

## **2019-20 Annual General Meeting Treasurer's Report June 17, 2020**

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

The last fiscal year was an extremely challenging one for the hospital resulting in a deficiency of revenue over expenses of \$17.6M for the year. Increasing demand for services as well as replacement of critical hospital infrastructure continue to place significant pressures on the physical and financial capacity of the organization, and it shows no sign of abating in 2020/21.

Adding to the financial pressures was the onset of the Covid-19 pandemic in March. While this had a limited impact on the 2019/20 results, the hospital is expending significant financial and human resource effort dealing with the pandemic so far in 2020/21. In addition, since the pandemic the hospital has also experienced lost revenue across certain ancillary operations, the majority of which contribute directly to the bottom line. As of April 30<sup>th</sup> the hospital cash balance is \$10.4M, with a \$5.5M deficit already incurred one month into 2020/21. The duration and impact of the Covid-19 pandemic is unknown at this time and the reimbursement mechanisms from the government are unclear, making it extremely difficult to reliably predict the impact to the financial results and has increased the hospital's liquidity risk. The Board of Directors has concerns on Southlake's liquidity and cash flow position during this uncertain time period and believe that quick action on Covid reimbursement and additional base hospital funding are key parts of the solution to rectify the current situation. The hospital Board of Directors will be monitoring this situation closely in the coming months.

The current financial position is not sustainable.

The hospital has implemented several savings initiatives, including a reduction in administrative and management positions, however the implementation of other more significant changes have been prevented by the onset of the pandemic. It is currently unclear when conditions would allow for other operational changes to be introduced. External benchmarking against peer hospitals shows an efficient hospital in many areas with limited opportunities to address the current deficit through further efficiency alone. Hospital leadership, including the Board of Directors, will be advocating strongly to Ontario Health and the Ministry of Health as we require funding recognition commensurate with the demand for services and to ensure high quality of health care is continued to be delivered to our communities.

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Your package includes copies of the audited financial statements for the year ending March 31, 2020. I would like to express thanks to our auditors, Deloitte LLP, and members of the Southlake Audit Committee and Property and Finance Committee for their services and feedback. I commend the Southlake Finance team who adapted quickly and successfully to a virtual audit this year, and who consistently prepared monthly information required by the Board throughout the year.

The Board of Directors acknowledges the support of the Ministry of Health and the Central Region of Ontario Health, our regional and municipal government partners, the Southlake Foundation, and generous people from our community, all of whom contributed greatly to the activities of the hospital.

Respectfully submitted,



Steve Hills