



Izaak Walton Killam Health Centre
Management Discussion &
Analysis

March 31, 2021
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For the Fiscal Year Ended March 31, 2021 (unaudited)

This document is provided to describe the connection between the IWK's Strategy and the organization's financial performance¹ for the fiscal year ended March 31, 2021. The narrative has been prepared by Management and is not part of the annual audit procedures. This document is designed as a supplement to the audited financial statements, and therefore should be read in conjunction with the audited financial statements.

Strategic Performance

The IWK leads the provision of health care services for women, children, youth and families focused on person and family-centered care using trauma-informed and restorative approaches to co-create services, build capacity within communities and provide leadership and advocacy for their unique health issues. This focus has allowed the IWK to act as a key system partner leading the COVID-19 response.

With a focus on achieving as a high reliability organization (HRO), the IWK will lead the way in building a better future for those we serve. In health care environments, high reliability is focused on the delivery of safe, high quality care underpinned by robust continuous improvement, which is even more important in times of crisis. A focus on HRO and continuous learning empowers IWK teams to identify concerns and subsequent solutions to reduce error and improve care delivery, process and system challenges.

One of the key determinants of high reliability is the importance of connected leadership and mutual accountability. As we continue to mature as a high reliability organization, leadership starting with IWK Board of Directors is focused on prioritizing the greatest needs of the women, children, youth, and families that we serve and optimizing the services to meet those needs.

From engaging patient partners in co-designing services and spaces, to seeking their advice on quality improvement projects, the IWK renews its commitment each year to view services and redevelopment projects through the eyes of patients and their families. Staff and physicians also play an active role in improving access to care and the processes in which services are delivered through an enhanced continuous improvement service delivery program and the implementation of the IWK's Solutions for Patient Safety agenda. With the support and partnership of patients and

families, the IWK continues to focus on ways to integrate clinical research and research findings with patient care at the bedside to achieve better health outcomes and to explore innovative ways to support learners to ensure we are growing the next generation of the health workforce.

Focusing on the places, programs and people required to deliver both the clinical and academic mandates, the IWK has undergone major redevelopments to its physical space and has expanded research and innovation activities to provide world-leading care. 2020-21 realized the exciting conclusion of our transformed critical care areas, 100% funded by the community through leadership by the IWK Foundation. The new Pediatric Intensive Care Unit (PICU) support the best care for some of the most fragile and vulnerable patients. This past year required us to be nimble in adapting our spaces to support pandemic management, including the creation of our Pandemic Response Unit (PRU), the Pandemic Assessment Centre (PAC) and a community Vaccination Clinic, as well as supporting our people who transitioned to delivering care and working virtually. In 2020-21 the IWK has been fully engaged with government partners in the detailed design of a new and expanded pediatric emergency department. In February 2021, the provincial government announced its commitment to double the size of the emergency department and will invest approximately \$100,000¹ over the next four years to redevelop the emergency department to meet current and future demands.

The IWK's strategic goals for fiscal 2021-22 have been brought forward to the organization's Board of Directors and implementation will be balanced with the need to invest organizational resources to support continued COVID-19 pandemic planning and management through the coming year.

¹ Financial information included in this overview are expressed in the thousands (\$,000) of Canadian dollars

Financial Performance

As responsible stewards in Nova Scotia's publicly funded health system, we aspire to create a system of accountability and achieve operational excellence by using our resources wisely and demonstrating value to our stakeholders. This includes achieving financial results that logically support the IWK Strategic Plan.

Faced with a year of financial uncertainty due to the pandemic, the IWK was able to close the 2020-21 fiscal year with a balanced financial result. This is in keeping with the IWK's strategic commitment to achieve financial results as set out in its annual business plan.

The continued innovative and collaborative forecasting process has helped lead the organization to more responsible stewardship of public funds, and allows the IWK to be more responsive as it relates to financial pressures and opportunities. With direct pandemic related costs and lost revenue/net profit totalling approximately \$9,635, the IWK was able to redeploy staff from clinics that were temporarily closed, defer projects and find other cost savings, thus only requiring DHW financial support totalling \$1,086 for pandemic related costs.

Key to the successful achievement of our strategic goals and aspirations is continuing the transformation of our physical space through the generosity of IWK donors and government investment, with a collective funding of \$12,138 this fiscal.

Major renovations included the completion of the Pediatric Intensive Care Unit (PICU) in August 2020. In partnership with patients and families, a new state of the art PICU was designed that transforms care delivery and improves patient safety. The unit design includes 10 single, private rooms (and two surge spaces) so families will be able to stay with their children day and night. These rooms will allow for better protection from infection, reduce noise exposure and increase privacy.

The IWK also received government funding to complete the renovations as it relates to its new MRI scanner, and funding to complete the detailed design for a new pediatric and youth emergency department.

The pandemic provided the unique opportunity to receive additional funding via the provincial stimulus program totalling \$7,844 for 22 infrastructure projects and 11 capital medical equipment purchase.

As well, to support our efforts in driving a culture of creativity, discovery and innovation, the IWK along with external partners, continue to broaden our innovation program, which is closely connected to our Research Services portfolio.

A focused approach to enhancing the organization's control environment was established during the 2018-19 fiscal year via a formalized control environment project team. Significant progress has been achieved over the last three fiscal years, ensuring that the organization has a control environment that represents leading practices. The organization's balanced financial results in all these three fiscal years can, in part, be attributed to more focus and attention on the controls environment.

The organization's commitment to lean initiatives has further helped improve access to patient care and create efficiencies in workflow processes, allowing the organization to provide additional care to patients without increasing costs.

Appendix 1 highlights an overview of the organization's financial performance as presented in the audited financial statement.

Major Financial Services and Other Operational Initiatives

There were many financial services and operational successes in fiscal 2020-21. Some of the more substantial successes include:

1. **Capital Investment**
2. **Master Space Program**
3. **Financial Services Innovation**

The following provides information on each of these successes.

1. Capital Investment

Throughout the year, the IWK was able to receive generous support from the IWK Foundation, DHW and through various research grants for medical equipment, facilities renewals and renovations, with a total of \$25,582 in funding.

NS Department of Health & Wellness Funding: Capital Funding Envelope

Through the various DHW capital funding envelopes - capital medical equipment, capital clinical projects and infrastructure repairs and renewal - the IWK was able to purchase \$4,237 in capital requirements as follows:

- Twenty-three urgent medical equipment needs, including critical care equipment such as ventilators, ultrasounds, x-ray machines and some much needed operating room equipment, including an operating room integration suite. In addition, received funding for three equipment needs required to support various pandemic efforts.
- Three infrastructure repairs and projects, including the purchase and installation of an air handler over the women's site. It also included a building roof at the women's recycling area, increasing staff safety and phase I repairs to the children's switchgear / distribution to increase the reliability of critical electrical systems.
- The continuation and finalization of work as it relates to patient seclusion rooms, allowing the organization to improve care and provide a safer patient and staff experience.

Financial information included in this overview are expressed in the thousands (\$,000) of Canadian dollars. The actual government investment is \$100 million.

NS Department of Health & Wellness Funding: Capital Renovation Projects

MRI Equipment & Renovations

DHW provided \$5,151 in funding of its \$6,900 overall commitment to purchase a new MRI scanner and complete associated renovations. This new MRI became operational in October 2021, and is a state-of-art piece of equipment that replaces an existing, aging MRI scanner, allowing the IWK to provide advanced care.

Emergency Department Design & Redevelopment

DHW committed funding in the design development phase of a new emergency department, to help address the increase in patients being seen at the emergency department and accommodate more complex cases. The design development phase commenced in fiscal 2019-20, and continued in fiscal 2020-21 with costs totalling \$1,392 in fiscal 2020-21.

DHW also announced in fiscal 2020-21 its commitment to fund the redevelopment of the emergency department, with the project commencing in fiscal 2021-22 and continuing for the four years, with government investment totalling approximately \$100,000². A redesigned emergency department he redevelopment will help address the increase in patients, better address complex cases and mental health concerns and encourage more innovation among care providers. This redevelopment will allow physicians and staff to deliver care in a world-class environment designed to best meet the needs of the patients and families we serve.

NS Department of Health & Wellness Funding: Stimulus Infrastructure and Medical Equipment

As part of a government initiative to stimulate the economy as the result of the pandemic, the IWK received \$7,844 in funding for various infrastructure and medical equipment as follows:

- 22 infrastructure projects, including elevator, paving, signage, window and lighting upgrades. In addition it funded the renovation of the Urology Clinic and Phase I of waiting area expansions to help support physical

distancing. Design work was completed for chillers, ventilation systems and electrical transformers.

- 11 medical equipment needs, including ultrasounds, ventilators, sterilizers, portable x-ray and various operating room equipment.

NS Department of Health & Wellness Funding: Invest in Canada Infrastructure Program (ICIP)

In March 2021, the Province of Nova Scotia and the Government of Canada announced an investment in several projects as part of the Invest in Canada Infrastructure Program (ICIP) to improve infrastructure at the IWK, Halifax Infirmary and the QEII Health Science Centre.

The projects announced at the IWK include improvements to the Birth Unit medication room, expansion of the blood collection waiting area to respect safety guidelines, repairs and updates to the health centre's cooling systems, electrical systems, water pumps, exterior caulking, air handling units, hand-washing sinks and audio-visual infrastructure. Privacy curtains will also be replaced with standardized barriers that will improve COVID-19 and patient safety measures.

The funding for these projects, totalling \$7,150, run through to December 31, 2021.

IWK Foundation

The IWK continued its transformation of its physical space through the generosity of its many donors. The IWK Foundation was able to fund the following capital projects and equipment totalling \$6,519:

- As part of the 'Breakthroughs in Care' campaign, the Foundation was able to fund a total of \$4,790 in expenditures for the completion of the PICU redevelopment project and PICU/NICU shared space. PICU opened in August 2020 with 10 beds, with the shared space opened in January 2021. At the end of March 31st, this project was considered finished.
- Various urgent capital medical equipment needs totaling \$662 with funds raised through donors via the IWK Telethon, IWK Radiothon, various specified endowments, and through general fundraising.
- Funding of \$1,067 for the replacement 95 patient beds in April 2021 with new state-of-the-art smart bed technology. These beds are equipped with wireless technology and other key features that will improve the quality, comfort and outcomes for patients staying at the IWK. These beds were placed into operation in April 2020.

2. Master Space Program

The purpose of a Master Space Program is to identify current and future scope of services / programs, assess adequacy of current space, identify key future space drives, incorporate guiding principles, identify the highest facility priorities for redevelopment and to develop space projections 5, 10 and 20 years into the future.

In January 2020, Agnew Peckham was re-engaged to complete the remainder of the IWK's Master Space Program initially contracted in 2017. Agnew Peckham had partially completed the scope of services that included development of planning principles, review of existing departmental plans, development of initial workload projections, facilitation of support services and clinical services workshops, development of clinical services workshop summary and facilitation of the first set of master program user group meetings.

From January to March 2020, a task force (including representation from DHW) was struck and Agnew Peckham conducted meetings with most user groups (75 in total). However, due to COVID impacts and resulting pressures, the process had been delayed with IWK focus directed to pandemic preparations.

In November 2020, the Task Force met to launch the restart and refresh of the outstanding work required to complete the program. The IWK's Strategy & Performance team met with clinical user groups throughout November and December to determine clinical service delivery volume projections. This involved an extensive organizational effort over a three-month period. In addition, first draft team sections were distributed for review and validation. Second drafts are presently with teams for signoff by August 2021.

Based on the progress to date, Agnew Peckham were able to share preliminary Master Space Program findings with the Board in May 2021. Since the Master Space Program helps the Board and staff deploy building assets for best purpose, completion of the project remains a priority for the IWK and its Board of Directors. A new timeline for completion is estimated to be fall 2021.

3. Financial Services Innovation

One of the IWK’s strategic goals is to drive a culture of creativity, discovery & innovation. This goal drives the client-centred focus of the Financial Services & Treasury department. There are numerous examples of the department’s passion for creativity and innovation evidenced in the advances made during the 2020 -21 fiscal year.

Advancements included furthering the department’s digitization strategy, progressing the control environment through a participatory financial reporting model, and a focused approach to cash management.

This proactive innovation strategy proved invaluable as the pandemic resulted in an increase in remote work, thus increasing the requirement to develop digital strategies.

The Financial Services and Treasury department has additional initiatives on the horizon for the 2021-22 fiscal year which include (but are not limited to):

- Creation of an electronic signature guidance document, allowing for more consistent practices

- Transitioning non-patient billing to SAP, allowing enhanced billing flexibility
- Focused goods received reconciliation, allowing more accurate reporting
- Creation of a patient collection strategy to improve collections and reduce risk

Increased usage of EFT's , allowing for a reduction in cheques and improving cash flow planning, vendor relations and turnaround time

The customer experience has become a centerpiece for many organizations today. Good experiences can actually become competitive differentiators, which is why customer success has become the focus of many digital transformation efforts.

Advancements	Results
Digitization strategy:	
Automation of reciprocal revenue report	Improved efficiency, accuracy, and amount paid
Creation of three automated expense claim forms with built in workflow	Improved approval control, financial control, and communication
Daily exception reporting	Increased collections, information accuracy, reduction in bad debt
Collaboration with the Nova Scotia Health Master Data Group to implement a common portal for vendor and master data request submission	Improved turnaround time on purchase order creation
	Improved tracking of material acquisition
	Improved system for retention and retrieval of supporting documentation
Transition away from purchase requisition submission outside of SAP	Improved turnaround time on purchase order creation
	Improved controls on workflow approval
Creation of an electronic journal entry workflow in SAP	Improved journal entry control and transparency
Rollout of new position approval workflow	Improved budgetary complement control
Participatory financial reporting model	
Updates to procurement thresholds, policy directives added to IWK Procurement policy	Increased consistency with Federal/Regional Procurement Acts, Provincial and other MASH sector entity procurement practices
Creation of a capital asset condition & useful life review checklist	Improved tangible capital asset reporting & prioritization planning
Validation and enhancement of capital asset register	Improved asset tracking for capital assets
Focused approach to cash management	
Decrease in non-patient accounts over five months	Improved cash flow, reduction in bad debt
Advancement of vendor EFT’s, including introduction of USD EFT’s	Improved vendor payment timelines, reduction of cheques

Impact of the Pandemic

At the end of fiscal 2019-20, no one would have imagined that the pandemic would still be in place a year later. Yet, at March 31 2021, we are still in the midst of the global battle against the disease.

Operational Impact

The impact of the COVID-19 pandemic has been far reaching to all organizations in many ways. As a health care organization, this pandemic has brought significant changes, some which may be permanent. As a result of the pandemic, the organization has experienced the following operational impacts:

- Temporary suspension of non-urgent services during the first part of fiscal 2020-21, including various clinic closures, mobile clinic services, blood collection lab and elective surgeries, resulting in delays / deferrals in service;
- Transition to a virtual care platform for mental health & addictions services and in other areas of service;
- Introduction of screening protocols visitors entering the IWK, and implementing visitor restrictions;
- Establishment of one of the Province's COVID-19 primary assessment testing centres;
- Establishment of a temporary pandemic response unit, designed to care for pediatric COVID-19 positive patients;
- Establishment of a community vaccination clinic;
- Temporary closure of some retail services and reduced services in the cafeteria;
- Temporary suspension of parking fees for patients and staff for the first quarter of fiscal 2020-21; and
- Reduction in non-resident, out-of-country and other non-MSI covered procedures and preferred accommodations.

Other Operational Successes

- Continued important service delivery, care and surgery;
- Supported upwards of 30 percent of workforce to work from home and delivered offsite research activities
- Re-deployed more than 100 FTEs both internally & externally during the first wave of COVID-19
- Implemented a process for volunteers to help make appointment reminder calls
- Introduction of an on-line booking service for blood collection, x-ray services and COVID testing;
- Introduction of a Peer Support service and establishment of a COVID19 hotline for patients and families;

- Partnered to launch more comfortable COVID swish and gargle test for kids;
- Participated in new NS COVID-19 Health Research Coalition and activated 34 COVID-19 studies at the IWK;
- Installed a low temperature sterilizer system to re-process medical equipment, including N95 masks.

Financial Impact

The IWK experienced pandemic related financial pressures in fiscal 2020-21, as the result of:

- Increased usage of personal protective equipment (PPE), medical, cleaning and other supplies;
- Price fluctuation of supplies as the result of supply chain disruptions reducing availability;
- Costs relating to virtual care and remote work technology;
- Approved capital equipment to support the pandemic;
- Clinical area reconfigurations required to adhere to public health guidelines;
- Incremental salaries and benefits required for visitor screening protocols, the COVID-19 primary assessment centre, the vaccination clinic, the pandemic response unit designed to care for COVID-19 patients, additional occupational health staff and other operational staffing requirements;
- Cancellation of management and staff vacations resulting in vacation entitlement bank carry-forwards/payouts and vacation cancellation costs;
- Staff being redeployed from clinical services to other areas within the IWK and the Province.
- Lost parking revenue;
- Lost profit due to the temporary closure of some retail services and restrictions in the cafeteria resulting in a reduction in service; and
- Lost patient revenue as the result of reduced services and out-of-country patients, as well as changes in patient room configurations.

These direct pandemic related costs and lost revenue/net profit totaled \$9,635. However, the IWK was able to redeploy staff from clinic closures to pandemic related services, defer projects and find other cost savings, thus only requiring DHW financial support totalling \$1,086 for pandemic related costs. The IWK's ability to pivot and find savings to offset new costs is a benefit to all Nova Scotia's taxpayers.

Essential Health Care Worker's Program

The Essential Health Care Worker's Program was announced by Government on May 7, 2020 and entitled certain health care workers to receive a bonus up to a certain threshold after a four-month period, beginning March 13th. It include eligible employees at the IWK, Nova Scotia Health, and in long-term care, home care and in-home support and emergency health services. The IWK administered this program on behalf of the Department of Health & Wellness to eligible employees.

Future Impact

The duration and impact of the COVID-19 pandemic on the IWK remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the IWK for future period.

Concluding Remarks and Fiscal 2021-22 Outlook

In a year with considerable uncertainty, the IWK was able to deliver a balanced financial result in fiscal 2020-21, all while overcoming obstacles faced by the pandemic.

While the organization paused on some strategic initiatives to focus on the pandemic, the list of achievements is incredible. The immense amount of pandemic planning, including changes to clinical pathways, and the substantial planning required to create a new primary assessment centre, pandemic response unit and vaccine clinic, to name a few, is a testament to the dedication and outstanding work commitment of the IWK's staff and physicians.

In addition, the organization was able to manoeuvre through the completion of the PICU and MRI renovations, as well as advance many infrastructure improvements as the result of one-time government stimulus funding. The IWK was also able to advance on its master space program, an important strategic priority.

Fiscal 2021-22 will be another year with considerable facilities projects. The IWK received one-time funding via the Invest in Canada Infrastructure Program (ICIP) which will help fund numerous back-end infrastructure project, as well as various clinical renovations. As well, with the recently announced government commitment of \$100,000³ to double the size of the emergency department, the IWK will start the planning for construction.

Fiscal 2021-22 continues to be a year of uncertainty due to the pandemic, but also provides opportunities as the organization works its way through the aftermath of the third wave of the pandemic.

At the beginning of the pandemic, many work arrangements, care and service delivery models were rapidly developed and decisions were made with respect to how teams were to operate. Some teams remained onsite, some teams made the move to work remotely and some team members had a combination of onsite and virtual work. At the height of the pandemic, upwards of 30 percent of the IWK's workforce were working from home. These staff including physicians, clinicians, researchers and support staff.

The IWK was able to be nimble, adapt to processes and technology as they evolved, and solve problems

³ Financial information included in this overview are expressed in the thousands (\$,000) of Canadian dollars. The actual government investment is \$100 million.

"Reimagining healthcare is critical and is the way forward."

HS Subramanya, Institute of Bioinformatics and Applied Biotechnology

collaboratively within the IWK, and with our patients, families and system partners.

There is now a unique opportunity to continue to rethink care models, the location of services, and what supports truly need to be in place to position the IWK as a resilient, high reliability organization. Opportunities to continue, and expand, virtual care exists, as well as creating a framework for remote work arrangements, which will have the benefit of freeing up much needed space within the organization.

Throughout this pandemic, the organization still remains focussed on priorities and initiatives around strategic aspirations, the key priorities of DHW (collaborative primary care, positive mental health and continuing care), and the healthcare requirements of children's youth, women and families of Nova Scotia and Atlantic Canada. These priorities and initiatives will be achieved through the effective use of our financial resources, dedicated oversight and governance, participative budgeting and continued implementation of best practices in the IWK's management control environment.

APPENDIX 1: Financial Statement Overview

The IWK's audited financial statements as at March 31, 2021 have been prepared in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada Board. These financial statements provide information on the cost of all of the IWK's activities, how they were financed, investing activities and the assets and liabilities of the IWK.

Statement of Financial Position

The *Statement of Financial Position* highlights four key figures that together describe the financial position of the entity:

- cash resources of the entity ("financial assets");
- net debt, which is calculated as the difference between financial assets and financial liabilities;
- non-financial assets that are normally held for service provision which include tangible capital assets, inventory and prepaids; and
- accumulated surplus/deficit, which summarizes the IWK's consolidated equity, identifying the financial position, including tangible capital assets, and financial resources of the IWK.

	2021	2020
Financial assets	109,620	96,762
Liabilities	117,017	104,615
Net debt	(7,397)	(7,853)
Non-financial assets	219,941	205,462
Accumulated surplus	212,544	197,609

Changes to financial assets were the result of:

- Cash and cash equivalents* were \$47,887 (2020 – \$45,784), an increase of \$2,103. Cash and cash equivalents represent three sources of cash: operating, restricted and research. The increase in total cash and cash equivalents over the prior year relates to increased cash balances in research and restricted funds. Refer to note 3 in the Financial Statements for a breakdown of cash and cash equivalents.
- Due from governments* were \$51,662 (2020 - \$40,266), an increase of \$ 11,396. This increase primarily relates to an increase in DHW net receivables as a result an increase in claims based funding for stimulus project and the timing of receipts. Refer to note 5 in the Financial Statements for further information.

- Due from IWK Health Centre Charitable Foundation* was \$4,718 (2020 - \$5,254), a decrease of \$536. The reduction is due to the completion of the PICU redevelopment. Refer to note 6 in the Financial Statements for further information
- Changes to liabilities were the result of:
 - Accounts payables and accrued liabilities* were \$45,183 (2020 - \$34,542), an increase of \$10,641. This increase is predominantly the reflection of timing of payments. Refer to note 7 in the Financial Statements for further information.
 - Deferred revenue* was \$31,425 (2020- \$28,554), an increase of \$2,871. This increase is predominantly due to the increase in research grants and restricted funds. Refer to note 9 in the Financial Statements for further information.
 - Long-term debt* was \$ 3,417 (2020 - \$4,532), a reduction of \$1,115 as the result of the payment of principal. Refer to Note 10 in the financial statements for further information.

Changes to non-financial assets were the result of:

- The IWK's net book value of *tangible capital assets* was \$215,483 (2020 - \$201,663) an increase of \$13,820. Amortization of \$9,202 was offset by the acquisition of tangible capital assets in the amount of \$23,735, net of write-downs/disposals of \$713. The acquisition of capital assets reflects the investment of financial resources required to support facilities and advancing technology in medical equipment to ensure the IWK remains a leader in providing the best care to the patients and families we care for at our facilities. Refer to Note 11 in the financial statements for further information.

Statement of Operations

The *Statement of Operations* reports the annual surplus / deficit from operations during the accounting period. The statement shows the cost of providing the IWK's services, the revenues recognized in the period and the difference between the two. A summary of the statement of operations and accumulated surplus is as follows:

	2021	2020
Revenues	315,549	293,737
Expenses	300,614	292,505
Net (deficit) surplus	14,935	1,232
Accumulated surplus, beginning	197,609	196,377
Accumulated surplus, ending	212,544	197,609

The *Statement of Operations* is not designed to identify the true operating surplus / deficit that is typically reported on an income statement. It identifies the increase in the capital equity of the IWK. The following provides a reconciliation of the operating financial results reconciled to public sector accounting standard financial reporting:

	Net surplus (per PSAS)	Reconciling items	Operating Performance
Revenues	315,549	(23,022)	292,527
Expenses	300,614	(9,202)	291,412
Principal repayment	-	1,115	1,115
Net surplus (deficit)	14,935	(14,935)	-

For 2020-21, the current year operating performance resulted in a balanced result. The difference between this financial result and the accounting, net surplus reported on the Statement of Operations of \$14,935 is the result of capital transactions. The IWK's amortization expense of \$9,202 was lower than the increase in net capital assets of 23,022 (capital additions totalling \$23,735, net of disposals of \$713), thus resulting in a surplus based on public sector accounting standards.

Revenue

Changes to revenue were the result of:

- *Operating grants - Provincial* was \$265,629 (2020 - \$249,321), an increase of \$16,308. This increase was largely due to an increase in core base funding to support various initiatives and cost pressures as well as negotiated wage increases totalling \$3,326.
- *Capital grants - Provincial* was \$18,626 (2020 - \$5,788), an increase of \$12,838. DHW capital funding fluctuates from year-to-year based on capital requirements and availability of DHW funding. For fiscal 2020-21, in addition to the regular capital funding envelope, government funding was received for both the MRI project and the Emergency Department design. As well, the IWK received \$7,844 in stimulus funding for infrastructure and medical equipment.
- *Capital grants - other* was \$6,956 (2020 - \$6,144), an increase of \$812. This increase was the result of funding received for the purchase of 95 smart beds, as well as research funding received for research equipment.
- *Research & innovation* was \$6,426 (2020 - \$12,015), a decrease of \$5,589. Research revenue is based on the various research projects that take place from year-to-year which can vary. In addition, some of the research funding was received via federal grants, and is therefore allocated to another revenue category.
- *Other revenue and recoveries* was \$15,268 (2020 - \$20,098), a decrease of \$4,830. This decrease was in part due to reduced parking and food services revenue due to closures and waiving of fees as the result of the pandemic. In addition, patient revenue was lower than the prior year due to reduced out of country patient revenue and changes in patient room configurations.

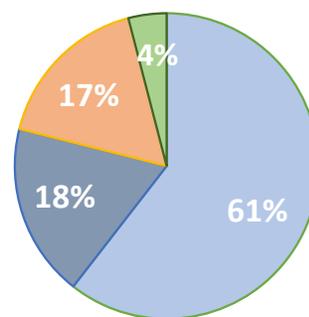
Expenses

Expenses in the *Statement of Operations* are broken down into four major program categories: clinical programs and networks, corporate support, clinical support and research and innovation.

Expenses broken down by major expense category can be found in Schedule A of the Financial Statements.

Expenses by Program Area

- **CLINICAL PROGRAMS AND NETWORKS** includes direct patient care support comprising of mental health & addictions, ambulatory care, critical care, inpatient services, perioperative services, rehabilitation services, oncology & cancer care, pediatric emergency care, provincial programs, primary care and continuing care. For fiscal 2020-21 it also includes direct pandemic response related costs
- **CORPORATE SUPPORT** includes back-end administrative support including corporate services, facilities services, quality & system performance and non-clinical leadership
- **CLINICAL SUPPORT** includes non-administrative support services to the clinical areas including laboratory services, medical services, diagnostic imaging, pharmacy, patient food & nutrition and professional practice
- **RESEARCH AND INNOVATION** includes costs relating to research and innovation initiatives



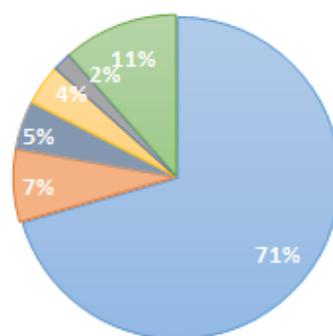
- Clinical programs and networks (\$182,016)
- Corporate support (\$55,168)
- Clinical support (\$51,210)
- Research and innovation (\$12,220)

*** A key measurement of a health centre's efficiency is its administration services costs as a percentage of total expense (called 'Corporate Services Expense Ratio'), and represents the percentage of the IWK's total expenses that were spent in administrative departments, such as general administration, finance and human resources. A small portion of corporate support costs is classified as administrative costs for the purpose of calculating this ratio.

A historical guideline for the corporate services expense ratio is 5%, with a higher average being typical for academic centres. For fiscal 19-20, the IWK's ratio was 4.45%. While subject to finalization and subsequent review by Canadian Institute for Health Information (CIHI), the IWK's ratio for fiscal 2020-21 is expected to be consistent with the prior year's ratio, and gives the organization confidence that it is well within the average reported by CIHI.

Expenses by Expense Category

- **COMPENSATION** includes all salaries and benefits (fulltime equivalents). Also includes funds allocated for temporary staff
- **MAINTENANCE AND BUILDING** includes utilities such as fuel, power, natural gases, etc., minor equipment purchases, rentals, various building and equipment maintenance, and maintenance supplies
- **MEDICAL / SURGICAL** includes a variety of medical and surgical supplies such as prosthetics, defibrillators, pacemakers, instruments, needles/gloves/dressings and miscellaneous supplies
- **RESEARCH AND INNOVATION** includes compensation and non-compensation costs relating to research and innovation initiatives
- **DRUGS** includes general drugs, anti-infectives, and anesthetic gases
- **OTHER** includes miscellaneous patient care supporting costs such as nutrition, technology, lab supplies, purchased services, equipment depreciation and bad debt



- Compensation (\$211,963)
- Maintenance and building (\$21,871)
- Medical / surgical supplies (\$14,466)
- Research and innovation (\$12,220)
- Drugs (\$5,558)
- Other (\$34,536)

Changes to expenditures were the result of:

- *Clinical Programs & Networks* were \$182,016 (2020 - \$174,883), an increase of \$7,133. This increase was primarily attributed to direct pandemic related costs totalling \$6,192. These costs were to support the primary assessment centre, pandemic response unit, entrance screening, vaccine clinic, other support services, as well as non-salary costs required to support physical distancing. In addition, there was an increase in compensation costs of \$2,400 as a result of wage increases and \$1,600 in various new mental health initiatives, including new community based support funding. These increases were offset by pandemic related savings, including: a decrease of \$1,432 in medical supply costs due to the deferral of a number of surgeries and lower census in NICU, and a decrease of \$650 in travel, meeting and education costs.
- *Corporate Support* was \$55,168 (2020 - \$53,244), an increase of \$1,924. It is mainly related to stimulus funded infrastructure projects totalling \$1,800 which were below the capitalization threshold, as well as an increase in housekeeping services to support enhanced cleaning as the result of the pandemic. These increases were offset by a legal recovery as well as reduced external legal costs.
- *Clinical Support* was \$51,210 (2020-\$52,004), a decrease of \$794. Clinical laboratory services saw a decrease of \$564 primarily due to slowdowns due to the pandemic and some hard to fill vacancies. Medical Service decreased by \$638 primarily due to savings in obstetrics on call due to changes in funding models and staffing costs. This is offset by increases in pharmacy costs of \$351.
- *Research and Innovation* were \$12,220 (2020- \$12,374), a small decrease of \$154. Research projects and funding vary from year-to-year based on the number of projects, the timing and amount of funding. In 2021 there was an overall decrease in both research and innovation expenditures.

Statement of Change in Net Debt

The *Statement of Change in Net Debt* explains the difference between the IWK's net debt for the reporting year and its change in accumulated surplus in the same reporting year. This statement provides for the reporting of the acquisition of tangible capital assets, amortization expensed during the year and the year-over-year change in other non-financial assets.

Detailed information in relation to tangible capital asset purchases was previously highlighted in the *Major Services and Other Operational Initiatives* section of this report.

Statement of Cash Flows

The *Statement of Cash Flows* reports changes in cash and cash equivalents resulting from operations and shows how the IWK financed its activities during the year and met its cash requirements.

Cash flow from operating activities is \$ 23,369 (2020 - \$23,111) and is the result of the following:

- Increase in accounts receivable and due from governments of \$11,291 primarily as the result of the timing of payments.
- Decrease in the receivable from the Foundation by \$536.
- Increase in inventories of \$792 as the result of stocking additional personal protective equipment to ensure there is always a safe balance on-hand.

Increase in Accounts Payable of \$10,641 as the result of timing of payments.

Cash used to acquire tangible capital assets increased over the year by \$11,883 due to increased capital redevelopment spending.

Debt retirement relates to the principal payment on the organization's loan with the Province of NS.