Financial Statements of

BRANT COMMUNITY HEALTHCARE SYSTEM

And Independent Auditors' Report Thereon

Year ended March 31, 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Brant Community Healthcare System

Opinion

We have audited the financial statements of Brant Community Healthcare System (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2022
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of remeasurement gains and losses for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2022, and its results of operations, changes in net assets, remeasurement gains and losses 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 ethical responsibilities in accordance with these requirements.

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

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

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

In preparing the financial statements, management is responsible for assessing the 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' Responsibility 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 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 conclusions are 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, Canada
May 24, 2022

BRANT COMMUNITY HEALTHCARE SYSTEM

Statement of Financial Position

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Current assets:		
Cash	$ 25,857,538	$ –
Accounts receivable (note 3)	14,652,254	26,188,701
Inventories	3,711,685	3,110,382
Due from Brant Community Healthcare System Foundation (note 13)	431,776	619,731
Other assets	1,984,160	1,417,595
	46,637,413	31,336,409
Derivative asset	93,734	–
Property and equipment (note 4)	98,380,838	100,582,954
	$ 145,111,985	$ 131,919,363
Liabilities and Net Assets		
Current liabilities:		
Bank indebtedness (note 5)	$ –	$ 2,995,695
Accounts payable and accrued liabilities	48,107,709	37,300,871
Long-term debt (note 6)	357,421	1,940,017
Obligations under capital leases (note 7)	1,198,695	566,013
Deferred revenue	1,411,092	1,696,578
	51,074,917	44,499,174
Long-term debt (note 6)	14,556,704	14,921,074
Derivative liability	–	9,927
Obligations under capital leases (note 7)	3,584,817	4,591,693
Employee future benefits (note 8)	5,188,500	4,880,400
Deferred contributions (note 9)	64,809,960	62,538,562
	139,214,898	131,440,830
Net assets (deficiency)		
Invested in capital assets (note 10)	16,912,854	17,156,268
Unrestricted	(11,109,501)	(16,667,808)
	5,803,353	488,460
Accumulated remeasurement gain (loss)	93,734	(9,927)
Contingencies and commitments (note 11)		
	$ 145,111,985	$ 131,919,363

See accompanying notes to financial statements.

On behalf of the Board:

____________________ Director ____________________ Director

BRANT COMMUNITY HEALTHCARE SYSTEM

Statement of Operations

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Revenue		
Funding	$ 188,517,265	$ 176,755,145
Preferred accommodation and chronic co-payment	400,642	384,881
Hospitalist program/CCU closed model – in-patient	3,134,222	2,897,125
Outpatient revenue – Ontario Hospital Insurance Plan	11,316,668	9,884,126
Emergency department – Alternate Funding Agreement	6,836,708	6,797,889
In-patient	1,387,031	799,918
Outpatient	1,315,594	1,607,610
Other revenue	7,630,189	5,456,377
Amortization of deferred contributions relating to equipment	1,201,574	1,145,965
	221,739,893	205,729,036
Expenses		
Salaries and wages	101,161,146	98,286,767
Employee benefits	29,951,069	27,897,568
Medical staff remuneration	29,212,157	26,522,141
Medical and surgical supplies	9,916,396	9,503,934
Drugs	10,042,597	9,644,441
Other supplies and expenses	30,351,755	29,106,161
Amortization of equipment and furnishings	3,702,269	3,413,530
	214,337,389	204,374,542
Excess of revenue over expenses before the following	7,402,504	1,354,494
Amortization of deferred contributions relating to buildings and building service equipment	3,716,340	3,688,633
Amortization of buildings and building service equipment	(5,803,951)	(5,521,723)
	5,314,893	(478,596)
Working capital relief funding (note 16)	–	12,905,000
Excess of revenue over expenses for the year	$ 5,314,893	$ 12,426,404

See accompanying notes to financial statements.

BRANT COMMUNITY HEALTHCARE SYSTEM

Statement of Changes in Net Assets

Year ended March 31, 2022, with comparative information for 2021

	Invested in capital assets	Unrestricted	2022 Total
Balance, beginning of year	$ 17,156,268	$ (16,667,808)	$ 488,460
Excess (deficiency) of revenue over expenses for the year (note 10)	(4,588,306)	9,903,199	5,314,893
Net change in investment in capital assets (note 10)	4,344,892	(4,344,892)	–
Balance, end of year	$ 16,912,854	$ (11,109,501)	$ 5,803,353

	Invested in capital assets	Unrestricted	2021 Total
Balance, beginning of year	$ 17,376,275	$ (29,314,219)	$ (11,937,944)
Excess (deficiency) of revenue over expenses for the year (note 10)	(4,424,729)	16,851,133	12,426,404
Net change in investment in capital assets (note 10)	4,204,722	(4,204,722)	–
Balance, end of year	$ 17,156,268	$ (16,667,808)	$ 488,460

See accompanying notes to financial statements.

BRANT COMMUNITY HEALTHCARE SYSTEM

Statement of Cash Flows

Year ended March 31, 2022, with comparative information for 2021

		2022		2021
Cash provided by (used in)				
Operating activities:				
Excess (deficiency) of revenue over expenses for the year	$	5,314,893	$	12,426,404
Items not affecting cash:				
Amortization of deferred contributions:				
Equipment		(1,201,574)		(1,145,965)
Buildings and building service equipment		(3,716,340)		(3,688,633)
Amortization of property and equipment:				
Equipment and furnishings		3,702,269		3,413,530
Buildings and building service equipment		5,803,951		5,521,723
Loss on disposal of capital assets		–		324,074
Employee future benefits		308,100		119,900
Changes in non-cash working capital items relating to operations (note 12)		21,077,886		(10,898,246)
		31,289,185		6,072,787
Capital activities:				
Purchase of property and equipment		(7,109,896)		(11,675,140)
Change in restricted investment		–		390,028
		(7,109,895)		(11,285,112)
Financing activities:				
Principal payments under capital leases		(568,402)		(601,749)
Principal payments of long-term debt		(1,946,966)		(94,983)
Proceeds from non-revolving term debt liability		–		3,500,000
Contributions received:				
Donations from Brant Community Healthcare System Foundation		1,125,282		395,313
Donations from third parties		–		368,819
Net provincial capital grants		6,064,030		3,479,354
		4,673,944		7,046,754
Increase in cash during the year		28,853,233		1,834,429
Bank indebtedness, beginning of year		(2,995,695)		(4,830,124)
Cash (bank indebtedness), end of year	$	25,857,538	$	(2,995,695)
Supplementary disclosure for capital activities – non-cash transactions:				
Property and equipment additions in obligation under capital leases – leased	$	194,208	$	4,025,630

See accompanying notes to financial statements

BRANT COMMUNITY HEALTHCARE SYSTEM
Statement of Remeasurement Gains and Losses

Year ended March 31, 2022, with comparative information for 2021

		2022		2021
Accumulated remeasurement loss, beginning of the year	$	(9,927)	$	–
Derivative – interest rate swaps		103,661		(9,927)
Net remeasurement loss for the year		103,661		(9,927)
Accumulated remeasurement gain (loss), end of the year	$	93,734	$	(9,927)

See accompanying notes to 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.

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.

On March 17, 2021, the Minister of Health issued a series of orders transferring the LHIN's health system planning and funding functions to Ontario Health. These transfers were effective April 1, 2021 and should be considered where references to the LHIN are made throughout these financial statements. This health system change was anticipated following the ratification of the Connecting Care Act, 2019, and management does not expect any subsequent impact on operations or the financial position of the System.

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:

(a) 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.

2. Summary of significant accounting policies (continued):

(a) Revenue recognition (continued):

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.

(b) 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.

(c) Inventories:

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

(d) 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:

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

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.

2. Summary of significant accounting policies (continued):

(d) Property and equipment (continued):

When conditions indicate a capital asset no longer contributes to the System'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.

(e) 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.

(f) Employee future benefits:

(i) 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.

(ii) 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:

- 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 (2021 - 14 years).

2. Summary of significant accounting policies (continued):

(g) 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:

Asset/liabilities	Measurement
Cash (bank indebtedness)	amortized cost
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.

2. Summary of significant accounting policies (continued):

(h) 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 and provisions for future changes to funding programs. Actual results could differ from those estimates.

3. Accounts receivable:

	2022	2021
Ministry of Health and Long-Term Care/Local Health Integration Network and Cancer Care Ontario	$ 8,693,478	$ 20,687,763
Insurers and patients	4,680,658	5,547,608
Other (a)	4,372,940	3,408,067
	17,747,076	29,643,438
Less: Allowance for doubtful accounts	(3,094,822)	(3,454,737)
	$ 14,652,254	$ 26,188,701

(a) Other receivables include $1,155,720 (2021 - $1,710,000) related to the current portion of a receivable for amounts owing in respect of energy incentives achieved resulting from the Trane project (note 6) pursuant to a contract with a utility.

4. Property and equipment:

	Cost	Accumulated Amortization	2022 Net
Land	$ 4,000,071	$ –	$ 4,000,071
Land improvements	1,272,765	837,976	434,789
Buildings and building service equipment	156,700,923	80,660,323	76,040,600
Major equipment	45,350,088	33,321,056	12,029,032
Building renovations in progress	1,127,606	–	1,127,606
Equipment under capital leases	11,098,770	6,350,030	4,748,740
	$ 219,550,223	$ 121,169,385	$ 98,380,838

4. Property and equipment (continued):

		Cost		Amortization		2021 Accumulated Net
Land	$	4,000,071	$	–	$	4,000,071
Land improvements		1,272,765		768,479		504,286
Buildings and building service equipment		154,451,429		74,925,869		79,525,560
Major equipment		41,242,438		30,644,343		10,598,095
Building renovations in progress		374,854		–		374,854
Equipment under capital leases		10,904,562		5,324,474		5,580,088
	$	212,246,119	$	111,663,165	$	100,582,954

5. Bank indebtedness:

The System has an available $10,000,000 unsecured demand operating line of credit with a major financial institution.

As at March 31, 2022, the System has drawn $nil (2021 - $2,335,658) 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.

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 in an investment account on behalf of the System for the project completion. In September 2021, the debt repayment schedule was amended so that the timing of certain repayments corresponded with the receipt of government energy-saving incentive payments. In addition, the maturity date changed from July 2038 to August 2038; there was no change to the interest rate. Funds previously held in a restricted investment account have been released upon completion of the project during the year.

In December 2021, the System entered a $3,500,000 non-revolving term loan to purchase real estate. This debt consists of a long-term (3 year) loan facility priced at a floating rate of Bankers Acceptance (BA) + 1.50% credit spread, repayable over 20 years. This floating rate loan exposure (BA exposure) has been hedged via an interest rate swap at a swap rate of 0.92%. Total fixed interest expense for the 3 year loan is 0.92% swap rate + the credit spread of 1.50% for an all-in fixed rate of 2.42%.

6. Long-term debt (continued):

The amount is financed with the lender is as follows:

	2022	2021
Capital loan payable, due July 2038, with variable principal and interest instalments at 4.60% per annum	$ 11,575,152	$ 13,384,246
Non revolving loan bearing interest at 2.42%, repayable in blended monthly payments maturing December 2023	3,338,973	3,476,845
Less: Current portion	(357,421)	(1,940,017)
	$ 14,556,704	$ 14,921,074

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

2023	$ 357,421
2024	3,449,587
2025	292,238
2026	334,716
2027	380,139
Thereafter	10,100,024
	$ 14,914,125

7. Obligations under capital leases:

The System has financed equipment with third party suppliers. The equipment financed through third party suppliers is financed over 84, 66 and 60 months with fixed interest rates of 2.95%, 4.89%, 4.95%, 5.0% and 5.3%, respectively. All leases are secured by the underlying equipment financed.

7. Obligations under capital leases (continued):

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:

2023	$ 1,407,736
2024	1,331,779
2025	1,245,914
2026	855,747
2027	443,126
Thereafter	–
	5,284,302
Less: Amount representing interest an average rate of 4.92%	(500,790)
	4,783,512
Less: Current portion	(1,198,695)
	$ 3,584,817

8. Pension plan and employee future benefits:

(a) Multi-employer plan:

Contributions made during the year to HOOPP by the System amounted to $8,060,734 (2021 - $7,913,705). These amounts are included in employee benefits expense in the statement of operations. The most recent actuarial valuation of HOOPP as at March 31, 2022 indicates the plan has a 120% surplus in disclosed actuarial assets and is fully funded on a solvency basis.

(b) 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, 2021.

8. Pension plan and employee future benefits (continued):

(b) Employee future benefits (continued):

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

	2022	2021
Accrued benefit obligation	$ 6,073,000	$ 5,597,500
Unamortized net actuarial loss	(884,500)	(717,100)
	$ 5,188,500	$ 4,880,400

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

	2022	2021
Employee future benefits liability, as at April 1	$ 4,880,400	$ 4,760,500
Current service cost	374,900	227,500
Interest cost	204,100	174,400
Amortization of actuarial losses	173,200	121,100
	5,632,600	5,283,500
Benefits paid	(444,100)	(403,100)
Employee future benefits liability, as at March 31	$ 5,188,500	$ 4,880,400

8. Pension plan and employee future benefits (continued):

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

	2022	2021
Discount rate	3.70%	3.10%
Dental trend rates	3.00%	3.00%
Expected average remaining service life (years)	16	15
Extended health-care trend rates	5.57%	5.25%

9. Deferred contributions:

	2022	2021
Contributions held for future expenditures	$ 3,039,614	$ 1,130,674
Property and equipment	61,770,346	61,407,888
	$ 64,809,960	$ 62,538,562

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

	2022	2021
Balance, beginning of year	$ 1,130,674	$ 1,554,337
Contributions relating to property and equipment	2,500,000	162,853
Property and equipment expenditures	(591,060)	(586,516)
Balance, end of year	$ 3,039,614	$ 1,130,674

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.

	2022	2021
Balance, beginning of year	$ 61,407,888	$ 61,575,337
Change in unspent grants and donations	(1,908,940)	423,663
Contributions	7,189,312	4,243,485
Amounts amortized to revenue	(4,917,914)	(4,834,598)
Balance, end of year	$ 61,770,346	$ 61,407,888

10. Net assets invested in capital assets:

Invested in capital assets is calculated as follows:

	2022	2021
Capital assets	$ 98,380,838	$ 100,582,954
Amounts financed by debt and capital leases	(19,697,637)	(22,018,798)
Amounts financed by deferred contributions	(61,770,347)	(61,407,888)
	$ 16,912,854	$ 17,156,268

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

	2022	2021
Deficiency of revenue over expenses		
Amortization of deferred contributions relating to capital assets	$ 4,917,914	$ 4,834,598
Write off of capital assets	–	(324,074)
Amortization of capital assets	(9,506,220)	(8,935,253)
	$ (4,588,306)	$ (4,424,729)

	2022	2021
Net change in investment in capital assets		
Purchase of capital assets	$ 7,109,896	$ 8,175,138
Amounts funded by deferred contributions	(5,280,372)	(4,667,148)
Payments (issuance) of debt and capital leases	2,515,368	696,732
	$ 4,344,892	$ 4,204,722

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:

	2022	2021
Accounts receivable	$ 11,536,447	$ (18,466,147)
Inventories	(601,303)	(797,591)
Due from the Foundation	187,955	(130,831)
Other assets	(566,565)	(68,010)
Accounts payable and accrued liabilities	10,806,838	8,003,210
Deferred revenue	(285,486)	561,123
	$ 21,077,886	$ (10,898,246)

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, 2022, the Foundation holds donations from the community in the amount of $10,515,434 (2021 - $7,636,722), 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 $1,125,282 (2021 - $395,313) of donations to the System in support of capital equipment and projects, which is included in deferred contributions, and $27,631 (2021 - $43,994) 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 $625,968 (2021 - $624,069) and are recorded in due from Brant Community Healthcare System Foundation.

As at March 31, 2022, amounts due from Brant Community Healthcare System Foundation totalled $431,776 (2021 - $619,731).

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.

(a) 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, non-revolving term debt and capital leases. Increases in the floating interest rates in the market could lead to a decrease in cash flows and increased interest costs. The System has mitigated interest rate risk on their non-revolving term loan by entering into an interest rate swap (note 6). As at March 31, 2022, the System's estimate of the exposure to interest rate risk and the effect on net assets is not material.

(b) Credit risk:

The majority of the System's accounts receivable are due from the MOHLTC or other government agencies. As at March 31, 2022, 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.

(c) 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. In 2021, the System was advised that it was eligible for one-time funding in the amount of $12,905,000 to address its working capital deficit (note 16). The System is also exploring opportunities to increase debt financing to provide sufficient cash flows over the short to medium term as the System continues to align expenditures to funding levels and the achievement of a balanced budget and surpluses in future years.

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

15. Ministry of Health pandemic funding:

In connection with the ongoing coronavirus pandemic (COVID-19), the MOH has announced a number of funding programs intended to assist hospitals with incremental operating and capital costs and revenue decreases resulting from COVID-19. In addition to these funding programs, the MOH is also permitting hospitals to redirect unused funding from certain programs towards COVID-19 costs, revenue losses and other budgetary pressures through a broad-based funding reconciliation.

While the MOH has provided guidance with respect to the maximum amount of funding potentially available to the System, as well as criteria for eligibility and revenue recognition, this guidance continues to evolve and is subject to revision and clarification subsequent to the time of approval of these financial statements. The MOH has also indicated that all funding related to COVID-19 is subject to review and reconciliation, with the potential for adjustments during the subsequent fiscal year.

Management's estimate of MOH revenue for COVID-19 is based on the most recent guidance provided by MOH and the impacts of COVID-19 on the System's operations, revenues and expenses. As a result of Management's estimation process, the System has determined a range of reasonably possible amounts that are considered by Management to be realistic, supportable and consistent with the guidance provided by the MOH. However, given the potential for future changes to funding programs that could be announced by the MOH, the System has recognized revenue related to COVID-19 based on the lower end of the range. Any adjustments to Management's estimate of MOH revenues will be reflected in the System's financial statements in the year of settlement.

Details of the MOH funding for COVID-19 recognized as revenue in the current year are summarized below:

	2022	2021
Funding for incremental COVID-19 operating expenses	$ 4,427,376	$ 6,102,048
Funding for revenue losses resulting from COVID-19	–	1,069,118
Broad-based funding reconciliation for other eligible costs and revenue losses	–	281,919
	4,427,376	7,453,085
Less: Provision for future changes to funding programs	(88,548)	(554,470)
	$ 4,338,828	$ 6,898,615

In addition to the above, the System has also recognized $519,562 (2020 - $957,870) in MOH funding for COVID-19 related capital expenditures, which has been recorded as an additional to deferred capital contributions during the year.

16. Ministry of Health working capital funding:

In March 2021, the System was advised that it was eligible for one-time funding to address its working capital deficit. The System was eligible to receive this funding based on defined eligibility criteria with the stipulation that the funding will only be used to reduce the System's working capital deficit and is not to be used for operating purposes.

At the time the MOH provided a preliminary estimate of working capital funding and indicated that the final amount of funding is subject to further analysis and validation by the MOH. During 2022, the System received the full amount of $12,905,000.

17. COVID-19 impacts:

In response to COVID-19 and consistent with guidance provided by the MOH and other government agencies, the System has implemented a number of measures to protect patients and staff from COVID-19. In addition, the System has actively contributed towards the care of COVID-19 patients and the delivery of programs that protect public health.

The System continues to respond to the pandemic and plans for continued operational and financial impacts during the 2023 fiscal year and beyond. Management has assessed the impact of COVID-19 and believes there are no significant financial issues that compromise its ongoing operations. The outcome and timeframe to a recovery from the current pandemic is highly unpredictable, thus it is not practicable to estimate and disclose its effect on future operations at this time.