

Health Sciences North 2022 Annual General Meeting

Financial Report from the
Treasurer

Stéphan Plante



Health Sciences North
Horizon Santé-Nord

hsnsudbury.ca

Financial Presentation
Treasurer – Stéphan Plante
Annual General Meeting – June 15, 2022

My name is Stéphan Plante, and as Treasurer of the Board, Chair of the Board's Finance Committee and Vice Chair of the Audit Committee, it is my duty to present the report from our independent auditors, KPMG, as presented to the Audit Committee on May 31st and to the Board on June 7th.

The services of KPMG had been retained by the Board in September 2018 for the provision of audit services for the fiscal period of April 1, 2018 to March 31, 2021 and subsequently through a Board Motion in May 2021 was extended for the fiscal period April 1, 2021 to March 31, 2026.

You will find a copy of the Financial Statements on our website, which include:

- The Independent Auditors' Report;
- The Statement of Operations;
- The Statement of Financial Position;
- The Statement of Changes in Net Debt;
- The Statement of Cash Flows; and
- Notes to Financial Statements.

KPMG expressed an unqualified or "clean" audit opinion, representing the highest level of assurance under Canadian Auditing Standards. Their opinion is based on a materiality of \$7.9 million or 1.5% of the prior year's revenues and a posting threshold of \$400,000, as recommended by KPMG and approved by the Board in November 2021. KPMG determined that materiality levels for other hospitals ranged between 1% and 2.7%, with an average of 1.8%.

The financial statements reflect a number of disclosures relating to the ongoing pandemic and associated funding. Separate materiality levels have been used for testing of pandemic-related operating and capital costs in anticipation of separate reporting to the Ministry of Health.

The financial statements are final, having been approved by the Board on June 7th.

I will limit my comments to the Statement of Operations and to the Statement of Financial Position.

If you would like more detailed information, we would be pleased to answer any questions during the Question and Answer period of the agenda.

With regard to the **Statement of Operations**:

- Total revenues for regular hospital operations amount to \$555.3 million, with an additional \$44.7 million in revenue for COVID-19 impacts.
- Ministry revenues increased by \$11 million reflecting base funding increases of \$3.1 million and Quality-Based Procedure revenues increasing by \$3.1 million.
- Cancer Care Ontario funding increased by \$5.9 million reflecting increases in QBP revenues by \$2.0 million and dialysis funding of \$1 million.
- Patient services revenue has increased by \$5 million due to increased levels of activity in OHIP and WSIB services and preferred accommodations.
- Other revenues increased by \$5.7 million, primarily due to a donation of supplies of \$1.9 million, WSIB refund of \$0.9 million and an increase in pharmacy revenues of \$0.7 million.
- Operating expenses have increased by \$28.9 million.
- Personnel costs have increased by \$9.3 million or 3.0% reflecting an increase in total hours worked of 3.0% which represents the equivalent of 98 more full-time employees, annual salary increases of 1% to 1.75% depending on the employee group, and one-time pandemic pay or provincially funded premiums of \$2.2 million paid during the fiscal year.
- Ontario Health requires hospitals to not have a deficiency of revenue over expenses from Hospital operations. This is the line that hospitals have to balance.
- HSN completes the 2021-2022 fiscal year with a surplus from Hospital operations of \$1.9 million.
- After incurring annual deficits from hospital operations of \$4.9 million in 2016-2017 and \$8.9 million in 2017-2018, HSN achieved annual surpluses from hospital operations of \$1.8 million in 2018-2019, \$338,000 in 2019-2020, \$2.9 million in 2020-2021 and \$1.9 million in 2021-2022.
- Total revenues exceeded expenses by \$183,000.

With regard to the **Statement of Financial Position**:

- The cash position has increased by \$34.6 million due to working capital changes and a cash adjusted surplus.
- Accounts receivable have decreased by \$10.8 million, reflecting reduced receivables from the Ministry of Health.
- Inventories have decreased by \$2 million due to lower laboratory inventory levels.
- Prepayments have increased by \$1.1 million.
- Capital assets have increased by \$15.7 million, reflecting \$40.7 million in capital additions offset by \$25.0 million in amortization expense.
- Accounts payable and accrued liabilities have increased by \$34.9 million.
- Deferred capital contributions increased by \$1.8 million, reflecting \$16.6 million of contributions during the year offset by \$14.8 million of contributions recognized as revenue.
- Long-term obligations decreased by \$1.2 million.

The Audit Committee had the opportunity to meet with KPMG, with and without management.

- KPMG confirmed to the Audit Committee that no difficulties were encountered during the course of audit procedures.
- No changes were made to the initial audit plan.
- There have been no disagreements or difficulties with management.
- No internal control issues were identified by KPMG based on the scope of testing for procurement, disbursements, payroll or expense reports.

That concludes my overview of the financial statements.

The Finance Committee and the Board review annually HSN's financial position and performance with historical benchmarking going back to the creation of the corporation in 1997, as well as benchmarking on 22 financial and operational indicators with Ontario's 35 largest hospitals in total annual revenues. I would highlight the following:

- Our net assets of \$14.1 million are at their highest point since 1998-1999.
- The median of comparator hospitals last year was net assets of \$67.1 million.
- Our working capital shortfall increased in the last year to \$25.3 million. It is nonetheless an improvement from where it stood in 2017-2018 when we had a working capital shortfall of \$35.7 million. The median of comparator hospitals last year was a working capital surplus of \$13.7 million.
- Our long-term obligations are at \$25.4 million, well below the median of Ontario's 35 largest hospitals which last year was \$132.2 million. It is also reduced from where it stood in 2016-2017 when it was at \$56.5 million.
- Our cash position at \$43.4 million is at its highest point since consolidation of the former three individual hospitals in 1999.

This concludes the financial report for the 2021-2022 fiscal year.