Financial Statements of

JOSEPH BRANT HOSPITAL

Year ended March 31, 2023

Deloitte.

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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, 2023, 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, 2023, 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 14, 2023

JOSEPH BRANT HOSPITAL

Statement of Financial Position

March 31, 2023, with comparative information for 2022

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents (note 2)	$ 38,163,150	$ 38,947,589
Restricted cash and GIC's (note 2)	56,427,446	57,873,109
Accounts receivable (note 3)	12,937,968	17,978,009
Grant receivable from Joseph Brant Hospital Foundation (note 13 (a))	1,522,233	5,469,562
Inventories	2,323,249	1,888,945
Prepaid expenses	4,475,248	4,533,707
Total current assets	115,849,294	126,690,921
Restricted cash and GIC's (note 2)	4,000,000	-
Long-term receivables (note 4)	6,155,774	6,155,774
Capital assets, net (note 4)	427,806,727	448,869,967
Derivative assets (note 8)	6,491,833	5,351,196
Total assets	$560,303,628	$ 587,067,858
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	$ 76,636,789	$ 80,941,345
Deferred revenue	635,420	642,535
Current portion of long-term debt (note 8)	3,641,000	3,568,000
Current portion of obligations under capital leases (note 9)	389,810	377,327
Total current liabilities	81,303,019	85,529,207
Asset retirement obligation (note 7)	602,976	602,976
Long-term debt (note 8)	47,572,000	51,213,000
Obligations under capital leases (note 9)	295,778	685,587
Employee future benefit plans (note 10(b))	14,697,649	14,415,472
Deferred capital contributions (note 11)	399,567,516	419,341,163
Total liabilities	544,038,938	571,787,405
Net assets:		
Invested in capital assets (note 12)	1,590,648	3,331,939
Unrestricted	8,182,209	6,597,318
	9,772,857	9,929,257
Accumulated remeasurement gains	6,491,833	5,351,196
Total net assets	16,264,690	15,280,453
Commitments and contingencies (note 16)		
	$560,303,628	$ 587,067,858

The accompanying notes are an integral part of the financial statements.

On behalf of the Board:

______________________ Director ______________________ Director

JOSEPH BRANT HOSPITAL

Statement of Operations

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Revenues:		
Ministry of Health and Ontario Health	$ 211,478,609	$ 216,677,361
Inpatient services	5,874,067	5,317,817
Outpatient services	10,399,598	10,185,416
Other income	15,621,002	10,577,087
Amortization of deferred capital contributions relating to equipment	9,577,336	8,447,509
	252,950,612	251,205,190
Expenses:		
Salaries	114,304,036	116,704,150
Employee benefits	34,004,434	31,626,488
Fees to medical staff	20,944,393	24,590,071
Drugs	13,099,380	10,134,381
Medical and surgical supplies	15,376,187	13,356,442
Other supplies and expenses	42,000,601	41,961,000
Amortization of equipment	10,947,455	11,198,605
	250,676,486	249,571,137
Excess of revenues over expenses before the undernoted	2,274,126	1,634,053
Amortization of deferred capital contributions relating to building and building service equipment	14,717,790	12,584,513
Amortization of building and building service equipment	(16,108,244)	(13,050,173)
Interest on long-term debt	(1,040,072)	(1,168,393)
	2,430,526	1,634,053
Deficiency of revenues over expenses	$ (156,400)	$ -

The accompanying notes are an integral part of the financial statements.

JOSEPH BRANT HOSPITAL

Statement of Changes in Net Assets

Year ended March 31, 2023, with comparative information for 2022

	Invested in Capital assets	Unrestricted	2023 Total	2022 Total
Balance, beginning of year	$ 3,934,915	$ 6,597,318	$ 10,532,233	$10,532,233
Adjustment on first time adoption of PS3280 ARO (note 1(b))	-	(602,976)	(602,976)	(602,976)
Adjusted balance, beginning of year	3,934,915	5,994,342	9,929,257	9,929,257
(Deficiency) excess of revenues over expenses (note 12 (b))	(2,760,573)	2,604,173	(156,400)	-
Net change in investment in capital assets (note 12 (b))	416,306	(416,306)	-	-
Balance, end of year	$ 1,590,648	$ 8,182,209	$9,772,857	$ 9,929,257

The accompanying notes are an integral part of the financial statements.

JOSEPH BRANT HOSPITAL

Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Cash (used in) provided by:		
Operating activities:		
Deficiency of revenues over expenses	$ (156,400)	$ -
Items not affecting cash:		
Amortization of capital assets	27,055,699	24,248,778
Amortization of deferred capital contributions	(24,295,126)	(21,032,022)
Change in accrued sick pay benefits	(30,523)	(4,762)
Employee future benefits expense	949,000	1,015,096
Change in non-cash working capital items:		
Accounts receivable	5,040,041	20,776,851
Grant receivable from Joseph Brant Hospital Foundation	3,947,329	(5,167,947)
Inventories	(434,304)	129,098
Prepaid expenses	58,459	(590,529)
Accounts payable and accrued liabilities	(4,304,556)	24,354,931
Deferred revenue	(7,115)	(196,887)
Employee future benefits paid	(636,300)	(600,996)
Long term receivables	-	821,289
	7,186,204	43,752,900
Capital activities:		
Purchase of capital assets (excluding those acquired by capital leases)	(5,992,459)	(4,442,286)
Increase in deferred capital contributions:		
Joseph Brant Hospital Foundation	3,580,934	5,284,044
Ministry of Health	915,786	3,139,699
Other	24,759	12,542
	(1,470,980)	3,993,999
Financing activities:		
Net change in restricted cash and GIC's	(2,554,337)	(17,623,610)
Repayment of long-term debt facility	(3,568,000)	(3,497,000)
Repayment in obligations under capital leases	(377,326)	(365,253)
	(6,499,663)	(21,485,863)
(Decrease) increase in cash and cash equivalents	(784,439)	26,261,036
Cash and cash equivalents, beginning of year	38,947,589	12,686,553
Cash and cash equivalents end of year	$ 38,163,150	$ 38,947,589
Supplemental cash flow information:		
Interest paid	1,056,891	1,219,778

The accompanying notes are an integral part of the financial statements.

JOSEPH BRANT HOSPITAL

Statement of Remeasurement Gains and Losses

Year ended March 31, 2023, with comparative information for 2022

		2023		2022
Accumulated remeasurement gains, beginning of the year	$	5,351,196	$	2,884,395
Unrealized gains attributable to:				
Derivative – interest rate swap (note 8)		1,140,637		2,466,801
Accumulated remeasurement gains, end of the year	$	6,491,833	$	5,351,196

The accompanying notes are an integral part of the financial statements.

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"). 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.

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) Adoption of new accounting policy:

Effective April 1, 2022, the Hospital adopted PS 3280, *Asset Retirement Obligations* using the modified retroactive application method with restatement. Under this method, the Hospital recognized:

- A liability for any existing asset retirement obligations, adjusted for accumulated accretion;
- An asset retirement cost capitalized as an increase to the carrying amount of the related tangible capital assets;
- Accumulated amortization on that capitalized cost; and
- An adjustment to the opening balance of the accumulated surplus/deficit.

The change follows the effective implementation date for Asset Retirement Obligations in accordance with PS 3280 for fiscal years beginning on or after April 1, 2022. Comparative figures as at and for the year ended March 31, 2022 have been restated. The impact of restatement to comparative figures is as follows:

	Original balance March 31, 2022	Adoption adjustment	**Adjusted balance March 31, 2022**
	$	$	**$**
Statement of financial position			
Tangible capital assets	689,602,321	602,976	**690,205,297**
Asset Retirement Obligation	-	602,976	**602,976**
Accumulated Amortization	240,732,354	602,976	**241,335,330**
Net assets - unrestricted	6,597,318	(602,976)	**5,994,342**

(c) Cash, cash equivalents, restricted cash and GIC's:

Cash, cash equivalents and restricted cash and GIC's 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 and GIC investments held for lottery purposes, redevelopment and board designated capital asset related activities.

1. Significant accounting policies (continued):

(d) 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 Ontario Health ("OH"), a Crown agency of the Government of Ontario, which 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/OH with respect to the year ended March 31, 2023.

Grants and funding authorized by the MOH/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 18 for further discussion on funding relating to COVID-19 pandemic response.

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.

(e) Inventories:

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

1. Significant accounting policies (continued):

(f) 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.

(g) 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.

(h) 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.

1. Significant accounting policies (continued):

(h) Employee future benefits (continued):

(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 (2022 - 16 years).

(i) 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.

1. Significant accounting policies (continued):

(i) Financial instruments (continued)

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.

(j) 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.

(k) 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/OH, certain revenues from MOH/OH, allowance for doubtful accounts, accrued liabilities, asset retirement obligations and obligations related to employee future benefits. Actual results could differ from those estimates.

(l) Asset retirement obligations:

Asset retirement obligations (ARO's) are provisions for legal obligations for the retirement of the Hospital's tangible capital assets that are either in productive use or no longer in productive use.

An ARO liability is recognized when, as at the financial reporting date:
(a) there is a statutory, contractual, or legal obligation to incur retirement costs in relation to a tangible capital asset;
(b) the past transaction or event giving rise to the liability has occurred;
(c) it is expected that future economic benefits will be given up; and
(d) a reasonable estimate of the amount can be made.

1. Significant accounting policies (continued):

(l) Asset retirement obligations (continued):

Liabilities are recognized by the Hospital in the period in which an obligation arises for statutory, contractual, or legal obligations associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development, or normal operation of the tangible capital assets. The obligations are measured initially at management's best estimate of the present value of the estimated future cash flows required to settle the retirement obligation. For tangible capital assets that are still in productive use, there is a corresponding increase to the carrying value of the related tangible capital asset. For assets that are not recorded or are no longer in productive use, the liability is expensed in the period. In subsequent periods, the liability is accreted over time and adjusted for changes in the liability estimate, as applicable or timing of the future cash flows. The capitalized asset retirement costs are amortized on the same basis as the related asset, and accretion expense is included in the Statement of Operations.

Asbestos

The Hospital has a building containing asbestos requiring remediation upon decommissioning. The Canadian Environmental Protection Act (CEPA) governs the protection of the environment and human health with respect the hazardous waste such as asbestos. There are regulations specifically regarding the handling of asbestos, such as the "Prohibition of Asbestos and Products Containing Asbestos Regulations" which are published under the authority of CEPA. In addition, the Canada Occupational Health and Safety Regulations (10.26.1 Schedule, Division II – Hazardous Substances Other than Hazardous Products) outlines requirements for asbestos exposure control plans, as well as requirements on disposal of asbestos and decontamination.

2. Cash, cash equivalents, restricted cash and GIC's:

	2023	2021
Cash and cash equivalents	$ 38,163,150	$ 38,947,589
Restricted funds (capital and debt obligations)	60,357,650	57,805,328
Restricted lottery funds	69,796	67,781
	$ 98,590,596	$ 96,820,698

As described in note 16(a), both the MOH/OH 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 $52,985,013 (2022 - $28,272,700). 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, 2023, also holds $7,372,637 (2022 - $29,532,628) 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 $26,000,000 (2022 – $nil) in guaranteed short-term investment certificates with its banking partners maturing in fiscal 2024, and $4,000,000 (2022 - $nil) in guaranteed long-term investment certificates with its banking partners maturing in fiscal 2028.

3. Accounts receivable:

		2023	2022
Ministry of Health/Ontario Health	$	5,771,534	$ 13,030,629
Patients and others (note 17 (a))		6,307,961	3,884,563
Cancer Care Ontario (now part of OH)		1,000,981	728,624
Joseph Brant Hospital Foundation (note 13 (a))		390,568	612,908
		13,471,044	18,256,724
Less allowance for doubtful accounts (note 17 (a))		533,076	278,715
	$	12,937,968	$ 17,978,009

4. Capital assets:

			2023	2022
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 5,412,224	$ -	$ 5,412,224	$ 5,412,224
Building	457,525,300	70,713,005	386,812,295	396,990,859
Building service equipment	46,459,440	45,105,772	1,353,668	4,972,595
Equipment	173,681,543	145,088,778	28,592,765	37,818,464
Equipment under capital lease	1,844,885	1,254,204	590,681	885,227
Construction progress	5,045,094	-	5,045,094	2,790,598
	$ 689,968,306	$ 262,161,579	$ 427,806,727	$ 448,869,967

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 $50,855 (2022 - $50,855) to EllisDon Infrastructure JBH Inc. (EDI) and a long-term receivable from the MOH of $6,155,774 relating to construction holdbacks (2022 – $6,155,774). As of March 31, 2023, 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. In 2021, the Hospital restructured this credit facility from a temporary short term loan to long-term debt (see note 8).

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 (2022 - $nil) of the available line of credit.

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

6. Accounts payable and accrued liabilities:

		2023	2022
Accounts payable and other accrued liabilities	$	44,733,947	$ 53,035,797
Accrued salaries, wages and other payroll related deductions		31,902,842	27,905,548
	$	76,636,789	$ 80,941,345

7. Asset retirement obligation

The estimated liability is the present value of the estimated future cash flows required to settle the asset retirement obligations. As at March 31, 2023, the total liability is estimated at $602,976 (2022- $602,976).

8. Long term debt:

		2023	2022
Non revolving term loan bearing interest at 2.0%, repayable in blended quarterly payments of $1,161,000 maturing August 4, 2035	$	51,213,000	$ 54,781,000
Less current portion		3,641,000	3,568,000
Long-term portion of long-term debt	$	47,572,000	$ 51,213,000

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, 2023 is $6,491,833 (2022 - $5,351,196).

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

2024	$	3,641,000
2025		3,714,000
2026		3,790,000
2027		3,866,000
2028		3,945,000
Thereafter		32,257,000
	$	51,213,000

9. 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:

	2023
2024	$ 406,998
2025	274,550
2026	26,518
Total minimum lease payments	708,066
Less amounts representing interest	22,478
Obligations under capital leases	685,588
Less current portion of obligations under capital leases	389,810
Long-term portion of obligations under capital leases	$ 295,778

Interest related to the capital lease obligation amounted to $29,671 (2022 - $41,745) and has been included in other supplies and expenses in the statement of operations.

10. Employee future benefit plans:

(a) Multi-employer plan:

Employer contributions to HOOPP made during the year by JBH amounted to $9,086,319 (2022 - $8,783,669) and are included in employee benefits expense in employee benefits expense in the statement of operations. The most recent actuarial valuation of the plan as at December 31, 2022, indicates the plan is 117% (2022 - 120%) funded. Because the plan is multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of the participating members and employees in HOOPP and should be dealt with according to the rules of the plan. As a result, JBH does not recognize any share of the plan surplus or deficit. JBH records estimated liabilities for accrued employee benefits in the year they are earned.

(b) Employee future benefits:

	2023	2022
Employee future benefits	$ 14,686,000	$ 14,373,300
Accrued sick benefits	11,649	42,172
	$ 14,697,649	$ 14,415,472

10. Employee future benefit plans (continued):

(b) Employee future benefits: (continued)

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

	2023	2022
Accrued benefit obligation:		
Balance, beginning of year	$ 14,373,300	$ 11,409,600
Actuarial gains	(1,581,800)	-
Current service cost	837,100	850,900
Interest cost	488,200	358,800
Benefits paid	(866,300)	(601,000)
Balance, end of year	13,250,500	12,018,300
Unamortized actuarial gains	1,435,500	2,355,000
Accrued benefit liability	$ 14,686,000	$ 14,373,300

The information above was based on the most recent actuarial valuation performed as at April 1, 2022 by Lifeworks, and extrapolation as at March 31, 2023. The significant actuarial assumptions adopted in measuring the Hospital's accrued benefit obligation for employee future benefits are as follows:

	2023	2022
Discount rate	4.50%	3.70%
Extended health care premium increases	5.27%	5.20%
Dental premium increases	5.00%	3.00%

The extended health care premiums are expected to decrease to an ultimate rate of 3.57% per annum- in 2043.

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

	2023	2022
Current service cost	$ 837,100	$ 850,900
Interest cost	488,200	358,800
Amortization of actuarial gains	(146,300)	(194,600)
	$ 1,179,000	$ 1,015,100

11. Deferred capital contributions:

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

	2023	2022
Balance, beginning of year	$ 419,341,163	$ 431,936,900
Contributions received from:		
Joseph Brant Hospital Foundation	3,580,934	5,284,044
MOH/OH	915,786	3,139,699
Other	24,759	12,542
Less amounts amortized to revenue	(24,295,126)	(21,032,022)
	$ 399,567,516	$ 419,341,163

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

	2023	2022
Unamortized capital contributions used to purchase capital assets	$ 397,087,355	$ 411,861,002
Unspent capital contributions	2,480,161	7,480,161
	$ 399,567,516	$ 419,341,163

12. Net assets invested in capital assets:

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

	2023	2022
Capital assets (note 4)	$ 427,806,727	$ 448,869,967
Amounts financed by deferred capital contributions (note 11)	(397,087,355)	(411,861,002)
Amounts financed by debt	(28,443,136)	(32,011,136)
Obligations under capital leases (note 9)	(685,588)	(1,062,914)
	$ 1,590,648	$ 3,934,915

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

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

	2023	2022
Deficiency of revenues over expenses:		
Amortization of deferred capital contributions	$ 24,295,126	$ 21,032,022
Amortization of capital assets	(27,055,699)	(24,248,778)
	$ (2,760,573)	$ (3,216,756)
Net change in investment in capital assets:		
Purchase of capital assets (including those acquired by capital leases)	$ 5,992,457	$ 4,442,286
Change in obligation under capital leases	377,326	365,253
Debt repayments	3,568,000	3,497,000
Amounts funded by deferred capital contributions from:		
Joseph Brant Hospital Foundation	(3,580,934)	(5,284,044)
Ministry of Health/Ontario Health	(915,786)	(3,139,699)
Other	(24,759)	(12,542)
Change in unspent deferred capital contributions	(5,000,000)	5,000,000
	$ 416,306	$ 4,868,254

13. 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 $20,743,910 (2022 - $16,212,019) of which $9,894,046 (2022 - $9,940,367) represents contributions externally restricted for the purchase of capital assets and funding of program operations for the Hospital. The balance of $10,849,864 (2022 - $$6,271,652) 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:

	2023	2022
Deferred capital contributions	$ 3,580,934	$ 5,284,044
Operational grants	639,578	519,542
	$ 4,220,512	$ 5,803,586

Included in accounts receivable is $390,568 (2022 - $612,908) due from the Foundation for operations. Included in grant receivable from Joseph Brant Hospital Foundation is $1,522,233 (2022 - $5,469,562) related to grants for capital and other general Hospital purposes.

14. 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 2023 was $183,456 (2022 - $189,922) reflected in expenses on the statement of operations. Included in the Hospital’s assets (liabilities) at March 31, 2023 is $96,315 (2022 – ($144,998)) in accounts receivable (payable) to Mohawk.

15. 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, 2023.

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 (2022 - $ nil) in distributions.

16. 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 (2022 - $28,008,000) for this Phase have been included in capital assets as of March 31, 2023.
- 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.

16. 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, 2023, the Foundation has contributed a total of $57.2 million (2022 - $57.2 million) with an additional $2.8 million to be contributed in future years. The City of Burlington contributed $57.8 million (2022 - $57.8 million), towards their respective commitment, with an additional $2.2 million to be contributed in future years. 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 2029.

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

2024	$ 467,222
2025	313,479
2026	267,000
2027	267,000
2028	150,000
Thereafter	150,000
	$ 1,614,701

(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, 2023, 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.

17. 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, 2023 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, 2023 is $533,076 (2022 - $278,715).

The following is the accounts receivable aging for patients and other as at March 31, 2023.

	30 days	60 days	90+ days	Total
Balance end of year	$ 5,391,655	$ 169,298	$ 747,008	$ 6,307,961

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 2022 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 9. The contractual maturities of long-term debt and interest rate swap are disclosed in note 8.

There have been no significant changes to the liquidity risk exposure from 2022.

17. 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 2022.

(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 cash flows and increased interest costs. As at March 31, 2023, 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 8). 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 2022.

18. 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 years ended March 31, 2023 and March 31, 2022. The MOH/LHIN/OH have issued a series of funding announcements during 2022 and 2023 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.