

Financial statements of

**South East Local Health
Integration Network**

March 31, 2008

South East Local Health Integration Network

March 31, 2008

Table of contents

Auditors' Report.....	1
Statement of financial position.....	2
Statement of financial activities	3
Statement of changes in net debt.....	4
Statement of cash flows.....	5
Notes to the financial statements	6-12



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Auditors' Report

To the Members of the Board of Directors of the
South East Local Health Integration Network

We have audited the statement of financial position of the South East Local Health Integration Network (the "LHIN") as at March 31, 2008 and the statements of financial activities, changes in net debt and cash flows for the year then ended. These financial statements are the responsibility of the LHIN's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the South East Local Health Integration Network as at March 31, 2008 and the results of its operations, its changes in its net debt and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

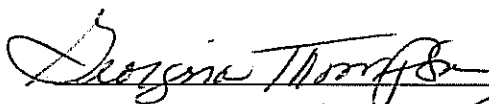
Chartered Accountants
Licensed Public Accountants
May 2, 2008

South East Local Health Integration Network

Statement of financial position
as at March 31, 2008

	2008	2007
	\$	\$
Financial assets		
Cash	1,130,024	1,027,427
Accounts receivable	38	4,931
	1,130,062	1,032,358
Liabilities		
Accounts payable and accrued liabilities	685,804	576,671
Due to MOHLTC (Note 3)	438,410	438,410
Due to MOHLTC - E-Health (Note 4a)	31,529	25,218
Due to MOHLTC - Aging at Home (Note 4b)	10,977	-
Due to MOHLTC - Emergency Department (Note 4c)	7,968	-
Due to the LHIN Shared Services Office (Note 5)	1,869	53,241
Deferred capital contributions (Note 6)	112,047	165,994
	1,288,604	1,259,534
Net debt	(158,542)	(227,176)
Non-financial assets		
Prepaid expenses	46,495	61,182
Capital assets (Note 7)	112,047	165,994
	158,542	227,176
Accumulated surplus	-	-

Approved by the Board

 Georgina Thompson, Board Chair

 Ken McBain, Director, and Audit Committee Chair

South East Local Health Integration Network

Statement of financial activities
year ended March 31, 2008

		2008	2007
	Budget (unaudited) (Note 6)	Actual	Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
HSP transfer payments (Notes 2, 8 & 9)	861,189,940	865,290,124	-
Operations of LHIN (Note 10)	3,788,656	3,869,156	3,166,435
E-Health (Note 4a)	275,000	275,000	104,000
Aging at Home (Note 4b)	182,000	182,000	-
Emergency Department (Note 4c)	43,800	43,800	-
Other revenues	-	831	548
Amortization of deferred capital contributions (Note 6)	-	58,447	56,961
	865,479,396	869,719,358	3,327,944
Expenses			
Transfer payments to HSPs (Note 9)	861,189,940	865,290,124	-
General and administrative (Note 10)	3,788,656	3,928,434	2,785,534
E-Health (Note 4a)	275,000	268,689	78,782
Aging at Home (Note 4b)	182,000	171,023	-
Emergency Department (Note 4c)	43,800	35,832	-
	865,479,396	869,694,102	2,864,316
Annual surplus before funding repayable to the MOHLTC	-	25,256	463,628
Funding repayable to the MOHLTC (Note 3a)	-	(25,256)	(463,628)
Annual surplus and closing accumulated surplus	-	-	-

South East Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2008

	2008	2007
	\$	\$
Annual surplus	-	-
Acquisition of capital assets	(4,500)	(179,403)
Amortization of capital assets	58,447	56,961
Change in other non-financial assets	14,687	(61,182)
Increase in net debt	68,634	(183,624)
Opening debt	(227,176)	(43,552)
Closing net debt	(158,542)	(227,176)

South East Local Health Integration Network

Statement of cash flows
year ended March 31, 2008

	2008	2007
	\$	\$
Operating		
Annual surplus	-	-
Less items not affecting cash		
Amortization of capital assets	58,447	56,961
Amortization of deferred capital contribution (Note 6)	(58,447)	(56,961)
Changes in non-cash operating items		
Decrease (increase) in accounts receivable	4,893	(4,931)
Decrease (increase) in prepaid expenses	14,687	(61,182)
Increase in accounts payable and accrued liabilities	109,133	576,671
Increase in due to MOHLTC	-	410,040
Increase in due to MOHLTC - E-Health	6,311	25,218
Increase in due to MOHLTC - Aging at Home	10,977	-
Increase in due to MOHLTC - Emergency Department	7,968	-
(Decrease) increase in due to the LHIN Shared Services Office	(51,372)	53,241
	102,597	999,057
Investing		
Acquisition of capital assets	(4,500)	(179,403)
Financing		
Increase in deferred capital contributions (Note 6)	4,500	179,403
Net increase in cash	102,597	999,057
Cash, beginning of year	1,027,427	28,370
Cash, end of year	1,130,024	1,027,427

South East Local Health Integration Network

Notes to the financial statements

March 31, 2008

1. Description of business

The South East Local Health Integration Network was incorporated by Letters Patent on June 9, 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 East 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.

Commencing April 1, 2007, all funding payments to LHIN managed health service providers in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized Health Service Providers ("HSP") are expensed in the LHIN's financial statements for the year ended March 31, 2008.

The mandates of the LHIN are to 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 is home to over 480,000 people, which encompasses the areas of Hastings, Prince Edward, Lennox and Addington, Frontenac, Leeds and Grenville Counties, the cities of Kingston, Belleville and Brockville, the towns of Smith Falls and Prescott, and part of Lanark and Northumberland Counties. The LHIN enters into service accountability agreements with service providers.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA") and, where applicable, the recommendations of the Accounting Standards Board ("AcSB") of the CICA as interpreted by the Province of Ontario. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of capital assets and losses in the book value of assets.

South East Local Health Integration Network

Notes to the financial statements

March 31, 2008

2. Significant accounting policies (continued)

Ministry of Health and Long-Term Care Funding

The LHIN is funded solely by the Province of Ontario in accordance with the Ministry LHIN Accountability Agreement ("MLAA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account.

The LHIN statements do not include any Ministry managed programs.

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at year end.

Deferred capital contributions

Any amounts received that are used to fund expenditures that are recorded as capital assets, are recorded as deferred capital contributions 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 Financial Activities, is in accordance with the amortization policy applied to the related capital asset recorded.

Capital assets

Capital assets are recorded at historical cost. Historical cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. The cost of capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the capital asset would be recognized at nominal value.

Betterments or improvements that significantly increase or prolong the service life or capacity of a capital asset are capitalized. Maintenance and repair costs are recognized as an expense when incurred. Computer software is recognized as an expense when incurred.

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized, on a straight line basis, over their estimated useful lives as follows:

Office equipment	5 years
Computer equipment	3 years
Leasehold improvements	Life of lease
Web development	3 years

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

South East Local Health Integration Network

Notes to the financial statements

March 31, 2008

2. Significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the 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. Actual results could differ from those estimates.

3. Funding repayable to the MOHLTC

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

- a) The amount repayable to the MOHLTC related to current year activities is made up of the following components:

	Revenue	Expenses	Surplus
	\$	\$	\$
Transfer payments to HSPs	865,290,124	865,290,124	-
LHIN operations	3,928,434	3,928,434	-
E-Health	275,000	268,689	6,311
Aging at Home	182,000	171,023	10,977
Emergency Department	43,800	35,832	7,968
	869,719,358	869,694,102	25,256

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

	2008	2007
	\$	\$
Due to MOHLTC, beginning of year	463,628	-
Funding repayable to the MOHLTC	25,256	463,628
Due to MOHLTC, end of year	488,884	463,628

South East Local Health Integration Network

Notes to the financial statements

March 31, 2008

4. a) E-Health

During fiscal 2008, the South East LHIN received funding in the amount of \$275,000 from the MOHLTC. These funds were used toward initiatives in support of its strategic e-Health Plan as defined in its Integrated Health Services Plan. Unspent funds, amounting to \$6,311 at year end, are repayable to the MOHLTC.

\$

Expenses	
Consulting services	265,109
Travel	3,480
Other	100
	268,689

b) Aging at home

During fiscal 2008, the South East LHIN received funding in the amount of \$182,000 from the MOHLTC. These funds were used toward initiatives in support of the strategic Aging at Home Plan and fell under the Integrated Health Services Plan "Priority for Change", Alternatives for Long Term Care. Unspent funds, amounting to \$10,977 at year end, are repayable to the MOHLTC.

\$

Expenses	
Salaries and benefits	28,214
Consulting services	107,796
Travel	6,183
Meeting expenses	19,476
Other	9,354
	171,023

c) Emergency department

During fiscal 2008, the South East LHIN received funding in the amount of \$43,800 from the MOHLTC. These funds were used toward initiatives in support of the strategic Emergency Department Initiative and fell under the Access to Specialized Medical Services, within the Integrated Health Services Plan "Priority for Change". Unspent funds, amounting to \$7,968 at year end, are repayable to the MOHLTC.

\$

Expenses	
Consulting services	35,000
Travel	832
	35,832

5. Related party transactions

The LHIN Shared Services Office (the "LSSO") is a division of the Toronto Central LHIN and, as such, is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO is responsible for providing services to all LHINs. The full costs of providing these services are billed to all the LHINs, typically on an equal basis. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN at the year end is recorded as a receivable (payable) to the LSSO. This is all done pursuant to the Shared Service Agreement the LSSO has with all the LHINs.

South East Local Health Integration Network

Notes to the financial statements

March 31, 2008

6. Deferred capital contributions

	2008	2007
	\$	\$
Balance, beginning of year	165,994	43,552
Capital contributions received during the year	4,500	179,403
Amortization for the year	(58,447)	(56,961)
Balance, end of year	112,047	165,994

7. Capital assets

			2008	2007
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office equipment	49,129	26,623	22,506	32,332
Computer equipment	54,776	44,142	10,634	40,179
Leasehold improvements	116,854	46,742	70,112	93,483
Web development	21,500	12,705	8,795	-
	242,259	130,212	112,047	165,994

8. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported on the Statement of Financial Activities reflect the initial budget at April 1, 2007. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirement. During the year the government approves budget adjustments. The following reflects the adjustments for the LHIN during the year:

The total HSP funding budget of \$865,290,124 is made up of the following:

	\$
Initial budget	861,189,940
Adjustment due to announcements made during the year	4,100,184
Total budget	865,290,124

The total operating budget of \$3,873,656 is made up of the following:

	\$
Initial budget	3,788,656
Additional funding received during the year	85,000
Total budget	3,873,656

South East Local Health Integration Network

Notes to the financial statements

March 31, 2008

9. Transfer payments to HSPs

The LHIN has authorization to allocate the funding of \$865,290,124 to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in 2008 as follows:

	\$
Operation of Hospitals	584,042,592
Grants to compensate for Municipal Taxation - Public Hospitals	188,475
Long Term Care Homes	129,672,804
Community Care Access Centres	84,537,862
Community Support Services	16,916,594
Assisted Living Services in Supportive Housing	1,901,900
Community Health Centres	12,410,360
Community Mental Health Addictions Program	35,619,537
	865,290,124

The LHIN did not authorize any funding to HSPs in 2007.

10. General and administrative expenses

The Statement of Financial Activities' expenses are classified by object, as follows:

	2008	2007
	\$	\$
Program based		
Salaries and benefits	2,443,412	1,216,643
Consulting and LHIN-based projects	261,817	383,384
	2,705,229	1,600,027
Shared services	300,000	299,349
Other (details listed below)	249,287	134,822
Occupancy	177,020	208,835
Office equipment and supplies	160,509	126,113
Board per diem	130,767	177,164
Public relations	87,796	142,033
Mail, courier and telecommunications	58,548	40,230
	3,869,156	2,728,573
Amortization	58,447	56,961
Recovery Travel	831	-
	3,928,434	2,785,534

The breakdown of "Other" general and administrative expenses listed in the table above are:

	2008	2007
	\$	\$
Training and development	67,098	35,367
Travel	122,004	89,842
Recruitment	42,952	9,140
Insurance	16,182	44
Other miscellaneous	1,051	429
	249,287	134,822

Certain of the prior year's comparative amounts have been reclassified to conform with the presentation adopted for the current year.

South East Local Health Integration Network

Notes to the financial statements

March 31, 2008

11. Pension agreements

The LHIN makes contributions to the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 22 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 2008 was \$201,848 (2007 - \$83,200) for current service costs and is included as an expense in the Statement of Financial Activities.

12. 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 favour 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*.

13. Commitments

The LHIN has commitments under various operating leases related to building and equipment. Lease renewals are likely. Minimum lease payments due in each of the next two years are as follows:

	\$
2009	126,635
2010	51,458
	178,093

The LHIN does not have any funding commitments to HSPs associated with accountability agreements.

14. Segment disclosures

The LHIN was required to adopt Section PS 2700 - Segment Disclosures, for the fiscal year beginning April 1, 2007. A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the Statement of Financial Activities and within the related notes for both the prior and current year sufficiently disclosed information of all appropriate segments and, therefore, no additional disclosure is required.