



TO: Chair and Members of the Finance & Facilities Committee

FROM: Emily Williams, Chief Executive Officer

DATE: 2022 July 7

2021 DRAFT FINANCIAL STATEMENTS

Recommendation

It is recommended that the Finance & Facilities Committee recommend to the Board of Health to review and approve the audited Financial Statements for the Middlesex-London Health Unit for the year ending December 31, 2021.

Key Points

- The reports of the Financial Statements ([Appendix A](#)) and Independent Auditors' Report ([Appendix B](#)) for the twelve months ending December 31, 2021 are attached.
- Preparation of the financial statements is the responsibility of MHLU's management. The financial statements have been prepared in compliance with legislation and with Canadian Public Sector Accounting Standards (PSAS).
- A summary of significant accounting policies is provided in note 1 to the financial statements.

Financial Overview

This report provides an overview of the financial information found in both the Statement of Financial Position and the Statement of Operations and Accumulated Surplus. The Statement of Financial Position can be found on page 5 of the draft financial statements ([Appendix A](#)). As at December 31, 2021, the Health Unit has approximately \$13.7 million in cash and near-cash financial assets to offset its \$13.9 million in short-term financial liabilities, \$4.0 million of bank indebtedness and \$3.0 million in long-term liabilities.

As of this date, these financial liabilities of \$20.9 million include the following:

Short-Term Liabilities (often paid during the next operating year):

- 1) \$4.4 million in amounts owing to the Province of Ontario
- 2) \$3.9 million in unpaid accounts payable and accrued liabilities
- 3) \$2.9 million in deferred revenue
- 4) \$2.7 million in accrued wages and benefits

Bank Indebtedness

- 5) \$4.0 million in demand instalment loan

Long-Term Liabilities (often extending past the next operating year):

- 6) \$3.0 million in employee future benefits liability

With regard to the \$3.0 million in employee future benefits liability, this is the estimated current amount required to fund all future costs associated with providing post-retirement benefits. This liability is currently unfunded; however, each year an estimated amount required for the current year is appropriated from surplus. Detail related to this liability is outlined in note 2 on page 12.

The Non-Financial Assets, which total \$7.7 million, include the net book value of the Health Unit's tangible capital assets, such as leasehold improvements, computer systems, and prepaid expenses. Note 6 on page 15 outlines a schedule of changes to the tangible capital assets during the year.

The last amount listed on the Statement of Financial Position is the Health Unit's accumulated surplus. This represents the net financial and physical resources available to provide future services. The details of what items make up this balance can be found in the draft financial statements on page 17, note 9.

The Statement of Operations and Accumulated Surplus, which details the Health Unit's revenues and expenditures for 2021, is found on page 6 of the financial statements. Total revenue of \$61.4 million is comprised of \$60.7 million (98.9%) in grant revenue from four sources: the Province of Ontario (\$53.1 million or 87.4% of grant revenue, the Government of Canada (\$0.4 million or 0.6%), the Corporation of the City of London (\$6.1 million or 10.0%) and the Corporation of the County of Middlesex (\$1.2 million or 2.0%). The remaining \$0.7 million (1.1% of total revenue) comes from program revenue and other off-set revenues.

The revenues provide for expenditures of \$61.7 million. The majority of the expenditures are salaries and benefits, which total \$48.6 million (78.8%). The remaining \$13.1 million (21.2%) consists of professional services (6.6%), rent and maintenance (4.7%), materials and supplies (6.3%), charge for amortization of tangible capital assets (1.3%), travel (0.5%) and other expenses (1.8%).

Audit Findings Report

KPMG's Independent Auditors' Report is included as [Appendix B](#). A common practice in presenting the report is for the Auditor Team to meet in private with Committee members, excluding all MLHU staff.

Ms. Katie DenBok, Partner and Ms. Melissa Redden, Senior Manager, KPMG LLP, will be present at the July 7th Finance & Facilities Committee meeting to address any questions regarding this report.

This report was prepared by the Finance Team, Healthy Organization Division.



Emily Williams, BScN, RN, MBA, CHE
Chief Executive Officer