

Financial Statements of



Health Sciences North
Horizon Santé-Nord

And Independent Auditors' Report thereon

Year ended March 31, 2022



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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, 2022
- the statement of operations for the year then ended
- the statement of changes in net assets (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, 2022, 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 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 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.

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

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.



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- 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

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada
June 7, 2022

HEALTH SCIENCES NORTH

Statement of Operations

Year ended March 31, 2022, with comparative information for 2021
(in thousands of dollars)

	2022	2021
Revenue:		
Ontario Health North and Ministry of Health	\$ 321,542	\$ 310,498
Cancer Care Ontario	81,059	75,076
Specifically funded programs	54,877	46,326
Patient services	34,279	29,284
Other	58,801	53,085
Amortization - deferred capital contributions for equipment	4,782	5,449
	555,340	519,718
Expenses:		
Salaries and wages	242,684	233,049
Employee benefits	74,425	74,799
Medical staff remuneration	35,274	30,555
Supplies and other	81,693	82,095
Interest on long-term debt	843	847
Medical and surgical	39,666	33,719
Drugs	55,276	53,450
Specifically funded programs	54,960	46,430
Amortization - equipment	13,242	14,126
	598,063	569,070
Deficiency of revenue over expenses before undernoted item	(42,723)	(49,352)
Ministry of Health pandemic funding (note 17)	44,659	52,308
Excess of revenue over expenses from Hospital operations	1,936	2,956
Amortization - buildings	(11,792)	(11,026)
Amortization - deferred capital contributions for buildings	10,039	9,444
Excess of revenue over expenses before undernoted item	183	1,374
Ministry of Health working capital funding	-	17,665
Liabilities assumed from Sudbury Hospital Services	-	1,781
Excess of revenue over expenses	\$ 183	\$ 20,820

See accompanying notes to financial statements

HEALTH SCIENCES NORTH

Statement of Financial Position

March 31, 2022, with comparative information for 2021
(in thousands of dollars)

	2022	2021
Assets		
Current assets:		
Cash	\$ 43,399	\$ 8,775
Accounts receivable (note 2)	57,913	68,764
Inventories	10,626	12,686
Prepayments	12,205	11,060
	<u>124,143</u>	<u>101,285</u>
Long-term receivables (note 3)	768	1,729
Capital assets (note 4)	369,420	353,749
	<u>\$ 494,331</u>	<u>\$ 456,763</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 148,247	\$ 113,346
Current portion of long-term obligations (note 10)	1,218	1,209
	<u>149,465</u>	<u>114,555</u>
Deferred contributions (note 7)	396	398
Deferred capital contributions (note 8)	273,494	271,713
Employee post-retirement benefits (note 9)	32,553	30,639
Long-term obligations (note 10)	24,238	25,456
	<u>480,146</u>	<u>442,761</u>
Net assets	14,185	14,002
Contingencies (note 14)		
	<u>\$ 494,331</u>	<u>\$ 456,763</u>

See accompanying notes to financial statements

On behalf of the Board:



Chair

HEALTH SCIENCES NORTH

Statement of Changes in Net Assets (Debt)

Year ended March 31, 2022, with comparative information for 2021
(in thousands of dollars)

	2022	2021
Net assets (debt), beginning of year	\$ 14,002	\$ (6,818)
Excess of revenue over expenses	183	20,820
Net assets, end of year	\$ 14,185	\$ 14,002

See accompanying notes to financial statements

HEALTH SCIENCES NORTH

Statement of Cash Flows

Year ended March 31, 2022, with comparative information for 2021
(in thousands of dollars)

	2022	2021
Cash flows from operating activities:		
Excess of revenue over expenses	\$ 183	\$ 20,820
Adjustments for:		
Amortization of capital assets	25,034	25,152
Amortization of deferred capital contributions	(14,821)	(14,893)
Increase in accrued benefits obligation	1,914	1,856
	<u>12,310</u>	<u>32,935</u>
Change in non-cash working capital (note 11)	<u>46,667</u>	<u>(26,315)</u>
	58,977	6,620
Cash flows from capital activities:		
Additions to capital assets:		
- medical learners project	(2,951)	(7,756)
- equipment	(33,255)	(22,787)
- building	(4,499)	(5,695)
Increase in deferred capital contributions	<u>16,602</u>	<u>22,000</u>
	(24,103)	(14,238)
Cash flows from financing activities:		
Decrease in long-term receivables	961	492
Decrease in deferred contributions	(2)	(257)
(Decrease) increase in obligations	<u>(1,209)</u>	<u>2,782</u>
	(250)	3,017
Net increase (decrease) in cash	<u>34,624</u>	<u>(4,601)</u>
Cash, beginning of year	8,775	13,376
Cash, end of year	<u>\$ 43,399</u>	<u>\$ 8,775</u>

See accompanying notes to financial statements

HEALTH SCIENCES NORTH

Notes to Financial Statements

Year ended March 31, 2022

(In thousands of dollars)

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, 2022

(In thousands of dollars)

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:

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

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, 2022

(In thousands of dollars)

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 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 10.9 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, 2022

(In thousands of dollars)

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, 2022

(In thousands of dollars)

2. Accounts receivable:

	2022	2021
OHN and MOH	\$ 26,575	\$ 41,428
Patients	10,352	9,328
Hospitals and agencies	5,623	5,133
Canada Revenue Agency (HST)	5,711	3,152
CCO	6,786	1,897
Current portion of long-term receivables	960	992
Other	4,642	9,406
	60,649	71,336
Less: allowance for doubtful accounts	(2,736)	(2,572)
	\$ 57,913	\$ 68,764

3. Long-term receivables:

	2022	2021
City of Greater Sudbury	\$ 1,517	\$ 2,238
Northern Cancer Foundation	211	483
	1,728	2,721
Less: current portion	(960)	(992)
	\$ 768	\$ 1,729

HEALTH SCIENCES NORTH

Notes to Financial Statements

Year ended March 31, 2022

(In thousands of dollars)

4. Capital assets:

	2022		
	Cost	Accumulated Amortization	Net book Value
Property	\$ 3,767	\$ –	\$ 3,767
Buildings and site services	184,097	95,749	88,348
Furniture and equipment	176,063	134,427	41,636
Information technology	90,844	75,617	15,227
Assets under capital leases	5,133	5,110	23
Capital project - building	296,987	100,168	196,819
Capital project - equipment	53,446	53,355	91
Projects in progress	23,509	–	23,509
	<u>\$ 833,846</u>	<u>\$ 464,426</u>	<u>\$ 369,420</u>
	2021		
	Cost	Accumulated Amortization	Net book Value
Property	\$ 3,767	\$ –	\$ 3,767
Buildings and site services	152,789	91,292	61,497
Furniture and equipment	157,213	125,487	31,726
Information technology	89,490	71,549	17,941
Assets under capital leases	5,133	5,004	129
Capital project - building	296,987	92,790	204,197
Capital project - equipment	53,446	53,318	128
Projects in progress	34,364	–	34,364
	<u>\$ 793,189</u>	<u>\$ 439,440</u>	<u>\$ 353,749</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 0.85% (2021 - prime rate less 0.85%).

HEALTH SCIENCES NORTH

Notes to Financial Statements

Year ended March 31, 2022

(In thousands of dollars)

6. Accounts payable and accrued liabilities:

	2022	2021
Accounts payable and accrued liabilities:		
- operating	\$ 56,907	\$ 44,845
- capital	2,675	6,172
- OHN and MOH	24,955	13,607
- CCO	1,470	768
Payroll accruals:		
- salaries and wages	16,246	13,936
- vacation pay	21,484	21,161
- sick leave	85	102
Deferred revenue	24,425	12,755
	\$ 148,247	\$ 113,346

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:

	2022	2021
Balance, beginning of year	\$ 398	\$ 655
Contributions received	15	4
Amounts transferred or taken to revenue	(17)	(261)
Balance, end of year	\$ 396	\$ 398

HEALTH SCIENCES NORTH

Notes to Financial Statements

Year ended March 31, 2022

(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:

	2022	2021
Balance, beginning of year	\$ 271,713	\$ 264,606
Additional contributions		
Equipment and buildings:		
OHN and MOH	10,305	17,426
CCO	782	152
Northern Cancer Foundation	967	352
Health Sciences North Foundation	3,676	2,233
NEO Kids Foundation	494	117
Other	318	1,633
	16,542	21,913
Capital expansion project:		
City of Greater Sudbury	60	87
	16,602	22,000
Less: amounts amortized to revenue	(14,821)	(14,893)
Balance, end of year	\$ 273,494	\$ 271,713

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

	2022	2021
Unamortized	\$ 270,432	\$ 270,576
Unspent:		
Building	2,859	947
Equipment	203	190
	3,062	1,137
	\$ 273,494	\$ 271,713

HEALTH SCIENCES NORTH

Notes to Financial Statements

Year ended March 31, 2022

(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, 2022. The next full valuation of the plan will be as of March 31, 2025.

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

	2022	2021
Accrued benefit obligation, beginning of year	\$ 30,639	\$ 28,783
Add: benefit costs	3,637	3,429
	34,276	32,212
Less: benefit contributions	(1,723)	(1,573)
Accrued benefit obligation, end of year	\$ 32,553	\$ 30,639

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:

	2022	2021
Discount rate	3.65%	3.00%
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, 2022

(In thousands of dollars)

10. Long-term obligations:

	2022	2021
Long-term debt	\$ 25,456	\$ 26,665
Less: current portion	(1,218)	(1,209)
	\$ 24,238	\$ 25,456

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, 2022, \$12,801 (2021 - \$13,573) 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 0.85% and is being repaid in unblended monthly payments over 20 years. As at March 31, 2022, a total of \$8,460 (2021 - \$8,897) is drawn on the facility.
- (iii) Demand revolving loan to \$11,700 to finance the Health Capital Management Solution project. The loan bears interest at a rate of prime less 0.85% and will be repaid in unblended monthly payments over 10 years. As at March 31, 2022, a total of \$1,913 (2021 - \$1,913) is drawn on the facility.
- (iv) Demand revolving loan to \$35,000 to finance the Electronic Medical Records project. The loan bears interest at a rate of prime less 0.85% and will be repaid in unblended monthly payments over 10 years. As at March 31, 2022, a total of \$2,282 (2021 - \$2,282) is drawn on the facility.

Principal repayments of long-term debt are as follows:

2023	\$ 1,218
2024	1,648
2025	1,658
2026	1,668
2027	1,678
Thereafter	17,586
	\$ 25,456

HEALTH SCIENCES NORTH

Notes to Financial Statements

Year ended March 31, 2022

(In thousands of dollars)

11. Change in non-cash working capital:

	2022	2021
Accounts receivable	\$ 10,851	\$ (37,647)
Inventories	2,060	(6,417)
Prepayments	(1,145)	(3,890)
Accounts payable and accrued liabilities	34,901	21,639
	\$ 46,667	\$ (26,315)

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 \$22,595 (2021 - \$21,908) 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, 2022, the amount owing to the Hospital from the Foundation was \$30 (2021 - \$225). During the year, the Hospital received donations amounting to \$3,895 (2021 - \$3,398) 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, 2022, the amount owing to the Hospital from the Foundation was \$778 (2021 - \$1,622). During the year, the Hospital received donations amounting to \$1,326 (2021 - \$1,291) 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, 2022, the amount owing to the Hospital from the Association was \$Nil (2021 - \$150).

HEALTH SCIENCES NORTH

Notes to Financial Statements

Year ended March 31, 2022

(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, 2022, the amount owing to the Hospital from the Foundation was \$283 (2021 - \$161). During the year, the Hospital received donations amounting to \$661 (2021 - \$158) from the NEO Kids Foundation.

(b) 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, 2022, Sudbury Vascular Laboratory Ltd. had total amounts owing to the Hospital of \$62 (2021 - \$659).

Financial information for 2022 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:

	2021	2020
Financial position:		
Total assets	\$ 1,482	\$ 799
Total liabilities	\$ 967	\$ 554
Net assets	515	245
Results of operations:		
Total revenue	\$ 2,134	\$ 1,968
Total expenses	1,864	1,730
Excess of revenue over expenses	\$ 270	\$ 238
Cash flows:		
Cash from operations	\$ 412	\$ 225
Cash from financing and investing activities	171	(185)
Increase in cash	\$ 583	\$ 40

HEALTH SCIENCES NORTH

Notes to Financial Statements

Year ended March 31, 2022

(In thousands of dollars)

13. Other entities (continued):

(c) 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, 2022, HSNRI had total amounts owing to the Hospital of \$Nil (2021 - \$1,031).

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.

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, 2022 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, 2022 is the carrying value of these assets.

There have been no significant changes to the credit risk exposure from 2021.

(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 2021.

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Notes to Financial Statements

Year ended March 31, 2022

(In thousands of dollars)

15. Financial risks and concentration of credit risk (continued):

(c) COVID-19 impact:

In response to COVID-19 and consistent with guidance provided by the MOH and other government agencies, the Hospital has implemented a number of measures to protect patients and staff from COVID-19. In addition, the Hospital has actively contributed towards the care of COVID-19 patients and the delivery of programs that protect public health.

The Hospital continues to respond to the pandemic and plans for continued operational and financial impacts during the 2022 fiscal year and beyond. Management has assessed the impact of COVID-19 and believes there are no significant financial issues that compromise its ongoing operations. The outcome and timeframe to a recovery from the current pandemic is highly unpredictable, thus it is not practicable to estimate and disclose its effect on future operations at this time.

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.

17. Ministry of Health pandemic funding:

In connection with the ongoing coronavirus pandemic ("COVID-19"), the MOH has established a number of funding programs intended to assist hospitals with incremental operating and capital costs resulting from COVID-19. As part of these funding programs, the MOH is permitting hospitals to redirect unused funding from certain programs towards budgetary pressures through a broad-based funding reconciliation.

Management has developed an estimate of MOH revenue for COVID-19 based on the most recent guidance provided by MOH and the impacts of COVID-19 on the Hospital's operations, revenues and expenses. As a result of Management's estimation process, the Hospital has determined a range of reasonably possible amounts that are considered by Management to be realistic, supportable and consistent with the guidance provided by the MOH. However, given the potential for future adjustments by the MOH based on their determination of eligible funding, the Hospital has recognized revenue related to COVID-19 based on the lower end of the range. Any adjustments to Management's estimate of MOH revenues will be reflected in the Hospital's financial statements in the year of settlement.

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Notes to Financial Statements

Year ended March 31, 2022

(In thousands of dollars)

17. Ministry of Health pandemic funding (continued):

Details of the MOH funding for COVID-19 recognized as revenue are summarized below:

	2021	2020
Funding for incremental COVID-19 operating expenses	\$ 10,293	\$ 18,937
COVID-19 laboratory funding	8,979	7,068
COVID-19 assessment centre funding	4,074	2,976
Pandemic pay funding	2,202	6,431
Additional capacity bed funding	18,655	3,308
Other pandemic funding	5,684	8,782
Broad-based funding reconciliation for other eligible costs and revenue losses	6,504	7,258
Funding for revenue losses resulting from COVID-19	—	9,856
	56,391	64,616
Less: Provision for future changes to funding programs	(11,732)	(12,308)
	\$ 44,659	\$ 52,308

In addition to the above, the Hospital has also recognized \$322 (2021 - \$2,754) in MOH funding for COVID-19 related capital expenditures, which has been recorded as an addition to deferred capital contributions during the year.