Brant Community Healthcare System

Financial Statements
March 31, 2020

Independent auditor's report

To the Board of Directors of Brant Community Healthcare System

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Brant Community Healthcare System (the Company) as at March 31, 2020 and the results of its operations, its remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at March 31, 2020;
- the statement of operations for the year then ended;
- the statement of changes in net assets (deficit) for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

Responsibilities of management and those charged with governance for the financial statements

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company'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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
June 2, 2020

Brant Community Healthcare System

Statement of Financial Position

As at March 31, 2020

	2020 $	2019 $
Assets		
Current assets		
Accounts receivable (note 3)	7,061,054	5,163,811
Inventories	2,312,791	1,916,337
Due from Brant Community Healthcare System Foundation (note 13)	488,900	652,582
Other assets	1,349,585	1,594,861
	11,212,330	9,327,591
Other receivable (note 3)	661,500	-
Restricted investments (note 6)	390,028	4,136,106
Property and equipment (note 4)	94,141,511	94,818,882
	106,405,369	108,282,579
Liabilities		
Current liabilities		
Bank indebtedness (note 5)	4,830,124	4,963,775
Accounts payable and accrued liabilities	29,579,580	27,404,728
Long-term debt (note 6)	1,088,386	557,586
Obligations under capital leases (note 7)	670,643	1,311,263
Deferred revenue	853,536	978,709
	37,022,269	35,216,061
Long-term debt (note 6)	12,367,688	12,946,267
Obligations under capital leases (note 7)	1,063,182	780,834
Employee future benefits (note 8)	4,760,500	4,624,100
Deferred contributions (note 9)	63,129,674	64,055,281
	118,343,313	117,622,543
Net Assets (Deficit)		
Invested in capital assets (note 10)	17,376,275	16,493,970
Unrestricted	(29,314,219)	(25,833,934)
	(11,937,944)	(9,339,964)
	106,405,369	108,282,579

Contingencies and commitments (note 11)

Approved by the Board of Directors

DocuSigned by:
DC759560DE22483... Director

DocuSigned by:
Peter
695F3984543140B... Director

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

Brant Community Healthcare System

Statement of Operations

For the year ended March 31, 2020

	2020 $	2019 $
Revenue		
Funding (note 15)	162,261,258	153,755,145
Preferred accommodation and chronic co-payment	631,527	547,168
Hospitalist program/CCU closed model – in-patient	2,927,220	2,744,680
Outpatient revenue – Ontario Hospital Insurance Plan	11,098,151	10,996,628
Emergency department – Alternate Funding Agreement	6,269,846	5,511,471
Other sources		
In-patient	862,404	819,546
Outpatient	1,513,929	1,342,831
Other revenue	5,914,310	5,549,205
Amortization of deferred contributions relating to equipment	1,184,789	1,231,080
	192,663,434	182,497,754
Expenses		
Salaries and wages	92,291,779	89,998,678
Employee benefits	25,951,718	25,078,101
Medical staff remuneration	26,258,700	25,259,705
Medical and surgical supplies	9,889,414	9,387,211
Drugs	8,262,293	6,311,267
Other supplies and expenses	26,437,293	23,903,671
Amortization of equipment and furnishings	3,616,378	3,721,650
	192,707,575	183,660,283
Deficiency of revenue over expenses before the following	(44,141)	(1,162,529)
Restructuring activities (note 16)	(1,007,767)	(757,184)
Amortization of deferred contributions relating to buildings and building service equipment	3,774,597	3,762,011
Amortization of buildings and building service equipment	(5,320,669)	(4,944,185)
Deficiency of revenue over expenses for the year	(2,597,980)	(3,101,887)

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

Brant Community Healthcare System

Statement of Changes in Net Assets (Deficit)

For the year ended March 31, 2020

				2020
	Restricted $	Invested in capital assets $	Unrestricted $	Total $
Balance – Beginning of year	-	16,493,970	(25,833,934)	(9,339,964)
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)

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

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

Brant Community Healthcare System

Statement of Cash Flows

For the year ended March 31, 2020

	2020 $	2019 $
Cash provided by (used in)		
Operating activities		
Deficiency of revenue over expenses for the year	(2,597,980)	(3,101,887)
Items not affecting cash		
Amortization of deferred contributions		
Equipment	(1,184,789)	(1,231,080)
Buildings and building service equipment	(3,774,597)	(3,762,011)
Amortization of property and equipment		
Equipment and furnishings	3,616,378	3,721,650
Buildings and building service equipment	5,320,669	4,944,185
Employee future benefits	136,400	101,400
Changes in non-cash working capital items relating to operations (note 12)	(1,131,708)	2,590,369
	384,373	3,262,626
Capital activities		
Purchase of property and equipment	(6,055,458)	(7,421,337)
Change in restricted investment	3,746,078	1,658,837
	(2,309,380)	(5,762,500)
Financing activities		
Principal payments under capital leases	(1,308,721)	(1,197,265)
Principal payments of long-term debt	(666,400)	(530,404)
Contributions received		
Donations from Brant Community Healthcare System Foundation	1,092,008	606,384
Donations from third parties	17,622	-
Net provincial capital grants	2,924,149	2,475,982
	2,058,658	1,354,697
Increase (decrease) in cash during the year	133,651	(1,145,177)
Bank indebtedness – Beginning of year	(4,963,775)	(3,818,598)
Bank indebtedness – End of year	(4,830,124)	(4,963,775)
Supplementary disclosure for capital activities – non-cash transactions		
Property and equipment additions in obligation under capital leases – leased	950,449	278,301
Property and equipment additions in accounts payable – other	635,148	1,313,402
Interest capitalized to property and equipment	618,621	614,087

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

1 Nature of operations

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

Unrestricted net assets of The Willett Hospital in the amount of $1,398,431 as of the date of amalgamation with The Brantford General Hospital on April 11, 2007 had previously been restricted by the Board of Directors specifically for Willet programs and projects. During the 2018/19 fiscal year, the Board of Directors authorized a motion to transfer these funds from restricted to unrestricted net assets. As the System has fully amalgamated the operations of the Willet and Brantford General Hospital, including all operating and capital programs, the Board of Directors felt it was prudent to release this restriction. The release of this restriction had no impact on the amounts directly invested in either site or impacted any operating decisions of the individual site locations.

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

Following the June 2017 Investigator's Report, the Government of Ontario appointed a Supervisor of the Brant Community Healthcare System on August 31, 2017. A Supervisor is appointed under the Public Hospitals Act and holds the authority of the powers of the hospital board, corporation, officers and members of the corporation. The mandate was to strengthen the hospitals' governance, management and accountability so the public can continue to have confidence in the local health system. Authority for the governance of the System was delegated by the System supervisor to the System Board on August 28, 2019 and supervision was officially rescinded by the government through an order-in-council on December 31, 2019.

For the year ended March 31, 2020, the System has achieved a current ratio of 0.31 (2019 – 0.27) relative to the performance standard of 0.27 or greater as outlined in the H-SAA.

2 Summary of significant accounting policies

Basis of presentation

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

A summary of the significant accounting policies is as follows:

Revenue recognition

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

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

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

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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

Contributed materials and services

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

Inventories

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

Property and equipment

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

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

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

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

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

Equipment under capital leases

Equipment leases that effectively transfer substantially all of the risks and rewards of ownership to the System as lessee are capitalized at the present value of the minimum payments, excluding executor costs, under the lease with a corresponding liability for the related lease obligations. The discount rate used to determine the present value of the lease payment is the lower of the System's rate of incremental borrowing or the interest rate implicit in the lease. Charges to expenses are made for amortization on the equipment and interest on the lease obligations.

Employee future benefits

- Multi-employer plan

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

- Other post-employment benefit plans

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

The System has adopted the following policies:

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

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

- The excess of the cumulative unamortized balance of the net actuarial gain (loss) is amortized over the average remaining service period of active employees. The average remaining service period of active employees is 15 years (2019 – 14 years).

Financial instruments

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

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

Assets/liabilities	**Measurement**
Cash (bank indebtedness)	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.

Use of estimates

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

3 Accounts receivable

	2020 $	2019 $
Ministry of Health and Long-Term Care/Local Health Integration Network and Cancer Care Ontario	2,249,470	1,999,236
Insurers and patients	5,007,235	4,606,066
Other (a)	2,889,864	1,300,357
	10,146,569	7,905,659
Less: Allowance for doubtful accounts	3,085,515	2,741,848
	7,061,054	5,163,811

a) Other receivables include $1,048,000 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 an utility. The long-term portion of this receivable in the amount of $661,500 has been reflected as a long-term asset in the statement of financial position as at March 31, 2020.

4 Property and equipment

			2020
	Cost **$**	**Accumulated amortization** **$**	**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
	196,869,985	102,728,474	94,141,511

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

During the year, the System capitalized interest relating to the energy retrofit project at the Brantford site amounting to $618,621 (2019 – $614,087).

5 Bank indebtedness

The System has an available $6,000,000 unsecured demand operating line of credit with a major financial institution. During the year, the operating line of credit was temporarily increased to $15,000,000 and returned to $6,000,000 effective April 17, 2020.

As at March 31, 2020, the System has drawn $4,337,068 (2019 – $1,696,145) under this operating line of credit. This operating line of credit bears interest at the prime rate minus 0.25%. The remaining bank indebtedness comprises a book overdraft.

As at March 31, 2020 and 2019, the System remained compliant with its lending covenants.

6 Long-term debt

In April 2017, the System entered into an agreement with a third party contractor for an energy retrofit project to increase energy efficiency, including infrastructure renewal at the Brantford site, with a guaranteed minimum level of energy savings of $11,432,974 over an 11-year period. Under this agreement, the System has committed $13,080,000 to be financed, through a tri-party agreement, over a 22-year term. In April 2017, the full funds available for the project were advanced by the lender and provided to an appointed Trustee to hold in an investment account on behalf of the System for the project completion. In November 2019, 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 June 2038 to July 2038; there was no change to the interest rate. The amount financed with the lender is as follows:

	2020 **$**	**2019** **$**
Capital loan payable, due July 2038, with variable principal and interest instalments at 4.61% per annum	13,456,074	13,503,853
Less: Current portion	1,088,386	557,586
	12,367,688	12,946,267

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

	$
2021	837,538
2022	217,602
2023	254,768
2024	294,575
2025	337,173
Thereafter	10,426,032
	12,367,688

Funds held in the restricted investment account are held by a third party Trustee on behalf of the System. The funds are restricted by its lender for the purpose of completion of the energy retrofit project. The Trustee releases payments from the investment account as work is completed by the third party energy retrofit project company subject to authorization by the System's management. Funds not required to complete the project are repayable to the lender.

7 Obligations under capital leases

The System has financed equipment with a major financial institution, and also directly with third party suppliers. The leases financed through the major financial institution are repayable in 60 equal monthly instalments, bearing interest at negotiated rates ranging from the prime rate plus 0.5% to fixed rates of 2.8% to 3.14%. The equipment financed through third party suppliers is financed over 84, 60 and 60 months with fixed interest rates of 2.95%, 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:

	$
2021	731,402
2022	336,696
2023	336,696
2024	286,822
2025	199,372
Thereafter	-
	1,890,988
Less: Amount representing interest an average rate of 4.44%	157,163
	1,733,825
Less: Current portion	670,643
	1,063,182

8 Pension plan and employee future benefits

Multi-employer plan

Contributions made during the year to HOOPP by the System amounted to $7,726,628 (2019 – $7,489,161). These amounts are included in employee benefits expense in the statement of operations. The most recent actuarial valuation of HOOPP as at March 31, 2020 indicates the plan has a 128% surplus in disclosed actuarial assets and is fully funded on a solvency basis.

Employee future benefits

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

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

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

	2020 $	2019 $
Accrued benefit obligation	5,598,700	5,743,000
Unamortized net actuarial loss	(838,200)	(1,118,900)
	4,760,500	4,624,100

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

	2020 $	2019 $
Employee future benefits liability, as at April 1	4,624,100	4,522,700
Current service cost	227,400	210,700
Interest cost	167,500	177,400
Amortization of actuarial losses	131,100	116,300
	5,150,100	5,027,100
Benefits paid	(389,600)	(403,000)
Employee future benefits liability, as at March 31	4,760,500	4,624,100

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

	2020	2019
Discount rate	2.90%	3.20%
Dental trend rates	3.00%	3.00%
Expected average remaining service life (years)	15	15
Extended health-care trend rates	5.25%	5.75%

9 Deferred contributions

	2020 $	2019 $
Contributions held for future expenditures	1,554,337	1,326,319
Property and equipment	61,575,337	62,728,962
	63,129,674	64,055,281

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

The contributions relating to future expenditures include $132,522 in unspent 2019-20 Health Infrastructure Renewal Funds (HIRF), which relate to infrastructure projects that were delayed in completion due to COVID-19.

	2020 $	2019 $
Balance – Beginning of year	1,326,319	408,765
Contributions relating to property and equipment	576,429	1,174,967
Property and equipment expenditures	(348,411)	(257,413)
Balance – End of year	1,554,337	1,326,319

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.

	2020 $	2019 $
Balance – Beginning of year	62,728,962	65,557,241
Change in unspent grants and donations	(228,018)	(917,554)
Contributions	4,033,779	3,082,366
Amounts amortized to revenue	(4,959,386)	(4,993,091)
Balance – End of year	61,575,337	62,728,962

10 Net assets invested in capital assets

Invested in capital assets is calculated as follows:

	2020 $	2019 $
Capital assets	94,141,511	94,818,882
Amounts financed by debt and capital leases	(15,189,899)	(15,595,950)
Amounts financed by deferred contributions	(61,575,337)	(62,728,962)
	17,376,275	16,493,970

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

	2020 $	2019 $
Deficiency of revenue over expenses		
Amortization of deferred contributions relating to capital assets	4,959,386	4,993,091
Amortization of capital assets	(8,937,047)	(8,665,835)
	(3,977,661)	(3,672,744)

	2020 $	2019 $
Net change in investment in capital assets		
Purchase of capital assets	6,690,606	8,734,739
Amounts funded by deferred contributions	(3,805,761)	(2,164,812)
Payments (issuance) of debt and capital leases	1,975,121	1,727,669
	4,859,966	8,297,596

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.

The System entered into a capital lease to purchase laboratory automation equipment with a cost of $1,337,400 on March 31, 2020. The equipment is expected to arrive onsite in October 2020, and lease payments will begin in October 2021, with a term of 60 months and a rate of 4.89%.

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

	2020 $	2019 $
Accounts receivable	(848,743)	1,280,355
Accounts receivable related to Trane project	(1,710,000)	-
Inventories	(396,454)	(269,076)
Due from the Foundation	163,682	(345,389)
Other assets	245,276	(376,724)
Accounts payable and accrued liabilities	1,539,704	2,822,999
Deferred revenue	(125,173)	(521,796)
	(1,131,708)	2,590,369

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, 2020, the Foundation holds donations from the community in the amount of $6,059,319 (2019 – $5,508,494), 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 $1,092,008 (2019 – $606,384) of donations to the System in support of capital equipment and projects, which is included in deferred contributions, and $46,329 (2019 – $82,159) 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 $633,678 (2019 – $692,165) and are recorded in due from Brant Community Healthcare System Foundation.

As at March 31, 2020, amounts due from Brant Community Healthcare System Foundation totalled $488,900 (2019 – $652,582).

14 Financial instruments and risk management

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

Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The System is exposed to interest rate risk through the floating interest rates on its overdraft facilities and capital leases. Increases in the floating interest rates in the market could lead to a decrease in cash flows and increased interest costs. As at March 31, 2020, the Hospital’s estimate of the exposure to interest rate risk and the effect on net assets is not material.

Credit risk

The majority of the System's accounts receivable are due from the MOHLTC or other government agencies. As at March 31, 2020, the System's exposure to credit risk in the event of non-payment by patients for non-insured services and for services provided to non-resident patients is not material.

Liquidity risk

Liquidity risk results from the System's potential inability to meet its obligations associated with the financial liabilities as they come due. The System manages its liquidity risk by forecasting cash flows from operations and anticipating investing and financing activities and maintaining credit facilities to ensure it has sufficient available funds to meet current and foreseeable financial requirements. At certain times of the year, the System is dependent on the continued availability of its credit facilities. During the year, the System received a temporary increase in its operating line of credit in order to meet its cash flow requirements (note 5). In addition, the System received an advance from the Ministry in the amount of $12 million in April 2020 to assist in meeting short-term cash requirements in fiscal 2021. This amount is expected to be repaid back to the Ministry later in the fiscal 2021 year. 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 Hospital's long-term debt is described in note 6 and capital lease obligations are described in note 7.

15 Funding revenue

	2020 $	2019 $
Local Health Integration Network – Hospital Sector	148,316,150	141,449,588
Local Health Integration Network – Multi Sector	3,337,876	2,762,090
Ministry of Health and Long-Term Care	3,093,595	2,997,202
Cancer Care Ontario	7,513,637	6,546,265
	162,261,258	153,755,145

16 Restructuring activities

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

17 COVID-19

The outbreak of COVID-19 has caused significant volatility in markets and economies around the world, including travel restrictions, social distancing and isolation measures taken in Ontario.

In response to the outbreak, the System has incurred additional expenditures to provide COVID-19 related care. Additionally, non-urgent procedures were cancelled resulting in a reduction of MOHLTC/Ontario Health funding and ancillary revenue generating operations. The System will seek compensation from the Ministry for the financial impact of COVID-19. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and interventions by central banks. It is not possible to reliably estimate the length and severity of these developments and the impact (if any) on the financial results of the System in future periods at this time. Management will continue to closely monitor the developments surrounding the pandemic and take necessary measures and precautions, as appropriate.

Schedule of Diabetes Education Program Expenses

For the year ended March 31, 2020

The accompanying schedule of Diabetes Education Program Expenses is presented as supplementary information only. In this respect, it does not form part of the financial statements of the System for the year ended March 31, 2020.

Brant Community Healthcare System

Schedule of Diabetes Education Program Expenses

For the year ended March 31, 2020

	2020 $	2019 $
Diabetes education program expenses		
Salaries and benefits		
Salaries	553,547	564,693
Benefits	138,908	163,551
	692,455	728,244
Operating expenses		
Professional development	3,931	3,667
Travel and transportation	24,702	25,921
Other program expenses	20,618	21,758
	49,251	51,346
	741,706	779,590