,912</u> |

23. Subsequent Event

On January 1, 2020, Ontario Regulation 390/19 made under the CCA, gave the Minister the authority to transfer the Ontario Telemedicine Network (OTN) into Ontario Health. On March 13, 2019, the Minister issued a transfer order to OTN. Effective April 1, 2020, employees, assets, liabilities, rights and obligations of OTN were fully transferred to Ontario Health.