



TO: Chair and Members of the Finance & Facilities Committee

FROM: Christopher Mackie, Medical Officer of Health / CEO

DATE: 2020 July 2

2019 DRAFT FINANCIAL STATEMENTS

Recommendation

It is recommended that the Finance & Facilities Committee recommend that the Board of Health review and approve the audited Financial Statements for the Middlesex-London Health Unit, December 31, 2019, as appended to Report No. 015-20FFC.

Key Points

- The draft financial statements for the Middlesex-London Health Unit relating to the operating period January 1 to December 31, 2019, are attached as ([Appendix A](#)).
- Preparation of the financial statements is the responsibility of MHLU's management. The financial statements have been prepared in compliance with legislation and in accordance with Canadian public sector accounting standards.
- A summary of significant accounting policies is provided in Note 1, page 8 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 4 of the draft financial statements ([Appendix A](#)). As at December 31, 2019, the Health Unit has approximately \$3.0 million in cash and near-cash financial assets to offset its \$3.4 million in short-term financial liabilities, \$1.5 million of bank indebtedness and \$2.7 million in long-term liabilities. As of this date, these financial liabilities of \$7.6 million include the following:

Short-term liabilities (often paid during the next operating year):

- 1) \$0.6 million in amounts owing to the Province of Ontario, the Government of Canada, the Corporation of the City of London, and the Corporation of the County of Middlesex
- 2) \$2.3 million in unpaid accounts payable and accrued liabilities
- 3) \$0.5 million in accrued wages and benefits

Bank indebtedness (to be converted to a term loan within the next operating cycle):

- 4) \$1.5 million in demand loan

Long-term liabilities (often extending past the next operating year):

- 5) \$2.7 million in post-employment benefits

With regard to the \$2.7 million in post-employment benefits liability, this is the estimated 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.

The non-financial assets, which total \$5.5 million, include the net book value of the Health Unit's tangible capital assets, such as leasehold improvements, computer systems, and prepaid expenses. During the year, the Health Unit made a significant investment of \$4.4 million into long-term leasehold improvements, related to the fit-up of premises at Citi Plaza. The buildout was financed during the year in part from specific reserves previously authorized by the Board of Health and in part by bank indebtedness. Note 5, page 13 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, Note 8, page 15.

The Statement of Operations and Accumulated Surplus, which details the Health Unit's revenues and expenditures for 2019, is found on page 5 of the financial statements. Total revenue of \$35.4 million is comprised of \$34.0 million (96.2%) in grant revenue from four sources: the Province of Ontario (\$26.4 million, or 77.6% of grant revenue, the Government of Canada (\$0.4 million, or 1.1%), the Corporation of the City of London (\$6.1 million, or 17.9%) and the Corporation of the County of Middlesex (\$1.1 million, or 3.4%). The remaining \$1.4 million (3.8% of total revenue) comes from program revenue, interest, and other off-set revenues.

The revenues provide for expenditures of \$35.4 million. The majority of the expenditures are salaries and benefits, which total \$26.6 million (75.1%). The remaining \$8.8 million (24.9%) consists of professional services (10.7%), rent and maintenance (4.7%), materials and supplies (4.1%), charge for amortization of tangible capital assets (1.4%), travel (0.7%) and other expenses (3.3%).

Audit Findings Report

KPMG's Audit Findings Report is attached as ([Appendix B](#)). A common practice in presenting the report is for the Auditor to meet in private with Committee members, excluding the Chief Executive Officer, Chief Financial Officer, and all other staff.

Ms. Katie denBok, Partner and Ms. Dania Nabhani, Manager, KPMG LLP, are present at this Finance & Facilities Committee meeting to address any questions regarding this report.

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



Christopher Mackie, MD, MHSc, CCFP, FRCPC
Medical Officer of Health / CEO