



TO: Chair and Members of the Board of Health

FROM: Emily Williams, Chief Executive Officer  
Dr. Alexander Summers, Medical Officer of Health

DATE: 2023 July 20

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## 2022 DRAFT FINANCIAL STATEMENTS

### **Recommendation**

*It is recommended that the Board of Health review and approve the audited Financial Statements for the Middlesex-London Health Unit for the year ending December 31, 2022.*

### **Key Points**

- The reports of the Financial Statements ([Appendix A](#)) and Audit Findings Report ([Appendix B](#)) for the twelve months ending December 31, 2022 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 the 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 of 2022, the Health Unit had approximately \$12.3 million in cash and near-cash financial assets to offset its \$12.1 million in short-term financial liabilities.

As of this date, total financial liabilities were \$19.2 million and included the following:

#### Short-Term Liabilities (\$12.1 million) (often paid during the next operating year):

- 1) \$5.0 million in amounts owing to the Province of Ontario
- 2) \$0.6 million in amounts owing to the City of London
- 3) \$0.1 million in amounts owing to the County of Middlesex
- 4) \$0.9 million in unpaid accounts payable and accrued liabilities
- 5) \$4.2 million in deferred revenue
- 6) \$1.3 million in accrued wages and benefits

#### Bank Indebtedness

- 7) \$3.8 million in demand instalment loan

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

- 8) \$3.2 million present value of employee future benefits liability

With regard to the \$3.2 million present value of 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, page 13.

The Non-Financial Assets, which total \$7.2 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, page 16 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 Note 9, page 18.

The Statement of Operations and Accumulated Surplus, which details the Health Unit's revenues and expenditures for 2022 is found on page 6 of the financial statements. Total revenue of \$56.8 million is comprised of \$56.0 million (98.5%) in grant revenue from four sources: the Province of Ontario (\$47 million or 84% of grant revenue, the Government of Canada (\$0.3 million or 0.5%), the Corporation of the City of London (\$7.3 million or 13.0%) and the Corporation of the County of Middlesex (\$1.4 million or 2.5%). The remaining \$0.8 million (1.4% of total revenue) comes from program revenue and other off-set revenues.

The revenues provide for cash and non-cash expenditures of \$57.1 million. The majority of the expenditures are salaries and benefits, which total \$45.7 million (80%). The remaining \$11.3 million (20%) consists of professional services (5.1%), rent and maintenance (5.8%), materials and supplies (5.7%), charge for amortization of tangible capital assets (1.4%), travel (0.2%), and other expenses (1.8%).

## **Audit Findings Report**

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

Katie DenBok, Partner and Dale Percival, Senior Manager, KPMG LLP, will be present at the July 20 Board of Health 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



Dr. Alexander Summers, MD, MPH, CCFP, FRCPC  
Medical Officer of Health