

# Health Sciences North 2026 Annual Meeting

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Financial Report from the Treasurer  
**Michel Paulin**

My name is Michel Paulin, and as Treasurer of the Board and Chair of the Board's Finance Committee. It is my duty to present the financial report for Health Sciences North for the fiscal year ended March 31, 2026, and to summarize the results of the external audit completed by KPMG.

You will find a copy of the Audited 2025-26 Financial Statements on our website.

KPMG expressed an unqualified or "clean" audit opinion, representing the highest level of assurance under Canadian Auditing Standards.

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

The financial statements are final, having been approved by the Board on June 2<sup>nd</sup>.

I will limit my comments to the Statement of Operations and to the Statement of Financial Position. Comparisons are with last fiscal year results.

With regard to the Statement of Operations:

- Total revenues for hospital operations amounted to \$793.3 million, an increase of \$57.4 million or 7.8%,
- Ontario Health North East and Ministry of Health revenues increased by \$38.1 million, or 8.3%. This increase primarily reflects additional stability funding, including \$14.0 million in base stability funding and \$16.0 million in one-time stability funding, as well as increases for Quality Based Procedures and priority programs.
- Cancer Care Ontario funding increased by \$6.3 million or 6.0% primarily due to increased New Drug Funding Program (NDFP) revenue and Quality Based Procedures.
- Total expenses for Hospital operations amounted to \$785.3 million, an increase of \$38.1 million, or 5.1%.
- Personnel costs, including salaries, wages and employee benefits, increased from \$405.9 million to \$418.0 million, an increase of \$12.1 million, or 3.0%. This reflects a 1.5% increase in hours worked, to 7.154 million hours, as well as the impact of wage settlements and other rate-related increases.
- Medical staff remuneration increased by \$3.1 million, consistent with increases in OHIP professional fees and Hospital-on-call Funding.
- Drug costs increased by \$4.8 million or 6.5% funded in part through increased funding under New Drug Funding Program.

- Ontario Health requires hospitals not to have a deficiency of revenue over expenses from Hospital operations, before net building depreciation. This is the line that hospitals are required to balance.
- On this measure, HSN completed the 2025-26 fiscal year with an excess of revenue over expenses from Hospital operations of \$8.1 million.
- After net building depreciation, HSN reported an overall excess of revenue over expenses of \$6.1 million for the year.

With regard to the Statement of Financial Position:

- The cash balance increased by \$37.8 million, from \$61.2 million to \$99.0 million. This increase reflects a cash-adjusted operating surplus, positive working capital changes, capital additions funded in part by capital donations and grants, new debt financing for capital expenditures, and scheduled repayments of long-term debt.
- Accounts receivable decreased by \$5.5 million, reflecting a lower receivable from the Ministry, lower HST receivable, and an increased allowance for doubtful accounts, partially offset by higher receivables from Cancer Care Ontario, patients, and other hospitals.
- Capital assets decreased by \$9.6 million. During the year, HSN invested \$23.5 million in capital additions. This was offset by \$33.4 million in amortization expense.
- Accounts payable and accrued liabilities increased by \$6.7 million. This increase primarily reflects higher payroll-related accruals and deferred revenue, partially offset by lower trade and capital payables and a lower Ministry payable at year-end.
- Deferred capital contributions decreased by \$2.4 million, reflecting \$12.3 million of contributions received, offset by \$14.7 million recognized as revenue.
- Long-term obligations, including the current portion, increased by \$10.6 million, from \$61.9 million to \$72.5 million. This reflects \$15.0 million of new debt issued for capital expenditures, offset by \$4.4 million in principal repayments.
- Interest rate exchange agreements represent the fair market value of swap agreements on long-term debt. At year-end, these agreements were in a net asset position.

Beyond the audited financial statements, the Finance Committee and the Board continue to review HSN's financial position through historical trend analysis and key financial indicators.



These reviews remain an important part of the Board's oversight of long-term financial sustainability.

At March 31, 2026, HSN's cash position improved to \$99.0 million and net debt improved to \$12.0 million. However, HSN continues to report negative working capital and long-term obligations of \$72.5 million, reflecting the ongoing need to balance operating sustainability, liquidity, and capital investment requirements.

While HSN reported an accounting surplus in 2025-26, this result was supported by significant stability funding, including one-time funding. The Hospital continues to face financial pressures related to wage settlements, inflationary pressures, debt servicing costs associated with information technology investments, patient volumes and acuity, and future capital requirements.

HSN continues to work with the Ministry of Health and Ontario Health through the Hospital Sector Stabilization Plan process, a multi-year sector planning process focused on financial stewardship, system improvement, and long-term financial sustainability.

On behalf of the Board, I would like to acknowledge KPMG, management, the Finance and Audit Committees, and the Finance team for their work in completing the annual audit and supporting the Board's financial oversight responsibilities.

This concludes the financial report for the 2025-26 fiscal year.