

Ontario Agency for Health Protection and Promotion

[operating as Public Health Ontario]

Financial statements
March 31, 2020



Independent auditor's report

To the Board of Directors of
Ontario Agency for Health Protection and Promotion

Opinion

We have audited the financial statements of **Ontario Agency for Health Protection and Promotion** [operating as Public Health Ontario] ["OAHPP"], which comprise the statement of financial position as at March 31, 2020, and the statement of operations and changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of OAHPP as at March 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of OAHPP 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.

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Annual Report prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 OAHPP'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 OAHPP or to cease operations, or has no realistic alternative but to do so.

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



Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OAHPP’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 OAHPP’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 OAHPP 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.

Report on other legal and regulatory requirements

As required by the *Corporations Act* (Ontario), we report that, in our opinion, Canadian public sector accounting standards have been applied on a basis consistent with that of the preceding year.

Toronto, Canada
June 23, 2020

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants



Ontario Agency for Health Protection and Promotion

[operating as Public Health Ontario]

Statement of financial position

[in thousands of dollars]

As at March 31

	2020	2019
	\$	\$
Assets		
Current		
Cash	22,132	25,541
Accounts receivable <i>[note 3]</i>	6,482	9,108
Prepaid expenses <i>[note 12[e]]</i>	11,127	1,142
Total current assets	39,741	35,791
Restricted cash <i>[note 4]</i>	8,130	8,845
Capital assets, net <i>[note 5]</i>	88,904	79,056
	136,775	123,692
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities	31,482	28,121
Total current liabilities	31,482	28,121
Deferred capital asset contributions <i>[note 6]</i>	93,190	83,841
Deferred contributions <i>[note 7]</i>	2,363	2,443
Accrued benefit liability <i>[note 8]</i>	2,842	3,027
Deferred rent liability	5,749	5,187
Other liabilities	1,149	1,073
Total liabilities	136,775	123,692
Commitments and contingencies <i>[note 12]</i>		
Net assets	—	—
	136,775	123,692

See accompanying notes

On behalf of the Board:



Director

Ontario Agency for Health Protection and Promotion

[operating as Public Health Ontario]

Statement of operations and changes in net assets

[in thousands of dollars]

Year ended March 31

	2020	2019
	\$	\$
Revenue		
Ministry of Health	156,151	152,703
Amortization of deferred capital asset contributions <i>[note 6]</i>	5,464	6,547
Other grants	2,207	1,781
Miscellaneous recoveries	946	1,214
	<u>164,768</u>	<u>162,245</u>
Expenses <i>[notes 8 and 10]</i>		
Public health laboratory program	108,399	102,889
Science and public health programs	37,757	38,802
General and administration <i>[note 9]</i>	13,148	14,007
Amortization of capital assets	5,464	6,547
	<u>164,768</u>	<u>162,245</u>
Excess of revenue over expenses for the year	—	—
Net assets, beginning of year	—	—
Net assets, end of year	<u>—</u>	<u>—</u>

See accompanying notes

Ontario Agency for Health Protection and Promotion

[operating as Public Health Ontario]

Statement of cash flows

[in thousands of dollars]

Year ended March 31

	2020	2019
	\$	\$
Operating activities		
Excess of revenue over expenses for the year	—	—
Add (deduct) items not involving cash		
Employee benefit expense	98	104
Amortization of deferred capital asset contributions	(5,464)	(6,547)
Amortization of capital assets	5,464	6,547
	<u>98</u>	<u>104</u>
Changes in non-cash operating items		
Decrease in accounts receivable <i>[note 11]</i>	2,626	2,867
Decrease (increase) in prepaid expenses	(9,985)	276
Increase (decrease) in deferred contributions	(80)	8
Increase in deferred rent liability	562	647
Increase in other liabilities	76	449
Increase in accounts payable and accrued liabilities <i>[note 11]</i>	2,131	3,676
Net change in accrued benefit liability	(283)	(250)
Cash provided by (used in) operating activities	<u>(4,855)</u>	<u>7,777</u>
Capital activities		
Net acquisition of capital assets <i>[note 11]</i>	(14,082)	(2,202)
Cash used in capital activities	<u>(14,082)</u>	<u>(2,202)</u>
Financing activities		
Contributions for capital asset purchases <i>[note 11]</i>	14,813	5,657
Decrease (increase) in restricted cash	715	(2,391)
Cash provided by financing activities	<u>15,528</u>	<u>3,266</u>
Net increase (decrease) in cash during the year	(3,409)	8,841
Cash, beginning of year	25,541	16,700
Cash, end of year	<u>22,132</u>	<u>25,541</u>

See accompanying notes

Ontario Agency for Health Protection and Promotion
[operating as Public Health Ontario]

Notes to financial statements
[in thousands of dollars]

March 31, 2020

1. Description of the organization

Ontario Agency for Health Protection and Promotion [operating as Public Health Ontario] ["OAHPP"] was established under the *Ontario Agency for Health Protection and Promotion Act, 2007* as a corporation without share capital. OAHPP's mandate is to enhance the protection and promotion of the health of Ontarians, contribute to efforts to reduce health inequities, provide scientific and technical advice and support to those working across sectors to protect and improve the health of Ontarians and to carry out and support activities such as population health assessment, public health research, surveillance, epidemiology, planning and evaluation.

Under the *Ontario Agency for Health Protection and Promotion Act, 2007*, OAHPP is primarily funded by the Province of Ontario.

OAHPP, as an agency of the Crown, is exempt from income taxes.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian public sector accounting standards as established by the Public Sector ["PS"] Accounting Board of the Chartered Professional Accountants of Canada. OAHPP has elected to follow PS 4200-4270 in the *CPA Canada Public Sector Accounting Handbook*.

Revenue recognition

Contributions are recorded in the accounts when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted contributions are recognized as revenue when initially recorded in the accounts. Externally restricted contributions are recorded as deferred contributions or deferred capital contributions when initially recorded in the accounts and recognized as revenue in the period in which the related expenses are incurred.

Capital assets

Capital assets are recorded at acquisition cost. Contributed capital assets are recorded at fair market value at the date of contribution. Amortization is provided on a straight-line basis based upon the estimated useful service lives of the assets as follows:

Building service equipment	5–30 years
Other equipment	5–10 years
Furniture	5–20 years
Leasehold improvements	Over the term of the lease

Inventory and other supplies held for consumption

Inventory and other supplies held for consumption are expensed when acquired.

Notes to financial statements
[in thousands of dollars]

March 31, 2020

Employee future benefits

Contributions to multi-employer, defined benefit pension plans are expensed on an accrual basis.

Other employee future benefits are non-pension benefits that are provided to certain employees and are accrued as the employees render the service necessary to earn these future benefits. The cost of these future benefits is actuarially determined using the projected unit credit method, prorated on service and management's best estimate of expected salary escalation and retirement ages of employees. Net actuarial gains and losses related to the employee future benefits are amortized over the average remaining service life of 10 years for the related employee group. Employee future benefit liabilities are discounted using the average interest cost for the Province of Ontario's net new debt obligations with maturities that correspond to the duration of the liability.

Allocation of expenses

The costs of each function include the costs of personnel and other expenses that are directly related to the function. General support and other costs are not allocated.

Contributed materials and services

Contributed materials and services are not recorded in the financial statements.

Financial instruments

Financial instruments, including accounts receivable and accounts payable and accrued liabilities, are initially recorded at their fair value and are subsequently measured at cost, net of any provisions for impairment.

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, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Significant estimates and assumptions used in these financial statements require the exercise of judgment and are used for, but not limited to, salary and benefit accruals, employee future benefit plans [severance credits] and the estimated useful lives of capital assets. Actual results could differ from these estimates.

Notes to financial statements
 [in thousands of dollars]

March 31, 2020

3. Accounts receivable

Accounts receivable consist of the following:

	2020	2019
	\$	\$
Ministry of Health	4,855	7,765
Harmonized Sales Tax	1,104	703
Other	523	640
	6,482	9,108

4. Restricted cash

[a] Restricted cash consists of the following:

	2020	2019
	\$	\$
Ministry of Health	8,095	8,810
Other	35	35
	8,130	8,845

Restricted cash from the Ministry of Health ["MOH"] represents funding received in connection with the liability assumed by OAHPP in connection with severance credits [note 8[b]], other credits [primarily accrued vacation pay] related to employees who transferred to OAHPP [Ontario public health laboratories in 2008 and Public Health Architecture in 2011] and unspent cash pertaining to capital projects. Funds associated with severance and other credits are drawn down when transferred employees leave employment with OAHPP. Funds associated with capital projects are drawn down when capital assets are purchased.

[b] The continuity of MOH restricted cash is as follows:

	2020			
	Severance credits	Other credits	Capital projects	Total
	\$	\$	\$	\$
Restricted cash, beginning of year	2,602	1,423	4,785	8,810
Amount received during the year	—	—	12,025	12,025
Interest earned [note 6]	56	30	100	186
Restricted cash drawdown [note 8[b]]	(283)	(19)	(12,624)	(12,926)
Restricted cash, end of year	2,375	1,434	4,286	8,095

Notes to financial statements

[in thousands of dollars]

March 31, 2020

	2019			
	Severance credits	Other credits	Capital projects	Total
	\$	\$	\$	\$
Restricted cash, beginning of year	2,800	1,411	2,196	6,407
Amount received during the year	—	—	4,022	4,022
Interest earned [note 6]	52	26	34	112
Restricted cash drawdown [note 8[b]]	(250)	(14)	(1,467)	(1,731)
Restricted cash, end of year	2,602	1,423	4,785	8,810

5. Capital assets

	2020		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Building service equipment	369	362	7
Other equipment	37,288	32,199	5,089
Furniture	3,852	3,834	18
Leasehold improvements	96,654	28,889	67,765
Construction in progress	16,025	—	16,025
	154,188	65,284	88,904

	2019		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Building service equipment	369	359	10
Other equipment	34,601	30,708	3,893
Furniture	3,852	3,635	217
Leasehold improvements	96,654	25,118	71,536
Construction in progress	3,400	—	3,400
	138,876	59,820	79,056

Notes to financial statements
 [in thousands of dollars]

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6. Deferred capital asset contributions

Deferred capital asset contributions represent the unamortized amount of contributions received for the purchase of capital assets. The amortization of deferred capital asset contributions is recorded as revenue in the statement of operations and changes in net assets. The continuity of the deferred capital asset contributions balance is as follows:

	2020 \$	2019 \$
Deferred capital asset contributions, beginning of year	83,841	84,818
Contributions for capital purposes	14,713	6,173
Adjustment to deferred capital asset contributions	—	(637)
Interest earned on unspent contributions [note 4[b]]	100	34
Amortization of deferred capital asset contributions	(5,464)	(6,547)
Deferred capital asset contributions, end of year	93,190	83,841
Unspent deferred capital asset contributions [note 4[b]]	(4,286)	(4,785)
Deferred capital asset contributions spent on capital assets	88,904	79,056

Restricted cash includes \$4,286 [2019 – \$4,785] [note 4[b]] related to unspent deferred capital asset contributions.

7. Deferred contributions

[a] Deferred contributions consist of unspent externally restricted grants and donations for the following purposes:

	2020 \$	2019 \$
Severance credits	339	450
Sheela Basrur Centre [note 4[a]]	30	35
Third-party funds	1,994	1,958
	2,363	2,443

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 [in thousands of dollars]

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The continuity of deferred contributions is as follows:

	2020	2019
	\$	\$
Deferred contributions, beginning of year	2,443	2,436
Amounts received during the year	1,967	1,899
Amounts recognized as revenue during the year	(2,047)	(1,892)
Deferred contributions, end of year	2,363	2,443

[b] Deferred contributions for severance credits represent the difference between the restricted cash held for severance credits [note 4[b]] and the portion of the accrued benefit liability associated with service prior to the transfer of employees of the laboratories to OAHPP [note 8[b]].

[c] Deferred contributions for the Sheela Basrur Centre [the “Centre”] represent unspent funds held by OAHPP restricted for the Centre’s outreach programs. In addition to these funds, \$281 [2019 – \$299] is held by the Toronto Foundation for the benefit of the Centre and its programs.

Named after the late Dr. Sheela Basrur, a former Chief Medical Officer of Health for the Province of Ontario, the Centre was created to become a prominent provider of public health education and training.

8. Employee future benefit plans

[a] Multi-employer pension plans

Certain employees of OAHPP are members of the Ontario Public Service Employees Union [“OPSEU”] Pension Plan, the Healthcare of Ontario Pension Plan [“HOOPP”] or the Ontario Public Service Pension Plan [“PSPP”], which are multi-employer, defined benefit pension plans. These pension plans are accounted for as defined contribution plans. OAHPP contributions to the OPSEU Pension Plan, HOOPP and PSPP during the year amounted to \$1,709 [2019 – \$1,710], \$4,254 [2019 – \$4,334] and \$553 [2019 – \$528], respectively, and are included in expenses in the statement of operations and changes in net assets.

The most recent valuation for financial reporting purposes completed by OPSEU as at December 31, 2019 disclosed net assets available for benefits of \$21.7 billion with pension obligations of \$20.2 billion, resulting in a surplus of \$1.5 billion.

The most recent valuation for financial reporting purposes completed by HOOPP as at December 31, 2019 disclosed net assets available for benefits of \$94.1 billion with pension obligations of \$73.5 billion, resulting in a surplus of \$20.6 billion.

The most recent valuation for financial reporting purposes completed by PSPP as at December 31, 2018 disclosed net assets available for benefits of \$13.7 billion with pension obligations of \$13.2 billion, resulting in a surplus of \$0.5 billion.

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Notes to financial statements
 [in thousands of dollars]

March 31, 2020

[b] Severance credits

OAHPP assumed the unfunded non-pension post-employment defined benefit plans provided to employees from the Government of Ontario as part of the transfer of employees from Ontario public health laboratories [in 2008] and Public Health Architecture [in 2011]. These defined benefit plans provide a lump-sum payment paid on retirement to certain employees related to years of service. The latest actuarial valuation for the non-pension defined benefit plans for the remaining eligible employees was performed as at March 31, 2018. OAHPP measures its accrued benefit obligation for accounting purposes as at March 31 of each year based on an extrapolation from the latest actuarial valuation.

Additional information on the benefit plans is as follows:

	2020	2019
	\$	\$
Accrued benefit obligation	3,118	3,273
Unamortized actuarial losses	(276)	(246)
Accrued benefit liability, end of year	2,842	3,027

The continuity of the accrued benefit liability as at March 31 is as follows:

	2020	2019
	\$	\$
Accrued benefit liability, beginning of year	3,027	3,173
Expense for the year	98	104
Contributions to cover benefits paid [note 4[b]]	(283)	(250)
Accrued benefit liability, end of year	2,842	3,027

Notes to financial statements
 [in thousands of dollars]

March 31, 2020

The significant actuarial assumptions adopted in measuring OAHPP's accrued benefit obligation and expenses are as follows:

	2020	2019
	%	%
Accrued benefit obligation		
Discount rate	1.90	2.30
Rate of compensation increase	2.25	2.25
Rate of inflation	2.00	2.00
Expense		
Discount rate	2.30	2.50
Rate of compensation increase	2.25	2.25
Rate of inflation	2.00	2.00

9. Directors' remuneration

The Government Appointees Directive requires the disclosure of remuneration paid to directors. During the year ended March 31, 2020, directors were paid \$2 [2019 – \$8].

10. Related party transactions

OAHPP is controlled by the Province of Ontario through the MOH and is therefore a related party to other organizations that are controlled by or subject to significant influence by the Province of Ontario. Transactions with these related parties are outlined below.

All related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed by the related parties.

- [a] OAHPP has entered into transfer payment agreements with various related parties. Under these agreements, OAHPP makes payments to these parties once defined eligibility requirements have been met. Expenses for the year include transfer payments of \$525 [2019 – \$772], which are recorded in science and public health programs in the statement of operations and changes in net assets.
- [b] OAHPP incurred costs of \$16,022 [2019 – \$18,731] for the rental of office space and other facility-related expenses from Ontario Infrastructure and Lands Corporation, and information technology services and support costs of \$7,762 [2019 – \$7,198] from the Minister of Finance. These transactions are recorded in public health laboratory program, science and public health programs or general and administration expenses in the statement of operations and changes in net assets.

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Notes to financial statements

[in thousands of dollars]

March 31, 2020

- [c] OAHPP incurred costs of \$920 [2019 – \$971] with various related parties for other contracted services, including legal and laboratory testing. These transactions are recorded in public health laboratory program, science and public health programs or general and administration expenses in the statement of operations and changes in net assets.

11. Supplemental cash flow information

The change in accounts payable and accrued liabilities is adjusted for capital assets received but not paid of \$2,200 as at March 31, 2020 [2019 – \$970].

The change in accounts receivable is adjusted for contributions for capital assets receivable but not received of \$735 as at March 31, 2020 [2019 – \$735].

12. Commitments and contingencies

- [a] Under the Laboratories Transfer Agreement, MOH is responsible for all obligations and liabilities in respect of the public health laboratories that existed as at the transfer date, or that may arise thereafter and have a cause of action that existed prior to the transfer date of December 15, 2008.
- [b] OAHPP is a member of the Healthcare Insurance Reciprocal of Canada [“HIROC”]. HIROC is a pooling of the liability insurance risks of its members. Members of the pool pay annual deposit premiums that are actuarially determined and are expensed in the current year. These premiums are subject to further assessment for experience gains and losses, by the pool, for prior years in which OAHPP participated. As at March 31, 2020, no assessments have been received.
- [c] OAHPP has committed future minimum annual payments related to premises as follows:

	\$
2021	18,450
2022	17,618
2023	17,694
2024	15,565
2025	13,173
Thereafter	205,853
	<u>288,353</u>

- [d] As at March 31, 2020, OAHPP has contractual commitments totalling \$21.8 million related to the London Lab project, of which \$14,787 [2019 – \$2,163] has been incurred to date.

- [e] OAHPP has contractual commitments totalling \$78.1 million related to the purchase of medical supplies. As at March 31, 2020, OAHPP has made deposits with suppliers totalling \$10 million [2019 – nil] for these supplies.

Notes to financial statements
[in thousands of dollars]

March 31, 2020

13. COVID-19

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ["COVID-19"] as a pandemic which has resulted in a series of public health and emergency measures that have been put into place to combat the spread of the virus. COVID-19 mitigation measures significantly disrupted supply chains, economic activity and the daily lifestyle of every individual and emphasised public reliance on the continued and proper functioning of healthcare systems of which PHO is an integral and essential element. As a result of PHO's COVID-19 response efforts, implemented as early as January 2020, PHO is experiencing an increasing demand for its services.

To the extent that PHO operations were affected during the period from January 1st, 2020 to March 31, 2020, the Province of Ontario committed to reimburse costs incurred by PHO to monitor, detect, and contain COVID-19 within the province. Accounts receivable balances as at March 31, 2020 include \$4.1M [note 3] due from the Province of Ontario, Ministry of Health, specifically related to COVID-19 related expenditures.

Subsequent to year end, PHO has continued to incur COVID-19 related expenditures and is operating on the understanding that these incremental costs will be funded by the Province of Ontario.