

Financial Statements of

JOSEPH BRANT HOSPITAL

Year ended March 31, 2021

Independent Auditor's Report

To the Board of Directors of
Joseph Brant Hospital

Opinion

We have audited the financial statements of Joseph Brant Hospital (the "Hospital"), which comprise the statement of financial position as at March 31, 2021, and the statements of operations, remeasurement gains and losses, change in net assets (deficit) and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Hospital as at March 31, 2021, and the results of its operations, its remeasurement gains and losses, changes in its net assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards ("PSAS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Hospital in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PSAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Hospital's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Hospital or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Hospital's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Hospital to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 2, 2021

JOSEPH BRANT HOSPITAL

Statement of Financial Position

March 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents (note 2)	\$ 12,686,553	\$ -
Restricted cash (note 2)	40,249,499	18,460,736
Accounts receivable (note 3)	38,754,860	7,345,373
Grant receivable from Joseph Brant Hospital Foundation (note 11 (a))	301,615	271,987
Inventories	2,018,043	2,021,496
Prepaid expenses	3,943,178	3,582,121
Due from The Joseph Brant Trust	-	30,398
Total current assets	97,953,748	31,712,111
Long-term receivables (note 4)	6,977,063	6,977,063
Capital assets, net (note 4)	468,676,459	481,884,861
Derivative assets (note 6)	2,884,395	-
Interest in The Joseph Brant Trust (note 11 (b))	-	1,448,330
Total assets	\$ 576,491,665	\$ 522,022,365
Liabilities and Net Assets (Deficit)		
Current liabilities:		
Bank indebtedness (note 5)	\$ -	\$ 925,294
Banker's acceptances (note 5)	-	35,953,936
Accounts payable and accrued liabilities	56,586,414	38,026,367
Deferred revenue	839,422	623,764
Current portion of long-term debt (note 6)	3,497,000	-
Current portion of obligations under capital leases (note 7)	365,253	252,878
Total current liabilities	61,288,089	75,782,239
Long-term debt (note 6)	54,781,000	-
Obligations under capital leases (note 7)	1,062,914	1,327,047
Employee future benefit plans (note 8(b))	14,006,134	13,630,879
Deferred capital contributions (note 9)	431,936,900	445,381,102
Total liabilities	563,075,037	536,121,267
Net assets (deficit):		
Invested in capital assets (note 10)	2,283,417	3,145,001
Unrestricted	8,248,816	(17,492,233)
	10,532,233	(14,347,232)
Accumulated remeasurement gains	2,884,395	248,330
Total net assets (deficit)	13,416,628	(14,098,902)
Commitments and contingencies (note 14)		
	\$ 576,491,665	\$ 522,022,365

See accompanying notes to financial statements.

On behalf of the Board

 Director

 Director

JOSEPH BRANT HOSPITAL

Statement of Operations

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
		(note 18)
Revenues:		
Ministry of Health, Local Health Integration Network ("LHIN"), Ontario Health and other agencies	\$209,453,926	\$178,240,080
Inpatient services	4,679,523	4,183,061
Outpatient services	9,031,607	12,229,439
Other income	10,541,490	11,890,301
Amortization of deferred capital contributions relating to equipment	9,202,636	8,066,841
	<u>242,909,182</u>	<u>214,609,722</u>
Expenses:		
Salaries	109,985,551	103,111,125
Employee benefits	30,883,995	29,623,444
Fees to medical staff	19,186,028	15,654,316
Drugs	9,527,915	10,368,599
Medical and surgical supplies	14,260,646	12,825,830
Other supplies and expenses	41,723,748	38,982,785
Amortization of equipment	12,322,747	10,927,410
	<u>237,890,630</u>	<u>221,493,509</u>
Excess (deficiency) of revenues over expenses before the undernoted	5,018,552	(6,883,787)
Amortization of deferred capital contributions relating to building and building service equipment	11,579,450	11,126,532
Amortization of building and building service equipment	(12,659,657)	(12,210,258)
Interest on long-term debt	(1,093,980)	-
	<u>(2,174,187)</u>	<u>(1,083,726)</u>
Excess (deficiency) of revenues over expenses the undernoted	2,844,365	(7,967,513)
Working capital relief funding (note 17)	22,035,100	-
Excess (deficiency) of revenues over expenses	<u>\$ 24,879,465</u>	<u>\$ (7,967,513)</u>

See accompanying notes to financial statements.

JOSEPH BRANT HOSPITAL

Statement of Changes in Net Assets (Deficit)

Year ended March 31, 2021, with comparative information for 2020

	Invested in Capital assets	Unrestricted	2021 Total	2020 Total
Balance, beginning of year	\$ 3,145,001	\$ (17,492,233)	\$ (14,347,232)	\$ (6,379,719)
Excess (deficiency) of revenues over expenses (note 10 (b))	(4,200,318)	29,079,783	24,879,465	(7,967,513)
Net change in investment in capital assets (note 10 (b))	3,338,734	(3,338,734)	-	-
Balance, end of year	\$ 2,283,417	\$ 8,248,816	\$ 10,532,233	\$(14,347,232)

See accompanying notes to financial statements.

JOSEPH BRANT HOSPITAL

Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Cash (used in) provided by:		
Operating activities:		
Excess (deficiency) revenues over expenses	\$ 24,879,465	\$ (7,967,513)
Items not affecting cash:		
Amortization of capital assets	24,982,404	23,137,668
Amortization of deferred capital contributions	(20,782,086)	(19,193,373)
Change in accrued sick pay benefits	(18,645)	(8,995)
Employee future benefits expense	981,300	843,300
Net gain on sale of investments from The Joseph Brant Trust	(493,934)	-
Change in non-cash working capital items:		
Accounts receivable	(31,409,487)	(910,172)
Grant receivable from Joseph Brant Hospital Foundation	(29,628)	1,658,344
Inventories	3,453	(182,893)
Prepaid expenses	(361,057)	116,560
Due from The Joseph Brant Trust	30,398	(25,813)
Accounts payable and accrued liabilities	18,560,047	6,039,918
Deferred revenue	215,658	(217,005)
Employee future benefits paid	(587,400)	(593,300)
	15,970,488	2,696,726
Capital activities:		
Purchase of capital assets (excluding those acquired by capital leases)	(11,587,926)	(10,989,171)
Increase in deferred capital contributions:		
Joseph Brant Hospital Foundation	331,789	5,928,428
Ministry of Health	6,982,737	2,099,324
Other	23,358	116,212
Proceeds on redemption of The Joseph Brant Trust investments	1,693,934	-
	(2,556,108)	(2,845,207)
Financing activities:		
Proceeds from issuance of banker's acceptances	-	50,118
Net change in restricted cash	(21,788,763)	(101,661)
Repayment of short term banker's acceptances	(35,953,936)	-
Proceeds from long-term debt facility	60,000,000	-
Repayment of long-term debt facility	(1,722,000)	-
Repayment in obligations under capital leases	(337,834)	(78,884)
	197,467	(130,427)
Increase (decrease) in cash and cash equivalents	13,611,847	(278,908)
Bank indebtedness, beginning of year	(925,294)	(646,386)
Cash and cash equivalents (bank indebtedness), end of year	\$ 12,686,553	\$ (925,294)
Cash and cash equivalents (bank indebtedness) comprised of:		
Bank indebtedness	\$ -	\$ (925,294)
Cash and cash equivalents	12,686,553	-
Cash and cash equivalents (bank indebtedness)	\$ 12,686,553	\$ (925,294)
Supplemental cash flow information:		
Capital assets acquired by way of capital leases (note 7)	\$ 186,076	\$ 1,658,809
Interest paid	1,227,300	989,317

See accompanying notes to the financial statements.

JOSEPH BRANT HOSPITAL

Statement of Remeasurement Gains and Losses

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Accumulated remeasurement gains, beginning of the year	\$ 248,330	\$ 315,000
Unrealized gains (losses) attributable to:		
Interest in The Joseph Brant Trust (note 11 (b))	245,604	(66,670)
Derivative – interest rate swap (note 6)	2,884,395	-
	3,129,999	(66,670)
Less:		
Realized gains reclassified to the statement of operations:		
Interest in The Joseph Brant Trust (note 11 (b))	493,934	-
	493,934	-
Net remeasurement gains (losses) for the year	2,636,065	(66,670)
Accumulated remeasurement gains, end of the year	\$ 2,884,395	\$ 248,330

See accompanying notes to financial statements

JOSEPH BRANT HOSPITAL

Notes to Financial Statements

Year ended March 31, 2021

Joseph Brant Hospital (the "Hospital") is incorporated without share capital under the laws of Ontario. The mission of the Hospital is to provide health care to the residents of Burlington and surrounding communities. The Hospital is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements are met. The Hospital is assisted in meeting this mission by the Joseph Brant Hospital Foundation (the "Foundation") and The Joseph Brant Trust (the "Trust"). These financial statements do not include the Foundation as they maintain their own accounts and report separately from the Hospital to their respective governing bodies. The Foundation is a separate incorporated entity which is not controlled by the Hospital. The Trust was an inter vivos trust of which the Hospital was the sole beneficiary until its dissolution in the current year (see note 11(b)).

1. Significant accounting policies:

(a) Basis of presentation:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards ("PSAS") including the 4200 standards for government not-for-profit organizations (the "Standards").

(b) Cash, cash equivalents and restricted cash:

Cash, cash equivalents and restricted cash consists of cash held at Canadian chartered banks including temporary investment savings with a maturity of six months or less from the date of purchase, and are measured at fair value. The Hospital has certain restricted cash investments held for lottery purposes and redevelopment and board designated capital asset related activities.

(c) Revenue recognition:

The Hospital follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Insurance Act and Regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health ("MOH") and Local Health Integration Network ("LHIN"). Ontario Health ("OH"), a Crown agency of the Government of Ontario, was established on June 6, 2019. Effective April 1, 2021, OH assumed all responsibilities of the Hamilton Niagara Haldimand Brant Local Health Integration Network ("LHIN") as it relates to the Hospital. In addition, all agreements between the Hospital and the LHIN were transferred to OH. These financial statements reflect agreed arrangements approved by the MOH with respect to the year ended March 31, 2021.

Grants and funding authorized by the MOH/LHIN/OH as of the end of the fiscal year, and for which a specific purpose or use has been identified, are recognized as revenue when there is reasonable assurance that the Hospital has complied with, and will continue to comply with, all conditions necessary to earn the grant. The recognition of revenue associated with such grants requires management to make estimates and assumptions based on the best information available at the time of preparation of these financial statements. Final funding approved is subject to the funders' reconciliation process, and could differ from these estimates. Refer to note 16 for further discussion on funding relating to COVID-19 pandemic response, and note 17 for working capital funding.

JOSEPH BRANT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

1. Significant accounting policies (continued):

(c) Revenue recognition (continued):

Grants for which revenue has been earned but not received at the end of the fiscal year are accrued as receivable. Where a portion of a grant received relates to a future period, it is deferred and recognized in that subsequent fiscal year.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Where contributions are restricted for the purchase of capital assets, they are deferred and amortized into revenue on the straight line basis, at a rate corresponding with the amortization rate of the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Revenue from the Ontario Health Insurance Plan ("OHIP"), preferred accommodation, as well as income from parking and other ancillary operations is recognized when the goods are sold or the service is provided.

(d) Inventories:

Inventories consist primarily of hospital supplies held for patient care and are valued at the lower of average cost and net realizable value.

(e) Capital assets:

Capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided annually on the straight-line basis over the estimated useful life of the related capital asset using the following annual rates:

Asset	Rate
Building and building service equipment	2 - 5%
Equipment	10 - 25%
Equipment under capital lease	10 - 25%

Construction-in-progress comprises construction, development costs and interest capitalized during the construction period. Upon completion, costs in construction-in-progress are reclassified to the appropriate capital asset account and amortization commences when the asset is operational.

When conditions indicate a capital asset no longer contributes to the Hospital's ability to provide services, or that the value of future economic benefits associated with the capital asset is less than its net book value, the book value of the capital asset will be reduced to reflect the decline in the asset's value.

JOSEPH BRANT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

1. Significant accounting policies (continued):

(f) Equipment under capital leases:

Equipment leases that effectively transfer substantially all the of the risks and rewards of ownership to the Hospital as lessee are capitalized at the present value of the minimum payments, excluding executor costs, under the lease with a corresponding liability for the related lease obligations. The discount rate used to determine the present value of the lease payment is the lower of the Hospital's rate of incremental borrowing or the interest rate implicit in the lease. Charges to expense are made for amortization on the equipment and interest on the lease obligations.

(g) Employee future benefits:

(i) Multi-employer plan:

Substantially all of the employees of the Hospital are eligible to be members of the Healthcare of Ontario Pension Plan ("HOOPP") which is a multi-employer final average of the best five years' pay contributory pension plan and employees are entitled to certain post-employment benefits. In accordance with PSAS, the plan is accounted for as a defined contribution plan as there is insufficient information to apply defined benefit plan accounting.

(ii) Defined benefit plan:

The Hospital provides post-retirement benefits, including extended health, dental, semi-private preferred hospital accommodation and life insurance benefits to certain employee groups.

The cost of post-retirement benefits is determined using the accrued benefit method pro-rated on service and management's best estimate of salary escalation, retirement age, expected health care and dental costs and other actuarial factors. The discount rate used to determine the accrued benefit obligation was determined by reference to the rate of return on provincial government bonds with an additional risk premium specific to the Hospital for varying durations based on the cash flows expected from the post-retirement benefit obligations.

Past service costs arising from plan amendments are recognized immediately in the period the plan amendments occur.

Actuarial gains and losses are amortized over the average remaining service period of active employees. The average remaining service period of active employees covered by the post-retirement benefits plan is 16 years (2020 - 16 years).

JOSEPH BRANT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

1. Significant accounting policies (continued):

(h) Financial instruments:

Financial instruments are initially recorded on the statement of financial position at fair value. Subsequently, derivative instruments and equity instruments that are quoted in an active market are recorded at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Unrealized changes in fair value of investments and derivative instruments are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

The Standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 – Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

The Hospital has entered into derivative instruments consisting of interest rate swap contracts to manage exposure to interest rate risk. The fair value of the hedging derivative is calculated as the difference between the present values of the future cash flows associated with the floating-receipt leg and the fixed pay leg. The fair value estimates are not necessarily indicative of the amounts that the Hospital may receive or pay in actual market transactions. The unrealized gain or loss on the interest rate swap is recorded in the statement of remeasurement gains and losses.

The Hospital does not hold or issue derivative financial instruments for trading or speculative purposes.

(i) Contributed goods and services:

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed goods and services are not recognized in the financial statements.

JOSEPH BRANT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

1. Significant accounting policies (continued):

(j) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amount of capital assets, amounts due to and from MOH/LHIN/OH, certain revenues from MOH/LHIN/OH, allowance for doubtful accounts, accrued liabilities and obligations related to employee future benefits. Actual results could differ from those estimates.

2. Cash, cash equivalents and restricted cash:

	2021	2020
Cash and cash equivalents	\$ 12,686,553	\$ -
Restricted capital funds	40,182,061	18,420,861
Restricted lottery funds	67,438	39,875
	<u>\$ 52,936,052</u>	<u>\$ 18,460,736</u>

As described in note 14(a), both the MOH/LHIN and the City of Burlington have provided funds toward the Capital Redevelopment Project. Funding provided in excess of payments to date resulted in cash balances of \$10,186,845 (2020 - \$12,920,861). These funds are restricted for the project. A portion of these restricted funds have been set aside to repay holdbacks related to the project. Interest earned on this portion of the funds is payable to EllisDon Infrastructure JBH Inc. The Hospital, at March 31, 2021, also holds \$29,995,216 (2020 - \$nil) of funding received from the Foundation, proceeds of Trust wind up and debt restructuring related to the completed redevelopment and future planned capital projects. These funds are included within restricted cash as they are earmarked for repayments of the Hospital's bank debt.

The Hospital has invested certain funds amounting to \$5,000,000 (2020 - \$nil) in guaranteed short-term investment certificates with its banking partners maturing in 2021.

3. Accounts receivable:

	2021	2020
Ministry of Health	\$ 35,677,007	\$ 2,380,629
Patients and others	2,741,977	3,600,456
Cancer Care Ontario (now part of OH)	456,505	1,509,453
Joseph Brant Foundation (note 11 (a))	228,117	259,292
	<u>39,103,606</u>	<u>7,749,830</u>
Less allowance for doubtful accounts (note 15 (a))	348,746	404,457
	<u>\$ 38,754,860</u>	<u>\$ 7,345,373</u>

JOSEPH BRANT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

4. Capital assets:

			2021	2020
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 5,412,224	\$ -	\$ 5,412,224	\$ 5,412,224
Building	452,724,831	45,942,874	406,781,957	416,756,939
Building service equipment	50,334,113	44,222,743	6,111,370	3,573,967
Equipment	173,471,143	125,801,708	47,669,435	44,908,590
Equipment under capital lease	1,844,885	516,251	1,328,634	1,492,928
Construction progress	1,372,839	-	1,372,839	9,740,213
	\$ 685,160,035	\$ 216,483,576	\$ 468,676,459	\$ 481,884,861

The tower construction was substantially completed in 2019 with total costs of \$407,970,388 capitalized to building and equipment. Based on the terms in the project agreements, the Hospital has recorded accounts payable of \$429,459 (2020 - \$1,351,586) to EllisDon Infrastructure JBH Inc. (EDI) and a long-term receivable from the MOH of \$6,155,774 relating to construction holdbacks (2020 - \$6,155,774). As of March 31, 2021, these amounts remain outstanding pending final completion of the construction project.

5. Bank indebtedness and Bankers acceptance:

The Hospital previously held a \$50 million revolving demand credit facility to fund the Capital Redevelopment Project. During the year, the Hospital restructured this credit facility from a temporary short term loan to long-term debt (see note 6). As at March 31, 2021, the Hospital holds outstanding debt of \$nil (2020 - \$35,953,936) utilized for the Capital Redevelopment Project under this legacy credit facility.

The bank has also made available to the Hospital an Operating Line of Credit in the amount of \$25 million. At year-end, the Hospital has utilized \$nil (2020 - \$925,294) of the available line of credit.

Both credit facilities bear interest at prime minus 0.85% per annum when drawn upon.

JOSEPH BRANT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

6. Long term debt:

	2021	2020
Non revolving term loan bearing interest at 2.0%, repayable in blended quarterly payments of \$1,161,000 maturing August 4, 2035	\$ 58,278,000	\$ -
Less current portion	3,497,000	-
Long-term portion of long-term debt	\$ 54,781,000	\$ -

In August 2020, the Hospital entered into a \$60,000,000 non-revolving term loan to replace previous temporary financing obtained for the Capital Redevelopment Project (see note 5) and to provide proceeds required for future capital projects. This debt consists of a long term loan facility, bearing interest at a rate of Bankers Acceptance (BA) plus 0.75% repayable over 15 years. Repayment is on a quarterly blended basis of interest and principal. The Hospital has utilized an interest rate swap arrangement to provide a fixed rate of 2.0% over the 15-year term and amortization period. The fair value of the interest rate swap agreement as at March 31, 2021 is \$2,884,395.

The following are the future minimum annual debt principal repayments due over the next five fiscal years and thereafter:

2022	\$ 3,497,000
2023	3,568,000
2024	3,641,000
2025	3,714,000
2026	3,790,000
Thereafter	40,068,000
	\$ 58,278,000

JOSEPH BRANT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

7. Obligations under capital leases:

The Hospital has financed certain medical and diagnostic equipment by entering into capital leasing arrangements. The weighted average effective interest rate of the capital leases ranges from 3.1% to 4.8%. The future minimum annual payments consist of the following:

	2021
2022	\$ 406,998
2023	406,998
2024	406,998
2025	274,550
2026	26,518
Total minimum lease payments	1,522,062
Less amounts representing interest	93,895
Obligations under capital leases	1,428,167
Less current portion of obligations under capital leases	365,253
Long-term portion of obligations under capital leases	\$ 1,062,914

Interest related to the capital lease obligation amounted to \$48,738 (2020 - \$12,652) and has been included in other supplies and expenses in the statement of operations.

8. Employee future benefit plans:

(a) Multi-employer plan:

Contributions made by the Hospital to HOOPP during the year amounted to \$9,016,511 (2020 - \$8,870,207). These amounts are included in employee benefits expense in the statement of operations. The most recent actuarial valuation of HOOPP as at March 31, 2021 indicates the plan has a 19% surplus in disclosed actuarial assets and is fully funded on a solvency basis.

JOSEPH BRANT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

8. Employee future benefit plans (continued):

(b) Employee future benefits:

	2021	2020
Employee future benefits	\$ 13,959,200	\$ 13,565,300
Accrued sick benefits	46,934	65,579
	<u>\$ 14,006,134</u>	<u>\$ 13,630,879</u>

Information about the Hospital's unfunded post-retirement benefits plan is as follows:

	2021	2020
Accrued benefit obligation:		
Balance, beginning of year	\$ 10,911,800	\$ 12,350,500
Actuarial gain	(85,400)	(1,931,600)
Current service cost	833,900	725,600
Interest cost	336,700	360,600
Benefits paid	(587,400)	(593,300)
Balance, end of year	11,409,600	10,911,800
Unamortized actuarial gains	2,549,600	2,653,500
Accrued benefit liability	<u>\$ 13,959,200</u>	<u>\$ 13,565,300</u>

The information above was based on the most recent actuarial valuation performed as at April 1, 2019 by Morneau Shepell, and extrapolation as at March 31, 2021. The significant actuarial assumptions adopted in measuring the Hospital's accrued benefit obligation for employee future benefits are as follows:

	2021	2021
Discount rate	3.00%	2.94%
Extended health care premium increases	5.20%	5.50%
Dental premium increases	3.00%	2.75%

The extended health care premiums are expected to decrease to an ultimate rate of 3.57% per annum.

The Hospital's net employee future benefit expense is as follows:

	2021	2020
Current service cost	\$ 833,900	\$ 725,600
Interest cost	336,700	360,600
Amortization of actuarial gains	(189,300)	(242,900)
	<u>\$ 981,300</u>	<u>\$ 843,300</u>

JOSEPH BRANT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

9. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets.

	2021	2020
Balance, beginning of year	\$ 445,381,102	\$ 456,430,511
Contributions received from:		
Joseph Brant Hospital Foundation	331,789	5,928,428
Ministry of Health	6,982,738	2,099,324
Other	23,357	116,212
Less amounts amortized to revenue	(20,782,086)	(19,193,373)
	\$ 431,936,900	\$ 445,381,102

The balance of capital contributions related to capital assets consists of the following:

	2021	2020
Unamortized capital contributions used to purchase capital assets	\$ 429,456,739	\$ 441,205,999
Unspent capital contributions	2,480,161	4,175,103
	\$ 431,936,900	\$ 445,381,102

10. Net assets invested in capital assets:

(a) Net assets invested in capital assets is calculated as follows:

	2021	2020
Capital assets (note 4)	\$ 468,676,459	\$ 481,884,861
Amounts financed by deferred capital contributions (note 9)	(429,456,739)	(441,205,999)
Amounts financed by debt	(35,508,136)	(35,953,936)
Obligations under capital leases (note 7)	(1,428,167)	(1,579,925)
	\$ 2,283,417	\$ 3,145,001

JOSEPH BRANT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

10. Net assets invested in capital assets (continued):

(b) Change in net assets invested in capital assets is calculated as follows:

	2021	2020
Deficiency of revenues over expenses:		
Amortization of deferred capital contributions	\$ 20,782,086	\$ 19,193,373
Amortization of capital assets	(24,982,404)	(23,137,668)
	\$ 4,200,318	\$ (3,944,295)
Net change in investment in capital assets:		
Purchase of capital assets (including those acquired by capital leases)	\$ 11,774,002	\$ 2,647,980
Change in obligation under capital leases	151,758	(1,579,925)
Debt advances	445,800	(50,118)
Amounts funded by deferred capital contributions from:		
Joseph Brant Hospital Foundation	(331,789)	(5,928,428)
Ministry of Health	(6,982,737)	(2,099,324)
Other	(23,358)	(116,212)
Change in unspent deferred capital contributions	(1,694,942)	(5,073,143)
	\$ 3,338,734	\$ (2,199,170)

11. Related entities:

(a) Joseph Brant Hospital Foundation:

The Foundation raises funds from the community to fund capital expenditures of the Hospital. The Foundation is incorporated under the Province of Ontario as a not-for-profit organization and is a registered charity under the Income Tax Act. Total assets of the Foundation amount to \$17,081,918 (2020 - \$12,813,202) of which \$9,161,589 (2020 - \$6,803,010) represents contributions externally restricted for the purchase of capital assets and funding of program operations for the Hospital. The balance of \$7,920,329 (2020 - \$6,010,192) is available to the Hospital at the discretion of the Foundation's Board of Directors.

The net assets and results from operations of the Foundation are not included in the financial statements of the Hospital and the Foundation is not directly controlled by the Hospital.

Amounts contributed from the Joseph Brant Hospital Foundation in the year were:

	2021	2020
Deferred capital contributions	\$ 331,789	\$ 5,928,428
Operational grants	809,993	632,198
	\$ 1,141,782	\$ 6,560,626

Included in accounts receivable is \$228,117 (2020 - \$259,292) due from the Foundation for operations. Included in grant receivable from Joseph Brant Hospital Foundation is \$301,615 (2020 - \$271,987) related to grants for capital and other general Hospital purposes.

JOSEPH BRANT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

11. Related entities (continued):

(b) The Joseph Brant Trust (the "Trust"):

The Trust was an inter vivos trust and was established on November 15, 2001. The Joseph Brant Hospital was the sole beneficiary of the Trust. The purpose of the Trust is to own property and manage it for the benefit of the sole beneficiary. In the 2001 calendar year, the Joseph Brant Hospital contributed funds in the amount of \$1,200,000 to the Trust. The Trust then invested the \$1,200,000 in the Brant Centre Limited Partnership (the "Partnership"). The Partnership operated 175 nursing home beds known as The Brant Centre, which was comprised of 43 beds previously operated within the Hospital and 132 beds awarded by the Ministry of Health. On June 30, 2007, the Trust sold its 49.9995% interest in the Partnership to Chartwell Master Care Limited Partnership, a subsidiary of Chartwell Seniors Housing REIT. After consideration of previous returns of interest in the Partnership, the Trust realized a gain on sale of interest in the Partnership of \$3,016,991. This gain was reflected in the fair market valuation of the Interest in the Trust and recorded as an increase in the Interest in the Trust and Net assets restricted for capital purposes on the statement of financial position.

During the current year, the Trustees approved the wind up of the Trust, effective December 31, 2020. This resulted in the liquidation of the Trust's assets to the Hospital.

The fair market value of the Trust's net investments increased by \$245,604 (2020 – decreased by \$66,670) to \$1,693,934 (2020 - \$1,448,330) before the Trust wind up. Distributions of \$493,934 (2020 - \$26,398) were authorized by the Trust to the Hospital as sole beneficiary. Initial Trust capital \$1,200,000 was returned to the Hospital.

The Hospital owns the land on which The Brant Centre is situated. The land was acquired at a cost of \$2,416,599. The Hospital leases the land to the Trust, which in turn leases the land to Chartwell Master Care Limited Partnership for \$1 per annum until December 2041, a period extending forty years from the commencement date. These agreements related to the land lease were amended to remove the Trust as a party to the lease as part of the Trust wind up.

12. Shared services:

The Hospital is a member of Mohawk Medbuy Corporation (previously Mohawk Shared Services Inc., "Mohawk"). Mohawk is a not-for-profit organization which provides centralized Laundry Services, Diagnostic Imaging Repository Services, Employee Assistance Program, Supply Chain Services and Accounts Payable processing to its members and participants in Hamilton and the surrounding districts. Mohawk is incorporated without share capital under the laws of the Province of Ontario and is exempt from income taxes under the Income Tax Act. Member hospitals share in paying the operating costs for Mohawk. The Hospital's share of operating costs in 2021 was \$186,620 (2020 - \$192,544) reflected in expenses on the statement of operations. Included in the Hospital's liabilities at March 31, 2021 is \$511,532 (2020 - \$392,524) in accounts payable to Mohawk.

JOSEPH BRANT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

13. General liability insurance:

The Hospital is a member of the Healthcare Insurance Reciprocal of Canada (“HIROC”). Members pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of members for the years in which they were members. No such assessments have been received to March 31, 2021.

Since its inception in 1987, HIROC has accumulated an unappropriated surplus, which is the total of premiums paid by all members plus investment income less the obligation for claims reserves and expenses and operating expenses. Each member which has an excess of premium plus investment income over the obligation for its allocation of claims reserves and expenses and operating expenses is entitled to receive distributions of its share of the unappropriated surplus at the time any such distributions are declared by the Board of Directors of HIROC. During the year, the Hospital received \$nil (2020 - \$168,030) in distributions.

14. Commitments and contingencies:

(a) Capital Redevelopment Project:

In August 2011, the Province of Ontario approved a Redevelopment and Expansion Project for the Hospital under the Alternative Financing and Procurement Model of Infrastructure Ontario. The Project includes two phases:

- Phase One to construct the Halton McMaster Family Health Centre, hospital administration offices and a parking facility was started in March 2013 and substantially completed in May 2015. Costs of \$28,008,000 (2020 - \$28,008,000) for this Phase have been included in capital assets as of March 31, 2021.
- Phase Two consists of a new seven-story patient care tower and significant renovations and infrastructure upgrades to the existing facility. EllisDon Infrastructure JBH Inc. (EDI) was awarded the Design Build contract for a total of \$353,636,000 plus HST.

In 2014, the Hospital entered into a fixed-price contract with EllisDon Infrastructure JBH Inc. (EDI) to design, build and finance Phase Two of the Project. Commercial and financial close was achieved in December 2014 and construction of the patient care tower commenced shortly thereafter. The project reached interim completion in July 2017 and occupancy of the new tower occurred in August 2017. Substantial completion of the project was completed late August 2018 with occupancy of the final renovations. EDI incurred the design, construction, and financing costs during the Project and the Hospital recognized the resulting assets and any liabilities on the respective completion dates.

JOSEPH BRANT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

14. Commitments and contingencies (continued):

(a) Capital Redevelopment Project (continued):

The Project was funded through a combination of grants from the Government of Ontario up to \$371.3 million, civic contributions of \$60 million from the City of Burlington, and \$60 million from donations and fundraising through the Joseph Brant Hospital Foundation. As of March 31, 2021, the Foundation has contributed a total of \$50.1 million (2020 - \$50.1 million) and the City of Burlington contributed \$57.8 million (2020 - \$57.8 million), towards their respective commitments. See note 2 for cash restricted related to the project, and note 4 for information on capital assets and long-term receivables from the project.

(b) Operating lease commitment:

The Hospital is committed to leasing the basement of The Brant Centre from The Brant Centre Limited Partnership for the period 2003 to 2043. For the first thirty years the lease will approximate \$291,000 annually, of which the Hospital recovers a portion through sub-leasing, and for the remaining ten years the lease will be \$1 annually. The Hospital is also required to pay annual operating costs. The Hospital will take ownership of The Brant Centre at the completion of the lease in 2043.

The Hospital has entered into various lease agreements for equipment with terms ending in 2027.

The future minimum annual payments under these equipment operating leases consist of the following:

2022	\$	1,519,338
2023		1,032,905
2024		317,222
2025		163,479
2026		117,000
Thereafter		117,000
	\$	3,266,944

(c) Contingencies:

The nature of the Hospital's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2021, management believes that the Hospital has valid defenses and appropriate insurance coverage in place. In the event claims are successful, management believes that such claims are not expected to have a material effect on the Hospital's financial position.

During the normal course of operation, the Hospital is involved in certain employment related negotiations and has recorded accruals based on management's estimate of potential settlement amounts where these amounts are reasonably determinable and likely to occur.

JOSEPH BRANT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

15. Financial risks:

(a) Credit risk:

Credit risk is the risk of financial loss to the Hospital if a patient or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held by the Hospital consisting of accounts receivable, investments and cash.

The Hospital assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Hospital at March 31, 2021 is the carrying value of these assets.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the statement of operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the statement of operations. The balance of the allowance for doubtful accounts at March 31, 2021 is \$348,746 (2020 - \$404,457).

The following is the accounts receivable aging for patients and other as at March 31, 2021,.

	30 days	60 days	90 days	Total
Balance, beginning of year	\$ 1,758,554	\$ 693,835	\$ 289,588	\$ 2,741,977

The risk on cash is limited because the counterparties are chartered banks with high credit ratings assigned by national credit rating agencies.

There have been no significant changes to the credit risk exposure from 2020 with the exception of the Trust wind up which reduced the hospital's exposure to risks from investment returns. Previously, the Trust held investments through pooled investment funds.

(b) Liquidity risk:

Liquidity risk is the risk that the Hospital will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Hospital manages its liquidity risk by monitoring its operating requirements. The Hospital prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 60 days of receipt of an invoice. Bank indebtedness is repayable on demand. The maturity analysis of short term debt is described in note 5 and capital lease obligations are described in note 7. The contractual maturities of long-term debt and interest rate swap are disclosed in note 6.

There have been no significant changes to the liquidity risk exposure from 2020.

JOSEPH BRANT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

15. Financial risks (continued):

(c) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the Hospital's income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

(i) Foreign exchange risk:

The Hospital is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. As part of the Hospital's operations, the Hospital makes purchases of investments denominated in U.S. dollars. The Hospital does not currently enter into forward contracts to mitigate this risk. There have been no significant changes to the foreign exchange risk exposure from 2020.

(ii) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Hospital to cash flow interest rate risk. The Hospital is exposed to interest rate risk through the floating interest rates on its bank indebtedness, non-revolving term debt, short term debt advances and obligation under capital leases. Increases in the floating interest rates in the market could lead to a decrease in cashflows and increased interest costs. As at March 31, 2021, the Hospital's estimate of the exposure to interest rate risk and the effect on net assets is not material.

The Hospital mitigates interest rate risk on its term debt through derivative assets in the form of an interest rate swap that exchange the variable rate inherent in the term debt for a fixed rate (see note 6). Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the term debt.

There have been no significant changes to the interest rate risk exposure from 2020.

16. Pandemic response:

As a result of the COVID-19 pandemic response, the Hospital experienced a change in the demand for its services and incurred unbudgeted pandemic response expenditures during the year ended March 31, 2021. The MOH/LHIN/OH have issued a series of funding announcements during the year to support the continued COVID-19 response across the hospital sector. The various funding envelopes are intended to support the continued provision of patient care during the pandemic, to reduce operating pressures resulting from surgical backlogs, delayed or cancelled procedures, and lost non-MOH revenue, and to offset the incremental operating and capital expenditures incurred to provide direct COVID-19 care, including assessments, vaccine administration, and critical care.

The duration and long-term impact of the COVID-19 pandemic is unknown at this time and it is not possible to reliably estimate the impact that the severity and length of the pandemic will have on the financial results and condition of the Hospital in future periods.

JOSEPH BRANT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

17. Working Capital relief funding:

The Hospital was allocated one-time funding in respect of historic working fund deficits and directed by the LHIN to recognize this amount in 2021. The Hospital is eligible to receive these funds provided that it meets certain funding conditions. The funding to which the Hospital is eligible has been recorded in these financial statements.

18. Comparative information:

Certain 2020 comparative information has been reclassified to conform with the financial statement presentation adopted for 2021.