Financial Statements of

JOSEPH BRANT HOSPITAL

Year ended March 31, 2019

KPMG LLP
Commerce Place
21 King Street West, Suite 700
Hamilton ON L8P 4W7
Canada
Telephone (905) 523-8200
Fax (905) 523-2222

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Joseph Brant Hospital

Opinion

We have audited the accompanying financial statements of Joseph Brant Hospital (the "Entity), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of operations for the year ended
- the statement of changes in net assets (deficit) 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, including a summary of significant accounting policies and other explanatory information.

(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 Entity as at March 31, 2019, and its results of operations, its changes in net assets and its cash flows 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 ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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 Entity’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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors’ 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 auditors’ 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 sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

- 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditors report. However, future events or conditions may cause the Entity 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, Ontario
June 12, 2019

JOSEPH BRANT HOSPITAL

Statement of Financial Position

March 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash (note 2)	$17,712,689	$ 15,191,728
Accounts receivable (see note 3)	6,435,201	125,475,266
Grant receivable from Joseph Brant Hospital Foundation	1,930,331	344,904
Inventories	1,838,603	1,504,948
Prepaid expenses	3,698,681	1,799,912
Due from The Joseph Brant Trust	4,585	-
Total current assets	31,620,090	144,316,758
Long-term receivable (see note 3)	6,977,063	6,977,063
Interest in The Joseph Brant Trust (note 8(c))	1,515,000	1,453,331
Capital assets, net (note 3)	492,374,549	403,408,062
Total assets	$532,486,702	$ 556,155,214
Liabilities and Net Assets (Deficit)		
Current liabilities:		
Bank indebtedness (note 4)	$35,903,818	$ 10,985,716
Accounts payable and accrued liabilities (see note 3)	31,986,449	163,375,001
Deferred revenue	840,769	3,263,088
Due to The Joseph Brant Trust	-	23,836
Current portion of obligation under capital leases	-	221,206
Total current liabilities	68,731,036	177,868,847
Long-term liabilities (note 5)	13,389,874	12,706,240
Deferred capital contributions (note 6)	456,430,511	372,045,726
Total liabilities	$538,551,421	$ 562,620,813
Net assets (deficit):		
Invested in capital assets (note 7)	35,944,038	46,085,593
Unrestricted	(42,323,757)	(52,804,523
	(6,379,719)	(6,718,930)
Accumulated remeasurement gains	315,000	253,331
Total net assets (deficit)	(6,064,719)	(6,465,599)
Commitments (note 11)		
Contingencies (note 12)		
	$532,486,702	$ 556,155,214

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

JOSEPH BRANT HOSPITAL

Statement of Operations

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Revenues:		
Ministry of Health and Long-Term Care and LHIN	$ 169,588,387	$ 149,664,547
Inpatient services	4,071,483	4,002,375
Outpatient services	10,385,707	9,009,644
Other income	11,633,856	10,028,380
Amortization of deferred capital contributions relating to equipment	6,853,583	4,230,210
Auxiliary revenue	1,884,802	-
	204,417,818	176,935,156
Expenses:		
Salaries	102,144,479	92,363,473
Employee benefits	26,776,808	25,121,888
Fees to medical staff	14,773,930	13,632,327
Drugs	7,244,620	7,006,186
Medical and surgical supplies	12,242,124	11,069,050
Other supplies and expenses	30,370,441	26,306,814
Amortization of equipment	7,844,541	5,806,870
Auxiliary expenses	1,657,349	-
	203,054,292	181,306,608
Excess (deficiency) of expenses over revenues before the undernoted	1,363,526	(4,371,452)
Amortization of deferred capital contributions relating to building	9,994,373	5,459,749
Amortization of building	(11,203,984)	(6,086,236)
	(1,209,611)	(626,487)
Excess (deficiency) of expenses over revenues	$ 153,915	$ (4,997,939)

See accompanying notes to financial statements.

JOSEPH BRANT HOSPITAL

Statement of Changes in Net Assets (Deficit)

Year ended March 31, 2019, with comparative information for 2018

	Invested in Capital assets	Unrestricted	2019 Total	2018 Total
Balance, beginning of year	$ 46,085,593	$ (52,804,523)	$ (6,718,930)	$ (1,720,991)
Excess (deficiency) of expenses over revenues (note 7(b))	(2,200,569)	2,354,484	153,915	(4,997,939)
Acquisition of Auxiliary net assets	-	185,296	185,296	-
Net change in investment in capital assets (note 7(b))	(7,940,986)	7,940,986	-	-
Balance, end of year	$ 35,944,038	$ (42,323,757)	$ (6,379,719)	$ (6,718,930)

See accompanying notes to financial statements.

JOSEPH BRANT HOSPITAL

Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Cash (used in) provided by:		
Operating activities:		
Excess (deficiency) of expenses over revenues	$ 153,915	$ (4,997,939)
Items not affecting cash:		
Amortization of capital assets	19,048,525	11,893,106
Amortization of deferred capital contributions	(16,847,956)	(9,689,959)
Gain on disposal of capital assets	-	(49,000)
Gain on disposal of Auxiliary assets	185,296	-
Change in accrued sick pay benefits	1,434	(1,753)
Change in employee future benefits	682,200	600,200
Change in non-cash working capital items:		
Accounts receivable	119,040,065	(119,770,158)
Grant receivable from Joseph Brant Hospital Foundation	(1,585,427)	860,431
Inventories	(333,654)	(174,756)
Prepaid expenses	(1,898,770)	(406,120)
Accounts payable and accrued liabilities	(131,388,552)	135,471,147
Deferred revenue	(2,422,319)	3,250,759
Due from The Joseph Brant Trust	(28,421)	(9,029)
	(15,393,664)	16,976,929
Investing activities:		
Change in long-term receivable	-	(6,168,236)
Purchase of capital assets	(108,015,012)	(313,994,481)
Proceeds on disposal of capital assets	-	49,000
Increase in deferred capital contributions:		
Joseph Brant Hospital Foundation	8,793,994	7,597,486
Ministry of Health and Long-Term Care	78,961,397	250,840,463
Other	13,477,350	296,062
	(6,782,271)	(61,379,706)
Financing activities:		
Increase in bank indebtedness	24,918,102	10,985,716
Repayment in obligation under capital leases	(221,206)	(461,661)
	24,696,896	10,524,055
Increase (decrease) increase in cash	2,520,961	(33,878,722)
Cash, beginning of year	15,191,728	49,070,450
Cash, end of year	$ 17,712,689	$ 15,191,728

See accompanying notes to the financial statements.

JOSEPH BRANT HOSPITAL

Statement of Remeasurement Gains and Losses

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Accumulated remeasurement gains, beginning of the year	$ 253,331	$ 198,661
Unrealized gains attributable to:		
Interest in The Joseph Brant Trust (note 8(c))	61,669	54,670
Net remeasurement gain for the year	61,669	54,670
Accumulated remeasurement gains, end of the year	$ 315,000	$ 253,331

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 nor the Trust 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.

1. Significant accounting policies:

(a) Basis of presentation:

The 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.

(b) Revenue recognition:

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

The Hospital is funded by the Province of Ontario in accordance with funding policies established by the Ministry of Health and Long-Term Care (the "MOHLTC"). Any excess of revenues over expenses earned during a fiscal year may be retained by the Hospital. There is currently no commitment by the MOHLTC to fund deficits incurred by the Hospital. Therefore, to the extent that deficits are incurred and not funded, future operations may be affected. The MOHLTC provides operating funding including base funding which is expected to be received on an annual basis, and special funding, which is non-recurring in nature, and consequently is unconfirmed for future years.

The Hospital operates under a Hospital Service Accountability Agreement ("H-SAA") with the Hamilton Niagara Haldimand Brant Local Health Integration Network (the "LHIN"). This agreement sets out the rights and obligations of the two parties in respect of funding provided to the Hospital by the LHIN. The H-SAA sets out the funding provided to the Hospital together with performance standards and obligations of the Hospital that establish acceptable results for the organization's performance. Effective April 1, 2018, the Hospital entered into a new H-SAA agreement with the LHIN, operating under the direction of the MOHLTC to March 31, 2020.

1. **Significant accounting policies (continued):**

(b) Revenue recognition (continued):

If the Hospital does not meet certain performance standards or obligations, the MOHLTC/LHIN has the right to adjust some funding streams received by the Hospital. Given that the MOHLTC/LHIN is not required to communicate funding adjustments until after the submission of year-end data, the amount of revenue recognized in these financial statements represents management's best estimates of amounts earned during the year.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Revenue from other services is recognized when services are provided or the goods are sold.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue over the same period as the related asset is amortized to expense.

(c) Inventories:

Inventories are stated at the lower of average cost and net realizable value.

(d) 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%

Amortization is not charged on construction projects in progress until the project is completed.

(e) Pension plan:

Substantially all of the employees of the Hospital are eligible to be members of the Healthcare of Ontario Pension Plan which is a multi-employer final average pay contributory pension plan. Employer contributions made to the Plan during the year amounted to $8,500,000 (2018 - $7,503,000) and are included in employee benefits expense in the statement of operations.

1. **Significant accounting policies (continued):**

(f) Employee future benefits:

The Hospital provides post-retirement benefits, including extended health, dental, semi-private preferred hospital accommodation and life insurance premiums to certain employee groups. The Hospital uses the deferral and amortization approach to account for its defined benefit plans. The cost of post-retirement benefits related to employees' current service is charged to income annually. The cost of benefits earned by employees is actuarially determined using the projected 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 most recent actuarial valuation of the benefit plans for funding purposes was as of April 1, 2016, and the next required valuation will be as of April 1, 2020.

Past service costs arising 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 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 15 years.

(g) Financial instruments:

Financial instruments are initially recorded on the statement of financial position 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 if there are indicators of impairment. If there is an indicator of impairment, the Hospital determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Hospital expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

1. Significant accounting policies (continued):

(g) 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.

(h) Measurement uncertainty:

The preparation of financial statements in conformity with public sector accounting standards 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. In estimating the net realizable value of accounts receivable and inventories and in estimating accrued liabilities and obligations related to employee future benefits, the Hospital relies on assumptions regarding applicable industry performance and prospects, as well as general business and economic conditions that prevail and are expected to prevail. Actual results could differ from those estimates.

2. Cash:

As described in note 11(b), both the MOHLTC/LHIN and the City of Burlington have provided funds toward the Capital Redevelopment Project. Funding provided in excess of spending to date resulted in cash balances of $18,331,400 (2018 - $14,289,000). 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.

3. Capital assets:

			2019	2018
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 5,412,224	$ -	$ 5,412,224	$ 5,412,224
Building	420,165,005	22,904,526	397,260,479	327,752,420
Building service equipment	46,459,440	41,959,492	4,499,948	5,460,528
Equipment	131,359,243	95,157,136	36,202,107	35,742,847
Equipment under capital lease	8,456,605	8,167,118	289,487	289,487
Construction and equipment in progress	48,659,269	-	48,659,269	750,556
Auxiliary	277,048	226,013	51,035	-
	$ 660,788,834	$ 168,414,285	$492,374,549	$ 403,408,062

3. Capital assets (continued):

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 year with total costs of $81,173,493 (2018 - $299,339,000) capitalized to buildings and equipment. During the year, the Hospital received all of the accounts receivable outstanding from fiscal 2018 in relation to the construction. Based on the terms in the project agreements, the Hospital has recorded accounts payable of $11,341,807 (2018 - $133,309,000) to EDI and a long-term receivable from the Ministry of $6,155,774 relating to construction holdbacks (2018 – $6,155,774).

4. Bank indebtedness:

The bank has made available to the Hospital a $50 million revolving demand credit facility which increased to $75 million from July 1, 2018 to December 31, 2018, reducing to $50 million after year-end to fund the Capital Redevelopment Project. As at March 31, 2019 the Hospital has drawn $35,903,818 (2018 - $10,985,716) to fund the Capital Redevelopment Project. The bank has also made available to the Hospital an Operating Line of Credit in the amount of $25 million. Both credit facilities bear interest at prime minus 0.85% per annum when drawn upon.

5. Long-term liabilities:

	2019	2018
Employee future benefits	$ 13,315,300	$ 12,633,100
Accrued sick benefits	74,574	73,140
	$ 13,389,874	$ 12,706,240

Employee future benefits:

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

	2019	2018
Accrued benefit obligation:		
Balance, beginning of year	$ 11,869,900	$ 10,957,400
Actuarial loss	(253,300)	244,300
Current service cost	947,300	893,200
Interest cost	428,600	416,200
Benefits paid	(642,000)	(641,200)
Balance, end of year	12,350,500	11,869,900
Unamortized actuarial gains	964,800	763,200
Accrued benefit liability	$ 13,315,300	$ 12,633,100

5. Long-term liabilities (continued):

The information above was based on the most recent actuarial valuation performed as at April 1, 2016 by Morneau Shepell. The significant actuarial assumptions adopted in measuring the Hospital's accrued benefit obligation for employee future benefits are as follows:

	2019	2018
Discount rate	3.61%	3.43%
Extended health care premium increases	6.00%	6.00%
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.

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

	2019	2018
Current service cost	$ 947,300	$ 893,200
Interest cost	428,600	416,200
Amortization of actuarial gains	(51,700)	(68,000)
	$ 1,324,200	$ 1,241,400

6. Deferred capital contributions:

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

	2019	2018
Balance, beginning of year	$ 372,045,726	$ 123,001,674
Contributions received from:		
Joseph Brant Hospital Foundation	8,793,994	7,597,486
Ministry of Health and Long-Term Care	78,961,397	250,840,463
Other	13,477,350	296,062
Less amounts amortized to revenue	(16,847,956)	(9,689,959)
	$ 456,430,511	$ 372,045,726

7. Net assets invested in capital assets:

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

	2019	2018
Capital assets (note 3)	$ 492,374,549	$ 403,408,062
Amounts financed by deferred capital contributions (note 6)	(456,430,511)	(357,101,263)
Obligation under capital leases	-	(221,206)
	$ 35,944,038	$ 46,085,593

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

	2019	2018
Excess of expenses over revenues:		
Amortization of deferred capital contributions	$ 16,847,956	$ 9,689,959
Amortization of capital assets	(19,048,525)	(11,893,106)
	$ (2,200,569)	$ (2,203,147)
Net change in investment in capital assets:		
Purchase of capital assets	$ 108,015,012	$ 313,994,481
Change in obligation under capital leases	221,206	461,661
Amounts funded by deferred contributions from:		
Joseph Brant Hospital Foundation	(8,793,994)	(7,597,486)
Ministry of Health and Long-Term Care	(78,961,397)	(250,840,463)
Other	(13,477,350)	(296,062)
Change in unspent deferred contributions	(14,944,463)	(37,230,742)
	$ (7,940,986)	$ 18,491,389

8. 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 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. The Auxiliary division has net assets of $412,750 (2018 - $185,296). The amount of the donation from the Auxiliary to the Foundation for 2019 was $220,420 (2018 – 280,305).

(b) Joseph Brant Hospital Foundation:

The Foundation raises funds from the community to finance 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 $14,894,942, of which $6,437,399 represents contributions externally restricted for the purchase of capital assets and funding of program operations for the Hospital. The balance of $8,457,543 is available to the Hospital at the discretion of the Foundation's Board of Directors.

The net assets and results from operations of the Foundation are not included in the 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:

	2019	2018
Deferred capital contributions	$ 8,793,994	$ 7,597,486
Operational grants	608,056	483,939
	$ 9,402,050	$ 8,081,425

Included in these amounts is the Auxiliary donation to the Foundation in the amount of $220,420 (2018 - $280,305).

Included in accounts receivable is $682,267 (2018 - $595,978) due from the Foundation for operations.

8. Related entities (continued):

(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 and Long Term Care. 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 Interest in the Trust increased by $61,669 (2018 - $54,669) to $1,515,000 (2018 - $1,453,331).

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.

9. 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.

10. 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, 2019.

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 $352,056 (2018 - $506,634) in distributions. There are no distributions receivable from HIROC as of March 31, 2019.

11. Commitments:

(a) Capital commitment:

The Board of Directors of the Hospital has approved equipment purchases and renovations, exclusive of the Capital Redevelopment Project, totaling $15,739,644, of which $10,501,051 was spent at March 31, 2019. The Board of Directors of the Foundation has approved funding of these purchases in the amount of $236,620. The remaining funding will be provided through Health Infrastructure Renewal Funding, other external third party contributions and Hospital funds.

(b) 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 for this Phase have been included in capital assets as of March 31, 2019.
- 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 December 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 with occupancy of the new tower beginning August 2017. Substantial completion of the project was completed late August 2018 with occupancy of the final renovations.

EDI will incur the design, construction, and financing costs during the Project and the Hospital will recognize the resulting assets and any liabilities on respective completion dates.

11. Commitments (continued):

(b) Capital Redevelopment Project (continued):

The Project is funded through a combination of grants from the Government of Ontario of 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, 2019, the Foundation has contributed a total of $44.6 million (2018 - $38.1 million) and the City of Burlington contributed $57.7 million (2018 - $45.2 million), towards their respective commitments.

(c) 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 2023.

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

2020	$ 308,682
2021	295,666
2022	293,804
2023	291,318
	$ 1,189,470

12. Contingencies:

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.

13. 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 and cash.

The maximum exposure to credit risk of the Hospital at March 31, 2019 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, 2019 is $362,171 (2018 - $247,264).

There have been no significant changes to the credit risk exposure from 2018.

(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.

There have been no significant changes to the liquidity risk exposure from 2018.

(c) 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 its bank indebtedness and obligation under capital leases.

There have been no significant changes to the interest rate risk exposure from 2018.