Brant Community Healthcare System

Financial Statements
March 31, 2018

May 31, 2018

Independent Auditor's Report

To the Supervisor of
Brant Community Healthcare System

We have audited the accompanying financial statements of Brant Community Healthcare System, which comprise the statement of financial position as at March 31, 2018 and the statements of operations, changes in net assets (deficit) and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these 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.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Brant Community Healthcare System as at March 31, 2018 and its operations, the changes in its net assets (deficit) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Brant Community Healthcare System

Statement of Financial Position

As at March 31, 2018

	2018 $	2017 $
Assets		
Current assets		
Accounts receivable (note 3)	6,444,166	5,420,334
Inventories	1,647,261	1,636,756
Due from Brant Community Healthcare System Foundation (note 13)	307,193	959,403
Other assets	1,218,137	996,083
	9,616,757	9,012,576
Restricted investments (note 6)	5,794,943	-
Property and equipment (note 4)	93,852,052	88,318,012
	109,263,752	97,330,588
Liabilities		
Current liabilities		
Bank indebtedness (note 5)	3,818,598	4,066,979
Accounts payable and accrued liabilities	22,435,827	15,551,249
Long-term debt (note 6)	530,404	-
Obligations under capital leases (note 7)	1,158,615	1,399,082
Deferred revenue	2,333,005	1,319,282
	30,276,449	22,336,592
Long-term debt (note 6)	12,884,228	-
Obligations under capital leases (note 7)	1,852,446	2,653,637
Employee future benefits (note 8)	4,522,700	4,472,400
Deferred contributions (note 9)	65,966,006	66,680,196
	115,501,829	96,142,825
Net Assets (Deficit)		
Restricted (note 1)	1,388,566	1,388,566
Invested in capital assets (note 10)	11,869,118	18,637,349
Unrestricted	(19,495,761)	(18,838,152)
	(6,238,077)	1,187,763
	109,263,752	97,330,588

Contingencies and commitments (note 11)

Approved by the Board of Directors

Bonnie Adamson Director

Supervisor, Brant Community Healthcare System.

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

Brant Community Healthcare System

Statement of Operations

For the year ended March 31, 2018

	2018 $	2017 $
Revenue		
Funding (note 15)	138,617,033	134,070,587
Preferred accommodation and chronic co-payment	874,076	1,154,877
Hospitalist program/CCU closed model - in-patient	3,109,916	3,847,040
Outpatient revenue - Ontario Hospital Insurance Plan	10,726,823	10,856,031
Emergency department - Alternate Funding Agreement	5,687,526	5,205,041
Other sources		
In-patient	585,556	550,271
Outpatient	1,146,124	1,317,836
Other revenue	6,731,813	7,000,881
Amortization of deferred contributions relating to equipment	1,067,712	978,011
	168,546,579	164,980,575
Expenses		
Salaries and wages	83,462,352	80,120,894
Employee benefits	23,035,820	22,723,200
Medical staff remuneration	25,467,530	25,171,811
Medical and surgical supplies	8,818,530	8,873,946
Drugs	5,712,564	5,312,127
Other supplies and expenses	21,916,828	21,052,183
Amortization of equipment and furnishings	3,707,044	4,108,777
	172,120,668	167,362,938
Deficiency of revenue over expenses before the following	(3,574,089)	(2,382,363)
Restructuring activities (note 16)	(2,732,363)	(579,705)
Amortization of deferred contributions relating to buildings and building service equipment	3,613,401	3,424,453
Amortization of buildings and building service equipment	(4,732,789)	(4,589,704)
Deficiency of revenue over expenses for the year	(7,425,840)	(4,127,319)

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, 2018

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

	2017			
	Restricted $	**Invested in capital assets** $	**Unrestricted** $	**Total** $
Balance - Beginning of year	1,388,566	20,683,773	(16,757,257)	5,315,082
Deficiency of revenue over expenses for the year (note 10)	-	(4,296,017)	168,698	(4,127,319)
Net change in investment in capital assets (note 10)	-	2,249,593	(2,249,593)	-
Balance - End of year	1,388,566	18,637,349	(18,838,152)	1,187,763

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, 2018

	2018 $	2017 $
Cash provided by (used in)		
Operating activities		
Deficiency of revenue over expenses for the year	(7,425,840)	(4,127,319)
Items not affecting cash		
Amortization of deferred contributions		
Equipment	(1,067,712)	(978,011)
Buildings and building service equipment	(3,613,401)	(3,424,453)
Amortization of property and equipment		
Equipment and furnishings	3,707,044	4,108,777
Buildings and building service equipment	4,732,789	4,589,704
Employee future benefits	50,300	24,000
Changes in non-cash working capital items relating to operations (note 12)	7,294,120	(4,700,437)
	3,677,300	(4,507,739)
Capital activities		
Purchase of property and equipment	(13,612,873)	(2,833,434)
Financing activities		
Issuance of long-term debt	7,818,889	-
Principal payments under capital leases	(1,402,658)	(1,825,340)
Principal payments of long-term debt	(199,200)	-
Contributions received		
Donations from Brant Community Healthcare System Foundation	1,678,090	1,135,151
Donations from third parties	-	35,781
Net provincial capital grants	2,288,833	1,322,697
	10,183,954	668,289
Increase (decrease) in cash during the year	248,381	(6,672,884)
(Bank indebtedness) cash - Beginning of year	(4,066,979)	2,605,905
Bank indebtedness - End of year	(3,818,598)	(4,066,979)
Supplementary disclosure for capital activities and restricted investments - non-cash transactions		
Property and equipment additions - leased	(361,000)	(54,749)
Increase in obligations under capital leases	361,000	54,749
Restricted investments	(5,794,943)	-
Increase in long-term debt - funds deposited directly into restricted investment account	5,794,943	-

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 have been restricted by the Board of Directors specifically for Willett programs and projects. As at March 31, 2018 and 2017, the restricted net assets amounted to $1,388,566.

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

Following the June, 2017 Investigator's Report, the Government of Ontario appointed a Supervisor of the Brant Community Healthcare System on August 31, 2017. A Supervisor is appointed under the Public Hospitals Act and holds the authority of the powers of the hospital board, corporation, officers and members of the corporation. The mandate is to strengthen the hospitals' governance, management and accountability so the public can continue to have confidence in the local health system. All hospital programs and services are being maintained to ensure patients receive quality health care. As at March 31, 2018, the System remains under supervision.

For the year ended March 31, 2018, the System has achieved a current ratio of 0.32 (2017 - 0.43) relative to the 0.80 to 2.00 performance corridor outlined in the H-SAA. In addition for both fiscal 2018 and 2017, the System has not met the H-SAA obligation to achieve a minimum balanced operating margin, excluding net building amortization expense. As at the financial statement date, no funding reduction has been made by LHIN.

2 Summary of significant accounting policies

Basis of presentation

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

A summary of the significant accounting policies is as follows:

Revenue recognition

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

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

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

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

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

Contributed materials and services

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

Inventories

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

Property and equipment

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

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

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

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

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

Equipment under capital leases

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

Employee future benefits

- Multi-employer plan

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

- Other post-employment benefit plans

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

  The System has adopted the following policies:

  - 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 14 years (2017 - 14 years).

Financial instruments

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

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

Assets/liabilities	Measurement
Cash (bank indebtedness)	fair value
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

	2018 $	2017 $
Ministry of Health and Long-Term Care/Local Health Integration Network and Cancer Care Ontario	2,335,892	2,178,446
Insurers and patients	4,103,828	3,678,813
Other	2,169,053	1,474,140
	8,608,773	7,331,399
Less: Allowance for doubtful accounts	2,164,607	1,911,065
	6,444,166	5,420,334

4 Property and equipment

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

			2017
	Cost $	Accumulated amortization $	Net $
Land	1,092,145	-	1,092,145
Land improvements	791,557	317,463	474,094
Buildings and building service equipment	127,643,843	54,593,659	73,050,184
Major equipment	24,520,141	16,314,539	8,205,602
Building renovations in progress	590,594	-	590,594
Equipment under capital leases	11,164,992	6,259,599	4,905,393
	165,803,272	77,485,260	88,318,012

During the year, the System capitalized interest relating to the energy retrofit project at the Brantford site amounting to $529,666 (2017 - $nil).

During the year, the System wrote off assets in the amount of $nil (2017 - $5,187,345), of which $nil (2017 - $5,187,345) was amortized.

5 Bank indebtedness

The System has an available $6,000,000 unsecured demand operating line of credit with the Bank of Nova Scotia. During the year, the operating line of credit was temporarily increased to $9,500,000, returning to $6,000,000 effective March 31, 2018.

As at March 31, 2018, the System has drawn $3,818,598 (2017 - $4,066,979) under this operating line of credit. This operating line of credit bears interest at the prime rate minus 0.50% (2017 - 0.50%).

As at March 31, 2018 and 2017, the System remained compliant with its lending covenants.

6 Long-term debt

In April 2017, the System entered into an agreement with Trane Canada ULC 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, Manulife, and provided to an appointed Trustee to hold an investment account on behalf of the System for the project completion. The Trustee releases payments from the investment account as work is completed by the third party energy project company subject to authorization by the System's management. The amount is financed with Manulife as noted below:

	2018 $	2017 $
Capital loan payable, due June 2038, with variable principal and interest instalments at 4.61% per annum	13,414,632	-
Less: Current portion	530,404	-
	12,884,228	-

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

	$
2019	530,404
2020	1,172,650
2021	1,843,163
2022	716,021
2023	741,550
Thereafter	8,410,844
	13,414,632

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

7 Obligations under capital leases

The System has a non-revolving bank loan in the amount of $9,000,000 with the Bank of Nova Scotia, available for leases. The System has also financed equipment directly with third party suppliers. The Bank of Nova Scotia leases are repayable in 60 equal monthly instalments, bearing interest at negotiated rates ranging from the prime rate plus 0.5% to fixed rates of 2.7% to 3.5%. The equipment financed through third party suppliers is financed over 84 months at an interest rate of 5.3%. 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:

	$
2019	1,240,643
2020	1,295,901
2021	397,523
2022	61,613
2023	61,613
Thereafter	118,091
	3,175,384
Less: Amount representing interest an average rate of 3.33%	164,323
	3,011,061
Less: Current portion	1,158,615
	1,852,446

8 Pension plan and employee future benefits

Multi-employer plan

Contributions made during the year to HOOPP by the System amounted to $6,986,975 (2017 - $6,881,484). These amounts are included in employee benefits expense in the statement of operations. The most recent actuarial valuation of HOOPP as at December 31, 2017 indicates the plan has a 22% 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 March 31, 2015.

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

	2018 $	2017 $
Accrued benefit obligation	5,130,800	5,097,200
Unamortized net actuarial loss	(608,100)	(624,800)
	4,522,700	4,472,400

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

	2018 $	2017 $
Employee future benefits liability, as at April 1	4,472,400	4,448,400
Current service cost	206,800	201,800
Interest cost	168,300	168,200
Amortization of actuarial losses	84,500	86,600
	4,932,000	4,905,000
Benefits paid	(409,300)	(432,600)
Employee future benefits liability, as at March 31	4,522,700	4,472,400

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

	2018	2017
Discount rate	3.30%	3.25%
Dental trend rates	3.00%	3.00%
Expected average remaining service life (years)	14	14
Extended health-care trend rates*	6.00%	6.25%

* The current rate is 6.00%. The rate is projected to decline by 0.25% per annum to an ultimate rate of 4.5%.

9 Deferred contributions

	2018 $	2017 $
Contributions held for future expenditures	408,765	1,052,252
Property and equipment	65,557,241	65,627,944
	65,966,006	66,680,196

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

	2018 $	2017 $
Balance - Beginning of year	1,052,252	967,804
Contributions relating to property and equipment	-	703,487
Property and equipment expenditures	(643,487)	(619,039)
Balance - End of year	408,765	1,052,252

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.

	2018 $	2017 $
Balance - Beginning of year	65,627,944	67,621,227
Funding for property and equipment	643,487	619,039
Contributions	3,966,923	1,790,142
Amounts amortized to revenue	(4,681,113)	(4,402,464)
Balance - End of year	65,557,241	65,627,944

10 Net assets invested in capital assets

Invested in capital assets is calculated as follows:

	2018 $	2017 $
Capital assets	93,852,052	88,318,012
Amounts financed by debt and capital leases	(16,425,693)	(4,052,719)
Amounts financed by deferred contributions	(65,557,241)	(65,627,944)
	11,869,118	18,637,349

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

	2018 $	2017 $
Excess (deficiency) of revenue over expenses		
Amortization of deferred contributions relating to capital assets	4,681,113	4,402,464
Amortization of capital assets	(8,439,833)	(8,698,481)
	(3,758,720)	(4,296,017)

	2018 $	2017 $
Net change in investment in capital assets		
Purchase of capital assets	13,612,873	2,833,434
Amounts funded by deferred contributions	(4,610,410)	(2,409,181)
Amounts financed by debt and capital leases	(12,011,974)	1,825,340
	(3,009,511)	2,249,593

11 Contingencies and commitments

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

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

	2018 $	2017 $
Accounts receivable	(1,023,832)	1,716,609
Inventories	(10,505)	156,647
Due from the Foundation	652,210	340,921
Other assets	(222,054)	25,201
Accounts payable and accrued liabilities	6,884,578	(6,548,350)
Deferred revenue	1,013,723	(391,465)
	7,294,120	(4,700,437)

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, 2018, the Foundation holds donations from the community in the amount of $4,746,102 (2017 - $5,314,430), 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 $1,678,090 (2017 - $1,135,151) of deferred contributions to the System in support of capital projects, which is included in deferred contributions, and $94,110 (2017 - $146,372) in support of 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 $752,784 (2017 - $706,894) and are recorded in due from Brant Community Healthcare System Foundation.

As at March 31, 2018, amounts due from Brant Community Healthcare System Foundation totalled $307,193 (2017 - $959,403).

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, 2018, 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, 2018, the System's exposure to credit risk in the event of non-payment by patients for non-insured services and for services provided to non-resident patients is not material.

Liquidity risk

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

Accounts payable and accrued liabilities are generally due within 60 days of receipt of an invoice. Bank indebtedness is repayable on demand. The maturity analysis of the Hospital's long-term debt is described in note 6 and capital lease obligations are described in note 7.

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

15 Funding revenue

	2018 $	2017 $
Local Health Integration Network - Hospital Sector	127,178,332	122,876,787
Local Health Integration Network - Multi Sector	2,632,027	2,254,607
Ministry of Health and Long-Term Care	2,940,874	3,553,326
Cancer Care Ontario	5,865,800	5,385,867
	138,617,033	134,070,587

16 Restructuring activities

Restructuring costs include expenditures relating to employee severances and other early retirement allowances. These costs are a result of changes to the System and its related governance under the direct oversight of the appointed Ministry Supervisor. The activities were implemented to improve the System's operating and service plans and achievement towards a balanced budget strategy.

17 Comparative information

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

Schedule of Diabetes Education Program Expenses

For the year ended March 31, 2018

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, 2018.

Brant Community Healthcare System

Schedule of Diabetes Education Program Expenses

For the year ended March 31, 2018

	2018 $	2017 $
Diabetes education program expenses		
Salaries and benefits		
Salaries	547,206	534,948
Benefits	149,520	148,526
	696,726	683,474
Operating expenses		
Professional development	5,717	2,184
Travel and transportation	23,795	125
Other program expenses	26,729	59,599
	56,241	61,908
	752,967	745,382