

**Vitalité Health Network
(Regional Health Authority A)
Financial Statements
March 31, 2024**

Contents

	Page
Independent auditor's report	1 - 3
Financial Statements	
Financial position	4
Operations	5
Accumulated surplus	6
Changes in net financial debt	7
Cash flows	8
Notes to the financial statements	9 - 24

Independent auditor's report

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To the Directors of Vitalité Health Network
(Regional Health Authority A)

To the Minister of Health
Province of New Brunswick

Qualified opinion

We have audited the consolidated financial statements of Vitalité Health Network (hereafter “the Network”) included in the audited section of the annual financial report, which comprise the statement of financial position as at March 31, 2024, and the statement of operations, accumulated surplus, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matters described in the “Basis for qualified opinion” section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Network as at March 31, 2024, and the results of its operations, revaluation gains and losses and changes in net debt, and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis for qualified opinion

The Network recognized a liability for asset retirement obligations in the statement of financial position as at March 31, 2024 and 2023. We were unable to obtain sufficient appropriate audit evidence about the amounts recognized and the disclosures made in respect of asset retirement obligations. Therefore, we were unable to determine whether adjustments might be necessary to the amounts recognized as a liability for asset retirement obligations, to accumulated surplus as at April 1, 2023 and March 31, 2024. This situation caused us to express a qualified opinion on the financial statements for the year ended March 31, 2024.

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 report. We are independent of the Network in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 qualified opinion.

Responsibilities of Management and Those Charged with Governance for the financial statements

Management is responsible for the preparation and fair presentation of these 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 Network's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Network or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing the Network'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 these consolidated 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 Network'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 Network'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 Network 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.

Raymond Chabot Grant Thornton LLP

Chartered Professional Accountants

Edmundston, Canada


June 25, 2024

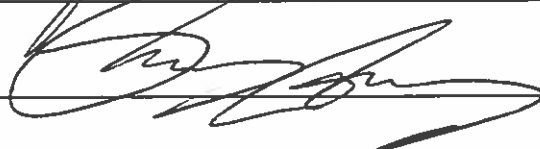
Vitalité Health Network
Financial Position

	March 31, 2024	March 31, 2023
Financial assets		
Cash	\$ 1 588 538	\$ 5 357 599
Cash - patients trust funds	62 543	78 191
Accounts receivable (Note 3)	107 556 444	131 016 628
Estimated year end adjustment from the Province (Note 4)	3 938 699	3 342 423
Temporary investments (Note 5)	8 003 753	7 634 403
	121 149 977	147 429 244
Liabilities		
Patients trust funds	62 543	78 191
Accounts payable and accrued liabilities (Note 6)	88 178 244	117 172 649
Deferred revenues (Note 7)	3 839 123	3 487 048
Deferred capital revenues (Note 9)	152 600 718	165 498 490
Accrued employee benefits (Note 8)	97 730 909	94 200 861
Capital lease obligation (Note 12)	73 347 359	75 399 542
Asset retirement obligation (Note 25)	23 907 700	23 907 700
	439 666 596	479 744 481
Net financial debt	(318 516 619)	(332 315 237)
Non-financial assets		
Tangible capital assets (Note 10)	609 161 701	621 428 049
Prepaid expenses and supplies (Note 11)	13 346 395	13 342 159
	622 508 096	634 770 208
Accumulated surplus	\$ 303 991 477	\$ 302 454 971

Contingencies (Note 14)
Commitments (Note 15)

On behalf of the Board


 _____ Director


 _____ Director

See accompanying notes to the financial statements.

Vitalité Health Network
Operations

For the year ended	Budget	March 31, 2024	March 31, 2023
Revenues			
Department of Health	\$ 840 275 125	\$ 866 036 332	\$ 874 107 030
Federal Programs	6 083 431	6 588 562	7 815 886
Patients recoveries	33 099 318	29 159 965	21 653 908
Recoveries and sales	5 913 818	35 945 067	14 247 261
	885 371 692	937 729 926	917 824 085
Expenses (Note 18)			
Nursing inpatient services	206 682 421	287 618 081	207 514 410
Ambulatory care services	109 414 613	146 894 155	127 226 427
Diagnostic and therapeutic services	195 537 885	206 730 461	193 759 225
Community services	70 744 244	68 083 269	65 164 728
Education and Research	15 969 028	15 861 711	15 844 420
Medicare	86 883 378	94 465 566	92 255 321
Support services	169 606 885	192 388 121	181 856 750
Administrative services	43 475 877	28 891 619	32 757 632
Auxiliary services	1 217 876	1 768 674	1 445 172
	899 532 207	1 042 701 657	917 824 085
Annual operations deficit	(14 160 515)	(104 971 731)	-
Financing of the deficit relating to operations by the Ministry of Health (Note 23)		104 971 731	
Annual operating deficit before adjustments below	(14 160 515)	-	-
Adjustment of prior year end settlements	-	106 336	141 735
Capital revenues	34 060 786	37 441 909	28 976 539
Amortization of tangible capital assets	(33 000 000)	(35 056 139)	(32 761 805)
Provision for sick pay obligation	(750 000)	(955 600)	(529 300)
Annual surplus (deficit)	\$ (13 849 729)	\$ 1 536 506	\$ (4 172 831)

See accompanying notes to the financial statements.

Vitalité Health Network**Accumulated surplus**

For the year ended	March 31, 2024	March 31, 2023
Accumulated surplus, beginning of year	\$ 302 454 971	\$ 306 627 802
Annual surplus (deficit)	1 536 506	(4 172 831)
Accumulated surplus, end of year	\$ 303 991 477	\$ 302 454 971

See accompanying notes to the financial statements.

Vitalité Health NetworkChanges in Net Financial Debt

For the year ended	March 31, 2024	March 31, 2023
Annual surplus (deficit)	\$ 1 536 506	\$ (4 172 831)
Acquisition of tangible capital assets	(22 789 791)	(45 075 754)
Amortization of tangible capital assets	35 056 139	32 761 805
	12 266 348	(12 313 949)
Increase (decrease) in prepaid expenses and supplies	(4 236)	604 049
Net financial debt decrease (increase)	13 789 618	(15 882 731)
Net financial debt at beginning of year	(332 315 237)	(316 432 506)
Net financial debt at end of year	\$ (318 525 619)	\$ (332 315 237)

See accompanying notes to the financial statements.

Vitalité Health NetworkCash Flows

For the year ended	March 31, 2024	March 31, 2023
Operations		
Annual surplus (deficit)	\$ 1 536 506	\$ (4 172 831)
Non-cash items		
Deferred capital revenues transferred to revenues	(24 428 099)	(534 400)
Amortization of tangible capital assets	35 056 139	32 761 805
Change in working capital items (Note 13)	(2 252 610)	(3 880 852)
	9 911 936	24 173 722
Capital investment		
Deferred capital revenues received during the year	11 530 327	17 807 460
Tangible capital assets additions	(22 789 791)	(45 075 754)
	(11 259 464)	(27 268 294)
Investing		
Increase in temporary investments	\$ (369 350)	\$ (76 515)
Financing		
Repayment of capital lease obligation	\$ (2 052 183)	\$ (1 941 422)
Net decrease in cash and cash equivalents	(3 769 061)	(5 112 509)
Cash, beginning of year	5 357 599	10 470 108
Cash, end of year	\$ 1 588 538	\$ 5 357 599

See accompanying notes to the financial statements.

1 - STATUTES AND NATURE OF OPERATIONS

The Regional Health Authority A, was incorporated under the laws of the Province of New Brunswick on September 1, 2008. It operates as Vitalité Health Network (the "Network"). The Network included the previous Regional Health Authorities as follows: Regional Health Authority 1 (Beauséjour), Regional Health Authority 4, Regional Health Authority 5 and Regional Health Authority 6.

The principal activity of the Network is providing for the delivery and administering of health services to the people of New Brunswick. Through a network of hospitals, health centers and specialty centers the Network provides programs and services ranging from primary care to specialized and tertiary services. Community based services, such as Addiction Services, Community Mental Health and Public Health are located in several communities.

The Vitalité Health Network is funded primarily by the Province of New Brunswick in accordance with budget arrangements established by the Department of Health.

2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements are prepared in accordance with Canadian public sector accounting standards established by the Canadian Public Sector Accounting Board.

Accounting estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to the financial statements. These estimates are based on management's best knowledge of current events and actions that the organization may undertake in the future. Areas of significant estimate include allowance for doubtful accounts, the estimated year end adjustment, the sick pay accrual, the tangible asset retirement obligation and the estimated useful lives of the tangible capital assets. Actual results may differ from these estimates.

Revenue recognition

Revenues are recognized on the accrual basis and measurable as they are earned. Revenue received prior to being earned is recorded as deferred revenue until such time as the revenue is earned.

Subsidies from the government of New Brunswick or any other government, or from organizations included in their accounting scope, received or receivable, are recognized as revenue in the fiscal year during which the transferor duly authorized them and when the beneficiary Network has met all eligibility criteria, if any.

In the presence of precise stipulations imposed by the transferor regarding the use of resources or the actions that the beneficiary Network must take to preserve them, or in the presence of general stipulations and actions or communications from the Network, government subsidies are first recognized as deferred revenue, then passed to earnings as stipulations are met.

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Amounts without allocation determined by the donor or under the express condition of providing the establishment with capital to be preserved for an indefinite period are recognized as income for the financial year of the donation.

The sums received for the constitution of an endowment of a fixed duration or encumbered by an external allocation are first recorded as deferred revenue, then recognized as revenue in the financial year during which they are used for the prescribed purposes in the agreement. When the sums received exceed the costs of carrying out the project or activity, according to the purposes prescribed in the agreement, this excess must be recorded as income in the fiscal year during which the project or activity is completed, unless the agreement provides for the use of the balance, where applicable, for other purposes. Likewise, if a new written agreement is concluded between the parties, it is possible to recognize deferred revenue, if this agreement provides for the purposes for which the balance must be used.

Donations of capital assets or donations of cash to purchase them are recognized as revenue in the fiscal year in which they occur.

Patient revenues includes amounts payable according to the rates established by the Ministry of Health. These revenues are recognized at the time of provision of services and are reduced by deductions, exemptions and exemptions granted to some of them.

Recoveries and sales represent revenue earned other than revenue from providing services to patients and are recognized in revenue as services are rendered.

Capital revenues are the revenues received from the Ministry of Health for assets added during the current year and is recognized in the same financial year as the asset is added.

Expenses recognition

Expenses are recorded on the accrual basis as they are incurred and measurable based on receipt of goods or services and obligation to pay.

Cash and cash equivalents

The Network's policy is to present cash (bank overdraft) and investments having a term of three months or less with cash and cash equivalents.

Tangible capital assets

Tangible capital assets are physical assets used to provide Network services and Network administration, and will be used on a regular basis for a period greater than one year and are not surplus properties held for resale or disposal.

Tangible capital assets are recorded at cost, which includes all amounts directly attributable to acquisition, construction, development or betterment of the asset, and are amortized on a straight-line basis over their estimated useful lives. Amortization begins in the year after the asset has been put to use. Assets under construction are not amortized until they are put into use. Descriptions and useful lives are as follows:

Land: all land owned by the Network, including land under buildings.	<u>Rates</u> n/a
Land improvements: includes major landscaping projects, parking lots, and similar assets.	5 - 20%
Buildings: all Network owned or lease capital buildings, as single assets or broken into components: structural, interior, exterior, mechanical, electrical, specialty items and equipment, and site works.	2 - 10%

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tangible capital assets (Continued)

Equipment: includes information technology assets, medical equipment, motorized fleet equipment. 4 - 50%

Vehicles: all Network vehicles including cars, trucks and similar assets. 6 - 20%

Leasehold improvements: includes major improvements to leased buildings. 5 - 10%

Tangible capital assets are depreciated when conditions indicate that they no longer contribute to the Network's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net depreciations are accounted for as expenses in the statement of operations.

Prepaid expenses and inventory

Prepaid expenses and supplies consist of consumables including drugs, food, fuel, medical, surgical and general supplies, and prepayment of service contracts which are charges to expense over the period of expected benefit or usage.

Inventory is valued at the lower of average cost and net realizable value with cost determined on the average cost basis. Net realizable value is determined to be replacement cost.

Asset retirement obligations

Asset retirement obligations are accounted for once all the following conditions are met :

- There is a legal obligation requiring the entity to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event that gave rise to the liability is overcome;
- It is expected that economic benefits will be given up;
- It is possible to make a reasonable estimate of the amount involved.

The liability includes costs directly attributable to asset retirement activities, including operations, maintenance and monitoring activities after retirement.

Upon initial recognition of a liability for an asset retirement obligation, the Network recognizes a retirement cost as an increase in the cost of the tangible asset (or component) of the same amount as the liability. The retirement cost is thus recognized as an expense over the useful life of the tangible asset (or component), in accordance with the amortization method of said asset.

The liabilities are revised annually based on the best information available at the date of the financial statements. When the tangible asset in question is put to productive use, the annual variation is recorded in the results of the financial year when it results from the passing of time or as an adjustment to the cost of the tangible asset in question when this results from a revision of timing, the amount of the original estimate of undiscounted cash flows or discount rate. Any change made to the valuation of obligations related to the asset retirement obligation of a tangible capital asset no longer subject to productive use is recognized as an expense in the period in which it occurs.

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

The financial instruments are recorded at cost at the moment of the initial recognition. Temporary investments that are listed on an active market are presented at fair value. All other financial instruments are subsequently recognized at cost or amortized cost unless management has chosen to record them at fair value.

Changes in fair value are reflected in the statement of revaluation gains and losses, where applicable.

The costs related to the acquisition of financial instruments that were previously evaluated at fair value are recognized as an expense when they are incurred. All other financial instruments are adjusted according to the transaction costs at the moment of the acquisition as well as financing fees, which are amortized on a linear method.

Once a year, all financial assets are submitted to an amortization test. If it is judged that there is a durable reduction of value, the amount is recorded in the statement of operations.

The PSAB requires public organizations to classify its evaluations at fair value according to a hierarchy of fair values according to the following three levels:

Level 1 - Prices not adjusted on active markets for similar assets or liabilities;

Level 2 - Observable entries on the market, other than those at level 1, such as similar assets and liabilities on markets that are not actives;

Level 3 - Observables entries that are not available because there is little to no activity on markets and that are important for the evaluation of fair value.

All financial instruments evaluated at fair value are at Level 1.

3 - ACCOUNTS RECEIVABLE

	2024	2023
Province of New Brunswick:		
Medicare	\$ 11 174 948	\$ 9 604 225
Equipment contributions	7 971 137	6 638 580
Provincial plan	54 271 562	82 729 707
	73 417 647	98 972 512
Patients, less allowance for doubtful accounts	9 984 496	5 138 626
Harmonized sales tax	5 749 433	6 586 098
Other	18 404 868	20 319 392
	\$ 107 556 444	\$ 131 016 628

The allowance for doubtful accounts included in the accounts receivable from patients is \$1,436,815 (\$1,301,029 in 2023).

4 - ESTIMATED YEAR END ADJUSTMENT FROM THE PROVINCE

	2024	2023
Year-end settlement receivable for the deficit in patient revenues	\$ 3 938 699	\$ 3 342 423

For 2024, the year-end settlement corresponds to the net deficit in patients recoveries of \$3,938,699. For 2023, the year-end settlement corresponds to the net deficit in patients recoveries of \$10,983,722 less the budget amendment related to the pandemic's deficit in patients recoveries in the amount of \$7,641,299.

5 - TEMPORARY INVESTMENTS

	2024	2023
Fixed revenue securities	\$ 5 887 281	\$ 5 602 190
Stock exchange listed securities	\$ 2 116 472	\$ 2 032 213
Fixed income securities and funds	\$ 8 003 753	\$ 7 634 403

6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2024	2023
Accounts payable	\$ 52 829 737	\$ 73 657 239
Salaries and benefits payables	35 348 507	43 515 410
	\$ 88 178 244	\$ 117 172 649

The amounts to be remitted to the government totals \$3,748,602 as of March 31, 2024 (\$2,913,843 as of March 31, 2023).

7 - DEFERRED REVENUES

March 31, 2024	Balance beginning year	Receipts during year	Transferred to revenue	Balance at end of year
Deferred revenues	\$ 3 487 048	\$ 1 961 540	\$ (1 609 464)	\$ 3 839 123
March 31, 2023	Balance beginning year	Receipts during year	Transferred to revenue	Balance at end of year
Deferred revenues	\$ 3 624 829	\$ 962 553	\$ (1 100 334)	\$ 3 487 048

8 - ACCRUED EMPLOYEE BENEFITS

	2024	2023
Accrued vacation pay	\$ 39 162 784	\$ 37 380 523
Overtime payable	5 167 634	4 628 996
Statutory holidays payable	5 562 991	5 309 443
Sick pay obligation	47 837 500	46 881 899
	\$ 97 730 909	\$ 94 200 861

9 - DEFERRED CAPITAL REVENUES

March 31, 2024	Balance beginning year	Receipts during year	Transferred to revenue	Balance at end of year
Deferred capital revenues	\$ 165 498 490	\$ 11 530 327	\$ (24 428 099)	\$ 152 600 718
March 31, 2023	Balance beginning year	Receipts during year	Transferred to revenue	Balance at end of year
Deferred capital revenues	\$ 148 225 429	\$ 17 807 460	\$ (534 399)	\$ 165 498 490

10 - TANGIBLE CAPITAL ASSETS

	2024										Total
	Land	Land improvements	Buildings	Materials and equipment	Vehicles	Leasehold improvement	Work in process	Capital lease equipment	Capital lease building		
Cost											
Opening balance	\$ 3 652 772	\$ 5 985 907	\$ 689 035 492	\$ 236 162 475	\$ 591 588	\$ 4 686 068	\$ 165 498 490	\$ 5 583 690	\$ 144 000 000	\$	1 255 196 482
Additions	-	2 673 499	397 604	7 588 361	-	600 000	11 530 327	-	-	-	22 789 791
Transfers of work in progress	-	-	23 757 789	670 309	-	-	(24 428 098)	-	-	-	-
Write-downs/disposals	-	-	-	(5 053 923)	-	-	-	-	-	-	(5 053 923)
Closing balance	3 652 772	8 659 406	713 190 885	239 367 222	591 588	5 286 068	152 600 719	5 583 690	144 000 000		1 272 932 350
Accumulated amortization											
Opening balance	-	3 721 199	423 809 151	170 588 885	587 667	3 815 526	-	2 446 005	28 800 000		633 768 433
Amortization	-	113 515	16 722 566	14 246 136	3 921	145 881	-	224 120	3 600 000		35 056 139
Write-downs/disposals	-	-	-	(5 053 923)	-	-	-	-	-		(5 053 923)
Closing balance	-	3 834 714	440 531 717	179 781 098	591 588	3 961 407	-	2 670 125	32 400 000		663 770 649
Net book value	\$ 3 652 772	\$ 4 824 692	\$ 272 659 168	\$ 59 586 124	\$ -	\$ 1 324 661	\$ 152 600 719	\$ 2 913 565	\$ 111 600 000	\$	609 161 701

10 - TANGIBLE CAPITAL ASSETS

	2023										Total
	Land	Land improvements	Buildings	Materials and equipment	Vehicles	Leasehold improvement	Work in process	Capital lease equipment	Capital lease building		
Cost											
Opening balance	\$ 3 053 663	\$ 3 827 600	\$ 688 394 518	\$ 212 348 965	\$ 591 588	\$ 4 686 068	\$ 148 225 430	\$ 5 583 690	\$ 144 000 000	\$	1 210 711 522
Additions	599 109	2 158 307	640 974	23 869 904	-	-	17 807 460	-	-	-	45 075 754
Transfers of work in progress	-	-	-	534 400	-	-	(534 400)	-	-	-	-
Write-downs/disposals	-	-	-	(590 794)	-	-	-	-	-	-	(590 794)
Closing balance	3 652 772	5 985 907	689 035 492	236 162 475	591 588	4 686 068	165 498 490	5 583 690	144 000 000		1 255 196 482
Accumulated amortization											
Opening balance	-	3 707 030	406 999 191	159 215 626	583 746	3 669 945	-	2 221 884	25 200 000		601 597 422
Amortization	-	14 169	16 809 960	11 964 053	3 921	145 581	-	224 121	3 600 000		32 761 805
Write-downs/disposals	-	-	-	(590 794)	-	-	-	-	-		(590 794)
Closing balance	-	3 721 199	423 809 151	170 588 885	587 667	3 815 526	-	2 446 005	28 800 000		633 768 433
Net book value	\$ 3 652 772	\$ 2 264 708	\$ 265 226 341	\$ 65 573 590	\$ 3 921	\$ 870 542	\$ 165 498 490	\$ 3 137 685	\$ 115 200 000	\$	621 428 049

11 - PREPAID EXPENSES AND SUPPLIES

	2024	2023
Drugs	\$ 7 226 189	\$ 6 111 737
Food	64 744	94 159
Medical, surgical and supplies	3 915 948	5 336 362
Services contracts and prepaid expenses	2 139 514	1 799 901
	\$ 13 346 395	\$ 13 342 159

12 - CAPITAL LEASE OBLIGATION

Minimum payments for the years to come in relation to the capital lease contract expiring July 2031 and October 2044 and balance of the capital lease obligation coming from these contracts:

	2024	2023
2024	-	6 293 704
2025	6 293 704	6 293 704
2026	6 293 704	6 293 704
2027	6 293 704	6 293 704
2028	6 293 704	6 293 704
2029	6 293 704	6 293 704
2030-2044	92 205 787	92 205 785
Total minimum lease payments under the lease	123 674 305	129 968 009
Amount representing the interest calculated at 4.5% and 5.743%	(50 326 946)	(54 568 467)
Capital lease obligation balance	\$ 73 347 359	\$ 75 399 542

The first capital lease obligation is a contract between the Network and Fondation de l'Hôpital Régional Chaleur Inc. for a period of 20 years. The Network has agreed to disburse minimum monthly payments of \$35,325 and an additional amount for the savings that the lease equipment generates. During 2024, the Network paid \$282,728 (\$418,159 in 2023) to the foundation for the savings generated and this amount is recorded in the expenses of maintenance and operating.

The second capital lease obligation is a contract between the Minister of Transportation and Infrastructure and the Minister of Health of New Brunswick and Rainbow1 Partner Inc. for the Restigouche Hospitality Center for a period of 30 years. The Network has agreed to disburse minimum monthly payments of \$489,150.

13 - INFORMATION INCLUDED IN CASH FLOWS

The changes in working capital items are detailed as follows:

	2024	2023
Decrease (increase) in accounts receivable	\$ 23 460 184	\$ (6 299 568)
Increase in estimated year end adjustment from the Province	(596 276)	(2 878 449)
Decrease (increase) of prepaid expenses and supplies	(4 236)	604 049
Increase (decrease) in accounts payable and accrued liabilities	(28 994 405)	3 041 395
Increase (decrease) in deferred revenues	352 075	(137 781)
Increase in accrued employees benefits	3 530 048	1 789 502
	\$ (2 252 610)	\$ (3 880 852)

14 - CONTINGENCIES

Contingent liabilities

Management believes that the Network has valid defenses and appropriate insurance coverages in place with respect to claims pending at the end of the year. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Networks financial position.

The Network is covered under the Health Services Liability Protection Plan which is underwritten by the Province of New Brunswick and administered by Health Care Insurance Reciprocal of Canada ("HIROC").

Collective agreement

As of March 31, 2024, four collective agreement have expired. The collective agreements of the New-Brunswick Nurses Union targeting the group of part III nurses and the group of nurse managers and nurse supervisors have been expired since December 31, 2023. The collective agreements of the Canadian Union of Public Employees of New-Brunswick targeting the group of professionals specialized in healthcare and the group of professionals specialized in medical science have been expired since March 31, 2024. In March 2024, no provision for salary adjustments were recognized in the financial statements. In March 2023, a provision of \$12,450,000 was recognized in the financial statements along with a receivable from the Ministry of Health for the same amount.

15 - COMMITMENTS

The Network has lease commitments for equipment rental and purchase contracts for goods and services expiring at various dates. Minimum payments payable over the next five years are as follows:

2025	\$	33 276 683
2026		18 892 919
2027		9 196 182
2028		6 084 237
2029		3 089 355

In addition, the Network has committed, under a long-term contract for personnel placement services expiring in February 2026, to pay an amount of up to \$93,000,000 depending on needs.

16 - DONATIONS FROM THE FOUNDATIONS

The Network holds a financial interest in many foundations and auxiliary services which are registered not-for-profit organizations established in various communities. They have a purpose of raising, investing and distributing funds to the Network for the enhancement of its services and facilities.

During the year, the Network received donations from the following foundations:

	2024	2023
Fondation Hôpital Dr.-Georges-L.-Dumont Inc. (Moncton)	\$ 451 227	\$ 4 400 706
Les ami.e.s de l'Hôpital Stella-Maris-de-Kent.	17 944	16 925
La Fondation de l'Hôpital régional d'Edmundston Inc.	186 323	331 221
La Fondation des Amis de l'Hôpital Général de Grand-Sault Inc.	14 006	60 087
Fondation Dr. Romaric Boulay Inc. (St-Quentin)	12 873	51 903
Fondation des amis de la santé (Campbellton)	141 396	144 938
Fondation de l'Hôpital régional Chaleur Inc. (Bathurst)	270 794	841 684
Fondation de l'Hôpital de l'Enfant-Jésus Inc. 1988 (Caraquet)	66 424	277 108
La Fondation de l'Hôpital de Lamèque Inc.	344 339	26 216
Fondation Les Amis de l'Hôpital de Tracadie Inc.	20 150	205 679
	\$ 1 525 476	\$ 6 356 467

17 - EMPLOYEE FUTURE BENEFITS

Pension plan

Network employees are members of a pension plan established by the Province of New Brunswick in accordance with the Pension Benefits Act. The province of New Brunswick is responsible for funding this plan. Effective April 1, 2014, the ministry takes responsibility for making annual employer dues payments for the majority of unionized employees. As of March 31, 2024, Vitalité's contributions amounted to \$6,340,695 (\$5,738,719 in 2023).

Vacation pay and overtime accrual

Vacation pay and overtime is accrued to year end. Related funding from the Department of Health is recorded when received.

Sick pay accrual

The cost of the obligation made for sick leave benefits is actuarially determined using the best estimates of management on wage increases, the number of sick days accumulated at retirement, and inflation and long-term discount.

Significant economic and demographic assumptions used in the actuarial valuation are:

Discount rate:	4.56 % per annum - equal to Province's long-term borrowing rate of 15 years
Rate of compensation increase:	2.3 % per annum
Retirement age:	age 60

Based on actuarial valuation of the liability, the results at March 31, 2024 are as follows:

	2024	2023
Accrued sick pay obligation, beginning of year	\$ 46 881 900	\$ 46 352 600
Current service cost	6 430 000	5 663 300
Interest on obligation	2 341 700	1 810 200
Loss experience	660 000	478 100
Benefit payments	(8 476 100)	(7 422 300)
Accrued sick pay obligation, end of year	\$ 47 837 500	\$ 46 881 900

Retirement allowance accrual

The management personnel and the non-union employees, the employees of the New Brunswick Nurses Union, which includes nurse managers and nurse supervisors, the New Brunswick Union of Public and Private Employees, which includes the Specialized Health Care Professionals (SHPC) group and the Medical Science Professionals (MSP) group, all received the option to cash in their retirement allowance. The employees who don't use the option to cash in willingly can do so at the time of their retirement. For the SHPC and MSP groups, the retirement allowance stopped to cumulate in March 2019. For the management personnel and the non-union employees, the accumulation of the retirement allowance stopped on March 31, 2013. For the nurses, nurse managers and nurse supervisors, the accumulation of their retirement allowance is continuing for those who did not already cashed in their allowance, and they still have the option of cashing in whenever they desire. The employees of the Canadian Union of Public Employees did not received those options yet, and will continue to accumulate retirement allowances. Their collective agreement will only expire on June 30, 2024. The Province of New Brunswick funds these retirement benefits through separate funding from the annual operations and is responsible for the calculation of the benefits. No contingent liability has been recorded by the Network.

Vitalité Health Network
Notes to Financial Statements
March 31, 2024

18 - EXPENSES BY OBJECT

	2024	2023
Salaries	\$ 675 243 744	\$ 572 758 700
Benefits	64 072 127	61 526 375
Medical and surgical supplies	46 076 483	42 846 273
Drugs	57 423 549	50 676 217
Other services	69 993 797	64 361 562
Other supplies	130 847 557	126 184 258
Amortization	35 056 139	32 761 805
Total	\$ 1 078 713 396	\$ 951 115 190

19 - RELATED PARTIES

Horizon Health Network (Regional Health Authority B) was created at the same time as Vitalité Health Network through an act of the legislature. Horizon Health Network resulted from the merger of the Regional Health Authorities 1, 2, 3 and 7.

The new Service New Brunswick (Service NB) was launched on October 1st, 2015 to consolidate the common government services within a single body. The new organization includes the former Service New Brunswick, the Department of Government Services, FacilicorpNB and the New Brunswick Internal Services Agency.

Following the adoption of Bill 5 "An Act Respecting Extra-Mural Services" all extramural services were transferred to EM/ANB Inc. with the exception of services offered in schools, occupational therapy and physiotherapy.

The purchase and sale of materials and services were measured at exchange amounts as agreed between the related parties. The Harmonized Sales Tax (HST) is included when applicable.

	2024	2023
Transactions during the year		
Services sold to:		
Service NB	\$ 330 245	\$ 331 348
EM/ANB Inc.	258 688	339 422
Purchased services from:		
Service NB	\$ 1 565 369	\$ 2 663 643
EM/ANB Inc.	122 629	286 441
Balances at end of year		
Accounts receivable		
Service NB	\$ 47 431	\$ 110 289
EM/ANB Inc.	22 552	149 532
Accounts payable		
Service NB	\$ 76 648	\$ 1 100 608
EM/ANB Inc.	19 040	15 189

20 - FINANCIAL INSTRUMENTS

Risk management policy

The Network is exposed to various risks arising from its financial instruments. Financial risk management is carried out by the Network management.

During the year, there were no changes to risk management policies, procedures and practices relating to financial instruments. The following provides a measure of risk as of the year-end date.

Financial risks

Credit risk

Credit risk arises from the possibility that a counterparty doesn't fulfill its financial obligations. A significant portion of the accounts receivables is from the province of New Brunswick. The entity supervises the recoverability of its receivable on a continuous basis.

The book value of the main financial assets of the Network represents the maximum exposure to credit risk.

The overdue financial assets total \$1,436,815 (\$1,301,029 at March 31, 2023), and all have a maturity of less than two years. They are presented net of a provision for bad debts of \$1,436,815 (\$1,301,029 March 31, 2023).

The variation in the provision for doubtful accounts for the year is explained as follows:

	2024	2023
Opening balance	\$ 1 301 029	\$ 1 237 905
Impairment loss recognized in results and amounts written off	1 185 340	1 237 905
Provision canceled or recovered	115 689	-
Provision for doubtful accounts for the current year	1 436 815	1 301 029
Ending balance	\$ 1 436 815	\$ 1 301 029

Liquidity risk

Liquidity risk is the risk that the entity can't fulfill its financial obligations on a timely basis and at a reasonable cost. The entity manages its liquidity by overseeing its financial needs to operate. The entity prepares a budget and establishes anticipated funds to make sure that there are sufficient funds to cover its obligations.

Market risk

Market risk corresponds to the risk of variations in the market values such as exchange or interest rates, which affect the revenues of this entity or changes in the value of the temporary investments or other financial instruments.

Exchange risk

Fluctuation and volatility of exchange rates expose the entity to financial risk. In the normal course of operations, the entity holds temporary investments in American currency. Currently, the entity doesn't have term contracts to mitigate this risk, but reduces the risk by diversifying its investments.

20 - FINANCIAL INSTRUMENTS (Continued)

Financial risks (Continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flow fluctuate because of variations in the interest rate on the market. The revenue debentures fixed expose a risk to the entity in regards to its future cash flows. The entity mitigates this risk by diversifying its investments.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices (other than those arising from interest rate risk or exchange risk), whether these variations are caused by factors specific to the instrument in question or its issuer, or by factors affecting all similar financial instruments traded on the market.

Temporary investments indirectly expose the Network to other price risk.

21 - BUDGETED FIGURES

Budget figures in these financial statements have been approved by the Board of Directors of Vitalité Health Network for the financial year in question.

22 - ECONOMIC DEPENDENCE

The Network depends on funds received from the Department of Health to continue operations, replace essential equipment and complete its capital projects.

23 - DEFICIT FINANCING BY THE MINISTRY OF HEALTH

Funding for the operating deficit by the Ministry of Health of the Province of New Brunswick for 2023-2024 amounts to \$104,971,731. This deficit is explained by the following amounts:

- Use of traveling nurses through agencies at a cost of \$102,701,290 (hours worked \$84,560,527 and accommodation and travel totaling \$18,140,763).
- Loss of income for Zone 5 Veterans in the amount of \$1,938,696.
- Additional expenses for laboratories and supplies for infection control and prevention totaling \$4,800,752.
- Recruitment and related expenses of \$3,111,937.

These amounts total \$112,552,675, savings and reductions in other items offset to explain a final net deficit of \$104,971,731.

24 - CHANGE IN ACCOUNTING POLICY

Public-private partnerships

During the year, the Network adopted the standards of Section PS 3160, Public-Private Partnerships, of the CPA Canada Public Sector Accounting Handbook. This chapter establishes requirements for the accounting treatment of partnerships between a public sector entity and the private sector in which the public sector entity acquires infrastructure with the assistance of a partner of a private sector. Public-private partnerships are a financing and procurement model for the design, construction, acquisition or improvement of infrastructure.

The standards of chapter PS 3160 apply when the private sector partner is responsible in particular for the design, construction, acquisition or improvement of the infrastructure element, in addition to being responsible for its financing after it has been put into use, and its operation and/or maintenance.

In these cases, the Network recognizes an asset for the infrastructure element created in a public-private partnership when it obtains control and recognizes a liability in return.

The asset for the infrastructure element is recorded at cost. When the life of the asset is limited, the cost, less its residual value, is amortized over its useful life in a logical and systematic manner appropriate to the nature of the asset and its use by the establishment.

The initial measurement of the liability to be recognized is the same amount as that of the assets relating to the related infrastructure element, less any consideration already transferred to the private sector partner.

In accordance with the transitional provisions, these requirements, applicable to financial years beginning on or after April 1, 2023, have been applied retroactively. The adoption of these new recommendations had no impact on the financial statements of the institution.

Revenues

During the year, the Network adopted the standards of Section PS 3400, "Revenue", of the CPA Canada Public Sector Accounting Handbook. This chapter establishes differentiated recognition requirements with respect to revenues from transactions that include performance obligations (referred to as "transactions with consideration") and revenues from transactions without performance obligations (referred to as "obligations without consideration"), as well as the information to be provided about them.

The chapter defines a performance obligation as an enforceable promise to provide specific goods or services to a specific payer. Revenue from a consideration transaction is recognized when the Network fulfills (or as it fulfills) the performance obligation by providing the promised goods or services to the payer.

Revenues from a transaction without consideration are recognized when the Network has the power to claim or take an entry of economic resources and it identifies a past transaction or a past event which is at the origin of an asset.

For transactions with consideration, the Network must determine which goods or services (or which groups of goods or services) are distinct and must therefore be treated separately. When the institution determines that there is more than one performance obligation for the same transaction, it must use a transaction price allocation method. To do this, it uses the specific selling price of the goods or services for each of the performance obligations when this is known; otherwise, it makes an estimate using the information it has to make this distribution.

In accordance with the transitional provisions, these requirements, applicable to financial years beginning on or after April 1, 2023, have been applied retroactively. The adoption of these new recommendations had no impact on the financial statements of the Network.

25 - ASSET RETIREMENT OBLIGATION

The asset retirement obligation concerns the removal of regulated materials such as asbestos, lead, mercury, polychlorinated biphenyls (PCBs), refrigerants, ozone depleting substances, removal of oil storage tanks and water supply wells. Removal of regulated materials is governed by applicable government laws regarding environmental protection.

The main information related to the associated liability is as follows:

- The asset retirement costs are amortized using the straight-line method based on the remaining useful life of the buildings;
- The liability is based on current estimated costs. In the absence of detailed information from the province, the main sources of information for preparing these estimates were an expert appraiser with connections to remediation contractors and in-depth knowledge of regulated materials remediation. It was an office exercise aimed at providing an estimate based on the available information. The total estimated expenses is \$23,907,700;
- Estimated remaining operational lifespan: 30 to 50 years.

26 - COMPARATIVE FIGURES

Comparative figures have been adjusted to conform to change in the current year presentation.
