Financial Statements of

BRANT COMMUNITY HEALTHCARE SYSTEM

And Independent Auditor's Report thereon

Year ended March 31, 2023

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

INDEPENDENT AUDITOR'S 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, 2023
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- the statement of remeasurement gains and losses for the year then ended
- and notes 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, 2023, and its results of operations, its changes in net assets, its 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 ***Auditor's Responsibilities for the Audit of the Financial Statements*** section of our auditor's 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.

Other Matter – Comparative Information

As part of our audit of the financial statements for the year ended March 31, 2023, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended March 31, 2022. In our opinion, such adjustments are appropriate and have been properly applied.

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.

Auditor's 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 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 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 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 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 30, 2023

BRANT COMMUNITY HEALTHCARE SYSTEM

Statement of Financial Position

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Assets		
Current assets:		
Cash (note 6)	$ 27,363,564	$ 25,857,538
Accounts receivable (note 4)	12,734,318	14,652,254
Inventories	3,341,947	3,711,685
Due from Brant Community Healthcare System Foundation (note 15)	578,655	431,776
Other assets	1,538,744	1,984,160
	45,557,228	46,637,413
Derivative asset	5,652	93,734
Property and equipment (note 5)	99,670,004	98,380,838
	$ 145,232,884	$ 145,111,985
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 48,391,708	$ 48,107,709
Long-term debt (note 7)	6,759,590	357,421
Obligations under capital leases (note 8)	1,206,750	1,198,695
Deferred revenue	1,628,201	1,411,092
	57,986,249	51,074,917
Long-term debt (note 7)	11,106,292	14,556,704
Obligations under capital leases (note 8)	2,373,324	3,584,817
Employee future benefits (note 9)	5,479,600	5,188,500
Deferred contributions (note 10)	63,992,889	64,809,960
Asset retirement obligation (note 11)	1,777,430	1,777,430
	142,715,784	140,992,328
Net assets		
Invested in capital assets (note 12)	16,048,849	15,135,424
Unrestricted	(13,537,401)	(11,109,501)
	2,511,448	4,025,923
Accumulated remeasurement gain	5,652	93,734
Contingencies and commitments (note 13)		
	$ 145,232,884	$ 145,111,985

See accompanying notes to financial statements.

On behalf of the Board:

Peter Oneil, Director

David Diegel, Director

BRANT COMMUNITY HEALTHCARE SYSTEM

Statement of Operations

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Revenue:		
Funding	$ 198,704,704	$ 188,517,265
Outpatient revenue – Ontario Hospital Insurance Plan	11,752,676	11,316,668
Other revenue	7,186,862	7,630,189
Emergency department – Alternate Funding Agreement	7,028,001	6,836,708
Hospitalist program/CCU closed model – in-patient	3,210,010	3,134,222
In-patient	1,757,892	1,387,031
Outpatient	1,435,965	1,315,594
Amortization of deferred contributions relating to equipment	1,258,772	1,201,574
Preferred accommodation and chronic co-payment	520,344	400,642
	232,855,226	221,739,893
Expenses:		
Salaries and wages	111,008,407	101,161,146
Other supplies and expenses	33,625,978	30,351,755
Employee benefits	31,295,472	29,951,069
Medical staff remuneration	29,027,275	29,212,157
Medical and surgical supplies	12,195,252	9,916,396
Drugs	10,948,670	10,042,597
Amortization of equipment and furnishings	4,230,923	3,702,269
	232,331,977	214,337,389
Excess of revenue over expenses before the following	523,249	7,402,504
Amortization of deferred contributions relating to buildings and building service equipment	3,704,688	3,716,340
Amortization of buildings and building service equipment	(5,742,412)	(5,803,951)
Excess of revenue over expenses for the year	$ (1,514,475)	$ 5,314,893

See accompanying notes to financial statements.

BRANT COMMUNITY HEALTHCARE SYSTEM

Statement of Changes in Net Assets

Year ended March 31, 2023, with comparative information for 2022

	Invested in capital assets	Unrestricted	2023 Total
Balance, beginning of year	$ 15,135,424	$ (11,109,501)	$ 4,025,923
Excess (deficiency) of revenue over expenses for the year (note 12)	(5,009,875)	3,495,400	(1,514,475)
Net change in investment in capital assets (note 12)	5,923,300	(5,923,300)	–
Balance, end of year	$ 16,048,849	$ (13,537,401)	$ 2,511,448

	Invested in capital assets	Unrestricted	2022 Total
Balance, beginning of year	$ 15,378,838	$ (16,667,808)	$ (1,288,970)
Excess (deficiency) of revenue over expenses for the year (note 12)	(4,588,306)	9,903,199	5,314,893
Net change in investment in capital assets (note 12)	4,344,892	(4,344,892)	–
Balance, end of year	$ 15,135,424	$ (11,109,501)	$ 4,025,923

See accompanying notes to financial statements.

BRANT COMMUNITY HEALTHCARE SYSTEM

Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in)		
Operating activities:		
Excess (deficiency) of revenue over expenses for the year	$ (1,514,475)	$ 5,314,893
Items not affecting cash:		
Amortization of deferred contributions:		
Equipment	(1,258,772)	(1,201,574)
Buildings and building service equipment	(3,704,688)	(3,716,340)
Amortization of property and equipment:		
Equipment and furnishings	4,230,923	3,702,269
Buildings and building service equipment	5,742,412	5,803,951
Employee future benefits	291,100	308,100
Changes in non-cash working capital items relating to operations (note 14)	3,087,321	21,077,886
	6,873,821	31,289,185
Capital activities:		
Purchase of property and equipment	(11,262,501)	(7,109,896)
Financing activities:		
Principal payments under capital leases	(1,203,438)	(568,402)
Principal payments of long-term debt	(358,249)	(1,946,966)
Proceeds from non-revolving term debt liability	3,310,005	–
Contributions received:		
Donations from Brant Community Healthcare System Foundation	2,152,596	1,125,282
Donations from third parties	48,963	–
Net provincial capital grants	1,944,829	6,064,030
	5,894,706	4,673,944
Increase in cash during the year	1,506,026	28,853,233
Cash, (bank indebtedness), beginning of year	25,857,538	(2,995,695)
Cash, end of year	$ 27,363,564	$ 25,857,538
Supplementary disclosure for capital activities – non-cash transactions:		
Property and equipment additions in obligation under capital leases – leased	$ –	$ 194,208

See accompanying notes to financial statements

BRANT COMMUNITY HEALTHCARE SYSTEM

Statement of Remeasurement Gains and Losses

Year ended March 31, 2023, with comparative information for 2022

		2023		2022
Accumulated remeasurement gain (loss), beginning of the year	$	93,734	$	(9,927)
Derivative – interest rate swaps		(88,082)		103,661
Net remeasurement loss for the year		5,652		93,734
Accumulated remeasurement gain, end of the year	$	5,652	$	93,734

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, 2022, 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, 2022 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 16 years (2022 - 16 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) Asset retirement obligations:

The System recognizes the fair value of an asset retirement obligation (“ARO”) when all of the following criteria have been met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

A liability for the removal of asbestos-containing materials in certain hospital facilities and underground fuel tanks owned by the System has been recognized based on estimated future expenses. Actual remediation costs incurred are charged against the ARO to the extent of the liability recorded. Differences between the actual remediation costs incurred and the associated liability recorded within the consolidated financial statements are recognized in the Statement of Operations at the time of remediation occurs.

(i) 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, asset retirement obligations, accrued liabilities, assets and obligations relating to employee future benefits and provisions for future changes to funding programs. Actual results could differ from those estimates.

3. Change in accounting policies:

On April 1, 2022, the System adopted Public Accounting Standard PS 3280 – Asset Retirement Obligations. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in certain Hospital facilities and remediation associated with underground fuel tanks owned by the System ("the System"). The standard was adopted on the modified retrospective basis at the date of adoption. Under the modified retrospective method, the discount rate and assumptions used on initial recognition are those as of the date of adoption of the standard.

On April 1, 2021, the System recognized an asset retirement obligation relating to facilities owned by the Hospital that contain asbestos as well as underground fuel tanks on properties owned by the System. The buildings were originally purchased in the 1910's and 1920's with additions added over various years between the 1950's and 1960's. The liabilities were measured as of the date of purchase of the building, when the liability was created. The buildings have an expected useful life of 40 years, and the estimate has not been changed since purchase. The fuel tanks were purchased in the 1980's, and the liability was measured as of the date of purchase of the fuel tanks, when the liability was created. The fuel tanks have an expected useful life of 20 years and the estimate has not been changed since purchase.

In accordance with the provisions of this new standard, the Hospital reflected the following adjustments at April 1, 2021:

- Asbestos obligation:
    - An increase of $1,665,199 to the buildings capital asset account, representing the original estimate of the obligation, undiscounted, and an accompanying increase of $1,665,199 to accumulated amortization, representing 40 years of increased amortization had the liability originally been recognized.
    - An increase of $112,231 to the building service equipment capital asset account, representing the original estimate of the obligation, undiscounted, and an accompanying increase of $112,231 to accumulated amortization, representing 5 years of increased amortization had the liability originally been recognized.
    - An asset retirement obligation in the amount of $1,777,430, representing an estimate of the current obligations.
    - A decrease to opening net assets of $1,777,430, as a result of the recognition of the liability and accompanying increase in amortization expense.

4. Accounts receivable:

		2023		2022
Ministry of Health and Long-Term Care/Local Health Integration Network and Cancer Care Ontario	$	6,700,324	$	8,693,478
Insurers and patients		5,707,051		4,680,658
Other (a)		3,402,596		4,372,940
		15,809,971		17,747,076
Less: Allowance for doubtful accounts		(3,075,653)		(3,094,822)
	$	12,734,318	$	14,652,254

(a) Other receivables include $1,155,720 (2022 - $1,155,720) related to the current portion of a receivable for amounts owing in respect of energy incentives achieved resulting from the Trane project (note 7) pursuant to a contract with a utility.

5. Property and equipment:

		Cost		Accumulated Amortization		2023 Net book value
Land	$	4,000,071	$	–	$	4,000,071
Land improvements		1,272,765		894,227		378,538
Buildings and building service equipment		161,287,851		88,124,257		73,163,594
Major equipment		50,672,457		36,296,807		14,375,650
Building renovations in progress		4,258,583		–		4,258,583
Equipment under capital leases		11,098,770		7,605,202		3,493,568
	$	232,590,497	$	132,920,493	$	99,670,004

		Cost		Accumulated Amortization		2022 Net book value
Land	$	4,000,071	$	–	$	4,000,071
Land improvements		1,272,765		837,976		434,789
Buildings and building service equipment		158,478,353		82,437,753		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
	$	221,327,653	$	122,946,815	$	98,380,838

6. 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, 2023, the System has drawn $nil (2022 - $nil) under this operating line of credit. This operating line of credit bears interest at the prime rate minus 0.25%.

7. 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 2022, 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%. The term for this loan is due to be refinanced in 2024 and as such the full amount is classified as current debt.

In August 2022, the System entered a $3,800,000 non-revolving term loan to finance the purchase of Diagnostic Imaging Equipment. The debt is currently interest only and has not been converted into repayment and as such is classified as current debt.

7. Long-term debt (continued):

The amount is financed with the lender is as follows:

	2023	2022
Capital loan payable, due July 2038, with variable principal and interest instalments at 4.60% per annum	$ 11,358,837	$ 11,575,152
Non revolving loan bearing interest at 2.42%, repayable in blended monthly payments maturing December 2023	3,197,040	3,338,973
Non revolving loan bearing interest at 3.93%, interest only and is due on demand	3,310,005	–
	17,865,882	14,914,125
Less: Current portion	(6,759,590)	(357,421)
	$ 11,106,292	$ 14,556,704

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

2024	$ 6,759,590
2025	292,238
2026	334,716
2027	380,139
2028	428,677
Thereafter	9,670,522
	$ 17,865,882

8. 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.

8. 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:

2024	$ 1,325,116
2025	1,244,695
2026	858,341
Thereafter to 2027	443,672
	3,871,824
Less: Amount representing interest an average rate of 4.92%	(291,750)
	3,580,074
Less: Current portion	(1,206,750)
	$ 2,373,324

9. Pension plan and employee future benefits:

(a) Multi-employer plan:

Contributions made during the year to HOOPP by the System amounted to $8,787,478 (2022 - $8,060,734). These amounts are included in employee benefits expense in the statement of operations. The most recent actuarial valuation of HOOPP as at March 31, 2023 indicates the plan has a 117% 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, 2022.

9. 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:

	2023	2022
Accrued benefit obligation	$ 5,577,400	$ 6,073,000
Unamortized net actuarial loss	(97,800)	(884,500)
	$ 5,479,600	$ 5,188,500

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

	2023	2022
Employee future benefits liability, as at April 1	$ 5,188,500	$ 4,880,400
Current service cost	351,100	374,900
Interest cost	229,700	204,100
Amortization of actuarial losses	142,400	173,200
	5,911,700	5,632,600
Benefits paid	(432,100)	(444,100)
Employee future benefits liability, as at March 31	$ 5,479,600	$ 5,188,500

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

	2023	2022
Discount rate	4.60%	3.70%
Dental trend rates	3.00%	3.00%
Expected average remaining service life (years)	16	16
Extended health-care trend rates	5.57%	5.57%

10. Deferred contributions:

	2023	2022
Contributions held for future expenditures	$ 3,595,120	$ 3,039,614
Property and equipment	60,397,769	61,770,346
	$ 63,992,889	$ 64,809,960

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

	2023	2022
Balance, beginning of year	$ 3,039,614	$ 1,130,674
Contributions relating to property and equipment	2,500,000	2,500,000
Property and equipment expenditures	(1,944,494)	(591,060)
Balance, end of year	$ 3,595,120	$ 3,039,614

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.

	2023	2022
Balance, beginning of year	$ 61,770,346	$ 61,407,888
Change in unspent grants and donations	(555,505)	(1,908,940)
Contributions	4,146,388	7,189,312
Amounts amortized to revenue	(4,963,460)	(4,917,914)
Balance, end of year	$ 60,397,769	$ 61,770,346

11. Asset retirement obligation:

The System has accrued for asset retirement obligations related to the legal requirement for the removal or remediation of asbestos-containing materials in certain facilities as well as underground fuel tanks on properties owned by the System. The obligation is determined based on the estimated undiscounted cash flows that will be required in the future to remove or remediate the asbestos containing material and any soil contaminants in accordance with current legislation.

The change in the estimated obligation during the year consists of the following:

	2023	2022
Balance, beginning of year	$ 1,777,430	$ –
Adjustment on adoption of PS 3280 asset retirement obligation standard	–	1,777,430
Opening balance, as restated	1,777,430	1,777,430
Less: obligations settled during the year	–	–
Total obligation at March 31	1,777,430	1,777,430
Less: current portion reported in accounts payable and accrued liabilities	–	–
Balance, end of year	$ 1,777,430	$ 1,777,430

12. Net assets invested in capital assets:

Invested in capital assets is calculated as follows:

	2023	2022
Capital assets	$ 99,670,004	$ 98,380,838
Amounts financed by debt and capital leases	(21,445,956)	(19,697,638)
Amounts financed by deferred contributions	(60,397,769)	(61,770,346)
Amount related to asset retirement obligation	(1,777,430)	(1,777,430)
	$ 16,048,849	$ 15,135,424

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

	2023	2022
Deficiency of revenue over expenses		
Amortization of deferred contributions relating to capital assets	$ 4,963,460	$ 4,917,914
Amortization of capital assets	(9,973,335)	(9,506,220)
	$ (5,009,875)	$ (4,588,306)

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

	2023	2022
Net change in investment in capital assets		
Purchase of capital assets	$ 11,262,501	$ 7,109,896
Amounts funded by deferred contributions	(3,590,883)	(5,280,372)
Payments of debt and capital leases	1,561,687	2,515,368
Issuance of long-term debt	(3,310,005)	–
	$ 5,923,300	$ 4,344,892

13. Contingencies and commitments:

(a) 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.

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

(c) On November 29, 2022, the Ontario Superior Court rendered a decision to declare the Protecting a Sustainable Public Sector for Future Generations Act, 2019, known as Bill 124, to be void and of no effect. On December 29, 2022, The Province of Ontario appealed the Superior Court's decision, but the Government has not sought a stay of decision. This ruling has triggered reopener provisions that required renewed negotiations with certain labour groups on compensation for the years that were previously capped by the legislation. The hospital has recorded liabilities based on subsequent settlement amounts and management's estimate of potential settlement amounts.

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

	2023	2022
Accounts receivable	$ 1,917,936	$ 11,536,447
Inventories	369,738	(601,303)
Due from the Foundation	(146,879)	187,955
Other assets	445,416	(566,565)
Accounts payable and accrued liabilities	283,999	10,806,838
Deferred revenue	217,111	(285,486)
	$ 3,087,321	$ 21,077,886

15. 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, 2023, the Foundation holds donations from the community in the amount of $11,995,065 (2022 - $10,515,434), 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 $2,152,597 (2022 - $1,125,282) of donations to the System in support of capital equipment and projects, which is included in deferred contributions, and $8,662 (2022 - $27,631) 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 $651,525 (2022 - $625,968) and are recorded in due from Brant Community Healthcare System Foundation.

As at March 31, 2023, amounts due from Brant Community Healthcare System Foundation totalled $578,655 (2022 - $431,776).

16. 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 7). As at March 31, 2023, 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, 2023, 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.

16. Financial instruments and risk management (continued):

(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 2022, 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. 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 7 and capital lease obligations are described in note 8.