

Financial Statements of



Health Sciences North
Horizon Santé-Nord

And Independent Auditor's Report thereon

Year ended March 31, 2025



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INDEPENDENT AUDITOR'S 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, 2025
- the statement of operations for the year then ended
- the statement of remeasurement gains and losses 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, 2025, 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 auditor's 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.

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 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.



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- 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 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 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada
June 19, 2025

HEALTH SCIENCES NORTH

Statement of Operations

Year ended March 31, 2025, with comparative information for 2024
(in thousands of dollars)

	2025	2024
Revenue:		
Ontario Health North East and Ministry of Health	\$ 457,694	\$ 410,611
Cancer Care Ontario	103,820	90,955
Specifically funded programs	59,288	57,311
Patient services	44,360	42,921
Other	67,687	59,865
Amortization - deferred capital contributions for equipment	3,120	3,539
	<u>735,969</u>	<u>665,202</u>
Expenses:		
Salaries and wages	310,863	282,768
Employee benefits	95,024	83,454
Medical staff remuneration	40,108	39,064
Supplies and other	102,205	97,566
Interest on long-term debt	2,969	1,384
Medical and surgical	48,653	44,679
Drugs	73,086	59,320
Specifically funded programs	59,271	57,554
Amortization - equipment	14,994	12,459
	<u>747,173</u>	<u>678,248</u>
Deficiency of revenue over expenses before undernoted item	(11,204)	(13,046)
Ministry of Health pandemic funding	1,310	2,998
Deficiency of revenue over expenses from Hospital operations	(9,894)	(10,048)
Amortization - buildings	(13,004)	(13,703)
Amortization - deferred capital contributions for buildings	11,622	10,474
Deficiency of revenue over expenses before undernoted items	(11,276)	(13,277)
Bill 124 funding for retroactive liabilities (note 6)	-	17,375
Bill 124 retroactive liabilities (note 6)	(27)	(4,446)
Deficiency of revenue over expenses	<u>\$ (11,303)</u>	<u>\$ (348)</u>

See accompanying notes to financial statements

HEALTH SCIENCES NORTH

Statement of Financial Position

March 31, 2025, with comparative information for 2024
(in thousands of dollars)

	2025	2024
Assets		
Current assets:		
Cash	\$ 61,181	\$ 93,712
Accounts receivable (note 2)	64,293	58,827
Inventories	10,592	11,459
Prepayments	13,881	8,572
	<u>149,947</u>	<u>172,570</u>
Long-term receivables	-	100
Capital assets (note 3)	409,015	406,056
	<u>\$ 558,962</u>	<u>\$ 578,726</u>
Liabilities and Net Debt		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 207,691	\$ 205,641
Bill 124 liabilities (note 6)	689	5,774
Current portion of long-term obligations (note 10)	4,000	3,520
	<u>212,380</u>	<u>214,935</u>
Asset retirement obligations (note 7)	7,920	7,719
Deferred contributions	331	356
Deferred capital contributions (note 8)	264,116	267,559
Employee post-retirement benefits (note 9)	34,371	33,870
Long-term obligations (note 10)	57,924	61,064
Interest rate exchange agreements (note 10)	877	-
	<u>577,919</u>	<u>585,503</u>
Net debt	(18,080)	(6,777)
Accumulated remeasurement gains (losses)	(877)	-
	<u>\$ 558,962</u>	<u>\$ 578,726</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, 2025, with comparative information for 2024
(in thousands of dollars)

	2025	2024
Net debt, beginning of year	\$ (6,777)	\$ (6,429)
Deficiency of revenue over expenses	(11,303)	(348)
Net debt, end of year	\$ (18,080)	\$ (6,777)

See accompanying notes to financial statements

HEALTH SCIENCES NORTH

Statement of Remeasurement Gains and Losses

Year ended March 31, 2025, with comparative information for 2024
(in thousands of dollars)

	2025	2024
Accumulated remeasurement gains, beginning of year	\$ -	\$ -
Unrealized losses attributed to interest rate exchange agreements	(877)	-
Accumulated remeasurement gains (losses), end of year	\$ (877)	\$ -

See accompanying notes to financial statements.

HEALTH SCIENCES NORTH

Statement of Cash Flows

Year ended March 31, 2025, with comparative information for 2024
(in thousands of dollars)

	2025	2024
Cash flows from operating activities:		
Deficiency of revenue over expenses	\$ (11,303)	\$ (348)
Adjustments for:		
Amortization of capital assets	27,998	26,162
Amortization of deferred capital contributions	(14,742)	(14,013)
Increase in employee post-retirement benefits	501	461
	2,454	12,262
Change in non-cash working capital (note 11)	(12,943)	46,501
	(10,489)	58,763
Cash flows from capital activities:		
Additions to capital assets:		
- equipment	(25,355)	(29,818)
- building	(5,410)	(10,376)
Proceeds on disposal of capital assets	9	7
Increase in deferred capital contributions	11,299	14,762
	(19,457)	(25,425)
Cash flows from financing activities:		
Decrease in long-term receivables	100	100
Decrease in deferred contributions	(25)	(25)
Decrease in long-term obligations	(2,660)	30,522
	(2,585)	30,597
Increase (decrease) in cash	(32,531)	63,935
Cash, beginning of year	93,712	29,777
Cash, end of year	\$ 61,181	\$ 93,712

See accompanying notes to financial statements

HEALTH SCIENCES NORTH

Notes to Financial Statements

Year ended March 31, 2025

(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 East ("OHNE"). 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 (continued)

Year ended March 31, 2025

(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.

Projects in progress are 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	7% - 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 (continued)

Year ended March 31, 2025

(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
Health Sciences North Volunteer Association
Sudbury Vascular Laboratory Ltd.
Health Sciences North Research Institute (“HSNRI”)
ONE Health Information Technology Services

The investments in the controlled for-profit entity, Sudbury Vascular Laboratory Ltd., and joint venture, ONE Health Information Technology Services, are 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 12.1 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 (continued)

Year ended March 31, 2025

(In thousands of dollars)

1. Significant accounting policies (continued):

(f) Use of estimates (continued):

In addition, the Hospital's implementation of *PS3280 Asset Retirement Obligations* has resulted in the requirement for management to make estimates regarding the useful lives of affected tangible capital assets and the expected retirement costs.

Actual results could differ from those estimates.

(g) Funding adjustments:

The Hospital receives grants from the OHNE, 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 OHNE, 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.

(l) 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 (continued)

Year ended March 31, 2025

(In thousands of dollars)

1. Significant accounting policies (continued):

(j) Asset retirement obligations:

The Hospital recognizes the fair value of an asset retirement obligation (“ARO”) when all of the following criteria have been met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

A liability for the removal of asbestos-containing materials in certain Hospital facilities has been recognized based on estimated future expenses. Actual remediation costs incurred are charged against the ARO to the extent of the liability recorded. Differences between the actual remediation costs incurred and the associated liability recorded within the consolidated financial statements are recognized in the Statement of Operations at the time of remediation.

2. Accounts receivable:

	2025	2024
OHNE and MOH	\$ 20,569	\$ 22,788
Patients	15,544	11,603
Hospitals and agencies	9,158	5,751
Canada Revenue Agency (HST)	5,929	3,988
CCO	6,086	8,040
Current portion of long-term receivables	100	100
Other	11,246	9,293
	68,632	61,563
Less: allowance for doubtful accounts	(4,339)	(2,736)
	\$ 64,293	\$ 58,827

HEALTH SCIENCES NORTH

Notes to Financial Statements (continued)

Year ended March 31, 2025

(In thousands of dollars)

3. Capital assets:

	2025		
	Cost	Accumulated Amortization	Net book Value
Property	\$ 3,767	\$ –	\$ 3,767
Buildings and site services	208,589	111,339	97,250
Furniture and equipment	218,971	159,849	59,122
Information technology	150,774	88,368	62,406
Assets under capital leases	5,133	5,133	–
Capital project - building	296,987	122,287	174,700
Capital project - equipment	53,446	53,417	29
Projects in progress	11,741	–	11,741
	\$ 949,408	\$ 540,393	\$ 409,015
	2024		
	Cost	Accumulated Amortization	Net book Value
Property	\$ 3,767	\$ –	\$ 3,767
Buildings and site services	204,771	105,858	98,913
Furniture and equipment	203,674	150,983	52,691
Information technology	105,880	83,133	22,747
Assets under capital leases	5,133	5,133	–
Capital project - building	296,987	114,917	182,070
Capital project - equipment	53,446	53,407	39
Projects in progress	45,829	–	45,829
	\$ 919,487	\$ 513,431	\$ 406,056

4. 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% (2024 - prime rate less 0.85%). At March 31, 2025, a total of \$Nil (2024 - \$Nil) has been drawn on the facilities.

HEALTH SCIENCES NORTH

Notes to Financial Statements (continued)

Year ended March 31, 2025

(In thousands of dollars)

5. Accounts payable and accrued liabilities:

	2025	2024
Accounts payable and accrued liabilities:		
- operating	\$ 63,152	\$ 70,835
- capital	1,881	2,327
- OHNE and MOH	69,432	51,631
- CCO	797	6,649
Payroll accruals:		
- salaries and wages	43,843	23,512
- vacation pay	22,156	24,641
- sick leave	65	65
Deferred revenue	6,365	25,981
	<u>\$ 207,691</u>	<u>\$ 205,641</u>

6. Bill 124:

On November 29, 2022, the Ontario Superior Court rendered a decision to declare the Protecting a Sustainable Public Sector for Future Generations Act, 2019, known as Bill 124, to be void and of no effect. This ruling has triggered reopener provisions that required renewed negotiations with certain labour groups on compensation for years that were previously capped by legislation.

The Hospital has adjusted liabilities accrued in the prior year based on subsequent settlement amounts and updates to management's estimate of potential settlement amounts.

Ongoing impacts of the reopener provisions are reflected in the Hospital's current wage rates and are included in the reported amount of salaries and wages.

The MOH has provided the Hospital with funding to offset the cost of the retroactive wage adjustments, as well as ongoing impacts up to March 31, 2025, for all groups other than ONA Paramedical – for which no funding has been received to date.

At March 31, 2025, the amount owing to former employees relating to Bill 124 increases was \$689 (2024 - \$5,774). No funding amounts were received in the current year relating to prior year liabilities (2024 - \$17,375).

HEALTH SCIENCES NORTH

Notes to Financial Statements (continued)

Year ended March 31, 2025

(In thousands of dollars)

7. Asset retirement obligations:

The Hospital has accrued for asset retirement obligations related to the legal requirement for the removal or remediation of asbestos-containing materials in certain facilities owned by the Hospital. The obligation is determined based on the estimated undiscounted cash flows that will be required in the future to remove or remediate the asbestos containing material in accordance with current legislation.

The change in the estimated obligation during the year consists of the following:

	2025	2024
Balance, beginning of year	\$ 7,719	\$ 6,529
Plus: accretion expense	201	1,190
Balance, end of year	\$ 7,920	\$ 7,719

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:

	2025	2024
Balance, beginning of year	\$ 267,559	\$ 266,810
Additional contributions		
Equipment and buildings:		
OHNE and MOH	4,945	9,331
CCO	4,354	2,577
Northern Cancer Foundation	623	16
Health Sciences North Foundation	1,074	2,482
NEO Kids Foundation	296	195
Other	21	140
	11,313	14,741
Capital expansion project:		
City of Greater Sudbury	(14)	21
	11,299	14,762
Less: amounts amortized to revenue	(14,742)	(14,013)
Balance, end of year	\$ 264,116	\$ 267,559

HEALTH SCIENCES NORTH

Notes to Financial Statements (continued)

Year ended March 31, 2025

(In thousands of dollars)

8. Deferred capital contributions (continued):

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

	2025	2024
Unamortized	\$ 261,379	\$ 265,521
Unspent:		
Building	1,059	1,625
Equipment	1,678	413
	2,737	2,038
	\$ 264,116	\$ 267,559

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, 2025. The next full valuation of the plan will be as of March 31, 2028.

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

	2025	2024
Accrued benefit obligation, beginning of year	\$ 33,870	\$ 33,409
Add: benefit costs	2,937	2,598
	36,807	36,007
Less: benefit contributions	(2,436)	(2,137)
Accrued benefit obligation, end of year	\$ 34,371	\$ 33,870

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.

HEALTH SCIENCES NORTH

Notes to Financial Statements (continued)

Year ended March 31, 2025

(In thousands of dollars)

9. Employee post-retirement benefits (continued):

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

	2025	2024
Discount rate	4.25%	4.65%
Dental care cost trend rate	5.58%	5.36%
Initial health care cost trend rate	5.12%	4.91%
Health care cost trend rate declining to	5.12%	4.91%

10. Long-term obligations:

	2025	2024
Long-term debt	\$ 61,924	\$ 64,584
Less: current portion	(4,000)	(3,520)
	\$ 57,924	\$ 61,064

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 blended monthly payments of \$0.064 over 20 years. This facility is a consolidation of various facilities drawn on in prior years. As at March 31, 2025, \$10,485 (2024 - \$11,257) 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 2.19% and is being repaid in blended monthly payments of \$0.052 over 20 years. As at March 31, 2025, a total of \$7,130 (2024 - \$7,596) is drawn on this facility.
- (iii) Demand revolving loan to \$11,700 to finance the Human Capital Management Solution project. The loan bears interest at a rate of 4.05% and is being repaid in blended monthly payments of \$0.119 over 10 years. As at March 31, 2025, a total of \$9,723 (2024 - \$10,731) is drawn on this facility.
- (iv) Demand revolving loan to \$35,000 to finance the Electronic Medical Records project. The loan bears interest at a rate of 4.42% and is being repaid in blended monthly payments of \$0.266 over 15 years. As at March 31, 2025, a total of \$34,586 (2024 - \$35,000) is drawn on this facility.

HEALTH SCIENCES NORTH

Notes to Financial Statements (continued)

Year ended March 31, 2025

(In thousands of dollars)

10. Long-term obligations (continued):

The Hospital has entered into interest rate derivative agreements to manage the volatility of interest rates associated with certain of its demand loans. The Hospital has converted floating rate debt for fixed rate debt. The fair value of the interest rate swaps is net liability position of \$877. The related derivative agreements are in place until the maturity of the debt.

Principal repayments of long-term debt are as follows:

2026	\$	4,000
2027		4,130
2028		4,266
2029		4,408
2030		4,556
Thereafter		40,564
	\$	61,924

11. Change in non-cash working capital:

	2025	2024
Accounts receivable	\$ (5,466)	\$ 9,401
Inventories	867	(289)
Prepayments	(5,309)	702
Accounts payable and accrued liabilities	2,050	47,696
Bill 124 liabilities	(5,085)	(11,009)
	\$ (12,943)	\$ 46,501

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 \$27,321 (2024 - \$24,750) and are included in employee benefits in the statement of operations.

HEALTH SCIENCES NORTH

Notes to Financial Statements (continued)

Year ended March 31, 2025

(In thousands of dollars)

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) Health Sciences North Foundation:

The Hospital has an economic interest in the Health Sciences North Foundation (the "Foundation"). The Foundation was created for the purpose of collecting, accumulating and distributing funds for the benefit of the Hospital and Health Sciences North Research Institute.

On October 1, 2024, the Foundation amalgamated with NEO Kids Foundation, a charitable foundation whose primary purpose is to collect, accumulate and distribute funds on behalf of the NEO Kids and Family Program at Health Sciences North, and Northern Cancer Foundation, a charitable foundation whose primary purpose is to collect, accumulate and distribute funds for the benefit of cancer-related programs in Northeastern Ontario.

The primary purpose of the amalgamation is to consolidate and streamline the operations of the three combining entities to better serve the needs of the Hospital, Health Sciences North Research Institute, and the residents of the City of Greater Sudbury and of Northeastern Ontario as a whole.

At March 31, 2025, the amount owing to the Hospital from the Foundation was \$1,044 (2024 - \$850). During the year, the Hospital received donations amounting to \$2,220 (2024 - \$3,665) from the Foundation.

(b) Health Sciences North Volunteer Association:

The Hospital has an economic interest in the Health Sciences North Volunteer Association (the "Association"). The Association was established 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, 2025, the amount owing to the Hospital from the Association was \$Nil (2024 - \$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, 2025, Sudbury Vascular Laboratory Ltd. had total amounts owing to the Hospital of \$399 (2024 - \$416).

Financial information for 2025 was not available at the time of the audit report date.

HEALTH SCIENCES NORTH

Notes to Financial Statements (continued)

Year ended March 31, 2025

(In thousands of dollars)

13. Other entities (continued):

(c) Sudbury Vascular Laboratory Ltd.:

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

	2024	2023 (restated)
Financial position:		
Total assets	\$ 1,339	\$ 1,183
Total liabilities	\$ 649	\$ 516
Net assets	690	667
	\$ 1,339	\$ 1,183
Results of operations:		
Total revenue	\$ 1,926	\$ 1,969
Total expenses	1,903	1,820
Excess of revenue over expenses	\$ 23	\$ 149
Cash flows:		
Cash from operations	\$ 408	\$ 75
Cash from financing and investing activities	(126)	2
Increase in cash	\$ 282	\$ 77

(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, 2025, the Hospital had total amounts owing to HSNRI of \$1,834 (2024 - \$824).

(e) ONE Health Information Technology Services:

ONE Health Information Technology Services (ONE HITS) is a shared service organization established for the purposes of providing technology, information systems and related capital implementation and support services to participating hospitals in Northeastern Ontario on a full cost recovery basis. HSN has significant influence over ONE HITS, with a 33.59% proportionate share of voting rights and financing requirements. Included in the Hospital's reported balance of accounts receivable and accounts payable at March 31, 2025 are amounts owing from/to ONE HITS of \$391 (2024 - \$1,960) and \$2,584 (2024 - \$1,523), respectively.

HEALTH SCIENCES NORTH

Notes to Financial Statements (continued)

Year ended March 31, 2025

(In thousands of dollars)

13. Other entities (continued):

(e) ONE Health Information Technology Services (continued):

Financial information for ONE HITS was not available as at the date of these financial statements. A summary of the most recently available pertinent financial information of ONE HITS is as follows:

	2024	2023
Financial position:		
Total assets	\$ 15,650	\$ 16,578
Total liabilities	\$ 15,650	\$ 16,578
Net assets	–	–
	\$ 15,650	\$ 16,578
Results of operations:		
Total revenue	\$ 4,037	\$ 2,120
Total expenses	4,037	2,120
Excess of revenue over expenses	\$ –	\$ –
	2024	2023
Cash flows:		
Cash from operations	\$ 2,028	\$ 1,649
Cash from financing and investing activities	(1,178)	(588)
Increase in cash	\$ 850	\$ 1,061

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. Where known, reasonable estimates have been accrued in the year in which the matter is identified. Further losses, 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.

HEALTH SCIENCES NORTH

Notes to Financial Statements (continued)

Year ended March 31, 2025

(In thousands of dollars)

15. Financial risks and concentration of credit risk:

(a) Future operations:

Hospital has reported financial deficits in each of the last three years, including the current year. As a result of these losses, the Hospital has incurred a reduction in its working capital and net asset position, with the Hospital reporting negative working capital and a net debt position at March 31, 2025.

Management has identified a number of factors that have contributed to its recurring operating losses, including but not limited to the impact of recent wage settlements, operating and debt servicing costs associated with investments in information technology, inflationary pressures and financial pressures resulting from patient volumes and acuity at levels that exceed the rate of increase in funding. This persistent pattern will result in the Hospital's budget for the year ending March 31, 2026 reflecting a forecasted financial loss and anticipated reduction of current financing capacity.

The Hospital continues to identify and consider opportunities to address these financial challenges. In the short-term, the Hospital has indicated its intention to rely on temporary financing through its existing credit facilities, along with cost savings resulting from efficiency measures.

As a result of its ongoing financial deficits, the Hospital has an increased level of reliance on the Ministry of Health and Ontario Health to assist in meeting its operating and capital requirements at current levels.

(b) 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, 2025 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, 2025 is the carrying value of these assets.

There have been no significant changes to the credit risk exposure from 2024.

HEALTH SCIENCES NORTH

Notes to Financial Statements (continued)

Year ended March 31, 2025

(In thousands of dollars)

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

(c) 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 2024, however the Hospital is forecasting liquidity risk in 2026, due to a forecasted financial loss and anticipated reduction of current financing capacity.

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.