

Financial Statements of



Health Sciences North
Horizon Santé-Nord

And Independent Auditor's Report thereon

Year ended March 31, 2024



KPMG LLP
Times Square
1760 Regent Street, Unit 4
Sudbury, ON P3E 3Z8
Canada
Telephone 705 675 8500
Fax 705 675 7586

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, 2024
- 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, 2024, 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance 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 6, 2024

HEALTH SCIENCES NORTH

Statement of Operations

Year ended March 31, 2024, with comparative information for 2023
(in thousands of dollars)

	2024	2023
Revenue:		
Ontario Health North East and Ministry of Health	\$ 410,611	\$ 337,248
Cancer Care Ontario	90,955	83,397
Specifically funded programs	57,311	54,108
Patient services	42,921	36,667
Other	59,865	57,056
Amortization - deferred capital contributions for equipment	3,539	3,759
	<u>665,202</u>	<u>572,235</u>
Expenses:		
Salaries and wages	282,768	249,390
Employee benefits	83,454	81,374
Medical staff remuneration	39,064	36,726
Supplies and other	97,566	83,801
Interest on long-term debt	1,384	1,017
Medical and surgical	44,679	42,151
Drugs	59,320	55,651
Specifically funded programs	57,554	54,137
Amortization - equipment	12,459	12,362
	<u>678,248</u>	<u>616,609</u>
Deficiency of revenue over expenses before undernoted item	(13,046)	(44,374)
Ministry of Health pandemic funding (note 18)	2,998	48,899
Excess (deficiency) of revenue over expenses from Hospital operations	(10,048)	4,525
Amortization - buildings	(13,703)	(12,243)
Amortization - deferred capital contributions for buildings	10,474	10,416
Excess (deficiency) of revenue over expenses before undernoted items	(13,277)	2,698
Bill 124 funding for retroactive liabilities (note 7)	17,375	-
Bill 124 retroactive liabilities (note 7)	(4,446)	(16,783)
Deficiency of revenue over expenses	<u>\$ (348)</u>	<u>\$ (14,085)</u>

See accompanying notes to financial statements

HEALTH SCIENCES NORTH


Statement of Financial Position

March 31, 2024, with comparative information for 2023
(in thousands of dollars)

	2024	2023
Assets		
Current assets:		
Cash	\$ 93,712	\$ 29,777
Accounts receivable (note 3)	58,827	68,228
Inventories	11,459	11,170
Prepayments	8,572	9,274
	<u>172,570</u>	<u>118,449</u>
Long-term receivables	100	200
Capital assets (note 4)	406,056	390,841
	<u>\$ 578,726</u>	<u>\$ 509,490</u>
Liabilities and Net Debt		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 205,641	\$ 157,945
Bill 124 liabilities (note 7)	5,774	16,783
Current portion of long-term obligations (note 11)	3,520	2,196
	<u>214,935</u>	<u>176,924</u>
Asset retirement obligations (note 8)	7,719	6,529
Deferred contributions	356	381
Deferred capital contributions (note 9)	267,559	266,810
Employee post-retirement benefits (note 10)	33,870	33,409
Long-term obligations (note 11)	61,064	31,866
	<u>585,503</u>	<u>515,919</u>
Net debt	(6,777)	(6,429)
	<u>\$ 578,726</u>	<u>\$ 509,490</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, 2024, with comparative information for 2023
(in thousands of dollars)

	2024	2023
Net assets (debt), beginning of year	\$ (6,429)	\$ 7,656
Deficiency of revenue over expenses	(348)	(14,085)
Net debt, end of year	\$ (6,777)	\$ (6,429)

See accompanying notes to financial statements

HEALTH SCIENCES NORTH

Statement of Cash Flows

Year ended March 31, 2024, with comparative information for 2023
(in thousands of dollars)

	2024	2023
Cash flows from operating activities:		
Deficiency of revenue over expenses	\$ (348)	\$ (14,085)
Adjustments for:		
Amortization of capital assets	26,162	24,605
Amortization of deferred capital contributions	(14,013)	(14,175)
Increase in employee post-retirement benefits	461	856
Increase in asset retirement obligation	1,190	-
	13,452	(2,799)
Change in non-cash working capital (note 12)	46,501	18,553
	59,953	15,754
Cash flows from capital activities:		
Additions to capital assets:		
- equipment	(29,811)	(42,581)
- building	(11,566)	(3,445)
Increase in deferred capital contributions	14,762	7,491
	(26,615)	(38,535)
Cash flows from financing activities:		
Decrease in long-term receivables	100	568
Decrease in deferred contributions	(25)	(15)
Increase in long-term obligations	30,522	8,606
	30,597	9,159
Increase (decrease) in cash	63,935	(13,622)
Cash, beginning of year	29,777	43,399
Cash, end of year	\$ 93,712	\$ 29,777

See accompanying notes to financial statements

HEALTH SCIENCES NORTH

Notes to Financial Statements

Year ended March 31, 2024

(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, 2024

(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 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	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, 2024

(In thousands of dollars)

1. Significant accounting policies (continued):

(d) Related entities:

The notes to financial statements include information of the following entities (note 14):

- 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
- 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 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 (continued)

Year ended March 31, 2024

(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, 2024

(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 occurs.

2. Change in accounting policies:

On April 1, 2023, the Hospital adopted Public Accounting Standard PS 3400 – *Revenue*. The new accounting standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement. As at March 31, 2024 the Hospital determined that the adoption of this new standard did not have an impact on the amounts presented in the financial statements.

3. Accounts receivable:

	2024	2023
OHNE and MOH	\$ 22,788	\$ 24,689
Patients	11,603	10,547
Hospitals and agencies	5,751	3,677
Canada Revenue Agency (HST)	3,988	3,829
CCO	8,040	7,786
Current portion of long-term receivables	100	879
Other	9,293	19,557
	61,563	70,964
Less: allowance for doubtful accounts	(2,736)	(2,736)
	\$ 58,827	\$ 68,228

HEALTH SCIENCES NORTH

Notes to Financial Statements (continued)

Year ended March 31, 2024

(In thousands of dollars)

4. Capital assets:

	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

	2023		
	Cost	Accumulated Amortization	Net book Value
Property	\$ 3,767	\$ –	\$ 3,767
Buildings and site services	188,228	100,667	87,561
Furniture and equipment	183,357	142,630	40,727
Information technology	103,982	79,186	24,796
Assets under capital leases	5,133	5,133	–
Capital project - building	296,987	107,545	189,442
Capital project - equipment	53,446	53,383	63
Projects in progress	44,485	–	44,485
	\$ 879,385	\$ 488,544	\$ 390,841

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% (2023 - prime rate less 0.85%).

HEALTH SCIENCES NORTH

Notes to Financial Statements (continued)

Year ended March 31, 2024

(In thousands of dollars)

6. Accounts payable and accrued liabilities:

	2024	2023
Accounts payable and accrued liabilities:		
- operating	\$ 70,835	\$ 47,114
- capital	2,327	2,217
- OHNE and MOH	51,631	33,820
- CCO	6,649	3,472
Payroll accruals:		
- salaries and wages	23,512	18,687
- vacation pay	24,641	22,611
- sick leave	65	85
Deferred revenue	25,981	29,939
	<u>\$ 205,641</u>	<u>\$ 157,945</u>

7. 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 a portion of the cost of the retroactive wage adjustments, as well as ongoing impacts up to March 31, 2024.

HEALTH SCIENCES NORTH

Notes to Financial Statements (continued)

Year ended March 31, 2024

(In thousands of dollars)

8. 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:

	2024	2023
Balance, beginning of year	\$ 6,529	\$ 6,529
Plus: accretion expense	1,190	–
Less: obligations settled during the year	–	–
Balance, end of year	\$ 7,719	\$ 6,529

9. 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:

	2024	2023
Balance, beginning of year	\$ 266,810	\$ 273,494
Additional contributions		
Equipment and buildings:		
OHNE and MOH	9,331	3,113
CCO	2,577	2,632
Northern Cancer Foundation	16	655
Health Sciences North Foundation	2,482	775
NEO Kids Foundation	195	268
Other	140	(22)
	14,741	7,421
Capital expansion project:		
City of Greater Sudbury	21	31
	14,762	7,452
Less: amounts amortized to revenue	(14,013)	(14,136)
Balance, end of year	\$ 267,559	\$ 266,810

HEALTH SCIENCES NORTH

Notes to Financial Statements (continued)

Year ended March 31, 2024

(In thousands of dollars)

9. Deferred capital contributions (continued):

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

	2024	2023
Unamortized	\$ 265,521	\$ 263,855
Unspent:		
Building	1,625	2,773
Equipment	413	182
	2,038	2,955
	\$ 267,559	\$ 266,810

10. 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:

	2024	2023
Accrued benefit obligation, beginning of year	\$ 33,409	\$ 32,553
Add: benefit costs	2,598	2,530
	36,007	35,083
Less: benefit contributions	(2,137)	(1,674)
Accrued benefit obligation, end of year	\$ 33,870	\$ 33,409

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, 2024

(In thousands of dollars)

10. Employee post-retirement benefits (continued):

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

	2024	2023
Discount rate	4.65%	4.50%
Dental care cost trend rate	5.36%	5.14%
Initial health care cost trend rate	4.91%	4.69%
Health care cost trend rate declining to	4.91%	4.69%

11. Long-term obligations:

	2024	2023
Long-term debt	\$ 64,584	\$ 34,062
Less: current portion	(3,520)	(2,196)
	\$ 61,064	\$ 31,866

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, 2024, \$11,257 (2023 - \$12,029) 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, 2024, a total of \$7,596 (2023 - \$8,051) is drawn on the facility.
- (iii) Demand revolving loan to \$11,700 to finance the Human Capital Management Solution project. The loan bears interest at a rate 4.05% and is being repaid in blended monthly payments of \$0.119 over 10 years. As at March 31, 2024, a total of \$10,731 (2023 - \$11,700) 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, 2024, a total of \$35,000 (2023 - \$2,282) is drawn on the facility.

HEALTH SCIENCES NORTH

Notes to Financial Statements (continued)

Year ended March 31, 2024

(In thousands of dollars)

11. Long-term obligations (continued):

Principal repayments of long-term debt are as follows:

2025	\$	3,520
2026		4,970
2027		5,199
2028		5,441
2029		5,697
Thereafter		39,757
		<hr/>
	\$	64,584

12. Change in non-cash working capital:

	2024	2023
Accounts receivable	\$ 9,401	\$ (10,315)
Inventories	(289)	(544)
Prepayments	702	2,931
Accounts payable and accrued liabilities	47,696	9,698
Bill 124 liabilities	(11,009)	16,783
	<hr/>	<hr/>
	\$ 46,501	\$ 18,553

13. 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 \$24,712 (2023 - \$21,744) and are included in employee benefits in the statement of operations.

HEALTH SCIENCES NORTH

Notes to Financial Statements (continued)

Year ended March 31, 2024

(In thousands of dollars)

14. 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, 2024, the amount owing to the Hospital from the Foundation was \$369 (2023 - \$322). During the year, the Hospital received donations amounting to \$2,919 (2023 - \$1,620) 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, 2024, the amount owing to the Hospital from the Foundation was \$250 (2023 - \$1,264). During the year, the Hospital received donations amounting to \$267 (2023 - \$1,040) 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, 2024, the amount owing to the Hospital from the Association was \$Nil (2023 - \$Nil).

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, 2024, the amount owing to the Hospital from the Foundation was \$231 (2023 - \$186). During the year, the Hospital received donations amounting to \$479 (2023 - \$433) 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, 2024, Sudbury Vascular Laboratory Ltd. had total amounts owing to the Hospital of \$416 (2023 - \$133).

Financial information for 2024 was not available at the time of the audit report date.

HEALTH SCIENCES NORTH

Notes to Financial Statements (continued)

Year ended March 31, 2024

(In thousands of dollars)

14. Other entities (continued):

(b) Sudbury Vascular Laboratory Ltd.:

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

	2023	2022
Financial position:		
Total assets	\$ 1,175	\$ 1,115
Total liabilities	\$ 445	\$ 534
Net assets	730	581
	\$ 1,175	\$ 1,115
Results of operations:		
Total revenue	\$ 1,969	\$ 1,983
Total expenses	1,820	1,917
Excess of revenue over expenses	\$ 149	\$ 66
Cash flows:		
Cash from operations	\$ 75	\$ 231
Cash from financing and investing activities	2	(538)
Increase (decrease) in cash	\$ 77	\$ (307)

(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, 2023, the Hospital had total amounts owing to HSNRI of \$824 (2023 - \$172).

(d) 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, 2024 are amounts owing from/to ONE HITS of \$1,960 (2023 - \$6,144) and \$1,523 (2023 - \$255), respectively.

HEALTH SCIENCES NORTH

Notes to Financial Statements (continued)

Year ended March 31, 2024

(In thousands of dollars)

14. Other entities (continued):

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

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

15. 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.

HEALTH SCIENCES NORTH

Notes to Financial Statements (continued)

Year ended March 31, 2024

(In thousands of dollars)

16. 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, 2024 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, 2024 is the carrying value of these assets.

There have been no significant changes to the credit risk exposure from 2023.

(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 2023.

17. 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.

18. Ministry of Health pandemic funding:

In connection with the coronavirus pandemic ("COVID-19"), the MOH had 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 had permitted hospitals to redirect unused funding from certain programs towards budgetary pressures through a broad-based funding reconciliation. These funding programs have been discontinued in the current fiscal year.

Remaining pandemic funding is associated with ongoing laboratory and assessment centre activities, and continued funding to support health human resources. Previous pandemic funding relating to additional capacity bed funding has transitioned to operational base or one-time Ministry funding in the current fiscal year.

HEALTH SCIENCES NORTH

Notes to Financial Statements (continued)

Year ended March 31, 2024

(In thousands of dollars)

18. Ministry of Health pandemic funding (continued):

In previous fiscal years, Management had 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 had determined a range of reasonably possible amounts that were 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 expenses and funding, the Hospital had 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.

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

	2024	2023
COVID-19 laboratory funding	\$ 2,104	\$ 4,467
COVID-19 assessment centre funding	856	1,848
Pandemic pay funding	38	3,124
Funding for incremental COVID-19 operating expenses	–	2,272
COVID-19 Prevention & Containment funding	–	1,910
Additional capacity bed funding	–	25,063
Other pandemic funding	–	4,418
Broad-based funding reconciliation for other eligible costs and revenue losses	–	9,078
	2,998	52,180
Less: provision for Ministry adjustments	–	(3,281)
	\$ 2,998	\$ 48,899

In addition to the above, the Hospital has also recognized \$nil (2023 - \$38) in MOH funding for COVID-19 related capital expenditures, which has been recorded as an addition to deferred capital contributions during the year.