Financial Statements of

JOSEPH BRANT HOSPITAL

Year ended March 31, 2020

Deloitte.

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Independent Auditor’s Report

To the Board of Directors of
Joseph Brant Hospital

Opinion

We have audited the financial statements of Joseph Brant Hospital (the “Hospital”), which comprise the statement of financial position as at March 31, 2020, and the statements of operations, remeasurement gains and losses, change in net assets (deficit) and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Hospital as at March 31, 2020, and the results of its operations, its remeasurement gains and losses, changes in its net assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards (“PSAS”).

Basis for Opinion

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

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

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

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

Other matter

The financial statements of the "Hospital" as at and for the year ended March 31, 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on May 23, 2019.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
May 27, 2020

JOSEPH BRANT HOSPITAL

Statement of Financial Position

March 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Restricted cash (note 2)	$ 18,460,736	$ 18,359,075
Accounts receivable (note 3)	7,345,373	6,435,201
Grant receivable from Joseph Brant Hospital Foundation (note 10 (b))	271,987	1,930,331
Inventories	2,021,496	1,838,603
Prepaid expenses	3,582,121	3,698,681
Due from The Joseph Brant Trust	30,398	4,585
Total current assets	31,712,111	32,266,476
Long-term receivables (see note 4)	6,977,063	6,977,063
Interest in The Joseph Brant Trust (note 10 (c))	1,448,330	1,515,000
Capital assets, net (note 4)	481,884,861	492,374,549
Total assets	$ 522,022,365	$ 533,133,088
Liabilities and Net Assets (Deficit)		
Current liabilities:		
Bank indebtedness (note 5)	$ 925,294	$ 646,386
Banker's acceptance (note 5)	35,953,936	35,903,818
Accounts payable and accrued liabilities	38,026,367	31,986,449
Deferred revenue	623,764	840,769
Current portion of obligations under capital leases (note 6)	252,878	-
Total current liabilities	75,782,239	69,377,422
Obligations under capital leases (note 6)	1,327,047	-
Employee future benefit plans (note 7(b))	13,630,879	13,389,874
Deferred capital contributions (note 8)	445,381,102	456,430,511
Total liabilities	536,121,267	539,197,807
Net assets (deficit):		
Invested in capital assets (note 9)	3,145,001	9,288,466
Unrestricted	(17,492,233)	(15,668,185)
	(14,347,232)	(6,379,719)
Accumulated remeasurement gains	248,330	315,000
Total net deficit	(14,098,902)	(6,064,719)
Commitments and contingencies (note 13)		
	$ 522,022,365	$ 533,133,088

See accompanying notes to financial statements.

On behalf of the Board:

______________________ Director ______________________ Director

JOSEPH BRANT HOSPITAL

Statement of Operations

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Revenues:		
Ministry of Health and Local Health Integration Network (“LHIN”) and other agencies	$ 172,211,598	$169,588,387
Inpatient services	4,040,516	4,071,483
Outpatient services	12,229,439	10,385,707
Other income	18,061,328	13,518,658
Amortization of deferred capital contributions relating to equipment	8,066,841	6,853,583
	214,609,722	204,417,818
Expenses:		
Salaries	104,616,368	102,767,618
Employee benefits	28,118,201	26,863,229
Fees to medical staff	15,654,316	14,773,930
Drugs	10,368,599	7,244,620
Medical and surgical supplies	12,825,830	12,242,124
Other supplies and expenses	38,982,785	31,304,853
Amortization of equipment	10,927,410	7,857,918
	221,493,509	203,054,292
(Deficiency) excess of revenues over expenses before the undernoted	(6,883,787)	1,363,526
Amortization of deferred capital contributions relating to building and building service equipment	11,126,532	9,994,373
Amortization of building and building service equipment	(12,210,258)	(11,203,984)
	(1,083,726)	(1,209,611)
(Deficiency) excess of revenues over expenses	$ (7,967,513)	$ 153,915

See accompanying notes to financial statements.

JOSEPH BRANT HOSPITAL

Statement of Changes in Net Assets (Deficit)

Year ended March 31, 2020, with comparative information for 2019

	Invested in Capital assets	Unrestricted	2020 Total	2019 Total
Balance, beginning of year	$ 9,288,466	$ (15,668,185)	$ (6,379,719)	$ (6,718,930)
(Deficiency) excess of revenues over expenses (note 9 (b))	(3,944,295)	(4,023,218)	(7,967,513)	153,915
Acquisition of Auxiliary net assets (note 10 (a))	-	-	-	185,296
Net change in investment in capital assets (note 9 (b))	(2,199,170)	2,199,170	-	-
Balance, end of year	$ 3,145,001	$ (17,492,233)	$ (14,347,232)	$ (6,379,719)

See accompanying notes to financial statements.

JOSEPH BRANT HOSPITAL

Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Cash (used in) provided by:		
Operating activities:		
(Deficiency) excess of revenues over expenses	$ (7,967,513)	$ 153,915
Items not affecting cash:		
Amortization of capital assets	23,137,668	19,048,525
Amortization of deferred capital contributions	(19,193,373)	(16,847,956)
Gain on disposal of Auxiliary assets	-	185,296
Change in accrued sick pay benefits	(8,995)	1,434
Change in employee future benefits	843,300	1,324,200
Change in non-cash working capital items:		
Accounts receivable	(910,172)	119,040,065
Grant receivable from Joseph Brant Hospital Foundation	1,658,344	(1,585,427)
Inventories	(182,893)	(333,654)
Prepaid expenses	116,560	(1,898,770)
Due from The Joseph Brant Trust	(25,813)	(28,421)
Accounts payable and accrued liabilities	6,039,918	(131,388,552)
Deferred revenue	(217,005)	(2,422,319)
Employee future benefits paid	(593,300)	(642,000)
	2,696,726	(15,393,664)
Capital activities:		
Purchase of capital assets (excluding those acquired by capital leases)	(10,989,171)	(108,015,012)
Increase in deferred capital contributions:		
Joseph Brant Hospital Foundation	5,928,428	8,793,994
Ministry of Health	2,099,324	78,961,397
Other	116,212	13,477,350
	(2,845,207)	(6,782,271)
Financing activities:		
Proceeds from issuance of banker's acceptances	50,118	24,918,102
Repayment in obligations under capital leases	(78,884)	(221,206)
	(28,766)	24,696,896
(Decrease) increase in cash	(177,247)	2,520,961
Cash, beginning of year	17,712,689	15,191,728
Cash, end of year	$ 17,535,442	$ 17,712,689

	2020	2019
Cash comprised of:		
Bank indebtedness	$ (925,294)	$ (646,386)
Restricted cash	18,460,736	18,359,075
Cash	$ 17,535,442	$ 17,712,689

	2020	2019
Supplemental cash flow information:		
Capital assets acquired by way of capital leases (note 6)	$ 1,658,809	$ -
Interest paid	989,317	634,208

See accompanying notes to the financial statements.

JOSEPH BRANT HOSPITAL

Statement of Remeasurement Gains and Losses

Year ended March 31, 2020, with comparative information for 2019

		2020		2019
Accumulated remeasurement gains, beginning of the year	$	315,000	$	253,331
Unrealized (losses) gains attributable to:				
Interest in The Joseph Brant Trust (note 10 (c))		(66,670)		61,669
Net remeasurement (losses) gains for the year		(66,670)		61,669
Accumulated remeasurement gains, end of the year	$	248,330	$	315,000

See accompanying notes to financial statements

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

1. Significant accounting policies:

(a) Basis of presentation:

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

(b) Cash and restricted cash:

Cash and restricted cash consists of cash held at Canadian chartered banks including temporary investment savings and is held at fair value. Investment income is recognized as revenue during the period in which it is earned. The Hospital has certain restricted cash investments held for lottery purposes and redevelopment related activities.

(c) Revenue recognition:

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

Under the Health Insurance Act and Regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health ("MOH") and Local Health Integration Network ("LHIN"). 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, 2020.

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.

1. Significant accounting policies (continued):

(c) Revenue recognition (continued):

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

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

(d) Inventories:

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

(e) Capital assets:

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

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

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

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

(f) Equipment under capital leases:

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

1. Significant accounting policies (continued):

(g) Employee future benefits:

(i) Multi-employer plan:

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

(ii) Defined benefit plan:

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

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

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

Actuarial gains and losses are amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the post-retirement benefits plan is 16 years (2019 - 15 years).

(h) Financial instruments:

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

Unrealized changes in fair value of investments 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):

(h) 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.

(i) Contributed goods and services:

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

(j) Use of estimates:

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

2. Cash:

	2020	2019
Restricted capital funds	$ 18,420,861	$ 18,331,400
Restricted lottery funds	39,875	27,675
	$ 18,460,736	$ 18,359,075

As described in note 13(b), both the MOH/LHIN and the City of Burlington have provided funds toward the Capital Redevelopment Project. Funding provided in excess of payments to date resulted in cash balances of $12,920,861 (2019 - $18,331,400). These funds are restricted for the project. A portion of these restricted funds have been set aside to repay holdbacks related to the project. Interest earned on this portion of the funds is payable to EllisDon Infrastructure JBH Inc. The Hospital, at March 31, 2020, also holds $5,500,000 of funding received from the Foundation related to the redevelopment. These funds are included within restricted cash as they are earmarked for repayments of the Hospital's bank debt.

3. Accounts receivable:

	2020	2019
Ministry of Health	$ 2,380,629	$ 2,001,781
Patients and others	3,600,456	3,523,201
Cancer Care Ontario	1,509,453	590,123
Joseph Brant Foundation (note 10 (b))	259,292	682,267
	7,749,830	6,797,372
Less allowance for doubtful accounts (note 14 (a))	404,457	362,171
	$ 7,345,373	$ 6,435,201

4. Capital assets:

			2020	2019
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 5,412,224	$ -	$ 5,412,224	$ 5,412,224
Building	450,952,702	34,195,763	416,756,939	397,260,479
Building service equipment	46,459,440	42,885,473	3,573,967	4,499,948
Equipment	159,162,645	114,254,055	44,908,590	36,542,629
Equipment under capital lease	1,658,809	165,881	1,492,928	-
Construction progress	9,740,213	-	9,740,213	48,659,269
	$ 673,386,033	$ 191,501,172	$ 481,884,861	$ 492,374,549

During construction of the new patient tower, EllisDon Infrastructure JBH Inc. (EDI) retained title to the capital assets being constructed. The tower construction was completed in the prior fiscal year with total costs of $407,970,388 capitalized to building and equipment. Based on the terms in the project agreements, the Hospital has recorded accounts payable of $1,351,586 (2019 - $1,514,598) to EDI and a long-term receivable from the MOH of $6,155,774 relating to construction holdbacks (2019 – $6,155,774). As of March 31, 2020, these amounts remain outstanding pending final completion of the construction project.

5. Bank indebtedness and Bankers acceptance:

The bank has made available to the Hospital a $50 million revolving demand credit facility to fund the Capital Redevelopment Project. As at March 31, 2020, the Hospital holds outstanding debt of $35,953,936 (2019 - $35,903,818) utilized for the Capital Redevelopment Project.

The bank has also made available to the Hospital an Operating Line of Credit in the amount of $25 million. At year-end, the Hospital has utilized $925,294 (2019 - $646,386) of the available line of credit.

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

6. Obligation under capital leases:

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

	2020
2021	$ 366,145
2022	366,145
2023	366,145
2024	366,145
2025	233,697
Total minimum lease payments	1,698,277
Less amounts representing interest	118,352
Obligations under capital leases	1,579,925
Current portion of obligations under capital leases	252,878
Long term portion of obligations under capital leases	$ 1,327,047

Interest related to the capital lease obligation amounted to $12,652 (2019 - $nil) and has been included in other supplies and expenses in the statement of operations.

7. Employee future benefit plans:

(a) Multi-employer plan:

Contributions made by the Hospital to HOOPP during the year amounted to $8,550,306 (2019 - $8,500,000). These amounts are included in employee benefits expense in the statement of operations. The most recent actuarial valuation of HOOPP as at March 31, 2020 indicates the plan has a 17.1% surplus in disclosed actuarial assets and is fully funded on a solvency basis.

7. Employee future benefit plans (continued):

(b) Employee future benefits:

	2020	2019
Employee future benefits	$ 13,565,300	$ 13,315,300
Accrued sick benefits	65,579	74,574
	$ 13,630,879	$ 13,389,874

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

	2020	2019
Accrued benefit obligation:		
Balance, beginning of year	$ 12,350,500	$ 11,869,900
Actuarial gain	(1,931,600)	(253,300)
Current service cost	725,600	947,300
Interest cost	360,600	428,600
Benefits paid	(593,300)	(642,000)
Balance, end of year	10,911,800	12,350,500
Unamortized actuarial gains	2,653,500	964,800
Accrued benefit liability	$ 13,565,300	$ 13,315,300

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

	2020	2019
Discount rate	2.94%	3.61%
Extended health care premium increases	5.50%	5.75%
Dental premium increases	2.75%	2.75%

The extended health care premiums are expected to decrease by 0.25% per annum to an ultimate rate of 4.5% per annum (2019 – decrease by 0.25% per annum to an ultimate rate of 4.5% per annum).

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

	2020	2019
Current service cost	$ 725,600	$ 947,300
Interest cost	360,600	428,600
Amortization of actuarial gains	(242,900)	(51,700)
	$ 843,300	$ 1,324,200

8. Deferred capital contributions:

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

	2020	2019
Balance, beginning of year	$ 456,430,511	$ 372,045,726
Contributions received from:		
Joseph Brant Hospital Foundation	5,928,428	8,793,994
Ministry of Health	2,099,324	78,961,397
Other	116,212	13,477,350
Less amounts amortized to revenue	(19,193,373)	(16,847,956)
	$ 445,381,102	$ 456,430,511

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

	2020	2019
Unamortized capital contributions used to purchase capital assets	$ 441,205,999	$ 447,182,265
Unspent capital contributions	4,175,103	9,248,246
	$ 445,381,102	$ 456,430,511

9. Net assets invested in capital assets:

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

	2020	2019
Capital assets	$ 481,884,861	$ 492,374,549
Amounts financed by deferred capital contributions	(441,205,999)	(447,182,265)
Amounts financed by debt	(35,953,936)	(35,903,818)
Obligations under capital leases	(1,579,925)	-
	$ 3,145,001	$ 9,288,466

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

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

	2020	2019
Deficiency of revenues over expenses:		
Amortization of deferred capital contributions	$ 19,193,373	$ 16,847,956
Amortization of capital assets	(23,137,668)	(19,048,525)
	$ (3,944,295)	$ (2,200,569)
Net change in investment in capital assets:		
Purchase of capital assets (including those acquired by capital leases)	$ 12,647,980	$ 108,015,012
Change in obligation under capital leases	(1,579,925)	221,206
Debt advances	(50,118)	(24,918,102)
Amounts funded by deferred capital contributions from:		
Joseph Brant Hospital Foundation	(5,928,428)	(8,793,994)
Ministry of Health	(2,099,324)	(78,961,397)
Other	(116,212)	(13,477,350)
Change in unspent deferred capital contributions	(5,073,143)	(5,696,216)
	$ (2,199,170)	$ (23,610,841)

10. Related entities:

(a) The Auxiliary to the Joseph Brant Hospital:

The Auxiliary was formerly a not-for-profit entity that provided services, comforts and amenities for patients and visitors to the Hospital. The Auxiliary also funded the purchase of Hospital equipment through its donations to the Foundation and promotes community goodwill for the Hospital. As of April 1, 2018, the Auxiliary was wound-up and its net assets of $185,296 were transferred to the Hospital. The Auxiliary now operates as a division within the Hospital and is accounted for within the financial statements of the Hospital.

(b) Joseph Brant Hospital Foundation:

The Foundation raises funds from the community to fund capital expenditures of the Hospital. The Foundation is incorporated under the Province of Ontario as a not-for-profit organization and is a registered charity under the Income Tax Act. Net resources of the Foundation amount to $12,813,202 (2019 - $14,894,942) of which $6,803,010 (2019 - $6,437,399) represents contributions externally restricted for the purchase of capital assets and funding of program operations for the Hospital. The balance of $6,010,192 (2019 - $8,457,543) is available to the Hospital at the discretion of the Foundation’s Board of Directors.

10. Related entities (continued):

(b) Joseph Brant Hospital Foundation (continued):

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

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

	2020	2019
Deferred capital contributions	$ 5,928,428	$ 8,793,994
Operational grants	632,198	608,056
	$ 6,560,626	$ 9,402,050

Included in accounts receivable is $259,292 (2019 - $682,267) due from the Foundation for operations. Included in grant receivable from Joseph Brant Hospital Foundation is $271,987 (2019 - $1,930,331) related to grants for capital and other general Hospital purposes.

(c) The Joseph Brant Trust:

The Trust is an inter vivos trust and was established on November 15, 2001. The Joseph Brant Hospital is the sole beneficiary of the Trust. The purpose of the Trust is to own property and manage it for the benefit of the sole beneficiary. In the 2001 calendar year, the Joseph Brant Hospital contributed funds in the amount of $1,200,000 to the Trust. The Trust then invested the $1,200,000 in the Brant Centre Limited Partnership (the “Partnership”). The Partnership operated 175 nursing home beds known as The Brant Centre, which was comprised of 43 beds previously operated within the Hospital and 132 beds awarded by the Ministry of Health. On June 30, 2007, the Trust sold its 49.9995% interest in the Partnership to Chartwell Master Care Limited Partnership, a subsidiary of Chartwell Seniors Housing REIT. After consideration of previous returns of interest in the Partnership, the Trust realized a gain on sale of interest in the Partnership of $3,016,991. This gain was reflected in the fair market valuation of the Interest in the Trust and recorded as an increase in the Interest in the Trust and Net assets restricted for capital purposes on the statement of financial position. On adoption of PS 3450, the change in the fair value of the Interest in the Trust is recorded in the statement of remeasurement gains and losses. During the current year, the fair market value of the Trust’s net investments decreased by $66,670 (2019 – increased by $61,669) to $1,448,330 (2019 - $1,515,000). Distributions of $26,398 (2019 - $nil) were authorized by the Trust to the Hospital as sole beneficiary.

The Hospital owns the land on which The Brant Centre is situated. The land was acquired at a cost of $2,416,599. The Hospital leases the land to the Trust, which in turn leases the land to Chartwell Master Care Limited Partnership for $1 per annum for a period extending forty years from the commencement date.

11. Shared services:

The Hospital is a member of Mohawk Medbuy Corporation (previously Mohawk Shared Services Inc., "Mohawk"). Mohawk is a not-for-profit organization which provides centralized Laundry Services, Diagnostic Imaging Repository Services, Employee Assistance Program, Supply Chain Services and Accounts Payable processing to its members and participants in Hamilton and the surrounding districts. Mohawk is incorporated without share capital under the laws of the Province of Ontario and is exempt from income taxes under the Income Tax Act. Member hospitals share in paying the operating costs for the corporation. The Hospital's share of operating costs in 2020 was $192,544 (2019 - $194,198) reflected in expenses on the statement of operations. Included in the Hospital's liabilities at March 31, 2020 is $392,524 (2019 - $374,836) in accounts payable to Mohawk.

12. General liability insurance:

The Hospital is a member of the Healthcare Insurance Reciprocal of Canada ("HIROC"). Members pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of members for the years in which they were members. No such assessments have been received to March 31, 2020.

Since its inception in 1987, HIROC has accumulated an unappropriated surplus, which is the total of premiums paid by all members plus investment income less the obligation for claims reserves and expenses and operating expenses. Each member which has an excess of premium plus investment income over the obligation for its allocation of claims reserves and expenses and operating expenses is entitled to receive distributions of its share of the unappropriated surplus at the time any such distributions are declared by the Board of Directors of HIROC. During the year, the Hospital received $168,030 (2019 - $352,056) in distributions.

13. Commitments and contingencies:

(a) Capital Redevelopment Project:

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

- Phase One to construct the Halton McMaster Family Health Centre, hospital administration offices and a parking facility was started in March 2013 and substantially completed in May 2015. Costs of $28,008,000 (2019 - $28,008,000) for this Phase have been included in capital assets as of March 31, 2020.
- Phase Two consists of a new seven-story patient care tower and significant renovations and infrastructure upgrades to the existing facility. EllisDon Infrastructure JBH Inc. (EDI) was awarded the Design Build contract for a total of $353,636,000 plus HST.

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

13. Commitments and contingencies (continued):

(a) Capital Redevelopment Project (continued):

The Project was funded through a combination of grants from the Government of Ontario up to $371.3 million, civic contributions of $60 million from the City of Burlington, and $60 million from donations and fundraising through the Joseph Brant Hospital Foundation. As of March 31, 2020, the Foundation has contributed a total of $50.1 million (2019 - $44.6 million) and the City of Burlington contributed $57.8 million (2019 - $57.7 million), towards their respective commitments.

(b) Operating lease commitment:

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

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

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

2021	$ 1,519,338
2022	1,519,338
2023	1,032,905
2024	317,222
2025	163,479
Thereafter	234,000
	$ 4,786,282

(c) Contingencies:

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, 2020, management believes that the Hospital has valid defenses and appropriate insurance coverage in place. In the event claims are successful, management believes that such claims are not expected to have a material effect on the Hospital’s financial position.

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

14. Financial risks:

(a) Credit risk:

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

The Hospital assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Hospital at March 31, 2020 is the carrying value of these assets.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the statement of operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the statement of operations. The balance of the allowance for doubtful accounts at March 31, 2020 is $404,457 (2019 - $362,171).

As at March 31, 2020, the following accounts receivable were past due but not impaired.

	30 days	60 days	90 days	Total
Balance, beginning of year	$ 2,821,596	$ 350,371	$ 428,489	$ 3,600,456

The risk on cash is limited because the counterparties are chartered banks with high credit ratings assigned by national credit rating agencies. The Hospital is also exposed to credit risk through its investment in the Joseph Brant Trust. The Trust holds investments in bonds and equity securities. Management considers the credit risk to be low as the Trust has only placed its investments with reputable and financially stable organization and the portfolio regularly monitored by its investment advisors.

There have been no significant changes to the credit risk exposure from 2019.

(b) Liquidity risk:

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

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

There have been no significant changes to the liquidity risk exposure from 2019.

14. Financial risks (continued):

(c) Market risk:

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

(i) Foreign exchange risk:

The Hospital is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. As part of the Hospital's operations, the Hospital makes purchases of investments denominated in U.S. dollars. The Hospital does not currently enter into forward contracts to mitigate this risk. There have been no significant changes to the foreign exchange risk exposure from 2019.

(ii) Interest rate risk:

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

Financial assets and financial liabilities with variable interest rates expose the Hospital to cash flow interest rate risk. The Hospital is exposed to interest rate risk through the floating interest rates on its bank indebtedness, short term debt advances and obligation under capital leases. Increases in the floating interest rates in the market could lead to a decrease in cashflows and increased interest costs. As at March 31, 2020, the Hospital's estimate of the exposure to interest rate risk and the effect on net assets is not material.

There have been no significant changes to the interest rate risk exposure from 2019.

15. Comparative information:

Certain 2019 comparative information has been reclassified to conform with the financial statement presentation adopted for 2020.

16. Pandemic response:

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel corona virus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put into place to combat the spread of the virus.

As a result of the COVID-19 pandemic, the Hospital experienced a change in the demand for its services and incurred unbudgeted pandemic response expenditures. The Hospital has tracked expenditures related to its pandemic response and will apply for reimbursement of hospital-incurred expenditures once Provincial processes for such reimbursement are finalized in order to mitigate the financial impacts for the year ended March 31, 2020.

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