

Financial Statements of

**BRANT COMMUNITY  
HEALTHCARE SYSTEM**

And Independent Auditors' Report thereon

Year ended March 31, 2021



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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, 2021
- 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 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, 2021, 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.



Page 2

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

***Other Matter – Comparative Information***

The financial statements for the year ended March 31, 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on June 2, 2020.

***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.



Page 3

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.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada  
June 22, 2021

# BRANT COMMUNITY HEALTHCARE SYSTEM

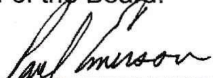
## Statement of Financial Position

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
<b>Assets</b>		
Current assets:		
Accounts receivable (note 3)	\$ 26,188,701	\$ 7,061,054
Inventories	3,110,382	2,312,791
Due from Brant Community Healthcare System Foundation (note 13)	619,731	488,900
Other assets	1,417,595	1,349,585
	<u>31,336,409</u>	<u>11,212,330</u>
Other receivable (note 3)	—	661,500
Restricted investments (note 6)	—	390,028
Property and equipment (note 4)	100,582,954	94,141,511
	<u>\$ 131,919,363</u>	<u>\$ 106,405,369</u>
<b>Liabilities and Net Assets (Deficiency)</b>		
Current liabilities:		
Bank indebtedness (note 5)	\$ 2,995,695	\$ 4,830,124
Accounts payable and accrued liabilities	37,300,871	29,579,580
Long-term debt (note 6)	1,940,017	1,088,386
Obligations under capital leases (note 7)	566,013	670,643
Deferred revenue	1,696,578	853,536
	<u>44,499,174</u>	<u>37,022,269</u>
Long-term debt (note 6)	14,921,074	12,367,688
Derivative liability	9,927	—
Obligations under capital leases (note 7)	4,591,693	1,063,182
Employee future benefits (note 8)	4,880,400	4,760,500
Deferred contributions (note 9)	62,538,562	63,129,674
	<u>131,440,830</u>	<u>118,343,313</u>
Net assets (deficiency)		
Invested in capital assets (note 10)	17,156,268	17,376,275
Unrestricted	(16,667,808)	(29,314,219)
	<u>488,460</u>	<u>(11,937,944)</u>
Accumulated remeasurement loss	(9,927)	—
Contingencies and commitments (note 11)		
	<u>\$ 131,919,363</u>	<u>\$ 106,405,369</u>

See accompanying notes to financial statements.

On behalf of the Board:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

# BRANT COMMUNITY HEALTHCARE SYSTEM

## Statement of Operations

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
<b>Revenue</b>		
Funding	\$ 176,755,145	\$ 162,261,258
Preferred accommodation and chronic co-payment	384,881	631,527
Hospitalist program/CCU closed model – in-patient	2,897,125	2,927,220
Outpatient revenue – Ontario Hospital Insurance Plan	9,884,126	11,098,151
Emergency department – Alternate Funding Agreement	6,797,889	6,269,846
In-patient	799,918	862,404
Outpatient	1,607,610	1,513,929
Other revenue	5,456,377	5,914,310
Amortization of deferred contributions relating to equipment	1,145,965	1,184,789
	<u>205,729,036</u>	<u>192,663,434</u>
<b>Expenses</b>		
Salaries and wages	98,286,767	92,291,779
Employee benefits	27,897,568	26,959,485
Medical staff remuneration	26,522,141	26,258,700
Medical and surgical supplies	9,503,934	9,889,414
Drugs	9,644,441	8,262,293
Other supplies and expenses	29,106,161	26,437,293
Amortization of equipment and furnishings	3,413,530	3,616,378
	<u>204,374,542</u>	<u>193,715,342</u>
Excess (deficiency) of revenue over expenses before the following	1,354,494	(1,051,908)
Amortization of deferred contributions relating to buildings and building service equipment	3,688,633	3,774,597
Amortization of buildings and building service equipment	<u>(5,521,723)</u>	<u>(5,320,669)</u>
	(478,596)	(2,597,980)
Working capital relief funding (note 16)	12,905,000	–
Excess (deficiency) of revenue over expenses for the year	<u>\$ 12,426,404</u>	<u>\$ (2,597,980)</u>

See accompanying notes to financial statements.

# BRANT COMMUNITY HEALTHCARE SYSTEM

## Statement of Changes in Net Assets (Deficit)

Year ended March 31, 2021, with comparative information for 2020

		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

		Invested in capital assets	Unrestricted	2020 Total
Balance, beginning of year	\$	16,493,970	\$ (25,833,934)	\$ (9,339,964)
Excess (deficiency) of revenue over expenses for the year (note 10)		(3,977,661)	1,379,681	(2,597,980)
Net change in investment in capital assets (note 10)		4,859,966	(4,859,966)	–
Balance, end of year	\$	17,376,275	\$ (29,314,219)	\$ (11,937,944)

See accompanying notes to financial statements.

# BRANT COMMUNITY HEALTHCARE SYSTEM

## Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses for the year	\$ 12,426,404	\$ (2,597,980)
Items not affecting cash:		
Amortization of deferred contributions:		
Equipment	(1,145,965)	(1,184,789)
Buildings and building service equipment	(3,688,633)	(3,774,597)
Amortization of property and equipment		
Equipment and furnishings	3,413,530	3,616,378
Buildings and building service equipment	5,521,723	5,320,669
Loss on disposal of capital assets	324,074	–
Employee future benefits	119,900	136,400
Changes in non-cash working capital items relating to operations (note 12)	(10,898,246)	(1,131,708)
	<u>6,072,787</u>	<u>384,373</u>
Capital activities		
Purchase of property and equipment	(11,675,140)	(6,055,458)
Change in restricted investment	390,028	3,746,078
	<u>(11,285,112)</u>	<u>(2,309,380)</u>
Financing activities		
Principal payments under capital leases	(601,749)	(1,308,721)
Principal payments of long-term debt	(94,983)	(666,400)
Proceeds from non-revolving term debt liability	3,500,000	–
Contributions received:		
Donations from Brant Community Healthcare System Foundation	395,313	1,092,008
Donations from third parties	368,819	17,622
Net provincial capital grants	3,479,354	2,924,149
	<u>7,046,754</u>	<u>2,058,658</u>
Increase in cash during the year	1,834,429	133,651
Bank indebtedness, beginning of year	(4,830,124)	(4,963,775)
Bank indebtedness, end of year	<u>\$ (2,995,695)</u>	<u>\$ (4,830,124)</u>
Supplementary disclosure for capital activities – non-cash transactions:		
Property and equipment additions in obligation under capital leases – leased	\$ 4,025,630	\$ 950,449
Property and equipment additions in accounts payable– other	–	635,148
Interest capitalized to property and equipment	–	618,621

See accompanying notes to financial statements



# BRANT COMMUNITY HEALTHCARE SYSTEM

## Statement of Remeasurement Gains and Losses

Year ended March 31, 2021, with comparative information for 2020

	2021		2020	
Accumulated remeasurement gains, beginning of the year	\$	–	\$	–
Derivative – interest rate swaps		(9,927)		–
Net remeasurement loss for the year		(9,927)		–
Accumulated remeasurement loss, end of the year	\$	(9,927)	\$	–

See accompanying notes to financial statements

# BRANT COMMUNITY HEALTHCARE SYSTEM

Notes to Financial Statements

Year ended March 31, 2021

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## 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. There is currently no commitment by the Ministry to fund deficits incurred by the Hospital. Therefore, to the extent that deficits are incurred and not funded, future operations may be affected. 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.

# BRANT COMMUNITY HEALTHCARE SYSTEM

Notes to Financial Statements (continued)

Year ended March 31, 2021

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## 2. Summary of significant accounting policies (continued):

### (a) Revenue recognition (continued):

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.

### (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:

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

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# BRANT COMMUNITY HEALTHCARE SYSTEM

Notes to Financial Statements (continued)

Year ended March 31, 2021

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## 2. Summary of significant accounting policies (continued):

### (d) Property and equipment (continued):

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

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

# BRANT COMMUNITY HEALTHCARE SYSTEM

Notes to Financial Statements (continued)

Year ended March 31, 2021

## 2. Summary of significant accounting policies (continued):

(f) Employee future benefits (continued):

(ii) Other post-employment benefit plans (continued):

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 (2020 - 14 years).

(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.

# BRANT COMMUNITY HEALTHCARE SYSTEM

Notes to Financial Statements (continued)

Year ended March 31, 2021

## 2. Summary of 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) 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:

	2021	2020
Ministry of Health and Long-Term Care/Local Health Integration Network and Cancer Care Ontario	\$ 20,687,763	\$ 2,249,470
Insurers and patients	5,547,608	5,007,235
Other (a)	3,408,067	2,889,864
	<u>29,643,438</u>	<u>10,146,569</u>
Less: Allowance for doubtful accounts	(3,454,737)	(3,085,515)
	<u>\$ 26,188,701</u>	<u>\$ 7,061,054</u>

(a) Other receivables includes \$1,710,000 (2020 - \$1,048,500) 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. The long-term portion of this receivable in the amount of \$nil (2020 - \$661,500) has been reflected as a long-term asset in the statement of financial position at March 31, 2021.

# BRANT COMMUNITY HEALTHCARE SYSTEM

Notes to Financial Statements (continued)

Year ended March 31, 2021

## 4. Property and equipment:

	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
	<u>\$ 212,246,119</u>	<u>\$ 111,663,165</u>	<u>\$ 100,582,954</u>

	Cost	Amortization	2020 Accumulated Net
Land	\$ 1,092,145	\$ –	\$ 1,092,145
Land improvements	1,167,435	702,636	464,799
Buildings and building service equipment	148,033,881	69,469,988	78,563,893
Major equipment	37,249,780	28,217,459	9,032,321
Building renovations in progress	2,447,811	–	2,447,811
Equipment under capital leases	6,878,933	4,338,391	2,540,542
	<u>\$ 196,869,985</u>	<u>\$ 102,728,474</u>	<u>\$ 94,141,511</u>

During the year, the System capitalized interest relating to the energy retrofit project at the Brantford site amounting to \$nil (2020 - \$618,621).

## 5. Bank indebtedness:

The System has an available \$10,000,000 unsecured demand operating line of credit with a major financial institution. During the year, the operating line of credit was temporarily increased to \$12,500,000, and returned to \$10,000,000 effective May 17, 2021.

As at March 31, 2021, the System has drawn \$2,335,658 (2020 - \$4,337,068) 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.

# BRANT COMMUNITY HEALTHCARE SYSTEM

Notes to Financial Statements (continued)

Year ended March 31, 2021

## 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 2020, 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 2020, 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) plus 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 plus the credit spread of 1.50% for an all-in fixed rate of 2.42%.

The amount is financed with the lender is as follows:

	2021	2020
Capital loan payable, due July 2038, with variable principal and interest instalments at 4.60% per annum	\$ 13,384,246	\$ 13,456,074
Non revolving loan bearing interest at 2.42%, repayable in blended monthly payments maturing December 2023	3,476,845	—
Less: Current portion	(1,940,017)	(1,088,386)
	<u>\$ 14,921,074</u>	<u>\$ 12,367,688</u>

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

2022	\$ 1,940,017
2023	357,421
2024	3,449,587
2025	292,238
2026	334,716
Thereafter	10,487,112
	<u>\$ 16,861,091</u>



# BRANT COMMUNITY HEALTHCARE SYSTEM

Notes to Financial Statements (continued)

Year ended March 31, 2021

## 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.

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:

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2022	\$ 777,278
2023	1,343,030
2024	1,293,156
2025	1,205,705
2026	813,502
Thereafter	414,338
	<hr/> 5,847,009
Less: Amount representing interest an average rate of 4.91%	(689,303)
	<hr/> 5,157,706
Less: Current portion	(566,013)
	<hr/> \$ 4,591,693

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## 8. Pension plan and employee future benefits:

### (a) Multi-employer plan:

Contributions made during the year to HOOPP by the System amounted to \$7,820,064 (2020 - \$7,726,628). These amounts are included in employee benefits expense in the statement of operations. The most recent actuarial valuation of HOOPP as at March 31, 2021 indicates the plan has a 130% 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, 2018.

# BRANT COMMUNITY HEALTHCARE SYSTEM

Notes to Financial Statements (continued)

Year ended March 31, 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:

	2021	2020
Accrued benefit obligation	\$ 5,597,500	\$ 5,598,700
Unamortized net actuarial loss	(717,100)	(838,200)
	\$ 4,880,400	\$ 4,760,500

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

	2021	2020
Employee future benefits liability, as at April 1	\$ 4,760,500	\$ 4,624,100
Current service cost	227,500	227,400
Interest cost	174,400	167,500
Amortization of actuarial losses	121,100	131,100
	5,283,500	5,150,100
Benefits paid	(403,100)	(389,600)
Employee future benefits liability, as at March 31	\$ 4,880,400	\$ 4,760,500

# BRANT COMMUNITY HEALTHCARE SYSTEM

Notes to Financial Statements (continued)

Year ended March 31, 2021

## 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:

	2021	2020
Discount rate	3.10%	3.10%
Dental trend rates	3.00%	3.00%
Expected average remaining service life (years)	15	15
Extended health-care trend rates	5.25%	5.25%

## 9. Deferred contributions:

	2021	2020
Contributions held for future expenditures	\$ 1,130,674	\$ 1,554,337
Property and equipment	61,407,888	61,575,337
	\$ 62,538,562	\$ 63,129,674

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

	2021	2020
Balance, beginning of year	\$ 1,554,337	\$ 1,326,319
Contributions relating to property and equipment	162,853	576,429
Property and equipment expenditures	(586,516)	(348,411)
Balance, end of year	\$ 1,130,674	\$ 1,554,337

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.

	2021	2020
Balance, beginning of year	\$ 61,575,337	\$ 62,728,962
Change in unspent grants and donations	423,663	(228,018)
Contributions	4,243,486	4,033,779
Amounts amortized to revenue	(4,834,598)	(4,959,386)
Balance, end of year	\$ 61,407,888	\$ 61,575,337

# BRANT COMMUNITY HEALTHCARE SYSTEM

Notes to Financial Statements (continued)

Year ended March 31, 2021

## 10. Net assets invested in capital assets:

Invested in capital assets is calculated as follows:

	2021	2020
Capital assets	\$ 100,582,954	\$ 94,141,511
Amounts financed by debt and capital leases	(22,018,798)	(15,189,899)
Amounts financed by deferred contributions	(61,407,888)	(61,575,337)
	\$ 17,156,268	\$ 17,376,275

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

	2021	2020
Deficiency of revenue over expenses		
Amortization of deferred contributions relating to capital assets	\$ 4,834,598	\$ 4,959,386
Write off of capital assets	(324,074)	—
Amortization of capital assets	(8,935,253)	(8,937,047)
	\$ (4,424,729)	\$ (3,977,661)

	2021	2020
Net change in investment in capital assets		
Purchase of capital assets	\$ 8,175,138	\$ 6,690,606
Amounts funded by deferred contributions	(4,667,148)	(3,805,761)
Payments (issuance) of debt and capital leases	696,732	1,975,121
	\$ 4,204,722	\$ 4,859,966

## 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.

# BRANT COMMUNITY HEALTHCARE SYSTEM

Notes to Financial Statements (continued)

Year ended March 31, 2021

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

	2021	2020
Accounts receivable	\$ (18,466,147)	\$ (2,558,743)
Inventories	(797,591)	(396,454)
Due from the Foundation	(130,831)	163,682
Other assets	(68,010)	245,276
Accounts payable and accrued liabilities	7,721,291	1,539,704
Deferred revenue	843,042	(125,173)
	<u>\$ (10,898,246)</u>	<u>\$ (1,131,708)</u>

## 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, 2021, the Foundation holds donations from the community in the amount of \$7,579,197 (2020 - \$6,059,319), 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 \$395,313 (2020 - \$1,092,008) of donations to the System in support of capital equipment and projects, which is included in deferred contributions, and \$43,994 (2020 - \$46,329) 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 \$624,069 (2020 - \$633,678) and are recorded in due from Brant Community Healthcare System Foundation.

As at March 31, 2021, amounts due from Brant Community Healthcare System Foundation totalled \$619,731 (2020 - \$488,900).

# BRANT COMMUNITY HEALTHCARE SYSTEM

Notes to Financial Statements (continued)

Year ended March 31, 2021

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## 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, 2021, 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, 2021, 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. 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). In addition, the System received an advance from the Ministry in the amount of \$12 million in May 2021 to assist in meeting short-term cash requirements in fiscal 2022. This amount is expected to be repaid back to the Ministry later in the fiscal 2022 year. 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.

# BRANT COMMUNITY HEALTHCARE SYSTEM

Notes to Financial Statements (continued)

Year ended March 31, 2021

## 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:

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Funding for incremental COVID-19 operating expenses	\$ 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
	<hr/> 7,453,085
Less: Provision for future changes to funding programs	(554,470)
	<hr/> \$ 6,898,615 <hr/>

In addition to the above, the System has also recognized \$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.

# BRANT COMMUNITY HEALTHCARE SYSTEM

Notes to Financial Statements (continued)

Year ended March 31, 2021

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## **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 is 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.

As at the date of approval of these financial statements, the MOH has provided a preliminary estimate of working capital funding and has indicated that the final amount of funding is subject to further analysis and validation by the MOH. Any future adjustments to working capital funding will be reflected in the System's financial statements in the year of settlement.

## **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 2022 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.

## **18. Comparative information:**

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