

**Southlake Regional Health Centre  
2012-13 Annual General Meeting  
Treasurer's Report**

June 26, 2013

The 2012/13 fiscal year saw the implementation of the Ministry of Health and Long Term Care's Health System Funding Reform (HSFR), which provides a significant change in the method by which hospitals are funded. I wish to thank the Board and the leadership team for their work throughout the year to guide the organization through this period of fiscal change, while maintaining a focus towards strong financial performance.

Southlake has once again successfully met the balanced budget requirements of the Hospital Service Accountability Agreement (H-SAA), achieving an excess of revenues over expenses of \$1.068 million for 2012/13. This is a notable accomplishment considering that the application of the Health Based Allocation Model (HBAM) portion of the formula resulted in a \$1.7 million *funding reduction* for Southlake. Thank you to the entire team of skilled healthcare professionals across the organization that contributed to this positive result. The challenge of absorbing service growth, and inflationary cost pressures within a shrinking operational budget, did however, impede our ability to balance at the bottom line. After accounting for other capital items, such as building depreciation and deferred grants, interest expense, an excess of expenses over revenue of \$5.624 million for the year was reported.

Significant challenges still lie ahead as the Hospital's working capital position, as planned, worsened in 2012/13 from 0.6 to 0.5. The deficit at the bottom line resulted in a reduction of the capital plan. Continuing cost pressures in 2013/14, meeting the on-going capital equipment needs, and our long-term debt continue to be concerns for Southlake in managing cash flows.

As an organization, we are continually striving to restore our working capital position, improve cash flow and to optimize our financial health overall. Considerable work has already been undertaken to assess and improve our clinical and financial outcomes as per the HSFR formula. We are moving toward best practices and sustainable reductions to our cost structure to improve our next fiscal year results.

Your package includes copies of the audited financial statements for the year ending March 31, 2013. I would like to express thanks to our auditors, Deloitte LLP, and members of the Southlake Audit Committee for their services and feedback. I commend the Southlake Finance team who worked hard preparing for the audit 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/Central LHIN, our Regional and Municipal Governments, the Southlake Foundation, and generous people from our community, all of whom contributed financially to the success of the Hospital.

Respectfully submitted,  
Paul Roberts