



IWK Health

Management Discussion & Analysis

Izaak Walton Killam Health Centre
For the Fiscal Year Ended March 31, 2023 (unaudited)

This document is provided to describe the connection between IWK Health's strategy and its financial performance for the fiscal year ended March 31, 2023. 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.

Financial information is presented in thousands of Canadian dollars.

Table of Contents

- 01** Strategic Performance
- 02** Financial Performance
- 03** Major Financial Services and Other Operations Strategic Initiatives
- 04** Impact of the Pandemic
- 05** Concluding Remarks and Fiscal 2023-24 Outlook
- 06** Financial Statement Overview



01 Strategic Performance

IWK Health is the Maritime region's leading health care and research centre dedicated to the well-being of women, children, youth and families. In addition to providing highly specialized and complex care, IWK Health provides certain primary care services and is a strong advocate for the health of families. IWK Health is a global leader in research and knowledge sharing, and a partner in educating the next generation of health professionals.

In 2021, IWK Health launched its strategic plan, **IWK Strategy 2021-24: The Road Forward**, based on four key pillars:

System Leadership, Partnership & Advocacy
Responsible Stewardship
Achieving as a High Reliability Organization
Research & Innovation

Our strategy included thoughtful discussions about our purpose, values and future directions as one step in the process. Our purpose was redefined and a set of six new values were created which are now reflected in our processes and programs.



Our Purpose

To passionately pursue a healthy future with women, children, youth and families in all their diversity through excellence in care; research and innovation; and applied learning

From engaging patient partners in co-designing services and spaces, to seeking their advice on quality improvement projects, the IWK renews its strategy and 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.

The past 36 months, shaped by the realities of a global pandemic, have been a particularly challenging time to embark upon shaping strategy. Yet, at the same time the pandemic backdrop has informed our strategy by crystalizing what is most important to us, our priorities and how we chart the road forward as a leading, responsive and agile organization.



Our Values



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 IWK Health's Strategic Plan.

Financial Results

Faced with yet another year of financial uncertainty due to the pandemic, IWK Health managed to close the 2022-23 fiscal year with a balanced financial result. We were fortunate to receive one-time funding support from government to support unanticipated inflationary pressures.

Our innovative and collaborative forecasting process continues to lead us to more responsible stewardship of public funds and allows IWK Health to be more responsive as it relates to financial pressures and opportunities.

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 five fiscal years, ensuring that the organization has a control environment that represents leading practices. Fiscal 2022-23 saw the introduction of a formalized internal controls over financial reporting program. The organization's balanced financial results the past five fiscal years can, in part, be attributed to more focus and attention on the organization's controls environment.



An overview of the organization's financial performance as presented in the audited financial statements is provided at the end of the Management Discussion & Analysis.

Transformation of our Facilities

One of our strategic priorities is to optimize our capital infrastructure. Through the generosity of IWK Health's donors, government investment and other funding, we undertook various capital renovations and other infrastructure repairs totaling \$17,208 this fiscal.



The pandemic provided a unique opportunity to receive additional funding via the Federal Government's Invest in Canada Infrastructure Program. In total, IWK Health expects to receive \$12,573 in funding (80% federal, 20% provincial) to support nine projects (and collectively 21 sub projects). The projects commenced in fiscal 2021-22 and are scheduled to finish in fiscal 2024-25.

In fiscal 2022-23, IWK Health was able to spend \$1,753 on five projects (and collectively 14 sub projects), focused on retrofits, repairs, upgrades, safety and infection controls and helideck upgrades. This investment in our 'bricks and mortars' facilities renewal is important as it provides the foundation for the clinical areas which serve our patients and families.

After a few years of planning, the construction of the new children's health emergency department commenced this fiscal with pre-demolition completed and demolition starting in December 2022. This project is \$104,000 provincially funded, with additional funding support from the IWK Foundation. \$12,030 was spent this fiscal.



Link Between Strategy & Performance

Strategy plays an important role in achieving performance outcomes. The following provides examples of how our strategy improved services, well-being and research during the year.



To support our efforts in research and innovation, IWK Health commenced the rollout of the Research Strategic Action plan through launching an IWK Health learning health system innovation incubator, increasing the number of and funding for research grants and investigations and identifying key national and international innovation partners.

As a high reliability organization, IWK Health was able to secure government funding to improve access to patient care through a pilot program with Scotia Surgery, allowing the organization to focus on reducing surgical wait times for various pediatric disciplines.



To support equity, diversity, inclusion, reconciliation and accessibility, collaborated with Nova Scotia Health to co-create a 2023-2026 Accessibility Plan.

Major Financial Services and Other Operations Strategic Initiatives

IWK Health achieved many financial services and operational successes in fiscal 2022-23. Some of the more substantial successes are addressed in the following section.



A. Capital Investment

B. Environmental Services Transformation

C. Prioritized Risk-Based Preventative Maintenance Program

D. Space Utilization Strategic Priority

E. Environmental Sustainability Strategic Priority

F. Financial Services Initiatives

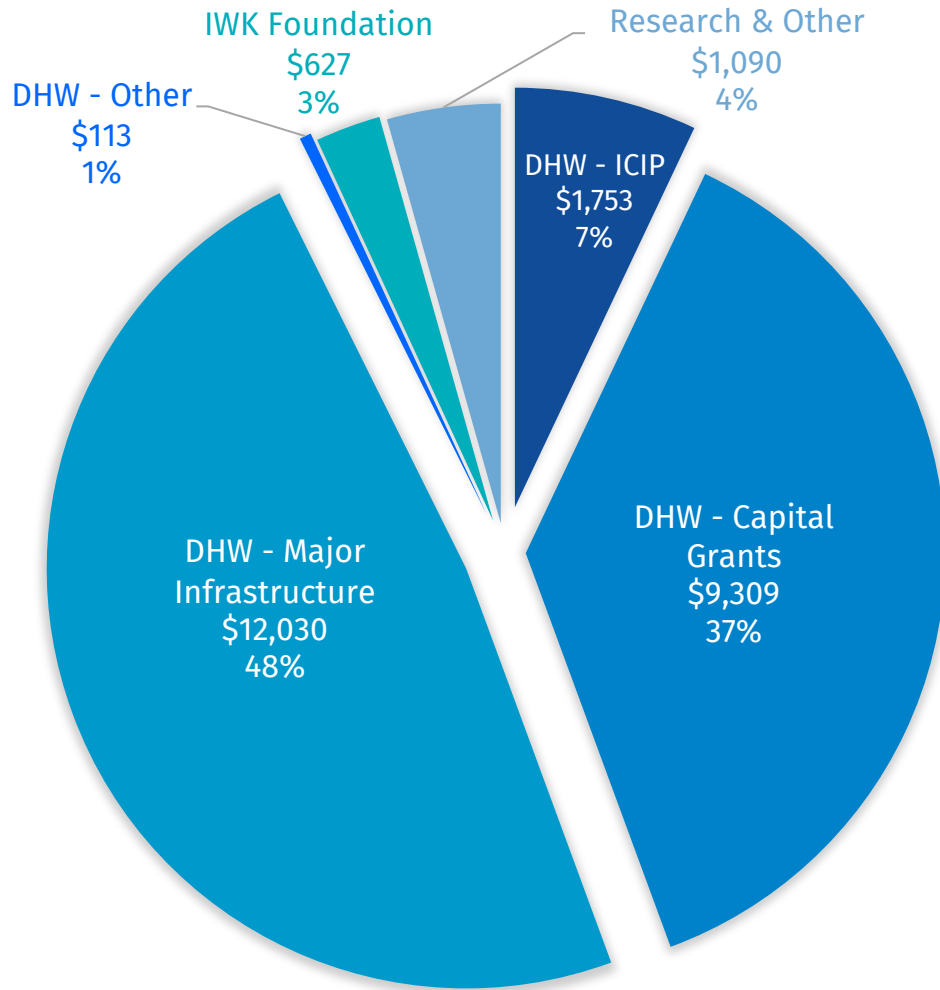
- Innovations
- Financial Digital Transformation
- Control Environment Enhancements



Major Financial Services and Other Operations Strategic Initiatives

Capital Investment

Investing in our buildings and equipment is essential in ensuring that we can provide appropriate care for our patients and families. IWK Health received generous support in fiscal 2022-23 from the IWK Foundation, the Nova Scotia Department of Health & Wellness, research grants and other funding for medical equipment, facilities renewals and clinical renovations, with total funding of \$24,922.



IWK Foundation

Through the generous support of donors, the IWK Foundation provides funding support to IWK Health for specific programming support, research activities, patient care redevelopments and priority equipment.

Priority Equipment

The IWK Foundation was able to fund the following priority equipment:



8 priority capital medical equipment needs totaling \$627 with funds raised through donors via the IWK Great Big Dig event, various specified endowments, and through general fundraising. Equipment includes: ventilators, monitors, portable echo unit, ultrasounds and retractors.

Various non-capital priority medical equipment with funds raised through donors via the IWK Radiothon and IWK Telethon.



Emergency Department Redevelopment

The IWK Foundation continues to formalize its financial campaign for the Emergency Department redevelopment. In November 2022, Irving Oil, together with the Arthur L. Irving Family Foundation and Arthur, Sandra and Sarah Irving, generously donated \$6,000 to improve the patient-family experience through space design and innovation.

A Major Financial Services and Other Operations Strategic Initiatives Capital Investment

Investing in our buildings and equipment is essential in ensuring that we can provide appropriate care for our patients and families. IWK Health received generous support in fiscal 2022-23 from the IWK Foundation, the Nova Scotia Department of Health & Wellness, research grants and other funding for medical equipment, facilities renewals and renovations, with total funding of \$24,922.

NS Department of Health & Wellness Funding Capital Grant Funding Envelope

Through the various Department of Health & Wellness capital grants funding envelopes - capital medical equipment, capital clinical projects and infrastructure repairs and renewal – IWK Health was able to acquire \$9,309¹ worth of its priority capital requirements in fiscal 2022-23 as follows:

Seventy-one (71) urgent medical equipment needs, including critical care equipment such as ultrasounds, pharmacy automated dispensing cabinets, patient monitoring systems, ophthalmology equipment, laboratory equipment and operating room equipment.

Twenty-six infrastructure repair projects, as well as non-federal funding for ICIP projects. Some notable projects included: roof repairs, heating/cooling repairs, refrigeration repairs, and upgrades to building control systems.

Six capital clinical projects, most notably the commencement of replacement of the morgue refrigeration unit and meeting room repairs to address safety and infection control issues.

NS Department of Health & Wellness Funding Invest in Canada Infrastructure Program

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 IWK Health, Halifax Infirmary and the QEII Health Science Centre.

This funding was most welcome and has assisted with addressing various deferred maintenance, and includes: improvements to the birth unit medication room, expansion of the blood collection waiting area to respect safety guidelines, repairs and updates to the 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 curtains that will improve COVID-19 and patient safety measures.

IWK Health also received additional funding late fiscal 2021-22 to provide much needed improvements to the Helideck fuel containment system. Work on this project was predominantly completed in fiscal 2022-23. IWK Health has also received additional funding in fiscal 2022-23 for roof replacements and the purchase and installation of four air handlers in the Children Health's site.

The funding for these projects, totaling \$12,573 (80% federal, 20% provincial), run through to December 31, 2024. \$4,324 of costs were incurred in fiscal 2021-22 and \$1,753 incurred in fiscal 2022-23.

¹The capital funding envelope for fiscal 2022-23 more than doubled in size, increasing to \$8,113 (plus capital medical equipment contingency funding), and includes new funding for capital leases. IWK Health is appreciative of this increase as it will further assist with replacement of aged equipment and assist with addressing deferred maintenance.

A Major Financial Services and Other Operations Strategic Initiatives

Capital Investment – Emergency Department Redevelopment

In fiscal 2020-21, the NS Department of Health & Wellness announced its commitment to fund \$104,000 towards the redevelopment of the IWK Health emergency department, with the formal redevelopment commencing in fiscal 21-22 and continuing for four years. In fiscal 2022-23, government investment in the redevelopment totaled \$12,030.

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.

A redesigned emergency department will help address the increasing number of annual emergency visits, better accommodate patients with complex case needs and mental health concerns. The space will be designed to encourage more innovation among care providers. The number of annual visits increased by 11.4% since fiscal 2016-17, peaking at 34,044 annual visits at the end of fiscal 2019-20. While visits temporarily declined at the outset of the pandemic, the emergency department has experienced a significant increase in volume over the past year.



B

Major Financial Services and Other Operations Strategic Initiatives Environmental Services Transformation

In fiscal 2022-23, IWK Health embarked on a transition to a new in-house model for Environmental Services (i.e., Housekeeping). The purpose of the transition was to ensure staff inclusion, improved quality of service and increased program oversight, which together provides a strong foundation for employee health & wellness. It aligns with IWK Health's core values and beliefs and has created a more diverse frontline workforce provided with appropriate compensation and benefits package.

Transition and Official Launch

On February 24, 2023 IWK Health officially launched an internally managed Environmental Services Program
To ensure a successful transition, a multi-disciplinary team was stood up from various departments to provide oversight during the transition

Frontline Healthcare – Infection Control Measures

IWK Health recognized the need to ensure sufficient infection control measures
Environmental Services Team is vital to the health and safety of our most vulnerable patients
Need to ensure the best service to minimize safety events that could negatively impact patient care
Ensuring our premises are clean and inviting for all that visit IWK Health to enhance a positive experience

Compensation

IWK Health wanted to ensure people working within our organization earn a reasonable living wage
Positions offered to external vendor's Environmental Services employees
Process was streamlined to help alleviate any additional stress to the impacted employees
100+ employees on-boarded to IWK Health in various permanent, temporary and casual positions





Major Financial Services and Other Operational Initiatives Prioritized Risk-Based Preventative Maintenance Program

*Progressing from years of deferred maintenance (corrective maintenance – focusing on fixing what breaks) to... developing and refocusing on a coordinated and **prioritized risk-based preventative maintenance** program.*

Preventative Maintenance (PM) Program Initiatives

Fiscal 2022–23

PM Project Resources
 Hired various positions to support facilities
 Internal Project Manager assigned to support project

Inventory & Asset IDs
 Cleaned up inventory listings
 Tagged ~600 equipment assets

Asset Risk Prioritization
 Prioritized functional risk of all inventoried assets, categorized from low to urgent

Developing PM Protocols
 PM Protocols completed:
 Urgent 19%
 Very High 25%
 High 29%
 Medium 80%
 Low 89%

Fiscal 2023–24 & Future Years

Implement Risked-Based PM Program
 Urgent (Mar 2024)
 Very High (Mar 2025)
 High (Oct 2025)
 Medium (Mar 2026)
 Low (Oct 2026)

KPIs & Reporting
 Develop Key Performance Indicators and standardized reports (including strategic replacement forecasting and facility condition indexing)

System Modules
 Assess potential system modules, including:
 Contract/lease/warranty
 Project management
 Parts

Optimizing Asset Management System
 Partner with vendor to customize and optimize the system to meet requirements
 Trial mobile technology



Major Financial Services and Other Operational Initiatives

Prioritized Risk-Based Preventative Maintenance Program

*Progressing from years of deferred maintenance (corrective maintenance – focusing on fixing what breaks) to... developing and refocusing on a coordinated and **prioritized risk-based preventative maintenance** program.*

Capital Renovations and Infrastructure Projects		
	Recent Achievements (Fiscal 2022-23)	Next Steps → Fiscal 2023-24 and beyond
Infrastructure Improvements (To Assist With Prioritized Risk-based Preventative Maintenance Program)	<ul style="list-style-type: none"> Installed LED lighting to reduce energy costs (90% complete) Installed two chillers (Women’s & Children’s sites) Upgraded electrical switchgear in parts of the Women’s building (Phase 1 of 4 completed) and children’s building (2 transformers and switchgear replaced) Replaced Children’s operating room west roof Upgraded helideck fuel containment system 	<ul style="list-style-type: none"> Complete commissioning of two chillers (~30% increase in capacity) Upgrade 30-50+ year old electrical switchgears and two Children’s transformers Replace Children’s operating room east roof , 9th floor roof, and north wall caulking Replace four 50+ year old air handlers Upgrade helideck heating/de-icing systems
Redevelopment	<ul style="list-style-type: none"> Continue with upgrading audio-visual equipment in meeting rooms Renovated Fetal Assessment Treatment Centre Commenced morgue refrigeration area renovation Supported Emergency Department redevelopment (new building construction) 	<ul style="list-style-type: none"> Complete audio-visual equipment and privacy barriers installs Complete renovation to Morgue Fridge Area Renovations to the following areas: Kitchen/Cafeteria, 4 Link Clinical Offices, PMU Observation Rooms, Gynecology Clinic Registration Area, Diagnostic Imaging Interventional Radiology Suite, Children’s Operating Rooms, Children’s / Women’s PACUs, Children’s outdoor space revitalization and Mental Health Leasehold Improvements Continue to support Emergency Department redevelopment (new building construction)
Emergency Repairs	<ul style="list-style-type: none"> Renovated various parts of main campus due to flood damage (12 floods/leaks in the last 18 months) Completed repairs to several chillers 	<ul style="list-style-type: none"> Complete renovations due to flood damages Repairing steam traps, valves, and insulation (potential cost savings)

D Major Financial Services and Other Operations Strategic Initiatives

Space Utilization Strategic Priority

A 2021 Master Space Program projected space needs to increase by 48% to accommodate present and future growth. As this growth is not feasible within a fixed structure, IWK Health embarked on a strategy to identify solutions to address increasing space constraints. In Fiscal 2022-23, IWK Health launched a strategic priority around space utilization with the objective to understand and evaluate how different spaces are used throughout the organization to inform key decisions regarding space use.

Space Utilization Strategic Priority

Fiscal 2022–23

Administrative Utilization

Commenced administrative space inventory pilot

Space Allocation Guidelines

Prepared draft *Corporate Resource Space Allocation Guidelines*

Ambulatory Utilization

Completed space utilization analysis and provided recommendations for:
Cardiology Clinic
Pediatric Shared Clinics
Women's & Breast Health Clinics

Inpatient and Operating Room Utilization

Completed space utilization analysis and provided recommendations for:
Inpatient Spaces
Operating Rooms

Storage Space

Completed inventory of existing storage spaces
Development of a plan to reduce storage space

Fiscal 2023–24 & Future Years

Administrative Utilization

Complete space utilization analysis and provide recommendation for:
Administrative Space
Research Services

Space Allocation Guidelines

Finalize *Corporate Resource Space Allocation Guidelines*
Implement space allocation framework

Ambulatory Utilization

Complete space utilization analysis and provide recommendation for:
Dentistry Clinic
Orthopedic Clinic

Schedule Optimization

Complete ambulatory clinic schedule optimization project

Storage Space

Obtain external storage space solutions
Execution of storage reduction strategy



Major Financial Services and Other Operations Strategic Initiatives

Environmental Sustainability

IWK Health, through delivery of a strategic plan, will strive to become an environmentally sustainable organization by co-creating a vision for the future and a roadmap for achievement that aligns with our organizational values, is realistic, relevant and executable and remains flexible and adaptable to changing realities.

Fiscal 2022–23



Reduce, Reuse, Recycle

Actively involved in initiatives to recycle and donate products when feasible, reduce and compost waste, reduce consumption and reuse products (e.g., removal of plastic utensils in café, etc.)



Virtual Care / Work

Continued to support and improve virtual care delivery and work from home for staff → reducing transportation



Active Transportation

Supported active transportation through the Halifax Regional Municipality SmartTrip program and other initiatives to support and promote cycling, walking, etc.



HVAC Improvements

Commissioning two new chillers (Women's and Children's buildings)



Energy Audit and Master Planning

Partnered with government to reduce energy consumption, explore funding opportunities, and to develop an energy audit and long-term energy master plan



LED Lighting Upgrades

Installation of ~10,000 LED light fixtures

- (90% complete)
- 8% reduction of energy consumption
- 1.5–2.0 million kWh/yr.
- Reducing carbon emissions ~514 tons CO₂/yr.
- Savings of ~\$150–\$200/yr.



Steam Trap Improvements

- Reduced steam consumption by ~10%
- ~13 million lbs./yr.
- Savings of ~\$150/yr.



Major Financial Services and Other Operations Strategic Initiatives

Environmental Sustainability– The Road Towards a More Sustainable Future

IWK Health, through delivery of a strategic plan, will strive to become an environmentally sustainable organization by co-creating a vision for the future and a roadmap for achievement that aligns with our organizational values, is realistic, relevant and executable and remains flexible and adaptable to changing realities.

Fiscal 2023–24 & Future Years

Establish A Culture Of Environmental Sustainability

Decision Making & Organizational Values

Commence an internal communication awareness campaign designed to promote & recognize environmental stewardship projects to build momentum

Transparency & Accountability

Promote best practices and a continuous improvement mindset
Develop an IWK Health Environmental Sustainability Scorecard to report and evaluate

Take Responsibility For Environmental Stewardship

Funding Opportunities

Identify key opportunities for capital investment and feasibility studies to enable achievement of our energy use intensity goals

Environmental Sustainability Initiatives

Implement a minimum of three "grass" roots initiatives with appropriate resource supports (e.g., recycling, printing awareness, collaborations to increase local food spend, etc.)

Expand Sustainable Research And Innovation

Strategic Partnerships / Collaboration

Partake in strategic partnerships / collaborations (nationally and locally) that cultivate a learning health system

IWK Health Engagement

Engage team members to reduce environmental impacts from delivery of care to administrative practices





Major Financial Services and Other Operations Strategic Initiatives

Financial Services Innovations

One of IWK Health's strategic goals is to drive a culture of creativity, discovery and innovation. This proactive innovation strategy proved invaluable as the pandemic resulted in an increase in remote work, thus increasing the requirement to develop digital strategies.

Innovations & Digitization

Electronic Purchase Requisitioning

Full transition to electronic purchase requisition submission → improved turnaround time, improved controls on workflow approval

Billing System Enhancements

Implemented change in billing systems for non-patient billings → improved controls, enhanced reporting

Automated Control Monitoring

Implemented automated financial control monitoring → improved controls environment

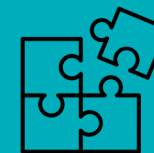
Creativity



Discovery



Innovation





Major Financial Services and Other Operations Strategic Initiatives

Financial Digital Transformation

SAP is the enterprise management system IWK Health utilizes for finance, accounts payable, asset accounting, supply chain and payroll & benefits. SAP has evolved to the next-generation technology platform (S4/HANA) and the current version will not be fully supported in the near future.

SAP Transformation – Project Highlights

Sectors Involved

Three sectors involved in upgrade:



Health
Education
Province

Initial Implementation

First stage is Finance & Logistics Services (FLS) and will include:

Finance
Accounts Payable
Asset Accounting
Supply Chain
Procurement

Implementation Date

FLS implementation scheduled for fiscal 2024-25



SAP
Modernization Program

shared
standard
simplified
sustainable

S4



Major Financial Services and Other Operations Strategic Initiatives

Financial Services Control Environment

Internal controls are important as they are policies and practices an organization puts in place to: [1] protect the integrity of its assets and financial and accounting information, [2] promote accountability, and [3] prevent fraud. Over the past five years, IWK Health has completed significant work to improve its control environment.

Fiscal 2022-23 Enhancements in Overall Control Environment

Internal Controls over Financial Reporting

Rollout of IWK Internal Controls over Financial Reporting (ICFR) program, including implementation of ICFR methodology, risk assessment program, and control testing strategy

Automated Control Monitoring

Implemented automated financial control monitoring

Team Collaboration

Collaboration between IWK Internal Audit and IWK Internal Controls teams on key projects related to high-risk financial areas

Training

Delivery of internal controls training to IWK Health leaders, highlighting the importance of a strong financial control environment



Impact of the COVID-19 Pandemic

Fiscal 2022-23 marks the third full year of navigating health care through the COVID-19 pandemic and IWK Health continued to see operational and financial impacts as a result. While the pandemic was officially declared over on May 11, 2023, the continued impact of COVID-19 on IWK Health remains unclear at this time. Certain costs, including enhanced cleaning protocols, increased occupational support, increased PPE and higher employee absenteeism is expected to continue indefinitely as we navigate through our new 'normal'.

Operational Impact

Virtual Care / Remote Work

Continued utilization of a virtual care platform for various areas of service
Continuation of certain staff working remotely or in hybrid working relationships

Continued Enhanced Protocols

Screening protocols for visitors entering IWK Health

Visitor restrictions

Usage of a pandemic response unit, designed to care for pediatric COVID-19 positive or presumed positive patients

(closed operations March 2023)

Enhanced cleaning protocols

Enhanced usage of personal protection equipment (PPE)

Provincial Pandemic Support

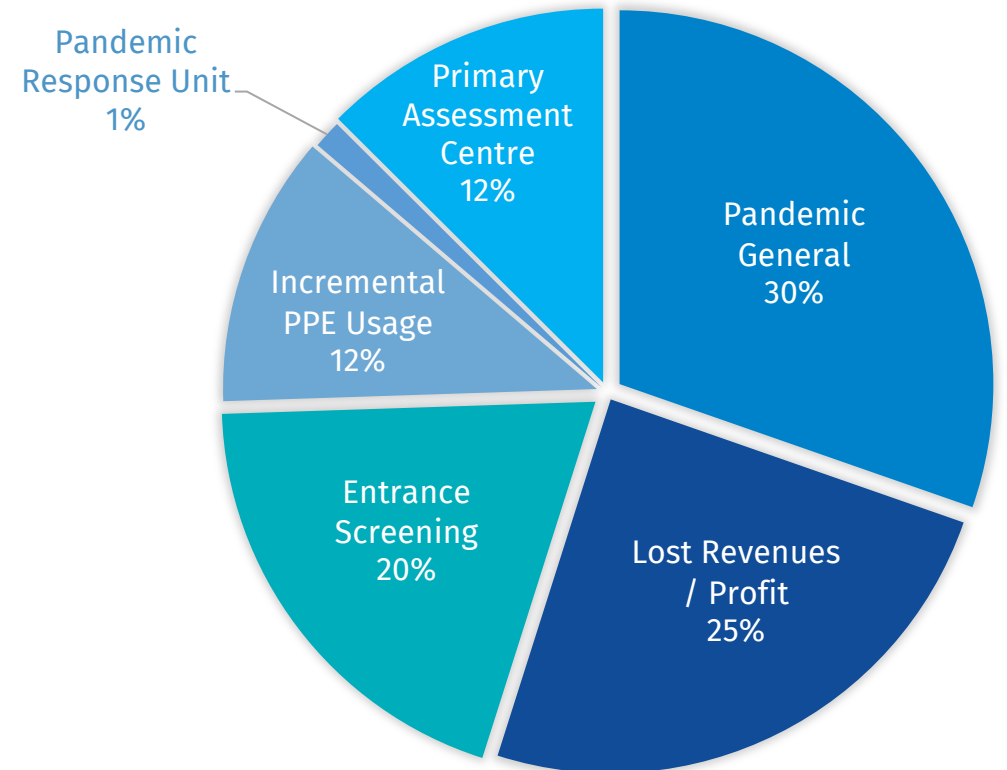
Continued operations of one of the Province's COVID-19 primary assessment testing centres
(closed operations January 2023)

Revenue / Profit Impacts

Continued reduction of volumes of certain retail services

Continued reduction in non-resident, out-of-country and other non-MSI covered procedures and preferred accommodations

Financial Impact



Total Pandemic costs¹ = \$5,494

¹Pandemic costs do not include:

- Price fluctuation of supplies and goods as the result of supply chain disruptions
- Costs relating to virtual care and remote work technology

05 Concluding Remarks & Fiscal 2023-24 Outlook

IWK Health continues to remain resilient during these uncertain times. Even through the pandemic, we were able to continue advancing our strategic initiatives, implement much needed enhancements to core infrastructure, implement numerous operational initiatives and continue to advance our control environment through several key initiatives. This was all accomplished even as the organization faced the effects of the pandemic and a significant respiratory season (termed the ‘tridemic’), which led to significant constraints in our Emergency Department and inpatient units.

In yet another year faced with uncertainty, IWK Health was able to deliver a balanced financial result in fiscal 2022-23, all while continuing to overcome obstacles faced by the pandemic. We were fortunate to receive one-time funding support from government to support unanticipated inflationary pressures.

Fiscal 2022-23 was a year of tremendous focus on supporting IWK Health through the pandemic, and most notably, a significant respiratory season. The ‘tridemic’ – termed as simultaneous outbreaks of RSV, influenza, and COVID-19 – led to an overcrowded Emergency Department, and high volumes in our pediatric inpatient units. With government support, we were able to tackle our challenges to create a temporary ‘green zone’ area designed to treat patients coming to the Emergency Department and assessed as lower acuity. This assisted to free up our Emergency Department resources for higher acuity patients.

However, even amidst these challenges, the organization was able to act on numerous strategic initiatives around research and innovation, access to care, and creating the foundation for an accessibility and environmental stewardship strategic plan.

In addition, throughout this year the organization was able to advance many infrastructure improvements as the result of the much appreciated one-time Invest in Canada Infrastructure Program (ICIP) funding. Most notable were improvements in our ‘bricks and mortar’ infrastructure, including retrofits, repairs, upgrades, safety and infection controls and helideck upgrades. We also advanced work on a space utilization study, an important strategic initiative which will help us to advance our master space program.

Fiscal 2023-24 will continue with a significant number of facilities projects. We will complete ICIP infrastructure projects that are still in progress. In addition, we recently received additional one-time ICIP funding which will help roof repairs and ventilation. The NS Department of Health & Wellness (DHW) more than doubled the capital grant funding envelope in fiscal 2022-23 and we will use that increased funding in fiscal 2023-24 for replacement of aged medical equipment and assist with significant deferred maintenance. The milestone Emergency Department redevelopment project will also continue construction. In addition, we received one-time DHW funding for renovations to our surgical rooms, gynecological ambulatory services and for diagnostic imaging enhancements as part of the government’s Action for Health strategic plan.

While the pandemic was officially declared over on May 11, 2023, the continued impact of COVID-19 on IWK Health remains unclear at this time. Certain costs, including enhanced cleaning protocols, increased occupational support, increased PPE and higher employee absenteeism is expected to continue indefinitely as we navigate through our new ‘normal’. We will also continue with virtual care and providing remote work arrangements, which will have the benefit of repatriating operational space into clinical space.

For fiscal 2023-24, we are partnering with our colleagues through the Nova Scotia health system to provide leadership on achieving the goals and objectives set out in the Action for Health Provincial Strategic Plan. We received new funding in fiscal 2023-24 for numerous initiatives which will have positive impacts on surgical access, access and flow, health equity, health human resources and universal mental health.

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 relating to our control environment.

“Change is never easy, but always possible.”

~ Barack Obama

Financial Statement Overview

IWK Health's audited financial statements as at March 31, 2023 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 IWK Health's activities, how they were financed, investing activities and the assets and liabilities of IWK Health.

Financial information is presented in thousands of Canadian dollars.



A. Statement of Financial Position

B. Statement of Operations

C. Statement of Net Debt

C. Statement of Cash Flows



Statement of Financial Position

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

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

Statement of Financial Position

	2023	2022 Restated
Financial Assets	140,313	106,873
Liabilities	146,165	126,668
Net Debt	(5,852)	(19,795)
Non-Financial Assets	238,868	226,904
Accumulated Surplus	233,016	207,109

New Policy: Asset Retirement Obligations

On April 1, 2022, IWK Health adopted the Public Sector Accounting Handbook Section PS 3280, *Asset Retirement Obligations* requiring IWK Health to record and disclose liabilities related to retiring IWK Health’s assets. As at March 31, 2023, a total liability for asset retirement obligations (“AROs”) of \$13,009 is recognized. IWK Health applied the modified retroactive approach of adoption. Accordingly, comparative figures have been restated and a liability balance of \$12,999 recognized at March 31, 2022. Refer to Financial Statement [Note 2o Asset retirement obligations](#), [Note 3 Change in accounting policies](#) and [Note 11 Asset retirement obligations](#)

Notable Changes in Financial Assets

Due from governments ↑ \$29,081 driven by:

\$17,140 in amounts owing from the Nova Scotia Department of Health and Wellness relating to the Province of Nova Scotia Retention Incentive Program for Nurses and Healthcare Workers; and, \$13,040 owing from the Nova Scotia Department of Finance and Treasury Board relating to asset retirement obligations

Notable Changes in Liabilities

Accounts payable and accrued liabilities ↑ \$19,657 as the result of timing of payments issued pursuant to the Province of Nova Scotia Retention Incentive Program for Nurses, and Healthcare Workers

Deferred revenue ↑ \$1,991 as the result of increases in deferred research and other restricted funds due to timing differences of revenue recognition versus receipt of funding. Refer to Financial Statement

[Note 9 Deferred revenue](#)

Debt ↓ \$1,250 attributable to mortgage payments during the year

Notable Changes in Non-Financial Assets

Net book value of tangible capital assets ↑ \$11,617. Amortization of \$11,215 was offset by acquisition of tangible capital assets of \$22,886 net of write-down/disposals of \$54

The acquisition of tangible capital assets reflects the investment of financial resources required to support facilities and advancing technology in medical equipment to ensure IWK Health remains a leader in providing the best care to the patients and families we care for at our facilities. Refer to Financial Statement [Note 13 Tangible capital assets](#)



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 IWK Health’s services, the revenues recognized in the period and the difference between the two.

Statement of Operations		
	2023	2022 Restated
Revenues	380,364	321,064
Expenses	354,457	320,449
Net (Deficit) Surplus	25,907	615
Accumulated Surplus, Beginning	207,109	206,494
Accumulated Surplus, Ending	233,016	207,109

Reconciliation of Public Sector Accounting Standards to Operating Results			
	Net Surplus (per PSAS)	Reconciling items	Operating Performance
Revenues	\$ 380,364	\$ (35,926)	\$ 344,438
Expenses	354,457	(11,215)	343,242
Write-down/Disposal of Tangible Capital Assets	-	(54)	(54)
Principal Repayment	-	1,250	1,250
Net Surplus	\$ 25,907	\$ (25,907)	\$ -

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 IWK Health

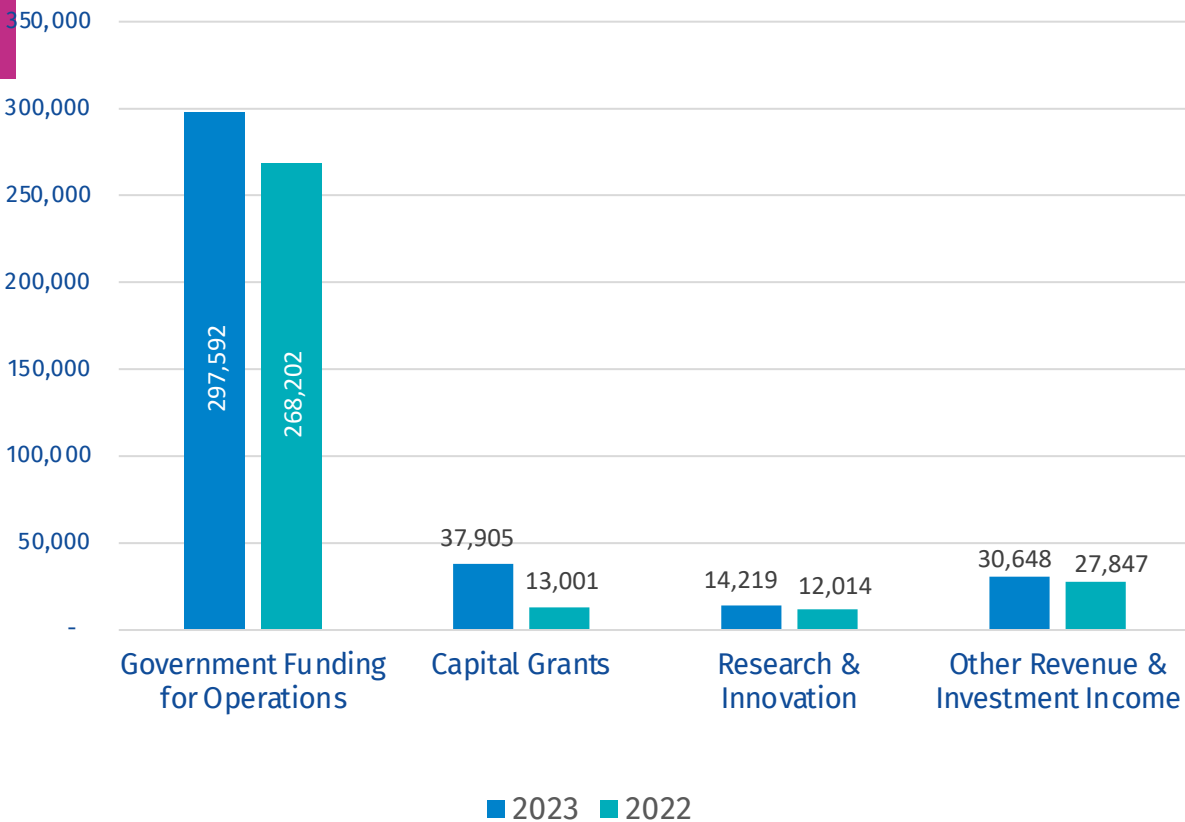
For fiscal 2022-23, the current year operating performance reflects a balanced result when reconciling the operating result to Public Sector Accounting Standards financial reporting (see *Reconciliation of Public Sector Accounting Standards to Operating Results* above)

The net surplus reported on the **Statement of Operations** totalling \$25,907 is the result of various capital transactions → Amortization expense of \$11,215 was lower than the increase in net capital assets of \$22,832 (capital additions of \$22,886, net of write-downs/disposals of \$54) and \$13,040 in capital grant funding for asset retirement obligations, resulting in a surplus based on public sector accounting standards



Statement of Operations Revenue

Revenue Year over Year Comparison



Notable Year over Year Changes

Government Funding for Operations ↑ \$29,390

- ↑ \$17,140 attributable to retention bonus funding
- \$2,529 ↑ in claims-based funding related to negotiated funding of \$771 for the National Day of Mourning holiday in 2022, and \$2,136 for inflationary pressures
- ↑ \$1,745 attributable to other government claims-based funding
- ↑ \$3,729 in leadsheet funding to support key organizational pressures and initiatives

Capital Grants ↑ \$24,904

Asset retirement obligation funding of \$13,040 and \$9,161 net increase in funding for emergency department redevelopment received during the year

Research & Innovation ↑ 2,205

Revenue is based on the various research projects that take place from year-to-year which can vary.

Other Revenue & Investment Income ↑ 2,801

- ↑ \$1,651 in investment income attributable to favourable changes in interest rates and increased cash on hand during the year
- ↑ \$582 due to insurance claims



Statement of Operations: Expenses by Program Area

Program Area Definition

Clinical Programs & Networks

Includes direct patient care support comprising of mental health and addictions, ambulatory care, critical care, inpatient services, perioperative services, rehabilitation services, oncology and cancer care, pediatric emergency care, provincial programs, primary care and continuing care

For fiscal years 2021-22 and 2022-23, it also includes direct pandemic response related costs

Operational and Corporate Support

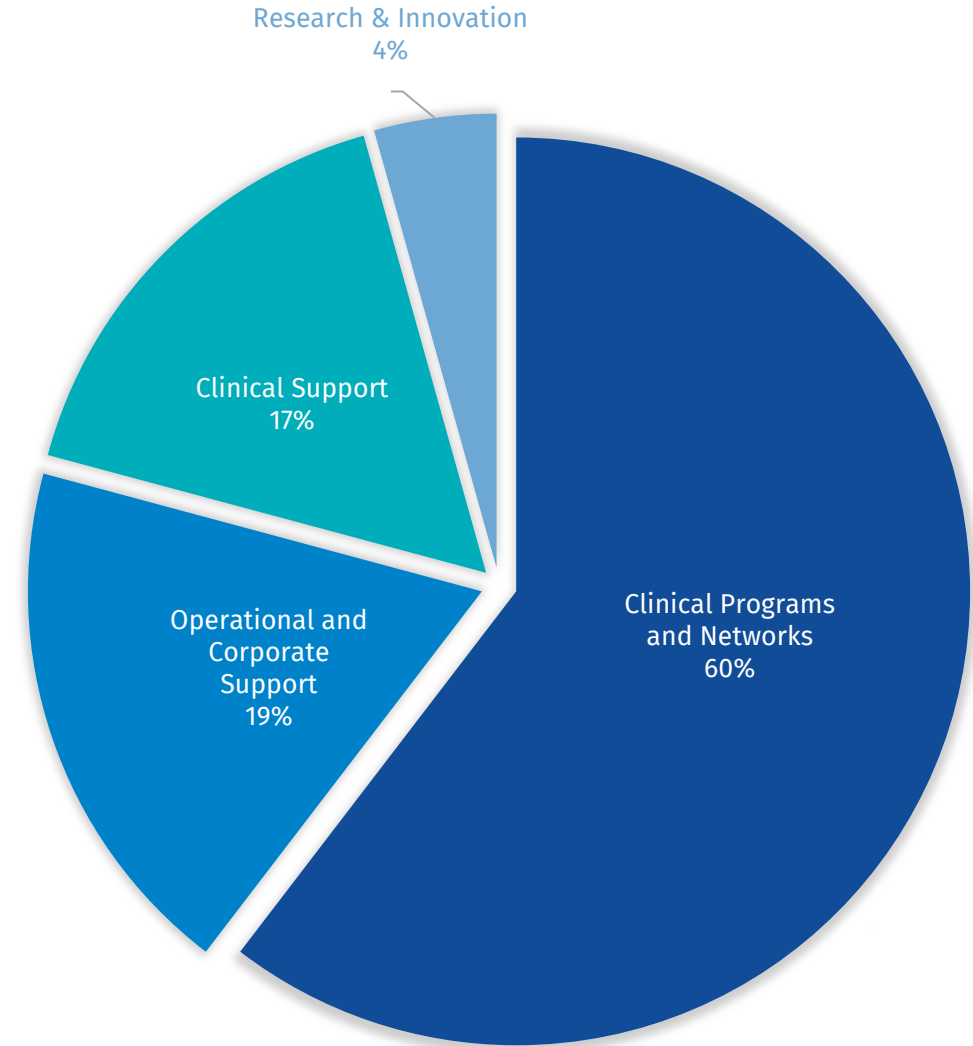
Includes key administrative supports including corporate services, facility services, environmental services, strategy and planning and non-clinical leadership

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 & Innovation

Includes costs relating to research and innovation initiatives

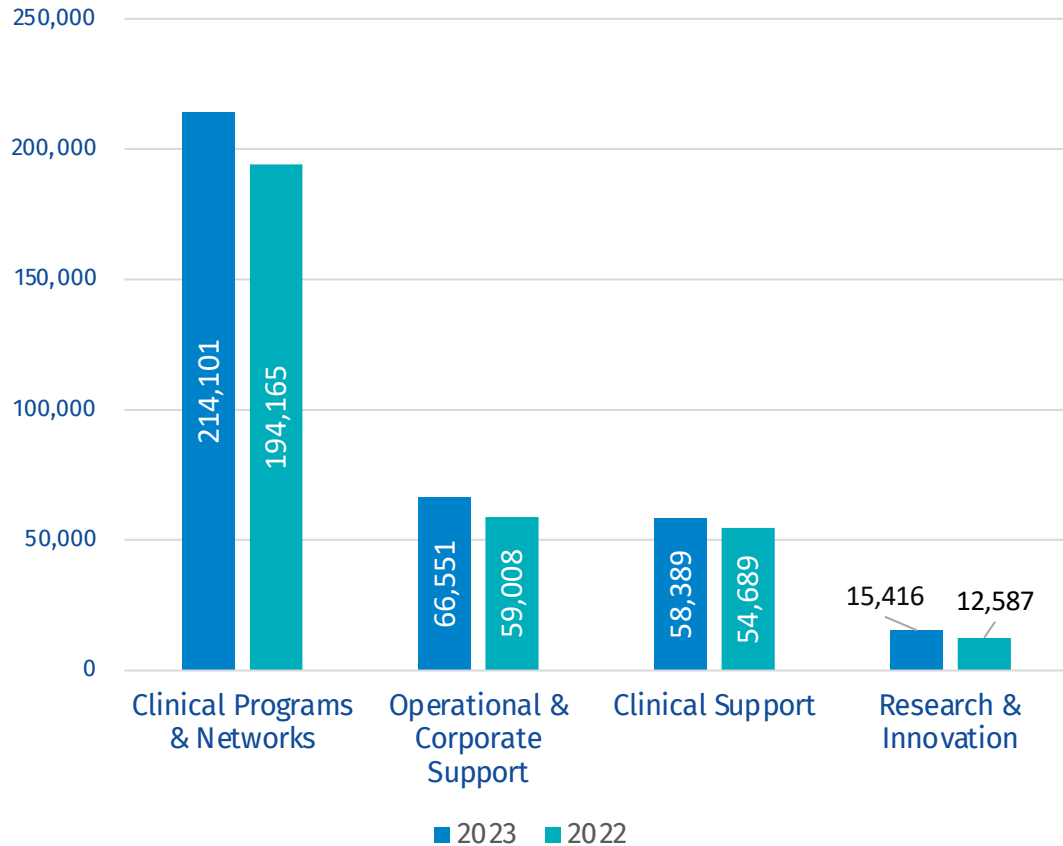




Statement of Operations

Expenses by Program Area

Expense Year over Year Comparison



Notable Year over Year Changes

Clinical Programs & Networks

↑ \$19,936

Compensation ↑ \$12,205 due to retention incentive program

Medical supplies ↑ \$1,341 and drug costs ↑ \$513 due to increased volume and supply costs increases

↑ \$1,410 in additional compensation and ↑ \$891 plant operations due to increased Mental Health programming

↑ \$970 increase in Autism Services

↓ \$2,569 in direct pandemic related expenditures

Operational and Corporate Support ↑ \$7,543

Compensation ↑ \$2,241 due to retention incentive program

Facilities service ↑ \$2,668 as a result of steam pressure costs (↑ in price of natural gas) and maintenance costs

Clinical Support ↑ \$3,700

Compensation ↑ \$2,185 due to retention incentive program

Additional increase attributable mainly to ongoing laboratory services ramp up with further lab tech positions filled during the year

Research & Innovation ↑ \$2,829

Compensation ↑ \$509 due to retention incentive program and ↑ \$1,500 related to increased research project activity during the year

Statement of Operations Expenses by Category

Expense Category Definition

Compensation includes all salaries and benefits (fulltime equivalents). Also includes funds allocated for temporary staff. For Fiscal 2022-23 includes Retention Incentive Program for Nurses and Healthcare Workers

Maintenance & Building includes utilities such as fuel, power, natural gases, etc., minor equipment purchases, rentals, various building and equipment maintenance, and maintenance supplies

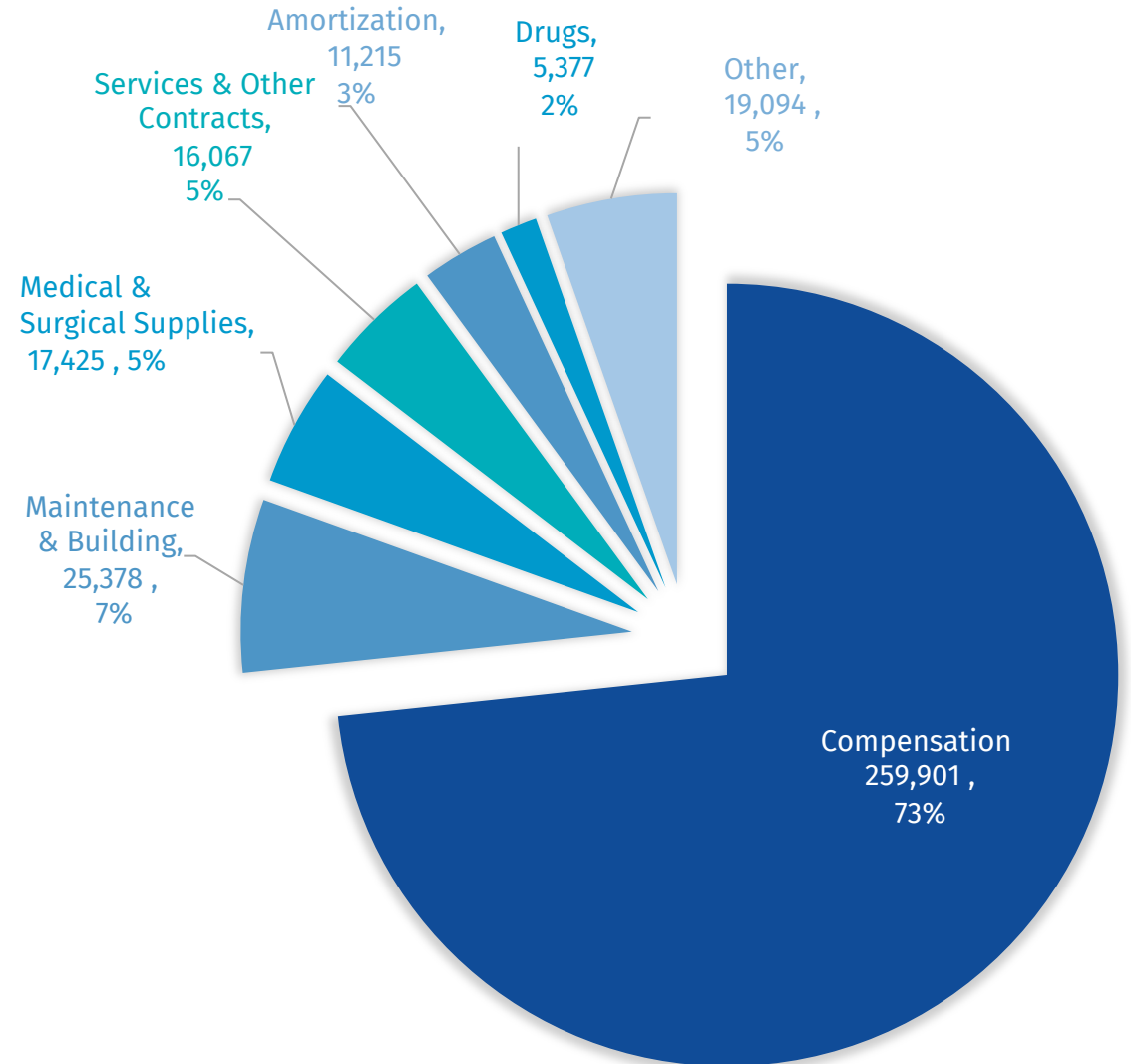
Drugs includes general drugs, anti-infectives, and anesthetic gases

Medical / Surgical includes a variety of medical and surgical supplies such as prosthetics, pacemakers, instruments, needles/gloves/ dressings and other miscellaneous supplies

Other includes miscellaneous patient care supporting costs such as nutrition, technology and lab supplies; and, various operating costs including travel, professional fees, insurance, interest, and bad debt

Services & Other Contracts include service, maintenance and other contracts relating to equipment and other goods and services

Amortization includes the incremental charge of the cost of tangible capital assets over its expected useful life





Statement of Changes in Net Debt & Statement of Cash Flows

The **Statement of Change in Net Debt** explains the difference between IWK Health’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.

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

Statement of Changes in Net Debt

	2023	2022 Restated
Annual surplus	25,907	615
Change in Tangible Capital Assets	(11,617)	566
Change in Other Non-Financial Assets	(347)	(580)
Decrease in Net Debt	13,943	601
Net Debt, Beginning	(19,795)	(7,397)
Adoption of PS 3280		(12,999)
Net Debt, Ending	(5,852)	(19,795)

Net book value of tangible capital assets ↑ \$11,617 → amortization of \$11,215 was offset by acquisition of tangible capital assets of \$22,886, net of write-down/disposals of \$54

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

Operating Activities

Cash flow from operating activities is \$26,223 (2022 - \$2,843) and is the result of the following:

- ↑ \$11,215 amortization costs
- ↑ \$54 write-down/disposal of tangible capital assets
- ↓ \$29,666 accounts receivable and due from governments primarily as a result of the timing of \$17,140 in amounts owing from the Nova Scotia Department of Health & Wellness relating to the retention incentive program and \$13,050 owing from the Nova Scotia Department of Finance and Treasury Board relating to asset retirement obligations
- ↑ \$314 receivable from the IWK Foundation primarily due to receipt of payments in the current year related to prior year billings for larger capital projects and equipment
- ↑ \$19,657 accounts payable primarily due to \$17,140 in retention bonus payments distributed to eligible employees on May 4, 2023
 - ↓ \$911 employee future benefits as the result of valuation of the various benefits plans
- ↑ \$201 inventory balance and ↓ \$548 Prepaid expenses due to timing of purchases/payments

Capital Activities

Cash applied to capital activities for the acquisition of tangible capital assets in the amount of \$22,886 relates to \$12,029 for Emergency Department redevelopment, \$7,715 in capital medical equipment, and \$5,177 in facilities renovation and infrastructure repairs

Financing Activities

Debt retirement relates to the principal payment on IWK Health’s loan with the Province of Nova Scotia



IWK Health