

2020-21 Annual General Meeting Treasurer's Report June 23, 2021

I am pleased to present the Treasurer's Report for Southlake Regional Health Centre's Board of Directors.

The last fiscal year was an extremely challenging one for the hospital. The COVID-19 pandemic caused significant disruption to hospital volumes, revenues, expenses and cash-flows that caused great fiscal uncertainty throughout the entire year.

The uncertainty caused by the pandemic exacerbated the structural operating and working capital deficits that the hospital carried into the year. As a result of these deficits and despite the demands of the pandemic, the hospital planned several operational changes during the first half of our fiscal year that were announced in September, including transitioning to more team-based staffing models. This approach better supports both patients and staff while also helping to partially address the ongoing financial challenges.

The hospital sector is extremely grateful to the Ministry of Health for the financial support provided throughout the pandemic, including reimbursement of incremental COVID expenses, lost non-Ministry revenues, and incremental capital equipment purchased to support the pandemic response. At Southlake, we were also fortunate to receive a combination of base and one-time operating funding and working capital support to assist with the ongoing financial challenges that pre-date and are unrelated to COVID.

As a result of these additional supports and our efforts described above, I am pleased to report that the hospital has met its financial obligations under the Hospital Service Accountability Agreement, finishing the year with a surplus of revenue over expenses of \$29.4 million. This includes \$18.5 million of one-time working capital funding from the Ministry of Health, intended to help address working capital deficits accumulated in previous years. While this result is a positive step in addressing the structural financial challenges of the hospital, it was achieved largely off of one-time supports received in March 2021 and therefore does not represent a permanent solution. At this time, the Hospital is forecasting a deficit position for fiscal 2022. Navigating the pressures of COVID, the expected increasing demand for services as well as replacement of critical hospital infrastructure will continue to place significant pressures on the physical and financial capacity of the organization. As we head in to 2021/22, the hospital continues to work with the Ministry while also reviewing and implementing operational improvements with the goal of eliminating the structural deficit.

While the progress on vaccination rates and COVID case counts is positive as we speak, we also recognize that the hospital and the broader health system face significant pressures to address increased wait-times caused by delays to treatments and surgeries during the pandemic, as well

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as expected challenges with health human resources as staff recover from an unprecedented year. These will be coupled with increased future demands for specialty staff as the health system tries to catch up for lost time. The Board is acutely aware of the financial, quality, and people impacts that will need to be carefully managed and monitored as we transition out of the pandemic.

Your package includes copies of the audited financial statements for the year ending March 31, 2021. I would like to express thanks to our auditors, Deloitte LLP, and members of the Southlake Audit Committee and Finance and Property Committee for their services and feedback. I commend the Southlake Finance team who consistently prepared monthly financial information required by the Board throughout the year, and provided much additional information and context for the many financial challenges and uncertainties that arose throughout the year.

The Board of Directors acknowledges the support of the Ministry of Health and the Central Region of Ontario Health, and our regional and municipal government partners for their support over the last 12 months. I would also like to give a special mention to the Southlake Foundation and the many generous people from our community who immediately stepped up to support a COVID-19 Action Fund at the onset of the pandemic, allowing the hospital to quickly purchase necessary equipment and to support staff wellness initiatives throughout this difficult time. Thank you.

Respectfully submitted,



Steve Hills