Financial Statements of

ST. JOSEPH'S HEALTHCARE HAMILTON

And Independent Auditor’s Report thereon

Year ended March 31, 2024

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INDEPENDENT AUDITOR'S REPORT

To the St. Joseph's Health System and The Board of Trustees, St. Joseph's Healthcare Hamilton

Opinion

We have audited the financial statements of St. Joseph's Healthcare Hamilton (the Hospital), which comprise:

- the statement of financial position as at March 31, 2024
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- the statement of remeasurement gains and losses for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter 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, 2024, and its results of operations, its changes in net assets, its cash flows its remeasurement gains and losses, for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's 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 Canadian public sector accounting standards 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 generally accepted auditing standards 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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, 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.

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- 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada
May 30, 2024

ST. JOSEPH'S HEALTHCARE HAMILTON

Statement of Financial Position

March 31, 2024, with comparative information for 2023

	2024	2023
Assets		
Current assets:		
Cash and cash equivalents	$ 162,225,502	$ 167,930,159
Restricted cash (note 5 (a))	1,686,149	1,597,738
Accounts receivable, net (note 3)	53,123,965	48,578,879
Other assets (note 4)	12,160,272	11,856,228
	229,195,888	229,963,004
Investments (note 5 (b))	174,662,870	129,788,333
Capital assets (note 6)	664,895,662	674,985,954
	$ 1,068,754,420	$ 1,034,737,291
Trust assets - cash and short-term deposits	$ 19,822,394	$ 16,192,999
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 7)	$ 266,156,484	$ 262,572,579
Current portion of debt (note 8)	8,155,465	7,661,465
	274,311,949	270,234,044
Long term debt (note 8)	240,697,301	248,852,766
Interest rate swaps market valuation (note 8 (c))	7,930	49,140
Employee future benefits liability (note 9 (b))	29,780,266	28,160,610
Other long term liabilities (note 10)	55,170,119	20,964,501
Deferred capital contributions (note 11)	348,809,794	353,879,194
Deferred contributions for future period expenses (note 11)	642,110	1,624,591
	949,419,469	923,764,846
Net assets:		
Net assets invested in capital assets (note 12)	79,578,047	79,086,212
Unrestricted net assets	26,879,073	27,192,697
	106,457,120	106,278,909
Accumulated remeasurement gains	12,877,831	4,693,536
	119,334,951	110,972,445
Commitments and contingencies (note 13)		
	$ 1,068,754,420	$ 1,034,737,291
Trust liabilities	$ 19,822,394	$ 16,192,999

See accompanying notes to financial statements.

Approved on behalf of the Board of Trustees:

_______________ Trustee _______________ Trustee

ST. JOSEPH'S HEALTHCARE HAMILTON

Statement of Operations

Year ended March 31, 2024, with comparative information for 2023

	2024	2023
Revenue:		
Ministry of Health	$ 713,612,692	$ 632,545,887
Preferred accommodation	3,701,954	3,153,337
Other patient revenue	35,027,203	34,498,643
Other income	49,397,084	49,080,616
Parking	6,375,254	6,000,783
Amortization of deferred contributions related to capital assets	27,214,403	25,148,378
	835,328,590	750,427,644
Expense:		
Salaries, wages and employee benefits	579,022,782	507,953,625
Medical and surgical supplies	45,224,081	43,165,520
Drugs and medicines	17,014,265	15,989,695
Other supplies and expense	150,662,299	142,367,682
Amortization of capital assets	43,226,952	40,880,083
	835,150,379	750,356,605
Excess of revenue over expense	$ 178,211	$ 71,039

See accompanying notes to financial statements.

ST. JOSEPH'S HEALTHCARE HAMILTON

Statement of Changes in Net Assets

Year ended March 31, 2024, with comparative information for 2023

March 31, 2024	Invested in capital assets	Unrestricted	Total
Balance, beginning of year	$ 79,086,212	$ 27,192,697	$ 106,278,909
Excess (deficiency) of revenue over expense (note 12(b))	(16,012,549)	16,190,760	178,211
Net change in investment in capital assets (note 12(b))	16,504,384	(16,504,384)	–
Balance, end of year	$ 79,578,047	$ 26,879,073	$ 106,457,120

March 31, 2023	Invested in capital assets	Unrestricted	Total
Balance, beginning of year	$ 69,188,952	$ 37,018,918	$ 106,207,870
Excess (deficiency) of revenue over expense (note 12(b))	(15,731,705)	15,802,744	71,039
Net change in investment in capital assets (note 12(b))	25,628,965	(25,628,965)	–
Balance, end of year	$ 79,086,212	$ 27,192,697	$ 106,278,909

See accompanying notes to financial statements.

ST. JOSEPH'S HEALTHCARE HAMILTON

Statement of Cash Flows

Year ended March 31, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used in):		
Operations:		
Excess of revenue over expense	$ 178,211	$ 71,039
Items not involving cash:		
Amortization of capital assets	43,226,952	40,880,083
Amortization of deferred contributions related to capital assets	(27,214,403)	(25,148,378)
Loss on disposal of capital assets	1,802	9,495
Employee future benefits	1,619,656	571,133
Change in non-cash working capital balances arising from operating activities:		
Accounts receivable	(4,545,086)	13,956,641
Inventories, prepaid expenses and other assets	(304,044)	461,178
Accounts payable and accrued liabilities	3,583,905	14,978,542
Other long term liabilities	34,205,618	1,506,330
Net increase in deferred contributions related to expenses of future periods	(982,481)	(1,473,900)
	49,770,130	45,812,163
Capital activities:		
Purchase of capital assets	(33,138,462)	(35,052,498)
Receipt of deferred capital contributions	22,145,003	20,843,248
Adjustment on adoption of accounting standard (note 1(h))	-	232,904
	(10,993,459)	(13,976,346)
Financing activities:		
Principal payments on long term debt	(7,661,465)	(7,197,421)
	(7,661,465)	(7,197,421)
Investing activities:		
Proceeds on sale of investments, net of acquisitions	(35,000,000)	945,495
Reinvestment of investment income	(1,731,452)	(5,504,547)
	(36,731,452)	(4,559,052)
(Decrease) increase in cash during the year	(5,616,246)	20,079,344
Cash, beginning of year	169,527,897	149,448,553
Cash, end of year	$ 163,911,651	$ 169,527,897
Cash is comprised of:		
Cash and cash equivalents	$ 162,225,502	$ 167,930,159
Restricted cash	1,686,149	1,597,738
	$ 163,911,651	$ 169,527,897
Supplemental cash flow information:		
Interest income received	$ 8,456,390	$ 4,002,528
Interest expense incurred	16,418,100	16,894,136

See accompanying notes to financial statements.

ST. JOSEPH'S HEALTHCARE HAMILTON

Statement of Remeasurement Gains and Losses

Year ended March 31, 2024, with comparative information for 2023

	2024	2023
Accumulated remeasurement gains, beginning of the year	$ 4,693,536	$ 7,683,767
Unrealized gains attributable to:		
Investments	8,586,957	601,177
Derivative – interest rate swaps	41,210	207,594
	8,628,167	808,771
Realized gains, reclassified to the statement of operations:		
Investments	(443,872)	(3,799,002)
	(443,872)	(3,799,002)
Net remeasurement gain (loss) for the year	8,184,295	(2,990,231)
Accumulated remeasurement gains, end of the year	$ 12,877,831	$ 4,693,536

See accompanying notes to financial statements.

St. Joseph’s Healthcare Hamilton (the “Hospital”) is a regional academic health science centre delivering tertiary, secondary and ambulatory health care services for the Ontario Health West region including Hamilton, Niagara, Haldimand, Brant, and the neighbouring regions of Halton, Kitchener-Waterloo, and Norfolk. Started by the Sisters of St. Joseph’s in 1890, the Hospital has become an 804 bed multi-site acute care hospital, specializing in mental health, dialysis, oncology and cataract surgeries, and is the regional centre for kidney transplants.

The Hospital is a division of St. Joseph's Health System (the “System”). The System is incorporated under the laws of the Province of Ontario. Both the Hospital and the System are registered charitable organizations under the Income Tax Act (Canada).

These financial statements do not include the accounts of the other health care facilities which are part of the St. Joseph's Health System.

1. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards including the 4200 standards for government not-for-profit organizations.

(a) Basis of presentation:

These financial statements present only the accounts of the Hospital as a separately managed entity. They do not include the accounts of the following related (see note 13) but separately managed entities:

St. Joseph's Healthcare Foundation Hamilton

St. Joseph's Health System

Research St. Joseph’s Hamilton

Some users of these financial statements may require additional information from the System.

(b) Cash equivalents:

Cash equivalents are primarily compromised of short-term bond funds. Cash equivalents are carried at fair value. Investment income is recognized as revenue during the period in which it is earned.

(c) Restricted cash:

The Hospital has internally restricted a portion of cash for use on committed specific projects in the near future.

1. Significant accounting policies (continued):

(d) Inventories:

Inventories consist of drugs and pandemic supplies. Inventory is valued at the lower of cost on a first-in, first-out basis, and replacement cost.

(e) Investments:

Investments are primarily comprised of marketable securities. Investments are carried at fair value. Externally restricted investments are the result of deferred contributions and are recognized as revenue when the related expenses are incurred. Unrestricted investment income is recognized as revenue during the period in which it is earned.

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported 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 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):

(f) 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.

Long-term debt is recorded at cost. The related interest rate swaps are recorded at fair value. The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

(g) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution.

Capital assets are amortized on a straight-line basis using the following annual rates:

Asset	Rate
Land improvements	4%
Buildings	2% - 2.5%
Building equipment	4%
Major equipment	5% - 20%

Incremental interest incurred during the acquisition, construction or production of capital assets is included in the cost of the capital asset. The interest capitalized is determined by applying the Hospital’s average interest rate to the average amount of accumulated expenditures for the asset during the year.

1. Significant accounting policies (continued):

(h) Asset retirement obligations:

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

A liability for the removal of asbestos in several of the buildings as well as the remediation of fuel storage tanks owned by the Hospital have been recognized based on estimated future expenses. Under the modified retroactive method, the assumptions used on initial recognition are those as of the date of adoption of the standard. Due to uncertainty as to the future retirement date of the buildings and fuel storage tanks, the Hospital has chosen not to discount the future liability. In subsequent years, the liability is adjusted for changes resulting from the passage of time and revisions to either the timing or the amount of the original estimate of the undiscounted cash flows.

The tangible capital assets affected by the asbestos liability are being amortized with the building following the amortization accounting policies outlined in note 1(g). The liability associated with the remediation of the fuel storage tanks is being amortized in accordance with the useful life of the fuel storage tanks.

The Hospital adopted Canadian public sector accounting standard PS 3280 Asset Retirement Obligations effective April 1, 2022. The standard was adopted on the modified retroactive basis at the date of adoption.

(i) 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 Ontario Ministry of Health (“MOH”). Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of the accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by the MOH with respect to the year ended March 31, 2024.

1. Significant accounting policies (continued):

(i) Revenue recognition (continued):

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 a 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 as the performance obligations are provided, if the amount to be received can be reasonably estimated and collection is reasonably assured.

(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 the 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 year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets, asset retirement obligations, allowance for doubtful accounts, accrued liabilities and obligations related to employee future benefits. Actual results could differ from those estimates.

1. Significant accounting policies (continued):

(l) Employee future benefits:

(i) Multi-employer plan:

Substantially all of the employees of the Hospital are eligible to be members of Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer high five average pay contributory pension plan. As HOOPP's assets and liabilities are not segmented by participating employer, the Hospital accounts for its HOOPP obligation on a cash basis (as a defined contribution plan).

(ii) Defined benefit plan:

- The Hospital accrues its obligations under employee defined benefit life insurance, dental and health care plans, and the related costs as the employees render the services necessary to earn the future benefits. The Hospital offers the plan to certain of its employees as described in note 8.
- The cost of the accrued benefit obligations for retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of retirement ages and expected health care costs.
- Past service costs from plan amendments are recognized immediately in the period the plan amendments occur.
- Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the post-retirement benefits plan is 13.5 years (2023 – 13.5 years).
- For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for workers' compensation and life insurance and health care benefits for those on disability leave, the cost is recognized immediately in the period the events occur. Any actuarial gains and losses that are related to these benefits are recognized immediately in the period they arise.

(m) Trust assets:

Trust assets represent amounts held by the Hospital on behalf of related organizations and other third parties.

(n) Controlled organizations:

The Hospital accounts for controlled organizations using the cost method. The Hospital has chosen not to consolidate the organizations it controls but to disclose information about the resources of the controlled organizations. Research St. Joseph's – Hamilton, which is controlled by the Hospital, is not consolidated in the Hospital's financial statements. The composition of controlled not-for-profit organizations is disclosed in note 14.

2. Change in accounting policies:

On April 1, 2023, the Hospital adopted Canadian public sector accounting standard PS 3400 Revenue. The new accounting standard establishes a single framework to categorize revenue to enhance consistency of revenue recognition and its measurement. As at March 31, 2024 the Hospital determined that the adoption of this new standard did not have an impact on the amounts presented in the financial statements.

Additionally, on April 1, 2023, the Hospital adopted Canadian public sector accounting standard PS 3160 Public Private Partnerships. The new accounting standard establishes standards on how to account for public private partnership arrangements and the recognition and measurement of resulting assets and liabilities. As at March 31, 2024 the Hospital determined that the adoption of this new standard did not have an impact on the amounts presented in the financial statements.

3. Accounts receivable:

	2024	2023
MOH funding sources	$ 26,755,871	$ 18,124,146
Patient and other revenues	29,496,479	32,522,976
St. Joseph's Healthcare Foundation	420,711	407,179
	56,673,061	51,054,301
Less allowance for doubtful accounts	(3,549,096)	(2,475,422)
	$ 53,123,965	$ 48,578,879

4. Other assets:

	2024	2023
Inventories	$ 3,504,130	$ 4,272,400
Prepaid expenses	8,656,142	7,537,384
Other assets	–	46,444
	$ 12,160,272	$ 11,856,228

5. Investments:

(a) Restricted cash:

Restricted cash relates to funds set aside for the purpose of financing the Dovetale project.

(b) Long term investments:

March 31, 2024	Level	Fair value	Book value
Common stocks	1	$ 52,556,320	$ 41,032,112
Fixed income	2	121,535,993	120,174,439
Cash	1	570,557	570,558
		$ 174,662,870	$ 161,777,109

March 31, 2023	Level	Fair value	Book value
Common stocks	1	$ 50,305,383	$ 44,901,936
Fixed income	2	79,195,083	78,824,263
Cash	1	287,867	287,867
		$ 129,788,333	$ 124,014,066

There were no transfers between Level 1 and Level 2 for the year ended March 31, 2024. The Hospital's bond portfolio has interest rates ranging from 0.14% to 9.90% with maturities ranging from May 2023 to December 2081.

Investment income is included in Other income in the Statement of Operations. The investment income of $10,761,576 (2023 - $10,096,794) is comprised of interest income earned on bank balances and fixed income investment securities, dividends from quoted equity securities, and realized gains on sale of investment securities.

6. Capital assets:

March 31, 2024	Cost	Accumulated amortization	Net book value
Land	$ 4,594,787	$ –	$ 4,594,787
Buildings, building equipment and land improvements	975,279,144	412,785,127	562,494,017
Equipment	411,701,591	319,824,345	91,877,246
Construction in progress	5,929,612	–	5,929,612
	$ 1,397,505,134	$ 732,609,472	$ 664,895,662

March 31, 2023	Cost	Accumulated amortization	Net book value
Land	$ 4,594,787	$ –	$ 4,594,787
Buildings, building equipment and land improvements	965,031,208	390,528,705	574,502,503
Equipment	406,670,409	314,070,441	92,599,968
Construction in progress	3,288,696	–	3,288,696
	$ 1,379,585,100	$ 704,599,146	$ 674,985,954

(a) Asset retirement obligations:

The Hospital’s asset retirement obligations consist of the following:

(i) Asbestos obligation:

The Hospital owns and operates several buildings that are known to contain asbestos, which represents a health hazard upon demolition of the buildings and there is a legal obligation to remove it.

(ii) Fuel storage tank obligation:

The Hospital owns and operates several buildings that have fuel storage tanks, which have a legal requirement for decommissioning and removal upon retirement.

6. Capital assets (continued):

Asset retirement obligation	Asbestos removal	Fuel storage tank removal	2024 Total
Balance, beginning of year	$ 5,877,451	$ 501,350	$ 6,378,801
Changes due to inflation and other assumptions	224,283	1,085	225,368
Balance, end of year	$ 6,101,734	$ 502,435	$ 6,604,169

Asset retirement obligation	Asbestos removal	Fuel storage tank removal	2023 Total
Balance, beginning of year	$ 5,712,285	$ 486,986	$ 6,199,271
Changes due to inflation and other assumptions	243,203	14,364	257,567
Changes due to remediation activities during the year	(78,037)	–	(78,037)
Balance, end of year	$ 5,877,451	$ 501,350	$ 6,378,801

7. Accounts payable and accrued liabilities:

	2024	2023
Accrued salaries, wages and employee deductions	$ 84,278,775	$ 95,313,165
Accounts payable and other accrued liabilities	181,877,709	167,259,414
	$ 266,156,484	$ 262,572,579

8. Long term debt:

	2024	2023
Loan facility 1	$ 1,647,077	$ 3,200,649
Loan facility 2	247,205,689	253,313,582
	248,852,766	256,514,231
Less current portion:		
Loan facility 1	(1,647,077)	(1,553,572)
Loan facility 2	(6,508,388)	(6,107,893)
	(8,155,465)	(7,661,465)
	$ 240,697,301	$ 248,852,766

(a) Loan facility 1: Issued for the Juravinski Tower construction and consisting of a long-term loan facility, bearing interest at a rate of prime less 0.50%, repayable over 20 years. The interest rate swap arrangements are a fixed rate of 5.78% on $15 million and 6.09% on $5 million of long-term debt. Repayment is a monthly blended payment of principal and interest of $141,651 due April 1, 2025.

Loan facility 2: On November 25, 2010, the Hospital entered into an agreement (Development Accountability Agreement) with the MOH for the development of the West 5th Campus. Total cost, using the MOH and Infrastructure Ontario’s Design Build Finance Maintain model, is $1.3 billion, of which the Hospital’s share of the project including construction and equipment is $24 million and the MOH share of the project debt is $295 million. The MOH share is financed with Plenary Health Hamilton over a remaining term of 20 years. The principal and interest are paid by the Hospital and fully funded by the MOH for the entire term of financing.

The Hospital is in compliance with all covenants.

(b) Debt maturities:

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

2025	$ 8,155,465
2026	6,935,144
2027	7,389,883
2028	7,874,439
2029	8,390,767
Thereafter	210,107,068
	$ 248,852,766

8. Long term debt (continued):

(c) Interest rate swaps:

On April 1, 2005, the Hospital has entered into two interest rate swap agreement to manage the volatility of interest rates. The Hospital is a party to two 20-year interest rate swap agreements with notional principal amounts of $15 million and $5 million, whereby the Hospital is obligated to pay fixed interest of 5.78% and 6.09% while receiving variable rate interest which offsets the variable rate interest paid on its term loan (note 7(a)). The agreements mature on April 1, 2025. The fair value of the interest rate swap agreement will continue to fluctuate until the maturity of the agreement, or its settlement.

The fair value of the interest rate swaps at March 31, 2024 is in a net unfavorable position of $7,930 (2023 - $49,140 unfavorable). The current year impact of the change in fair value of the interest rate swap is an increase to the statement of remeasurement gains and loss of $41,209 (2023 - $207,594). The fair value of the interest rate swaps have been determined using Level 3 of the fair value hierarchy.

9. Employee future benefits:

(a) Pension plan:

Substantially all full-time employees of the Hospital are members of the Healthcare of Ontario Pension Plan (HOOPP). This Plan is a multi-employer, defined benefit pension plan. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. As this is a multi-employer plan, no liability has been recorded on the Hospital’s books.

Employer contributions to the Plan on behalf of employees amounted to $34,058,639 (2023 - $29,495,008). The most recent actuarial valuation for accounting purposes was completed by HOOPP as at December 31, 2023. Their December 31, 2023 audited financial statements disclosed an actuarial value of Net Assets in the amount of $112,635 million, with accrued benefits of $102,454 million, resulting in a going concern surplus of $10,181 million.

(b) Other employee future benefits:

The Hospital has an unfunded non-pension employee future benefit dental, life insurance and extended health care plan. This covers substantially all of its employees and provides a segment of its retirees with post-retirement benefits.

9. Employee future benefits (continued):

(b) Other employee future benefits (continued):

Information about the non-pension accrued benefit obligation and liability as at March 31 is as follows:

	2024	2023
Accrued benefit obligation, beginning of year	$ 26,761,400	$ 25,673,400
Current service cost	1,341,400	1,312,400
Plan amendments in year	601,600	–
Interest cost	1,363,200	1,304,400
Benefits paid	(1,236,900)	(1,585,300)
Actuarial (gain) loss	(8,325,300)	56,500
Accrued benefit obligation, end of year	20,505,400	26,761,400
Unamortized actuarial gains	9,205,800	1,331,300
Accrued benefit liability, end of year	29,711,200	28,092,700
Accrued sick bank liability	69,066	67,910
Total accrued benefit liability, end of year	$ 29,780,266	$ 28,160,610

The significant actuarial assumptions adopted in the measuring of the non-pension accrued benefit obligation are as follows:

	2024	2023
Accrued benefit obligation (at end of year):		
Discount rate	4.98%	4.96%
Extended health care costs rate	1.88%	4.60%
Dental care costs rate	2.16%	5.20%
Benefit costs (for fiscal year):		
Discount rate	4.96%	4.98%

10. Other long-term liabilities:

Included in long-term liabilities are amounts for estimated payroll accruals and asset retirement obligations as outlined in note 1(h).

11. Deferred contributions:

(a) Capital assets:

Deferred capital contributions related to capital assets represent the unamortized and unspent amounts of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2024	2023
Balance, beginning of year	$ 353,879,194	$ 358,184,324
Add contributions received related to capital assets	22,145,003	20,843,248
Less amounts amortized to revenue	(27,214,403)	(25,148,378)
	$ 348,809,794	$ 353,879,194

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

	2024	2023
Unamortized capital contributions used to purchase capital assets	$ 336,464,849	$ 339,385,511
Unspent capital contributions	12,344,945	14,493,683
	$ 348,809,794	$ 353,879,194

Unspent capital contributions are excluded from net assets invested in capital assets until the related capital expenditures are incurred.

(b) Expenses of future periods:

Deferred contributions related to expenses of future periods represent unspent externally restricted grants and donations for research and other purposes.

	2024	2023
Balance, beginning of year	$ 1,624,591	$ 3,098,491
Add contributions received related to future periods	437,959	353,857
Less amounts recognized as revenue in the year	(1,420,440)	(1,827,757)
Balance, end of year	$ 642,110	$ 1,624,591

12. Net assets invested in capital assets:

(a) Investment in capital assets is calculated as follows:

	2024	2023
Capital assets	$ 664,895,662	$ 674,985,954
Amounts financed by deferred contributions	(336,464,849)	(339,385,511)
Amounts financed by debt	(248,852,766)	(256,514,231)
	$ 79,578,047	$ 79,086,212

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

	2024	2023
Deficiency of revenue over expense:		
Amortization of deferred contributions related to capital assets	$ 27,214,403	$ 25,148,378
Amortization of capital assets	(43,226,952)	(40,880,083)
	$ (16,012,549)	$ (15,731,705)
Net change in investment in capital assets:		
Purchase of capital assets	$ 33,138,462	$ 35,052,498
Amounts funded by deferred contributions	(24,293,741)	(16,611,459)
Loss on disposal of capital assets	(1,802)	(9,495)
Debt repayment in the year	7,661,465	7,197,421
	$ 16,504,384	$ 25,628,965

13. Commitments and contingencies:

(a) The Hospital receives annual payments from MOH under the Development Accountability Agreement. The agreement was for the design, build, finance and maintain of its West 5th Campus. Annually the Hospital is entitled to payments for the Hospital's interest and debt repayments along with lifecycle maintenance costs. Payments related to facilities maintenance and lifecycle costs are indexed over the term of the agreement to provide for changes in certain operating costs. The payments are conditional upon an appropriation of funds by the Legislature of Ontario on a yearly basis and subject to the Hospital's compliance with the agreement's required debt servicing, operational requirements and associated covenants. For 2024, the yearly payments to be received from the MOH amount to $27,013,044 which covers the annual financing and operating costs. The amount paid increases yearly due to annual indexing of payments until completion in 2044.

(b) At March 31, 2024, the estimated cost to complete approved capital projects currently in progress is $5.8 million (2023 - $4.2 million).

(c) The nature of the Hospital activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2024, 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.

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

(e) The Hospital is committed to payments under operating leases for various premises. Minimum payments under these leases are as follows:

2025	$	961,467
2026		782,508
2027		677,567
2028		505,619
2029 and thereafter		863,735
	$	3,790,896

14. Related party transactions:

(a) St. Joseph's Health System:

The Hospital, as a division of St. Joseph's Health System, was involved in inter-divisional activities throughout the year. These activities consist of the sharing of the System's corporate administrative charges and resulted in charges of $1,463,341 (2023 - $1,463,341), as well as payroll related arrangements. At March 31, 2024, the Hospital had a net accounts receivable balance of $1,935,420 (2023 - $580,614). These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

(b) St. Joseph's Home Care:

The Hospital has contracts in place with St. Joseph's Home Care to provide observational care and other supportive care at the Hospital. As a result, an amount of $2,907,435 (2023 - $3,186,372) has been paid to St. Joseph's Home Care and recorded in expenses in the statement of operations. Net accounts payable due to St. Joseph's Home Care is $829,148 (2023 - $219,261).

(c) St. Joseph's Healthcare Foundation Hamilton:

The Hospital has an economic interest in St. Joseph's Healthcare Foundation Hamilton (the "Foundation") as the Foundation was established to raise funds for the use of the Hospital. The Foundation's by-laws indicate that it will operate and fundraise to support the Hospital. The Foundation is separately incorporated under the laws of Ontario and is a registered charity under the Income Tax Act. The Board of Directors of the Foundation is separate from the Hospital, and thus the Foundation is separately managed. The Hospital may request donations from the Foundation, but the ultimate decisions on timing and funding amounts are completed by the Foundation management and Board of Directors.

Net resources of the Foundation amount to $52,082,349 (2023 - $45,183,582), of which $32,204,763 (2023 - $28,718,423) represents externally restricted contributions.

The net assets and results from operations of the Foundation are not included in the statements of the Hospital. Separate financial statements of the Foundation are available upon request.

Related party transactions during the year not separately disclosed in the financial statements include an amount of $4,694,404 (2023 - $4,799,750) that has been received from the Foundation and recorded as contributions related to deferred capital assets and for other operational purposes.

14. Related party transactions (continued):

(d) Research St. Joseph’s Hamilton (the “Institute”):

The Institute is a separately incorporated entity of St. Joseph’s Health System. The original letters patent were updated to supplementary letters patent on October 31, 2014, and were used for obtaining charitable status for establishing and operating a medical and scientific research facility. The Hospital controls the Institute by virtue of similar membership in both Board of Directors and shared management. The Institute has the same accounting policies as the Hospital.

During the year, the Institute had an excess of revenue over expense of $701,278 (2023 - $1,018,247), made up of revenues of $21,489,032 (2023 - $20,773,153) and expenses of $20.787,754 (2023 - $19,754,906). The Institute has total assets of $35,255,147 (2023 - $36,945,116) and total liabilities of $29,636,172 (2023 - $32,401,174). Net resources of the Institute amount to $5,618,975 (2023 - $4,543,942).

At March 31, 2024, the Hospital had an accounts receivable balance of $324,482 (2023 – $5,800,970). The amounts relate to the timing of various unsettled payments between the organizations.

15. Financial risk:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Hospital is exposed to credit risk with respect to the accounts receivable, cash and long-term investments.

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, 2024 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 income statement. Subsequent recoveries of impairment losses related to accounts receivable are credited to the income statement. The balance of the allowance for doubtful accounts at March 31, 2024 is included in note 3.

As at March 31, 2024, $nil (2023 - $nil) of patient accounts receivable were past due, but not impaired.

There have been no significant changes to the credit risk exposure from 2023.

15. Financial risk (continued):

(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.

The contractual maturities of long-term debt, and interest rate swaps are disclosed in note 8.

There have been no significant changes to the liquidity risk exposure from 2023.

(c) Market risk:

Market risk is the risk that changes in market prices, such as equity market fluctuations, 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 investments, 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 2023.

(ii) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows or 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 this risk through to its interest bearing its loan payable and its interest rate swap.

As at March 31, 2024, had prevailing interest rates increased or decreased by 1%, assuming a parallel shift in the yield curve, with all other variables held constant, the estimated impact on the market value of bonds would approximate $1,110,814. For the same scenario, the estimated impact on the market value of the interest rate swap would approximate $8,800.

15. Financial risk (continued):

(ii) Interest rate risk (continued):

The Hospital mitigates interest rate risk on its term debt through derivative financial instruments (interest rate swaps) that exchange the variable rate inherent in the term debt for a fixed rate (see note 8 (c)). Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the term debt.

The Hospital's investments, including bonds and debentures, are disclosed in note 5.

There has been no change to the interest rate risk exposure from 2023.

(iii) Equity market fluctuation risk:

Fluctuations in the value of equity securities affects the level and timing of recognition of gains and losses on securities held and causes changes in realized and unrealized gains and losses. General economic conditions, political conditions and many other factors can also adversely affect the stock markets and, consequently, the value of the equity securities the Hospital owns.

To mitigate these risks, the Hospital establishes an investment policy which is approved by the Board of Directors. The policy sets forth limits for each type of investment and compliance with the policy is closely monitored. The Hospital manages market risk through asset class diversification, policies to limit and monitor its individual issuers and aggregate equity exposure.

As at March 31, 2024, management estimates that a 10% increase or decrease in equity markets, with all other variables held constant, would impact the market value of equities by $5,255,668 (2023 - $4,710,755).

There has been no change to the equity market fluctuation risk exposure from 2023.