

Financial Statements of



Health Sciences North  
Horizon Santé-Nord

And Independent Auditors' Report thereon

Year ended March 31, 2020



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Health Sciences North

### ***Opinion***

We have audited the financial statements of Health Sciences North (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2020
- the statement of operations for the year then ended
- the statement of changes in net debt for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity 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 "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



### ***Responsibilities of Management 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 Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

### ***Auditors' 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 auditors' 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 the 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 the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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
- 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.

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada  
June 2, 2020

# HEALTH SCIENCES NORTH

## Statement of Operations

Year ended March 31, 2020, with comparative information for 2019

(in thousands of dollars)

	2020	2019
<b>Revenue:</b>		
Ontario Health North and Ministry of Health	\$ 309,447	\$ 306,977
Cancer Care Ontario	70,031	62,537
Specifically funded programs	46,890	46,667
Patient services	37,139	34,942
Other	47,590	43,536
Amortization - deferred capital contributions for equipment	6,892	8,950
	<b>517,989</b>	<b>503,609</b>
<b>Expenses:</b>		
Salaries and wages	218,003	210,033
Employee benefits	62,767	70,234
Medical staff remuneration	29,493	29,152
Supplies and other	66,770	63,293
Interest on long-term debt	1,015	1,357
Medical and surgical	34,139	30,830
Drugs	41,909	33,244
Specifically funded programs	46,882	46,596
Amortization - equipment	16,673	17,034
	<b>517,651</b>	<b>501,773</b>
Excess of revenue over expenses from Hospital operations	338	1,836
Amortization - buildings	(11,465)	(11,298)
Amortization - deferred capital contributions for buildings	9,380	10,906
Excess (deficiency) of revenue over expenses before undernoted item	(1,747)	1,444
Liabilities assumed from Sudbury Hospital Services (note 14(c))	-	(1,289)
Excess (deficiency) of revenue over expenses	\$ (1,747)	\$ 155

See accompanying notes to financial statements

# HEALTH SCIENCES NORTH

## Statement of Financial Position

March 31, 2020, with comparative information for 2019  
(in thousands of dollars)

	2020	2019
<b>Assets</b>		
Current assets:		
Cash	\$ 13,376	\$ 9,574
Accounts receivable (note 2)	31,117	36,115
Inventories	6,269	4,806
Prepayments	7,170	7,154
	<u>57,932</u>	<u>57,649</u>
Long-term receivables (note 3)	2,221	3,072
Capital assets (note 4)	342,663	341,715
	<u>\$ 402,816</u>	<u>\$ 402,436</u>
<b>Liabilities and Net Debt</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 91,707	\$ 87,689
Current portion of long-term obligations (note 10)	1,554	1,569
	<u>93,261</u>	<u>89,258</u>
Deferred contributions (note 7)	655	570
Deferred capital contributions (note 8)	264,606	267,228
Employee post-retirement benefits (note 9)	28,783	26,568
Long-term obligations (note 10)	22,329	23,883
	<u>409,634</u>	<u>407,507</u>
Net debt	(6,818)	(5,071)
Contingencies (note 14)		
Subsequent event (note 17)		
	<u>\$ 402,816</u>	<u>\$ 402,436</u>

See accompanying notes to financial statements

On behalf of the Board:

 Chair

# HEALTH SCIENCES NORTH

## Statement of Changes in Net Debt

Year ended March 31, 2020, with comparative information for 2019  
(in thousands of dollars)

	2020	2019
Net debt, beginning of year	\$ (5,071)	\$ (5,226)
Excess (deficiency) of revenue over expenses	(1,747)	155
Net debt, end of year	\$ (6,818)	\$ (5,071)

See accompanying notes to financial statements

# HEALTH SCIENCES NORTH

## Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019  
(in thousands of dollars)

	2020	2019
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenses	\$ (1,747)	\$ 155
Adjustments for:		
Amortization of capital assets	28,138	28,332
Amortization of deferred capital contributions	(16,272)	(19,856)
Increase in accrued benefits obligation	2,215	2,003
	<u>12,334</u>	<u>10,634</u>
Change in non-cash working capital (note 11)	<u>7,522</u>	<u>497</u>
	19,856	11,131
Cash flows from capital activities:		
Additions to capital assets:		
- medical learners project	(7,454)	(5,350)
- equipment	(14,838)	(12,365)
- building	(6,794)	(7,223)
Increase in deferred capital contributions	<u>13,650</u>	<u>18,989</u>
	(15,436)	(5,949)
Cash flows from financing activities:		
Decrease in long-term receivables	851	20,748
Increase (decrease) in deferred contributions	85	(199)
Decrease in long-term obligations	<u>(1,554)</u>	<u>(19,306)</u>
	(618)	1,243
Net increase in cash	3,802	6,425
Cash, beginning of year	9,574	3,149
Cash, end of year	<u>\$ 13,376</u>	<u>\$ 9,574</u>

See accompanying notes to financial statements

# HEALTH SCIENCES NORTH

## Notes to Financial Statements

Year ended March 31, 2020

(In thousands of dollars)

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Health Sciences North (the "Hospital") was incorporated under the laws of Ontario on June 30, 1997 and is exempt from income taxes under Section 149 of the Income Tax Act.

### 1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations.

#### (a) Revenue recognition:

The Hospital accounts for contributions, which include donations and government grants, under the deferral method of accounting.

Under the Health Insurance Act and Regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health (the "MOH") and Ontario Health North ("OHN"). Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in the subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable if the amounts can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the period in which the related expenses are recognized.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on the straight-line basis, at rates corresponding to those of the related capital assets.

Revenue from patient and other services is recognized when the service is provided.

#### (b) Inventories:

Inventories are stated at the lower of average cost and net realizable value. Cost comprises all costs to purchase, convert and any other costs in bringing the inventories to their present location and condition.

# HEALTH SCIENCES NORTH

## Notes to Financial Statements

Year ended March 31, 2020

(In thousands of dollars)

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### 1. Significant accounting policies (continued):

#### (c) Capital assets:

Purchased capital assets are recorded at cost. Assets acquired under capital leases are initially recorded at the present value of the future minimum lease payments and amortized over the useful life of the assets. Minor equipment replacements are expensed in the year of replacement.

Construction in progress is not amortized until construction is complete and the facilities come into use.

Amortization is provided on the straight-line basis at the following range of annual rates:

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Buildings and site services	2% - 10%
Furniture and equipment	5% - 20%
Information technology	10% - 33%

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In the year of acquisition, amortization is provided at one-half of the rates otherwise charged.

Long-lived assets, including capital assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. When quoted market prices are not available, the Hospital uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

Assets to be disposed of would be separately presented in the statement of financial position and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer amortized. The asset and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the statement of financial position.

# HEALTH SCIENCES NORTH

## Notes to Financial Statements

Year ended March 31, 2020

(In thousands of dollars)

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### 1. Significant accounting policies (continued):

(d) Related entities:

The notes to financial statements include information of the following entities (note 13):

Health Sciences North Foundation  
Northern Cancer Foundation  
Health Sciences North Volunteer Association  
Sudbury Hospital Services  
Sudbury Vascular Laboratory Ltd.  
Health Sciences North Research Institute ("HSNRI")  
NEO Kids Foundation

The investment in the controlled for-profit entity, Sudbury Vascular Laboratory Ltd., is accounted for by the equity method. The other entities are not consolidated.

(e) Employee post-retirement benefits:

The Hospital accrues its obligations for employee benefit plans. The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of retirement ages of employees and expected health care costs.

Actuarial gains (losses) on the accrued benefit obligation arise from changes in actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the employee benefit plan is 11.8 years.

Past service costs arising from plan amendments are recognized immediately in the period the plan amendments occur.

The Hospital is an employer member of the Health Care of Ontario Pension Plan (the "Plan"), which is a multi-employer, defined benefit pension plan. The Hospital has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The Hospital records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the Plan for past employee service.

(f) Use of estimates:

The preparation of the 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 periods specified. Significant items subject to such estimates and assumptions include the carrying amount of capital assets; valuation allowances for receivables, and inventories; valuation of financial instruments; and assets and obligations related to employee future benefits. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

# HEALTH SCIENCES NORTH

## Notes to Financial Statements

Year ended March 31, 2020

(In thousands of dollars)

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### 1. Significant accounting policies (continued):

#### (g) Funding adjustments:

The Hospital receives grants from the OHN, MOH and Cancer Care Ontario (“CCO”) for specific services. Pursuant to the related agreements, if the Hospital does not meet specified levels of activity, the OHN, MOH or CCO are entitled to seek refunds. Should any amounts become refundable, the refunds would be charged to operations in the period in which the refund is determined to be payable. Should programs and activities incur a deficit, the Hospital records any recoveries thereon in the period in which collection is received.

#### (h) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. Given the difficulty of determining the fair market value, contributed services are not recognized in the financial statements.

#### (i) Financial instruments:

All financial instruments are initially recorded on the statement of financial position at fair value.

All investments, if any, held in equity instruments that trade in an active market are recorded at fair value. Management has elected to record investments at fair value as they are managed and evaluated on a fair value basis. Freestanding derivative instruments that are not equity instruments that are quoted in an active market are subsequently measured at fair value.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

All financial assets are assessed for impairment on an annual basis. Where a decline in fair value is determined to be other than temporary, the amount of the loss is recognized in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses. On sale, the statement of remeasurement gains and losses associated with that instrument are reversed and recognized in the statement of operations.

# HEALTH SCIENCES NORTH

## Notes to Financial Statements

Year ended March 31, 2020

(In thousands of dollars)

### 2. Accounts receivable:

	2020	2019
OHN and MOH	\$ 6,621	\$ 16,060
Patients	9,280	7,879
Hospitals and agencies	5,369	5,405
Canada Revenue Agency (HST)	2,502	2,934
CCO	3,078	619
Current portion of long-term receivables	1,171	1,412
Other	5,668	4,206
	33,689	38,515
Less: allowance for doubtful accounts	(2,572)	(2,400)
	\$ 31,117	\$ 36,115

### 3. Long-term receivables:

	2020	2019
City of Greater Sudbury	\$ 2,332	\$ 2,901
Northern Cancer Foundation	1,040	1,583
Sudbury Hospital Services	20	896
	3,392	5,380
Less: current portion	(1,171)	(1,412)
Less: allowance for doubtful accounts	-	(896)
	\$ 2,221	\$ 3,072

# HEALTH SCIENCES NORTH

## Notes to Financial Statements

Year ended March 31, 2020

(In thousands of dollars)

### 4. Capital assets:

	2020		
	Cost	Accumulated Amortization	Net book Value
Property	\$ 3,767	\$ –	\$ 3,767
Buildings and site services	144,806	87,344	57,462
Furniture and equipment	145,567	117,369	28,198
Information technology	84,484	66,687	17,797
Assets under capital leases	5,133	4,678	455
Capital project - building	296,987	85,408	211,579
Capital project - equipment	53,446	53,189	257
Projects in progress	23,148	–	23,148
	<u>\$ 757,338</u>	<u>\$ 414,675</u>	<u>\$ 342,663</u>

	2019		
	Cost	Accumulated Amortization	Net book Value
Property	\$ 3,767	\$ –	\$ 3,767
Buildings and site services	135,849	83,601	52,248
Furniture and equipment	136,974	108,793	28,181
Information technology	81,658	59,676	21,982
Assets under capital leases	5,133	4,340	793
Capital project - building	296,987	77,966	219,021
Capital project - equipment	53,446	52,462	984
Projects in progress	14,739	–	14,739
	<u>\$ 728,553</u>	<u>\$ 386,838</u>	<u>\$ 341,715</u>

### 5. Bank indebtedness:

The Hospital has arranged for credit facilities which include a demand operating line to \$40 million. The facilities bear interest at banker's prime rate less 0.25% (2019 – prime rate less 0.25%).

# HEALTH SCIENCES NORTH

## Notes to Financial Statements

Year ended March 31, 2020

(In thousands of dollars)

### 6. Accounts payable and accrued liabilities:

	2020	2019
Accounts payable and accrued liabilities:		
- operating	\$ 43,461	\$ 37,672
- capital	4,164	5,413
- OHN and MOH	7,922	5,750
- CCO	2,094	1,537
Payroll accruals:		
- salaries and wages	10,589	13,280
- vacation pay	17,374	17,774
- sick leave	116	181
Deferred revenue	5,987	6,082
	\$ 91,707	\$ 87,689

### 7. Deferred contributions:

Deferred contributions represent unspent externally restricted grants for research and other purposes. The changes in the deferred contributions balance are as follows:

	2020	2019
Balance, beginning of year	\$ 570	\$ 769
Contributions received	150	53
Amounts taken to revenue	(65)	(252)
Balance, end of year	\$ 655	\$ 570

# HEALTH SCIENCES NORTH

## Notes to Financial Statements

Year ended March 31, 2020

(In thousands of dollars)

### 8. Deferred capital contributions:

Deferred capital contributions represent the unamortized and unspent balances of donations and grants restricted for capital asset acquisitions. Details of the continuity of these funds are as follows:

	2020	2019
Balance, beginning of year	\$ 267,228	\$ 268,095
Additional contributions		
Equipment and buildings:		
OHN and MOH	9,026	7,748
CCO	263	2,006
Northern Cancer Foundation	2,673	–
Health Sciences North Foundation	(106)	5,332
City of Sudbury	700	–
Other	981	960
	13,537	16,046
Capital expansion project:		
MOH – Phase 2 capital expansion project	–	2,804
City of Greater Sudbury	113	139
	13,650	18,989
Less: amounts amortized to revenue	(16,272)	(19,856)
Balance, end of year	\$ 264,606	\$ 267,228

The balance of unamortized and unspent funds consists of the following:

	2020	2019
Unamortized	\$ 263,655	\$ 265,670
Unspent:		
Building	928	1,544
Equipment	23	14
	951	1,558
	\$ 264,606	\$ 267,228

# HEALTH SCIENCES NORTH

## Notes to Financial Statements

Year ended March 31, 2020

(In thousands of dollars)

### 9. Employee post-retirement benefits:

The Hospital sponsors a post-retirement defined benefit plan for medical, life insurance and dental benefits for substantially all unionized full time employees with various cost-sharing arrangements as determined by their collective agreements. The most recent valuation of the employee future benefits was completed as at March 31, 2019. The next full valuation of the plan will be as of March 31, 2022.

The accrued benefit obligation is recorded in the financial statements as follows:

	2020	2019
Accrued benefit obligation, beginning of year	\$ 26,568	\$ 24,565
Add: benefit costs	3,502	3,229
	30,070	27,794
Less: benefit contributions	(1,287)	(1,226)
Balance, end of year	\$ 28,783	\$ 26,568

Similar to most post-employment benefit plans (other than pension) in Canada, the Hospital's plan is not pre-funded, resulting in a plan deficit equal to the accrued benefit obligation.

The significant actuarial assumptions adopted in measuring the Hospital's accrued benefit obligations are as follows:

	2020	2019
Discount rate	3.25%	3.05%
Dental care cost trend rate	4.00%	4.00%
Initial health care cost trend rate	6.00%	6.00%
Health care cost trend rate declining to	4.00%	4.00%

# HEALTH SCIENCES NORTH

## Notes to Financial Statements

Year ended March 31, 2020

(In thousands of dollars)

### 10. Long-term obligations:

	2020	2019
Long-term debt (a)	\$ 23,666	\$ 25,003
Other (b)	217	449
	23,883	25,452
Less: current portion	(1,554)	(1,569)
	\$ 22,329	\$ 23,883

#### (a) Long-term debt:

Long-term debt consists of:

- (i) Demand non-revolving loan to \$22,000 to finance capital expenditures. The loan bears interest at 4.42% and is being repaid in unblended monthly payments over 20 years. This facility is a consolidation of various facilities drawn on in prior years. As at March 31, 2020, \$14,345 (2019 - \$15,117) is drawn on this facility.
- (ii) Demand revolving loan to \$10,400 to finance parking lot improvements. The loan bears interest at a rate of prime less 0.25% and is being repaid in unblended monthly payments over 20 years. As at March 31, 2020, a total of \$9,321 (2019 - \$9,886) is drawn on the facility.

Principal repayments of long-term debt are as follows:

2021	\$ 1,337
2022	1,337
2023	1,337
2024	1,337
2025	1,337
Thereafter	16,981
	\$ 23,666

#### (b) Other:

The Hospital has entered into a six-year capital lease for equipment ending February 2021. The lease is being repaid in blended monthly lease payments of \$20 and an annual interest rate of 2.85%.

# HEALTH SCIENCES NORTH

## Notes to Financial Statements

Year ended March 31, 2020

(In thousands of dollars)

### 11. Change in non-cash working capital:

	2020	2019
Accounts receivable	\$ 4,998	\$ (1,397)
Inventories	(1,463)	216
Prepayments	(16)	(630)
Accounts payable and accrued liabilities	4,018	9,460
Current portion of long-term obligations	(15)	(7,152)
	\$ 7,522	\$ 497

### 12. Pension plan:

Substantially all of the employees of the Hospital are members of the Plan which is a multi-employer defined benefit plan. Contributions to the Plan made during the year on behalf of employees amounted to \$21,456 (2019 - \$20,555) and are included in employee benefits in the statement of operations.

### 13. Other entities:

This section addresses disclosure requirements regarding the Hospital's relationships with related entities. The relationship can be one of economic interest, significant influence, joint control or control.

#### (a) Foundations and Volunteer Association:

The Hospital has an economic interest in the Health Sciences North Foundation. The Health Sciences North Foundation was created for the purpose of promoting and participating in fundraising programs in order to raise money for capital projects and to assist in undertaking all phases of medical research. At March 31, 2020, the amount owing to the Hospital from the Foundation was \$94 (2019 - \$196). During the year, the Hospital received donations amounting to \$1,063 (2019 - \$5,988) from the Health Sciences North Foundation.

The Hospital has an economic interest in the Northern Cancer Foundation. The Northern Cancer Foundation was created for the purpose of promoting and participating in fundraising activities throughout the northeastern Ontario region to support cancer research and cancer care programs of the Northeast Cancer Program. At March 31, 2020, the amount owing to the Hospital from the Foundation was \$2,637 (2019 - \$1,682). During the year, the Hospital received donations amounting to \$2,727 (2019 - \$Nil) from the Northern Cancer Foundation.

The Hospital has an economic interest in the Health Sciences North Volunteer Association. The Health Sciences North Volunteer Association was created for the purpose of promoting and participating in fundraising activities in order to raise money for capital equipment, health related community projects and volunteer activities. At March 31, 2020, the amount owing to the Hospital from the Association was \$Nil (2019 - \$Nil).

# HEALTH SCIENCES NORTH

## Notes to Financial Statements

Year ended March 31, 2020

(In thousands of dollars)

### 13. Other entities (continued):

#### (a) Foundations and Volunteer Association (continued):

The Hospital has an economic interest in the NEO Kids Foundation. The NEO Kids Foundation was created for the purpose of promoting and participating in fundraising activities to raise money to support services, equipment, and research for young patients. At March 31, 2020, the amount owing to the Hospital from the Foundation was \$142 (2019 - \$234). During the year, the Hospital received donations amounting to \$66 (2019 - \$166) from the NEO Kids Foundation.

#### (b) Sudbury Hospital Services:

The Hospital has significant influence in Sudbury Hospital Services ("SHS"). As of April 1, 2019 the Hospital ended its long standing contract with SHS under which SHS provided ware-washing and transportation services to the Hospital based on rates reflecting the costs, expenses and disbursements incurred by them in the normal course of business. During the year, the Hospital purchased \$755 (2019 - \$2,280) in ware-washing and transportation services from Sudbury Hospital Services. At March 31, 2020, the amount owing to the Hospital from Sudbury Hospital Services was \$20 (2019 - \$Nil).

#### (c) Sudbury Vascular Laboratory Ltd.:

Sudbury Vascular Laboratory Ltd. was created to operate a vascular laboratory. The Hospital controls Sudbury Vascular Laboratory Ltd.

As at March 31, 2020, Sudbury Vascular Laboratory Ltd. had total amounts owing to the Hospital of \$160 (2019 - \$78).

Financial information for 2020 was not available at the time of the audit report date.

A summary of the most recently available pertinent financial information of Sudbury Vascular Laboratory Ltd. is as follows:

	2019	2018
Financial position:		
Total assets	\$ 571	\$ 362
Total liabilities	555	525
Net assets (debt)	16	(163)
	\$ 571	\$ 362
Results of operations:		
Total revenue	\$ 1,823	\$ 1,523
Total expenses	1,748	1,702
Excess (deficiency) of revenue over expenses	\$ 75	\$ (179)

# HEALTH SCIENCES NORTH

## Notes to Financial Statements

Year ended March 31, 2020

(In thousands of dollars)

### 13. Other entities (continued):

#### (c) Sudbury Vascular Laboratory Ltd. (continued):

	2019	2018
Cash flows:		
Cash from operations	\$ 151	\$ (171)
Cash from financing and investing activities	(8)	119
Increase (decrease) in cash	\$ 143	\$ (52)

#### (d) Health Sciences North Research Institute:

HSNRI was created on April 1, 2012 to establish a center of excellence in research, education, and training related to health and healthcare delivery. The Hospital has significant influence over HSNRI, a tax-exempt entity without share capital. As at March 31, 2020, HSNRI had total amounts owing to the Hospital of \$730 (2019 - \$245).

### 14. Contingencies:

#### (a) Legal matters and litigation:

The Hospital is involved in certain legal matters and litigation, the outcomes of which are not presently determinable. The loss, if any, from these contingencies will be accounted for in the periods in which the matters are resolved. Management is of the opinion that these matters are mitigated by adequate insurance coverage.

#### (b) Employment matters:

During the normal course of operation, the Hospital is involved in certain employment related negotiations and has recorded accruals based on management's estimate of potential settlement amounts where these amounts are reasonably determinable.

#### (c) Sudbury Hospital Services:

As of April 1, 2019, services previously performed by Sudbury Hospital Services ("SHS") for the Hospital are now being performed in-house. The Hospital has assumed responsibility for the existing net liabilities of SHS as well funding future operating losses until such time as the operations of SHS are wound down.

In connection with this announcement, the Hospital recorded a one-time expense of \$1,289 in the prior year, relating to the write-down of amounts owing from SHS as well as management's estimate of the net liabilities assumed from SHS.

Future operating losses funded by HSN will be recorded in the fiscal period in which they are incurred.

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Year ended March 31, 2020

(In thousands of dollars)

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## 15. Financial risks and concentration of credit risk:

### (a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Hospital is exposed to credit risk with respect to accounts receivable and other investments.

The Hospital assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Hospital at March 31, 2020 is the carrying value of these assets.

Management considers credit risk to be minimal as most of the accounts receivable balance is collected in a timely fashion.

The Hospital follows an investment policy approved by the Board of Directors. The maximum exposure to credit risk of the Hospital at March 31, 2020 is the carrying value of these assets.

There have been no significant changes to the credit risk exposure from 2019.

### (b) Liquidity risk:

Liquidity risk is the risk that the Hospital will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Hospital manages its liquidity risk by monitoring its operating requirements. The Hospital prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 60 days of the date of an invoice.

There have been no significant changes to the liquidity risk exposure from 2019.

## 16. Comparative information:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect the prior year excess of revenues over expenses.

# HEALTH SCIENCES NORTH

Notes to Financial Statements

Year ended March 31, 2020

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## 17. Subsequent event:

Prior to the Hospital's year-end, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact.

At the time of approval of these financial statements, the Hospital has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- The closure of certain facilities to the general public, with temporary facilities opened to deal with screening and testing activities;
- Revisions to the delivery of a number of services in order to create capacity for pandemic response and limit the potential for transmission within the Hospital, including the cancellation of elective surgeries and the transfer of alternative level of care patients to other facilities; and
- The implementation of working from home requirements for certain hospital employees.

As a result of these measures, the Hospital continues to experience decreases in operating revenues and increases in operating costs in the subsequent period. The MOH has allowed the Hospital to redirect revenue from certain funded programs towards COVID-related costs incurred during the year ended March 31, 2020, and has also committed to providing additional funding for COVID-related operating and capital costs in the subsequent period.

At this time these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.