Brant Community Healthcare System

Financial Statements
March 31, 2019

Independent auditor's report

To the Supervisor of Brant Community Healthcare System

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Brant Community Healthcare System (the System) as at March 31, 2019 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

What we have audited
The System's financial statements comprise:

- the statement of financial position as at March 31, 2019;
- the statement of operations for the year then ended;
- the statement of changes in net assets (deficit) for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the System in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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.

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In preparing the financial statements, management is responsible for assessing the System'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 System or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the System'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 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 System'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 System'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 System 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
June 5, 2019

Brant Community Healthcare System

Statement of Financial Position

As at March 31, 2019

	2019 $	2018 $
Assets		
Current assets		
Accounts receivable (note 3)	5,163,811	6,444,166
Inventories	1,916,337	1,647,261
Due from Brant Community Healthcare System Foundation (note 13)	652,582	307,193
Other assets	1,594,861	1,218,137
	9,327,591	9,616,757
Restricted investments (note 6)	4,136,106	5,794,943
Property and equipment (note 4)	94,818,882	93,852,052
	108,282,579	109,263,752
Liabilities		
Current liabilities		
Bank indebtedness (note 5)	4,963,775	3,818,598
Accounts payable and accrued liabilities	27,404,728	23,268,327
Long-term debt (note 6)	557,586	530,404
Obligations under capital leases (note 7)	1,311,263	1,158,615
Deferred revenue	978,709	1,500,505
	35,216,061	30,276,449
Long-term debt (note 6)	12,946,267	12,884,228
Obligations under capital leases (note 7)	780,834	1,852,446
Employee future benefits (note 8)	4,624,100	4,522,700
Deferred contributions (note 9)	64,055,281	65,966,006
	117,622,543	115,501,829
Net Assets (Deficit)		
Restricted (note 1)	-	1,388,566
Invested in capital assets (note 10)	16,493,970	11,869,118
Unrestricted	(25,833,934)	(19,495,761)
	(9,339,964)	(6,238,077)
	108,282,579	109,263,752

Contingencies and commitments (note 11)

Approved by the Supervisor

Bonnie Adamson _______________ Supervisor

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

Brant Community Healthcare System

Statement of Operations

For the year ended March 31, 2019

	2019 $	2018 $
Revenue		
Funding (note 15)	153,755,145	138,617,033
Preferred accommodation and chronic co-payment	547,168	874,076
Hospitalist program/CCU closed model – in-patient	2,744,680	3,109,916
Outpatient revenue – Ontario Hospital Insurance Plan	10,996,628	10,726,823
Emergency department – Alternate Funding Agreement	5,511,471	5,687,526
Other sources		
In-patient	819,546	585,556
Outpatient	1,342,831	1,146,124
Other revenue	5,549,205	6,731,813
Amortization of deferred contributions relating to equipment	1,231,080	1,067,712
	182,497,754	168,546,579
Expenses		
Salaries and wages	89,998,678	83,215,404
Employee benefits	25,078,101	23,282,768
Medical staff remuneration	25,259,705	25,467,530
Medical and surgical supplies	9,387,211	8,818,530
Drugs	6,311,267	5,712,564
Other supplies and expenses	23,903,671	21,916,828
Amortization of equipment and furnishings	3,721,650	3,707,044
	183,660,283	172,120,668
Deficiency of revenue over expenses before the following	(1,162,529)	(3,574,089)
Restructuring activities (note 16)	(757,184)	(2,732,363)
Amortization of deferred contributions relating to buildings and building service equipment	3,762,011	3,613,401
Amortization of buildings and building service equipment	(4,944,185)	(4,732,789)
Deficiency of revenue over expenses for the year	(3,101,887)	(7,425,840)

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

Brant Community Healthcare System

Statement of Changes in Net Assets (Deficit)

For the year ended March 31, 2019

	2019			
	Restricted **$**	**Invested in capital assets** **$**	**Unrestricted** **$**	**Total** **$**
Balance – Beginning of year	1,388,566	11,869,118	(19,495,761)	(6,238,077)
Transfer restricted net assets	(1,388,566)	-	1,388,566	-
Deficiency of revenue over expenses for the year (note 10)	-	(3,672,744)	570,857	(3,101,887)
Net change in investment in capital assets (note 10)	-	8,297,596	(8,297,596)	-
Balance – End of year	-	16,493,970	(25,833,934)	(9,339,964)

	2018			
	Restricted **$**	**Invested in capital assets** **$**	**Unrestricted** **$**	**Total** **$**
Balance – Beginning of year	1,388,566	18,637,349	(18,838,152)	1,187,763
Deficiency of revenue over expenses for the year (note 10)	-	(3,758,720)	(3,667,120)	(7,425,840)
Net change in investment in capital assets (note 10)	-	(3,009,511)	3,009,511	-
Balance – End of year	1,388,566	11,869,118	(19,495,761)	(6,238,077)

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

Brant Community Healthcare System

Statement of Cash Flows

For the year ended March 31, 2019

	2019 $	2018 $
Cash provided by (used in)		
Operating activities		
Deficiency of revenue over expenses for the year	(3,101,887)	(7,425,840)
Items not affecting cash		
Amortization of deferred contributions		
Equipment	(1,231,080)	(1,067,712)
Buildings and building service equipment	(3,762,011)	(3,613,401)
Amortization of property and equipment		
Equipment and furnishings	3,721,650	3,707,044
Buildings and building service equipment	4,944,185	4,732,789
Employee future benefits	101,400	50,300
Changes in non-cash working capital items relating to operations (note 12)	2,590,369	7,294,120
	3,262,626	3,677,300
Capital activities		
Purchase of property and equipment	(7,421,337)	(13,002,775)
Change in restricted investment	1,658,837	7,208,791
	(5,762,500)	(5,793,984)
Financing activities		
Principal payments under capital leases	(1,197,265)	(1,402,658)
Principal payments of long-term debt	(530,404)	(199,200)
Contributions received		
Donations from Brant Community Healthcare System Foundation	606,384	1,678,090
Net provincial capital grants	2,475,982	2,288,833
	1,354,697	2,365,065
Increase (decrease) in cash during the year	(1,145,177)	248,381
Bank indebtedness – Beginning of year	(3,818,598)	(4,066,979)
Bank indebtedness – End of year	(4,963,775)	(3,818,598)
Supplementary disclosure for capital activities and restricted investments – non-cash transactions		
Property and equipment additions – leased	278,301	361,000
Property and equipment additions – other	1,313,402	-
Increase in long-term debt – funds deposited directly into restricted investment account	-	13,003,734

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

1 Nature of operations

Brant Community Healthcare System (the System) is incorporated without share capital under the laws of the Province of Ontario. The System is a registered charity under the Income Tax Act (Canada) and, accordingly, is exempt from income taxes, provided certain requirements are met. The System operates through two sites, The Brantford General Hospital in Brantford and The Willett Hospital in Paris, Ontario.

Unrestricted net assets of The Willett Hospital in the amount of $1,398,431 as of the date of amalgamation with The Brantford General Hospital on April 11, 2007 had previously been restricted by the Board of Directors specifically for Willet programs and projects. During the year, the Board of Directors authorized a motion to transfer these funds from restricted to unrestricted net assets. As the System has fully amalgamated the operations of the Willet and Brantford General Hospital, including all operating and capital programs, the Board of Directors felt it was prudent to release this restriction. The release of this restriction has no impact on the amounts directly invested in either site or impacts any operating decisions of the individual site locations.

The System is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health and Long-Term Care (MOHLTC or Ministry), the Hamilton Niagara Haldimand Brant Local Health Integration Network (the LHIN) and Cancer Care Ontario. The System has entered into a Hospital Service Accountability Agreement (H-SAA) with the LHIN that sets out the obligations as well as the minimum performance standards that must be met by the System. Any excess of revenue over expenses with respect to base funding during a fiscal year is not required to be returned. However, if the System does not meet its performance standards or obligations under the H-SAA, the LHIN has the right to adjust funding received by the System. The System accrues for known clawback amounts; however, any other increases or decreases to funding not known until after year-end will be reflected in the accounts of the subsequent year.

Following the June, 2017 Investigator's Report, the Government of Ontario appointed a Supervisor of the Brant Community Healthcare System on August 31, 2017. A Supervisor is appointed under the Public Hospitals Act and holds the authority of the powers of the hospital board, corporation, officers and members of the corporation. The mandate is to strengthen the hospitals' governance, management and accountability so the public can continue to have confidence in the local health system. All hospital programs and services are being maintained to ensure patients receive quality health care. As at March 31, 2019, the System remains under supervision with a hospital board performing an advisory role to the Supervisor until the time that the provincial government determines that the supervision is complete.

For the year ended March 31, 2019, the System has achieved a current ratio of 0.27 (2018 – 0.33) relative to the performance standard of 0.34 or greater as outlined in the H-SAA. In addition for both fiscal 2019 and 2018, the System has not achieved a balanced operating margin, excluding net building amortization expense as per the performance standard in the H-SAA. As at the financial statement date, no funding reduction has been made by LHIN.

2 Summary of significant accounting policies

Basis of presentation

These financial statements include the accounts of the System, which includes The Brantford General Hospital and The Willett Hospital sites and have been prepared by management in accordance with Canadian public sector accounting standards (PSAS), including standards that apply to government not-for-profit organizations.

A summary of the significant accounting policies is as follows:

Revenue recognition

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

Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. Where a portion of a grant is repayable as a result of not meeting performance measurements, best estimates of the repayment amount are made and accrued at year-end.

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

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.

All other revenues including those from the Ontario Health Insurance Plan, preferred accommodation and marketed services are recognized when the service is provided or the goods are sold.

Contributed materials and services

Contributed materials are recorded, when received, at their fair value. Volunteers contribute a significant amount of time each year. Due to the difficulty of determining the fair value, these contributed services are not recognized or disclosed in the financial statements.

Inventories

Inventories consist of drugs and medical supplies. Inventories are valued at the lower of first-in, first-out cost and replacement value.

Property and equipment

Purchased property and equipment are stated at cost. Contributed property and equipment are recorded at fair value at the date of contribution.

The costs of renovations to hospital buildings, which significantly increase useful life or capacity, are capitalized as part of the cost of the related property and equipment. Renovation costs to adapt hospital buildings to change operating conditions or to maintain normal efficiency are expensed as incurred. Incremental interest incurred during the construction of buildings is capitalized and included in cost.

Amortization is provided annually on a straight-line basis using the following annual rates:

Land improvements	5% – 33%
Buildings and building service equipment	2% – 20%
Major equipment	4% – 33%
Equipment under capital leases	10% – 20%

The System reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable and exceeds its fair value. The impairment loss, if any, is the excess of carrying value over fair value.

Equipment under capital leases

Equipment leases that effectively transfer substantially all of the risks and rewards of ownership to the System 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 System's rate of incremental borrowing or the interest rate implicit in the lease. Charges to expenses are made for amortization on the equipment and interest on the lease obligations.

Employee future benefits

- Multi-employer plan

  Substantially all of the full-time employees of the System are eligible to be members of the Healthcare of Ontario Pension Plan (HOOPP), which is a multi-employer average of the best five years' pay contributory pension plan, and employees are entitled to certain post-employment benefits. HOOPP is accounted for as a defined contribution plan, whereby contributions are expensed when due.

- Other post-employment benefit plans

  The System accrues its obligations under employee defined benefit life insurance, dental and health-care plans, and the related costs as the employees render the services necessary to earn the future benefits.

  The System has adopted the following policies:

  i) Certain employees of the System are entitled to receive post-employment benefits. The costs of these benefits are determined using the accrued benefit method pro-rated on service and management's best estimate of expected salary escalation, retirement ages of employees and health-care costs. The discount rate used to determine the accrued benefit obligation was determined by reference to the rate of return on provincial government bonds with an additional risk premium specific to the System for varying durations based on the cash flows expected from the post-employment benefit obligations.

- Past service from plan amendments is expensed when the amendment takes effect.

- The excess of the cumulative unamortized balance of the net actuarial gain (loss) is amortized over the average remaining service period of active employees. The average remaining service period of active employees is 15 years (2018 – 14 years).

Financial instruments

The System's financial instruments consist of accounts receivable, amounts due from Brant Community Healthcare System Foundation, restricted investments, bank indebtedness, accounts payable and accrued liabilities, long-term debt and obligations under capital leases.

Financial instruments are recorded at fair value on initial recognition. The System's financial instruments are measured as follows:

Assets/liabilities	Measurement
Cash (bank indebtedness)	fair value
Restricted investments	amortized cost
Accounts receivable	amortized cost
Due from Brant Community Healthcare System Foundation	amortized cost
Accounts payable and accrued liabilities	amortized cost
Long-term debt	amortized cost
Obligations under capital leases	amortized cost

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest income or expense.

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.

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

3 Accounts receivable

	2019 $	2018 $
Ministry of Health and Long-Term Care/Local Health Integration Network and Cancer Care Ontario	1,999,236	2,335,892
Insurers and patients	4,606,066	4,103,828
Other	1,300,357	2,169,053
	7,905,659	8,608,773
Less: Allowance for doubtful accounts	2,741,848	2,164,607
	5,163,811	6,444,166

4 Property and equipment

			2019
	Cost $	Accumulated amortization $	Net $
Land	1,092,145	-	1,092,145
Land improvements	1,055,417	656,374	399,043
Buildings and building service equipment	133,586,374	64,195,581	69,390,793
Major equipment	32,006,185	24,358,308	7,647,877
Building renovations in progress	13,305,021	-	13,305,021
Equipment under capital leases	8,364,668	5,380,665	2,984,003
	189,409,810	94,590,928	94,818,882

			2018
	Cost $	**Accumulated amortization** $	**Net** $
Land	1,092,145	-	1,092,145
Land improvements	791,557	361,220	430,337
Buildings and building service equipment	130,795,146	59,282,691	71,512,455
Major equipment	30,657,183	22,467,877	8,189,306
Building renovations in progress	8,750,386	-	8,750,386
Equipment under capital leases	7,690,728	3,813,305	3,877,423
	179,777,145	85,925,093	93,852,052

During the year, the System capitalized interest relating to the energy retrofit project at the Brantford site amounting to $614,087 (2018 – $529,666).

5 Bank indebtedness

The System has an available $6,000,000 unsecured demand operating line of credit with a major financial institution. During the year, the operating line of credit was temporarily increased to $14,000,000, and will return to $6,000,000 effective April 30, 2019.

As at March 31, 2019, the System has drawn $1,696,145 (2018 – $2,695,413) under this operating line of credit. This operating line of credit bears interest at the prime rate minus 0.25%. The remaining bank indebtedness comprises a book overdraft.

As at March 31, 2019 and 2018, the System remained compliant with its lending covenants.

6 Long-term debt

In April 2017, the System entered into an agreement with a third-party contractor for an energy retrofit project to increase energy efficiency, including infrastructure renewal at the Brantford site, with a guaranteed minimum level of energy savings of $11,432,974 over an 11-year period. Under this agreement, the System has committed $13,080,000 to be financed, through a tri-party agreement, over a 22-year term. In April 2017, the full funds available for the project were advanced by the lender, and provided to an appointed Trustee to hold an investment account on behalf of the System for the project completion. The Trustee releases payments from the investment account as work is completed by the third party energy project company subject to authorization by the System's management. The amount is financed with the lender as noted below:

	2019 $	**2018** $
Capital loan payable, due June 2038, with variable principal and interest instalments at 4.61% per annum	13,503,853	13,414,632
Less: Current portion	557,586	530,404
	12,946,267	12,884,228

Future principal payments required on all long-term debt are as follows:

	$
2020	1,290,773
2021	185,089
2022	219,870
2023	257,153
2024	297,083
Thereafter	10,696,299
	12,946,267

Funds held in the restricted investment account are held by a third party Trustee on behalf of the System and are invested in short-term guaranteed investment certificates. The funds are restricted by its lender for the purpose of completion of the energy retrofit project. Funds not required to complete the project are repayable to the lender.

7 Obligations under capital leases

The System has a non-revolving bank loan in the amount of $4,000,000 with a major financial institution, available for leases. The System has also financed equipment directly with third party suppliers. The leases financed through the major financial institution are repayable in 60 equal monthly instalments, bearing interest at negotiated rates ranging from the prime rate plus 0.5% to fixed rates of 2.7% to 3.39%. The equipment financed through third party suppliers is financed over 60 and 84 months with fixed interest rates of 2.95% and 5.3%, respectively. All leases are secured by the underlying equipment financed.

The System has financed medical and information technology equipment by entering into capital leasing arrangements. The following is a schedule of the future minimum lease payments on the capital leases:

	$
2020	1,360,736
2021	457,371
2022	121,461
2023	121,461
2024	71,588
Thereafter	56,484
	2,189,101
Less: Amount representing interest an average rate of 3.39%	97,004
	2,092,097
Less: Current portion	1,311,263
	780,834

8 Pension plan and employee future benefits

Multi-employer plan

Contributions made during the year to HOOPP by the System amounted to $7,489,161 (2018 – $6,986,975). These amounts are included in employee benefits expense in the statement of operations. The most recent actuarial valuation of HOOPP as at December 31, 2018 indicates the plan has a 121% surplus in disclosed actuarial assets and is fully funded on a solvency basis.

Employee future benefits

Employees of the System are entitled to certain post-employment benefits such as medical, dental and life insurance coverage for certain employee groups who have retired from the System and are between the ages of 55 and 65.

Information about the System's post-employment benefits is calculated based on the latest actuarial valuation performed on April 1, 2018.

The following is a reconciliation of the funded status of the benefits plan to the amount recorded in the financial statements:

	2019 $	2018 $
Accrued benefit obligation	5,743,000	5,130,800
Unamortized net actuarial loss	(1,118,900)	(608,100)
	4,624,100	4,522,700

The movement in the post-employment liability and components of post-employment benefits expense during the year is as follows:

	2019 $	2018 $
Employee future benefits liability, as at April 1	4,522,700	4,472,400
Current service cost	210,700	206,800
Interest cost	177,400	168,300
Amortization of actuarial losses	116,300	84,500
	5,027,100	4,932,000
Benefits paid	(403,000)	(409,300)
Employee future benefits liability, as at March 31	4,624,100	4,522,700

The significant assumptions adopted in estimating the System's accrued benefit obligation for employee future benefits are as follows:

	2019	2018
Discount rate	3.20%	3.30%
Dental trend rates	3.00%	3.00%
Expected average remaining service life (years)	15	14
Extended health-care trend rates*	5.75%	6.00%

* The current rate is 5.75%. The rate is projected to decline by 0.25% per annum to an ultimate rate of 4.5%.

9 Deferred contributions

	2019 $	2018 $
Contributions held for future expenditures	1,326,319	408,765
Property and equipment	62,728,962	65,557,241
	64,055,281	65,966,006

Deferred contributions relating to future expenditures represent unspent externally restricted grants and donations for property and equipment purposes.

	2019 $	2018 $
Balance - Beginning of year	408,765	1,052,252
Contributions relating to property and equipment	1,174,967	-
Property and equipment expenditures	(257,413)	(643,487)
Balance - End of year	1,326,319	408,765

Deferred capital contributions relating to property and equipment represent the unamortized amount of donations and grants received and spent on the purchase of property and equipment. The amortization of deferred contributions is recorded as revenue in the statement of operations.

	2019 $	2018 $
Balance - Beginning of year	65,557,241	65,627,944
Change in unspent grants and donations	(917,554)	643,487
Contributions	3,082,366	3,966,923
Amounts amortized to revenue	(4,993,091)	(4,681,113)
Balance - End of year	62,728,962	65,557,241

10 Net assets invested in capital assets

Invested in capital assets is calculated as follows:

	2019 $	2018 $
Capital assets	94,818,882	93,852,052
Amounts financed by debt and capital leases	(15,595,950)	(16,425,693)
Amounts financed by deferred contributions	(62,728,962)	(65,557,241)
	16,493,970	11,869,118

Change in net assets invested in capital assets is calculated as follows:

	2019 $	2018 $
Excess (deficiency) of revenue over expenses		
Amortization of deferred contributions relating to capital assets	4,993,091	4,681,113
Amortization of capital assets	(8,665,835)	(8,439,833)
	(3,672,744)	(3,758,720)

	2019 $	2018 $
Net change in investment in capital assets		
Purchase of capital assets	8,734,739	13,612,873
Amounts funded by deferred contributions	(2,164,812)	(4,610,410)
Payments (issuance) of debt and capital leases	1,727,669	(12,011,974)
	8,297,596	(3,009,511)

11 Contingencies and commitments

The System has been named as a defendant in various lawsuits. Based on the opinion of legal counsel as to a realistic estimate of the merits of these actions and the System's potential liability, management believes that any liability resulting from these actions would be adequately covered by liability insurance.

12 Changes in non-cash working capital items relating to operations

	2019 $	2018 $
Accounts receivable	1,280,355	(1,023,832)
Inventories	(269,076)	(10,505)
Due from the Foundation	(345,389)	652,210
Other assets	(376,724)	(222,054)
Accounts payable and accrued liabilities	2,822,999	7,717,078
Deferred revenue	(521,796)	181,223
	2,590,369	7,294,120

13 Related party transactions

The Brant Community Healthcare System Foundation (the Foundation) is incorporated under the laws of the Province of Ontario as a not-for-profit organization and is a registered charity under the Income Tax Act (Canada). The Foundation is an independent organization that raises funds and holds resources solely for the benefit of the System. As at March 31, 2019, the Foundation holds donations from the community in the amount of $5,514,418 (2018 – $4,811,608), which will be used for the benefit of the System to maintain and enhance capital infrastructure and to acquire capital equipment.

During the year, the Foundation transferred $606,384 (2018 – $1,664,015) of donations to the System in support of capital equipment and projects, which is included in deferred contributions, and $82,159 (2018 – $94,110) in support of minor equipment and education. During the year, net reimbursements from the Foundation to the System for operating costs incurred by the System on behalf of the Foundation totalled $689,837 (2018 – $752,784) and are recorded in due from Brant Community Healthcare System Foundation.

As at March 31, 2019, amounts due from Brant Community Healthcare System Foundation totalled $652,582 (2018 – $307,193).

14 Financial instruments and risk management

The System is exposed to a variety of financial risks, including interest rate risk, credit risk and liquidity risk. The System has adopted an integrated risk management framework. The framework provides a consistent methodology to manage risks across the System.

Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The System is exposed to interest rate risk through the floating interest rates on its overdraft facilities and capital leases. Increases in the floating interest rates in the market could lead to a decrease in cash flows and increased interest costs. As at March 31, 2019, the Hospital's estimate of the exposure to interest rate risk and the effect on net assets is not material.

Credit risk

The majority of the System's accounts receivable are due from the MOHLTC or other government agencies. As at March 31, 2019, the System's exposure to credit risk in the event of non-payment by patients for non-insured services and for services provided to non-resident patients is not material.

Liquidity risk

Liquidity risk results from the System's potential inability to meet its obligations associated with the financial liabilities as they come due. The System manages its liquidity risk by forecasting cash flows from operations and anticipating investing and financing activities and maintaining credit facilities to ensure it has sufficient available funds to meet current and foreseeable financial requirements. At certain times of the year, the System is dependent on the continued availability of its credit facilities. During the year, the System received a temporary increase in its operating line of credit in order to meet its cash flow requirements (note 5).

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 the Hospital's long-term debt is described in note 6 and capital lease obligations are described in note 7.

All of the System's financial instrument liabilities are classified as Level 1 within the fair value hierarchy.

15 Funding revenue

	2019 $	2018 $
Local Health Integration Network - Hospital Sector	141,449,588	127,178,332
Local Health Integration Network - Multi Sector	2,762,090	2,632,027
Ministry of Health and Long-Term Care	2,997,202	2,940,874
Cancer Care Ontario	6,546,265	5,865,800
	153,755,145	138,617,033

16 Restructuring activities

Restructuring costs include expenditures relating to employee severances and other early retirement allowances. The activities were implemented to improve the System's operating and service plans and achievement towards a balanced budget strategy.

17 Comparative information

Certain comparative information has been reclassified to conform to the financial statement presentation adopted in the current year.

Schedule of Diabetes Education Program Expenses

For the year ended March 31, 2019

The accompanying schedule of Diabetes Education Program Expenses is presented as supplementary information only. In this respect, it does not form part of the financial statements of the System for the year ended March 31, 2019.

Brant Community Healthcare System

Schedule of Diabetes Education Program Expenses

For the year ended March 31, 2019

	2019 $	2018 $
Diabetes education program expenses		
Salaries and benefits		
Salaries	564,693	547,206
Benefits	163,551	149,520
	728,244	696,726
Operating expenses		
Professional development	3,667	5,717
Travel and transportation	25,921	23,795
Other program expenses	21,758	26,729
	51,346	56,241
	779,590	752,967