



BRUYÈRE CONTINUING CARE INC.
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Bruyère Continuing Care Inc.

Opinion

We have audited the consolidated financial statements of Bruyère Continuing Care Inc. (the Entity), which comprise:

- the consolidated statement of financial position as at March 31, 2023
- the consolidated statement of revenue and expenses for the year then ended
- the consolidated statement of changes in net assets (deficiency) for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to consolidated 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 consolidated financial position of the Entity as at end of March 31, 2023, and its consolidated statement of revenue and expenses, its consolidated statement of changes in net assets (deficiency) and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “**Auditors’ Responsibilities for the Audit of the Financial Statements**” section of our auditors’ report.

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

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

Emphasis of Matter – Restatement of financial information

We draw attention to Note 3 of the financial statements which explains that certain comparative information presented for the year ended March 31, 2022 has been restated.

Note 3 explains the reasons for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified with respect of this matter.



Other Matter – Restatement of financial statements

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 comparative information presented for the year ended March 31, 2022. In our opinion, such adjustments are appropriate and have been properly applied.

Our opinion is not modified with respect to this matter.

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

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

June 26, 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	March 31, 2023	March 31, 2022 <i>[Restated Note 3]</i>
	\$	\$
ASSETS		
Current assets		
Cash	34,391,177	19,491,407
Accounts receivable <i>[note 4]</i>	10,145,625	25,212,949
Inventories <i>[note 5]</i>	1,172,073	1,881,173
Prepaid expenses	1,857,362	1,151,132
Total current assets	47,566,237	47,736,661
Capital assets and equipment under capital lease <i>[note 6]</i>	254,561,575	257,906,173
Restricted cash <i>[note 7]</i>	6,769,024	6,785,699
Trust assets <i>[note 8]</i>	997,906	1,002,944
	309,894,742	313,431,477
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities <i>[note 9]</i>	48,175,470	40,850,859
Current portion of long-term debt and obligation <i>[notes 10 & 11]</i>	1,716,832	1,658,762
Deferred revenue	5,985,451	5,301,921
Total current liabilities	55,877,753	47,811,542
Long-term liabilities		
Trust liabilities <i>[note 8]</i>	997,906	1,002,944
Deferred contributions related to capital assets <i>[note 12]</i>	148,407,398	149,187,290
Long-term debt <i>[note 10]</i>	49,476,278	50,795,280
Obligation under capital lease <i>[note 11]</i>	906,379	1,304,209
Post-employment benefits <i>[note 16]</i>	1,854,000	1,958,600
Post-retirement benefits <i>[note 16]</i>	4,962,700	5,016,600
Asset Retirement Obligation <i>[note 18]</i>	9,882,172	12,723,757
Total long-term liabilities	216,486,833	221,988,680
<i>Commitments and contingencies [note 19]</i>		
Net assets		
Invested in capital assets <i>[note 13a]</i>	47,882,225	46,292,749
Unrestricted (deficiency)	(12,411,384)	(4,391,319)
Externally restricted		
Capital and contingency replacement fund <i>[note 13c]</i>	2,059,315	1,729,825
Total net assets	37,530,156	43,631,255
	309,894,742	313,431,477

See accompanying notes to the financial consolidated statements

On behalf of the Board:



Chair: John Hoyles



Treasurer: Geoff Publow

CONSOLIDATED STATEMENT OF REVENUE AND EXPENSES

	Hospitals	LTC Homes	Family Medicine	CSS	Village	Total 2023	Total 2022 [Restated Note 3]
	\$	\$	\$	\$	\$	\$	\$
REVENUE							
Funding from Governments	163,355,072	22,249,966	3,717,588	5,732,347	163,017	195,217,990	192,078,814
Patient revenue from other payors	6,120,545	—	2,168,647	—	—	8,289,192	6,256,374
Preferred Accommodation and co-payment	7,480,438	6,254,473	—	—	—	13,734,911	12,490,566
Recoveries and miscellaneous revenue	4,200,412	537,310	996,736	—	494,905	6,229,363	5,186,704
Rental income	187,288	64,835	—	—	7,517,088	7,769,211	7,533,852
Investment income	932,146	476	6,225	—	62,231	1,001,078	166,297
Amortization of deferred contributions for major equipment	1,301,754	53,128	1,191	3,149	—	1,359,222	995,309
	183,577,655	29,160,188	6,890,387	5,735,496	8,237,241	233,600,967	224,707,916
EXPENSES							
Salaries and wages	123,433,301	18,037,573	3,947,612	4,464,280	1,274,960	151,157,726	136,990,595
Benefit contributions	28,261,130	4,558,422	1,071,849	716,819	295,576	34,903,796	32,660,002
Medical staff remuneration	2,003,669	87,235	600,289	—	—	2,691,193	2,477,423
Supplies and other operating	20,523,012	5,616,046	955,962	785,570	3,190,961	31,071,551	32,157,288
Medical and surgical supplies	3,021,610	2,025,518	56,974	28,462	5,006	5,137,570	6,124,463
Drugs	1,820,372	1,173	18,278	—	—	1,839,823	1,777,602
Amortization of major equipment	1,575,448	98,634	6,795	3,149	12,357	1,696,383	1,190,735
Rental and lease of equipment	5,716,001	6,889	30,001	1,233	1,006	5,755,130	5,043,266
	186,354,543	30,431,490	6,687,760	5,999,513	4,779,866	234,253,172	218,421,374
Excess (deficiency) of revenue over expenses before undernoted	(2,776,888)	(1,271,302)	202,627	(264,017)	3,457,375	(652,205)	6,286,542
Amortization of deferred contributions of buildings	4,012,292	889,534	—	—	236,720	5,138,546	5,080,549
Amortization of buildings	(5,198,009)	(1,041,260)	—	—	(1,866,319)	(8,105,588)	(8,268,124)
Accretion expense	(404,212)	(19,489)	—	—	—	(423,701)	(410,047)
Interest expense on long-term debt and obligation	(47,959)	—	—	—	(2,010,192)	(2,058,151)	(2,114,234)
Excess (deficiency) of revenue over expenses	(4,414,776)	(1,442,517)	202,627	(264,017)	(182,416)	(6,101,099)	574,686

See accompanying notes to the consolidated financial statement

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS (DEFICIENCY)

	Externally restricted Capital and contingency replacement fund \$	Invested in capital assets \$	Unrestricted (deficiency) \$	2023 \$	2022 [Restated Note 3] \$
Balance, beginning of year	1,729,825	47,044,843	(4,391,319)	44,383,349	43,056,569
Adjustment on adoption asset retirement obligation standard <i>[note 3]</i>	—	(752,094)	—	(752,094)	—
Balance, beginning of year restated	1,729,825	46,292,749	(4,391,319)	43,631,255	43,056,569
Excess (deficiency) of revenue over expenses	—	—	(6,101,099)	(6,101,099)	574,686
Net change in net assets invested in capital assets <i>[note 13b]</i>	—	1,589,476	(1,589,476)	—	—
Transfer <i>[note 13c]</i>	329,490	—	(329,490)	—	—
Balance, end of year	2,059,315	47,882,225	(12,411,384)	37,530,156	43,631,255

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOW

Year ended March 31

	2023	2022 [Restated Note 3]
	\$	\$
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	(6,101,099)	574,686
Change in deferred revenue	683,530	2,544,861
Add (deduct) items not affecting cash		
Accretion expense	423,701	410,047
Amortization of capital assets and equipment under capital lease	9,801,971	9,458,859
Amortization of deferred contributions related to capital assets	(6,497,768)	(6,075,858)
Adjustment in Capital assets relating to recognition of Asset retirement obligation	—	(12,313,710)
Asset retirement obligation	—	12,313,710
Post-employment benefits	(104,600)	(181,800)
Post-retirement benefits	(53,900)	(22,500)
	(1,848,165)	6,708,295
Changes in non-cash operating working capital items:		
Accounts receivable	15,067,324	3,878,063
Inventories	709,100	(236,078)
Prepaid expenses	(706,230)	(13,997)
Accounts payable and accrued liabilities	5,799,682	5,644,497
Cash provided by operating activities	19,021,711	15,980,780
INVESTING ACTIVITIES		
Decrease of restricted cash	16,675	169,277
Purchase of capital assets	(9,722,659)	(5,803,348)
Change in payables related to purchase of capital assets	1,524,929	(282,501)
Cash used in investing activities	(8,181,055)	(5,916,572)
FINANCING ACTIVITIES		
Repayment of long-term debt	(1,273,320)	(1,229,382)
Repayment of obligation under capital lease	(385,442)	(373,439)
Deferred contributions received for capital assets	5,717,876	3,774,466
Cash provided by financing activities	4,059,114	2,171,645
Net increase in cash	14,899,770	12,235,853
Cash, beginning of year	19,491,407	7,255,554
Cash, end of year	34,391,177	19,491,407

See accompanying notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31

1. NATURE OF ENTITY

Bruyère Continuing Care Inc. ["Bruyère"] was incorporated in April 1996 under the Corporations Act of Ontario and is a registered charity under the Income Tax Act. Inspired by its founder, Mother Élisabeth Bruyère, Bruyère is a Catholic health care organization committed to improving the quality of life of its patients, residents, and tenants. Bruyère is sponsored by the Catholic Health Corporation of Ontario whose directors are Members of Bruyère.

Bruyère consists of Saint-Vincent Hospital ["SVH"], Élisabeth Bruyère Hospital ["EBH"] and Greystone Village ["GV"], which constitute the Bruyère Hospitals ["Hospitals"], the Saint-Louis Residence ["SLR"] and the Élisabeth Bruyère Residence ["EBR"] which constitute the Long-term Care Homes ["LTC Homes"], Community Support Services ["CSS"], Bruyère Village ["Village"] and Family Medicine ["FM"]. Under the umbrella of FM includes both the Family Health Team and Diabetes Education Program which were incorporated under the name Bruyère Academic Family Health Team ["BAFHT"] on December 28, 2018.

2. SIGNIFICANT ACCOUNTING POLICIES

Bruyère is controlled by the Province of Ontario and is deemed to be a government not-for-profit organization under the Canadian public sector accounting standards. The consolidated financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards for Government not-for-profit organizations ["PSAS-GNPO"] and include the following significant accounting policies:

Basis of presentation

The consolidated financial statements include the accounts of Bruyère and BAFHT as a result of effective control. Intercompany balances and transactions between the entities have been eliminated from the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

The classification of financial instruments is as follows:

Asset / Liability

Cash	Fair value
Trust assets	Fair value
Restricted cash	Fair value
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Trust liabilities	Fair value
Long-term debt	Amortized cost
Obligation under capital lease	Amortized cost
Asset retirement obligation	Amortized cost

This fair value option is available for any instrument, upon an irrevocable designation made on initial recognition.

An impairment loss is measured as the difference between the current carrying amount of the asset and the highest amount the entity expects to collect through the present value of future cash flows, the sale of the financial asset on the consolidated statement of financial position date and collection of collateral. Financial assets are assessed for impairment on an annual basis. When a loss is determined to be other than temporary, the amount of loss is reported in the statement of operations.

Transaction costs are expensed as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

Hospitals: EBH, SVH and GV hospitals are funded by The Province of Ontario, in accordance with the budget arrangements established by the Ministry of Health of Ontario ["MOH"] under the Public Hospitals Act and associated regulations. The funding is the object of a Service Accountability Agreement ["H-SAA"] which together with the Act, puts limits on the use of the funding. Bruyère is responsible for any deficit or surpluses. Once the accountability obligations have been met, surpluses can be recorded in Net Assets.

LTC Homes: EBR and SLR homes consist of 267 beds [EBR - 69 beds; RSL - 198 beds] facility funded by the Ministry of Long-Term Care Home "MOLTC" under the Long-Term Care Homes Act and regulations thereof. The funding is the object of a Long-Term Care Home Service Accountability Agreement – Multi Homes ["L-SAA EBR" and "L-SAA RSL"] which together with the Act, puts limits on the use of the funding. The use of funds is allocated by specific envelopes that restrict its use and unused funds are subject to repayment. Bruyère is responsible for any deficit or surpluses in controlled envelopes that are returned to the MOLTC, except for the Other Accommodation envelope which can be recorded in Net Assets.

Family Medicine: Family Medicine supports an academic environment for the training of physicians, medical students and other allied health students in a family medicine setting. The Family Medicine is responsible for any deficit or surpluses which can be recorded in Net Assets.

On December 28th, 2018, both the Family Health Team and Diabetes Education Program were incorporated under the name of BAFHT. All assets and liabilities, statement of financial position of this corporation are consolidated within the Bruyère Continuing Care Inc. consolidated financial statements as Bruyère controls the organization.

CSS: Bruyère operates Community Support Services programs that are funded by the MOH under the Connecting Care Act and regulations thereof. The funding is the object of a Multi-Sector Service Accountability Agreement ["M-SAA"] which together with the Act, puts limits on the use of the funding. Any surpluses are the object of repayments to the MOH and deficits are the responsibility of Bruyère.

Bruyère Village: The Village provides a continuum of services, bridging the gap between independent living and long-term care. The Village offers 78 units for independent living, 45 of which are affordable housing funded under the Canada / Ontario Affordable Housing Plan. In addition to the 78 units, another 149 units are fully assisted living apartments partially funded by the MOH. Bruyère is responsible for any deficit or surpluses which can be recorded in Net Assets.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Externally restricted contributions are deferred and recognized as revenue in the year in which the related expenses are incurred.

Restricted investment income earned on unspent capital contributions is recognized as an increase in deferred contributions related to capital assets. Unrestricted investment income is recognized as revenue when earned.

Service revenues are recognized when the related service is provided.

Related party transactions in the normal course of operations are recorded at the exchange amount.

Contributed services

A substantial number of volunteers contribute a significant amount of their time each year to assist Bruyère in carrying out its services. Because of the difficulty of determining the fair value, contributed services are not recognized in the consolidated financial statements.

Contributed capital assets

Contributions received in the form of capital assets that will be amortized are deferred and recognized as revenue on the same basis as the amortization expense related to the contributed capital assets. Contributions received in the form of capital assets or funds for the purchase of capital assets that will not be amortized are recognized as a direct increase in net assets.

Inventories

Pharmacy's inventories are valued at the lower of weighted average cost and net realizable value. Other inventories are valued at the lower of weighted average cost and replacement cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets

Capital assets are recorded at cost and amortized on a straight-line basis using the following rates:

Land improvements	5 – 25 years
Building	20 – 40 years
Building service and equipment	5 – 20 years
Equipment under capital lease	20 years
Major equipment	5 – 25 years
Software	5 years

Land is not amortized due to its infinite life.

Construction in progress and software under development assets are not amortized until the projects are complete and the assets are put into use.

Bruyère capitalizes interest costs incurred during the construction of its projects.

Impairment of long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the asset no longer has long-term service potential. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its residual value.

Trust funds

Bruyère holds resources and makes disbursements on behalf of various unrelated individuals or groups. Bruyère has no discretion over such transactions. Bruyère also administers trust funds on behalf of patients and pursuant to trust agreements, which are subject to restrictions. Resources received in connection with such trust funds are reported as trust assets and liabilities. Transactions related to these funds are not reported as revenue or expenses of Bruyère.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Post-employment and post-retirement benefits

Bruyère provides defined retirement and other future benefits for substantially all retirees and employees. These future benefits include life insurance and health care benefits. Bruyère accrues its obligations for employee benefit plans as the employees render the services necessary to earn the benefits. The cost of post-employment and post-retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of the discount rate, retirement ages of employees, expected health care costs and other actuarial factors. The accrued benefit obligation is measured for accounting purposes as at March 31st. Actuarial gains and losses arising in a year are amortized into future years' expenses over the average remaining service period of active employees. Past service costs arising from a plan amendment are recognized as incurred. The average remaining service period of the active employees covered by benefit plans is 10 years [2022 – 11 years].

Bruyère is an employer member of the Healthcare of Ontario Pension Plan ["HOOPP"], which is a multi-employer defined benefit pension plan. Bruyère has adopted defined contribution plan accounting principles for the Plan because insufficient information is available to apply defined benefit plan accounting principles.

Asset Retirement Obligation

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are 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.

The liability for the removal of asbestos in several of the buildings owned by Bruyère has been recognized based on estimated future expenses on buildings being demolished and closure of the site.

The liability is discounted using a present value calculation and adjusted yearly for accretion expense. The recognition of a liability resulted in an accompanying increase to the respective tangible capital assets. The increase to the building is being amortized in accordance with the depreciation accounting policies outlined in capital assets.

Foreign currency translation

Transactions in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at the transaction date. Monetary assets and liabilities denominated in foreign currencies are adjusted to reflect the rates of exchange in effect at the consolidated statement of financial position date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of the consolidated financial statements in accordance with PSAS-GNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The more significant areas requiring the use of estimates include the estimated useful life of capital assets, the fair market value of contributed capital assets, recoverability of receivables, the amount of certain accrued liabilities, potential retroactive union settlements as well as the assumptions underlying the post-employment benefits and post-retirement benefits calculations.

In addition, Bruyère's implementation of PS 3280 Asset Retirement Obligations has resulted in the requirement for management to make estimates regarding the useful lives of affected tangible assets and the expected retirement costs, as well as the timing and duration of the retirement costs including discount rate and inflation factors.

Actual results could differ from these estimates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31

3. CHANGE IN ACCOUNTING POLICIES

PS 3280 – Asset Retirement Obligations:

On April 1, 2022, Bruyère 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 retired buildings by public sector entities. 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 and re-evaluated for subsequent years ended.

Asbestos Obligation:

- On April 1, 2021, Bruyère recorded an increase of \$12,313,710 in the buildings capital assets account representing the original value of \$19,630,628 discounted to the present value using inflation rate of 2% and discounted rate of 3.33%. During the fiscal year, Bruyère recorded a depreciation expense of \$342,047 [2022 - \$342,047]. As of March 31, 2023, Bruyère re-evaluated its asset retirement obligation using a discounted rate of 4.08% resulting in a decrease of \$3,265,286 in the buildings capital assets account. The net book value as of March 31, 2023, is \$8,364,330 [2022 - \$11,971,663].

Asset Retirement Obligation Liability:

- On April 1, 2021, an asset retirement obligation of \$12,313,710 representing the original value of \$19,630,628 discounted to the present value using inflation rate of 2% and discounted rate of 3.33%. During the fiscal year, Bruyère recorded an accretion expense of \$423,701 [2022 – 410,047]. As of March 31, 2023, Bruyère re-evaluated its asset retirement obligation using a discounted rate of 4.08% resulting in a decrease of \$3,265,286 in the liability. Bruyère's liability as of March 31, 2023, is \$9,882,172 [2022 – 12,723,757].

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31

4. ACCOUNTS RECEIVABLE

	March 31, 2023	March 31, 2022
	\$	\$
Government	7,913,967	23,221,774
Patient service	1,288,676	1,076,265
Other	942,982	914,910
	10,145,625	25,212,949

5. INVENTORIES

Inventories consists primarily of drugs, medical and surgical supplies. The amount recognized as an expense during the year was \$6,388,185 [2022 - \$7,809,619].

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31

6. CAPITAL ASSETS AND EQUIPMENT UNDER CAPITAL LEASE

	March 31, 2023		
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Land	41,742,729	—	41,742,729
Land improvements	334,452	202,940	131,512
Building	226,883,351	46,464,820	180,418,531
Building service equipment	22,720,552	8,189,017	14,531,535
Construction in progress	7,433,714	—	7,433,714
Major equipment	24,964,289	17,976,199	6,988,090
Software	17,341,363	16,318,424	1,022,939
Equipment under capital lease	3,056,700	764,175	2,292,525
	344,477,150	89,915,575	254,561,575

	March 31, 2022 [Restated note 3]		
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Land	41,742,729	—	41,742,729
Land improvements	334,452	189,433	145,019
Building	229,971,989	39,778,744	190,193,245
Building service equipment	21,371,482	6,935,846	14,435,636
Construction in progress	3,158,199	—	3,158,199
Major equipment	21,774,068	16,890,456	4,883,612
Software	16,761,420	15,859,047	902,373
Equipment under capital lease	3,056,700	611,340	2,445,360
	338,171,039	80,264,866	257,906,173

Annually, Bruyère conducts an analysis of its capital assets which have no carrying value and for which no amortization has been recorded for the past 10 years. The cost value for these items, along with their accumulated amortization have been removed from Bruyère financial statements and amounted to \$151,262 [2022 - 28,300,414].

The restatement relating to recognition of asset retirement obligations resulted in an increase of \$11,971,663 in the buildings net book value for the year-end March 31, 2022:

	March 31, 2023	March 31, 2022
Asset Retirement Obligation	\$	\$
Balance, beginning of year	11,971,663	12,313,710
Amortization expense	(342,047)	(342,047)
Remeasurement adjustment at year-end	(3,265,286)	—
Balance, end of year	8,364,330	11,971,663

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31

7. RESTRICTED CASH

Restricted cash for long-term obligations reflects Bruyère's practice to designate assets required for future obligations, as follows:

	March 31, 2023	March 31, 2022
	\$	\$
Unspent capital contributions <i>[note 12]</i>	3,709,709	4,055,874
Capital and contingency replacement funds <i>[note 13c]</i>	2,059,315	1,729,825
Restricted Cash - Bruyere Village	1,000,000	1,000,000
	6,769,024	6,785,699

As of March 31, 2023, Bruyère is obligated to restrict excess cash flows generated by the Village up to the amount of \$1 million [2022 - \$1 million]. The usage of these funds in the debt service reserve account is subject to Ontario Infrastructure Lands Corporation ["IOLC"] consent and approval.

8. TRUST ASSETS AND LIABILITIES

Trust assets and liabilities represent the aggregate balance of cash held for third parties. Changes in the trust balance for the year are as follows:

	March 31, 2023	March 31, 2022
	\$	\$
Balance, beginning of year	1,002,944	1,064,336
Contributions received during the year	489,785	505,259
Disbursements made during the year	(494,823)	(566,651)
Balance, end of year	997,906	1,002,944

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2023	March 31, 2022
	\$	\$
Accounts payable related to vendors	20,512,517	17,787,726
Employee/employer remittances payable	37,237	410,177
Accrued salaries & wages - general	5,098,613	4,416,059
Accrued salaries & wages - under negotiation	9,009,165	3,948,924
Vacation benefits payable	11,146,095	10,820,355
Other accrued benefits	1,536,792	1,803,092
Other accrued liabilities	835,051	1,664,526
	48,175,470	40,850,859

10. LONG-TERM DEBT

	March 31, 2023	March 31, 2022
	\$	\$
Village Debenture - Phase II	38,509,354	39,472,955
Village Debenture - Phase I	12,145,926	12,335,645
	50,655,280	51,808,600
SCO loan	140,000	260,000
Total long-term debt	50,795,280	52,068,600
Less current portion of long-term debt	(1,319,002)	(1,273,320)
	49,476,278	50,795,280

The repayments of principal of the long-term debt for the next five years are as follow:

	\$
2024	1,319,002
2025	1,266,497
2026	1,295,978
2027	1,347,220
2028	1,400,600

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31

10. LONG-TERM DEBT (continued)

Financing agreement – Bruyère Village

Through fiscal years 2012-2016, Bruyère entered into financing agreements [“Village Construction Loan”] for the construction of the Bruyère Village [“Phase I” and “Phase II”] with IOLC for a total of \$57,446,319.

Village Debenture – Phase I

On August 1, 2013, Bruyère converted \$13,668,750 [Construction loan – Phase I] to a fixed rate debenture. The debenture is for 20 years, amortized over 40 years with a 4.30% semi-annual rate [4.34% monthly equivalent] with monthly principal and interest payments of \$59,703.

Village Debenture – Phase II

On March 1, 2017, Bruyère converted \$43,777,569 Village Construction Loan – Phase II to a fixed rate debenture. The debenture is for 20 years, amortized over 30 years [starting April 1, 2017] with a 3.81% annual rate with monthly principal and interest payments of \$204,234.

As at March 31, 2023, Bruyère is in compliance with all the covenants of the financing agreement.

IOLC Security for Village Debenture – Phase I and Phase II

IOLC has a freehold charge/mortgage and assignment of rents against the Phase I lands with carrying value of \$3,147,729 [2022 - \$3,147,729] and a first ranking mortgage/charge on Phase II lands with a carrying value of \$3,000,000 [2022 - \$3,000,000].

Sisters of Charity of Ottawa [“SCO”] loan

In fiscal year 2014, Bruyère entered into a financing agreement with the SCO in the amount of \$1,200,000 for the purchase of 85 Primrose Avenue in Ottawa, Ontario. The loan is interest free, reimbursable on a monthly payment of \$10,000 until May 1, 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31

11. OBLIGATION UNDER CAPITAL LEASE

In late fiscal year 2013, Bruyère started planning the construction of a Combined Heat and Power System [Co-Gen] at SVH.

On July 2015, Bruyère signed a lease agreement with Royal Bank of Canada [RBC] to finance up to \$2,500,000 of the equipment costs. Bruyère amended its credit facility on June 22, 2016, to add an additional \$500,000 bringing its facility to \$3,000,000 [\$3,390,000 incl. taxes]. By executing this agreement, Bruyère [Lessee] shall lease the Equipment under capital lease from RBC [Lessor] for a term of 108 months [effective June 29, 2017 until May 29, 2026] with an option to purchase for \$1 after all rentals have been paid. The lease monthly payments are \$36,117 [principal and interest], bearing interest of 3.23% and secured by the equipment under capital lease with a net book value of \$2,292,525 [2022: \$2,445,360]. The obligation under capital lease is presented as follow:

	March 31, 2023	March 31, 2022
	\$	\$
Obligation under capital lease	1,689,651	2,063,090
Principal repayment during current fiscal year	(385,442)	(373,439)
Obligation under capital lease	1,304,209	1,689,651
Less current portion of obligation under capital lease	(397,830)	(385,442)
	906,379	1,304,209

The repayments of capital of the obligation under capital lease for the next four years are as follow

	\$
2024	397,830
2025	410,617
2026	423,814
2027	71,948

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31

12. DEFERRED CONTRIBUTED RELATED TO CAPITAL ASSETS

Deferred contributions related to capital assets represent the unamortized amount and unspent amount of grants and donations received for the purchase of capital assets and the contributed capital assets. The amortization of deferred contributions related to capital assets is recorded as revenue in the consolidated statement of revenue and expenses.

The changes in the deferred contributions balance for the year are as follows:

	March 31, 2023	March 31, 2022
	\$	\$
Balance, beginning of year	149,187,290	151,488,682
Capital grants and donations received	5,717,876	3,774,466
Amortization of deferred contributions	(6,497,768)	(6,075,858)
Balance, end of year	148,407,398	149,187,290

The balance of unamortized and unspent capital contributions consists of the following:

	March 31, 2023	March 31, 2022
	\$	\$
Unamortized capital contributions	144,697,689	145,131,416
Unspent capital contributions	3,709,709	4,055,874
	148,407,398	149,187,290

Included in the March 31, 2022, unspent capital contributions were the \$338,310 underspending of the 2021-2022 Health Infrastructure Renewal Fund ["HIRF"].

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31

13. NET ASSETS

[a] Net assets invested in capital assets is calculated as follows:

	March 31, 2023	March 31, 2022
	\$	\$
Capital assets [note 6]	254,561,575	257,906,173
Less amounts financed by:		
Unamortized capital contributions [note 12]	(144,697,689)	(145,131,416)
Total asset retirement obligation [note 18]	(9,882,172)	(12,723,757)
Total debt [note 10]	(50,795,280)	(52,068,600)
Total obligation under capital lease [note 11]	(1,304,209)	(1,689,651)
	47,882,225	46,292,749

[b] The net change in net assets invested in capital assets is calculated as follows:

	March 31, 2023	March 31, 2022
	\$	\$
Purchase of capital assets	9,722,659	5,803,348
Adjustment of capital related to recognition of asset retirement obligations	—	12,313,710
Remeasurement of asset retirement obligation	—	—
Amounts financed by deferred capital contributions:		
Capital grants and donations received	(5,717,876)	(3,774,466)
Changes in unspent capital contributions	(346,165)	519,219
Amounts financed by long-term debt and obligation under capital lease:		
Repayment of obligation under capital lease	385,442	373,439
Repayment of long-term debt	1,273,320	1,229,382
Recognition of asset retirement obligations	—	(12,313,710)
Accretion expense	(423,701)	(410,047)
Amortization of deferred contributions	6,497,768	6,075,858
Amortization of capital assets	(9,801,971)	(9,458,859)
	1,589,476	357,874

[c] IOLC requires Bruyère to transfer 4% of the monthly gross income from the Village operations, into a Capital and Contingency Replacement Fund ["CCRF"]. The CCRF is for the exclusive purpose of major capital maintenance overhaul deemed necessary by both Bruyère and IOLC or debt service obligations. Any use of the CCRF shall require prior written consent by IOLC. The amount transferred in the year was \$329,490 [2022 - \$311,504].

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31

14. RELATED PARTY TRANSACTIONS

Bruyère exercises significant influence over the Bruyère Foundation Inc. [“the Foundation”] and the Bruyère Research Institute Inc. [“BRI”], with the cross appointment of ex-officio board members as required by the by-laws of the individual corporations.

The Foundation and BRI are separate corporations, whose financial information is reported on separately. The net assets and results of operations for these entities are not included in Bruyère’s consolidated financial statements.

Bruyère Foundation Inc.

The Foundation was established to raise funds in support of the financial goals of Bruyère and its related entities. The Foundation is incorporated under the Corporations Act of Ontario and is a registered charity under the Income Tax Act. During the year, Bruyère received donations of \$3,660,424 [2022 - \$2,334,370] from the Foundation. In addition, the Foundation donated gifts-in-kind to Bruyère, which were recorded by Bruyère at no value. Bruyère provided the Foundation with financial, human resources and information systems services as well as occupation cost at minimal charges of \$52,300 [2022 - \$52,300], based on cost and ability to pay. All revenue and expenses of the Foundation are initially respectively received and paid by Bruyère. Included in accounts payable as at March 31, 2023 is \$291,790 due to Foundation [2022 – \$70,482].

Bruyère Research Institute Inc.

BRI was established to promote, support and carry out research towards maximizing independence and fostering exemplary care in long-term, complex continuing and in end-of-life for the elderly. BRI is incorporated under the Corporations Act of Ontario. Bruyère supported BRI’s overhead with a contribution of \$1,000,000 [2022 - \$1,090,235]. Bruyère provided BRI with financial, human resources and information systems services as well as occupation cost at reduced charges of \$0 [2022 - \$62,400], based on cost and ability to pay. All revenue and expenses of BRI are initially respectively received and paid by Bruyère. Included in accounts payable is \$1,591,846 [2022 - \$959,551].

Ottawa Regional Hospital Linen Services Incorporated, Champlain Health Supply Services Inc.

Bruyère is a founding member of the Ottawa Regional Hospital Linen Services Incorporated [“ORHLS”] and Champlain Health Supply Services Inc. [“CHSS”]. ORHLS and CHSS were established to provide laundry and procurement services, respectively to member hospitals on a cost-of-service basis.

For the year ended March 31, 2023, Bruyère disbursed \$1,792,102 [2022 - \$1,879,368] to ORHLS for laundry services and \$138,557 [2022 - \$115,247] to CHSS for procurement services. These amounts have been included in supplies and other expenses in the statement of revenue and expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31

14. RELATED PARTY TRANSACTIONS (continued)

Ottawa Hospitals Food Association [“OHFA”] [formerly Hospital Food Services - Ontario, Inc. [“HFS”]]

Bruyère was a founding member of Hospital Food Services – Ontario Inc. [“HFS”]. HFS was established to provide food services, respectively to member hospitals on a cost-of-service basis.

On May 13, 2019, the Board of Directors of HFS finalized the sale of substantially all of its assets to a third party purchaser. As unanimously agreed upon by the Member Hospitals and the Board of Directors of HFS, the net proceeds of the HFS sale will be distributed to each of the member Hospital’s respective Foundations. Effective on the date of sale, HFS changed its operating name to Ottawa Hospitals Food Association [“OHFA”].

On February 27, 2023, the Board of Directors of OHFA approved a motion to proceed with a final distribution of \$366,826 [June 11, 2021 - \$2,700,000] to the member hospital Foundations based on their share. The Bruyère Foundation share of the distribution is 22.13%, and the Foundation received a donation of \$81,178 as of March 31, 2023 [2022 - \$597,504].

At March 31, 2023, Bruyère had an economic interest of \$0 in OHFA [2022 - \$84,116] of total net assets of \$0 [2022 - \$380,101].

15. PENSION PLANS

The majority of Bruyère employees are members of the Healthcare of Ontario Pension Plan [“HOOPP”], which is a multi-employer defined benefit pension plan available to all eligible employees of the healthcare community. Contributions to HOOPP made during the year by Bruyère on behalf of its employees amounted to \$8,529,536 [2022- \$8,159,663] and are included in the consolidated statement of revenue and expenses within the benefits contributions.

Pension expense is based on HOOPP management’s best estimates, in consultation with its actuaries, of the amount required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by HOOPP. The funding objective is for employer contributions to HOOPP to remain a constant percentage of employees’ contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of HOOPP as at December 31, 2022 indicated HOOPP is fully funded.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31

15. PENSION PLANS (continued)

Unionized employees of the SLR are members of the Nursing Homes and Related Industries Pension Plan which is a multi-employer contributory pension plan. Contributions to this plan made during the year by Bruyère on behalf of its employees amounted to \$295,979 [2022 - \$278,023]. A group RRSP plan is also offered to non-unionized employees of the SLR. Contributions to this plan for the year totaled \$36,490 [2022 - \$27,068]. Contributions made by the employer on behalf of employees of the SLR are included in the statement of revenue and expenses within the benefits contributions.

16. POST-EMPLOYMENT AND POST-RETIREMENT BENEFITS

Post-employment benefits are comprised of vested sick leave.

Post-retirement benefits are comprised of extended health care, dental benefits and life insurance benefits for retired employees. The cost of the life insurance is covered entirely by Bruyère. Bruyère covers 50% or 75% of the extended health care and dental benefits premiums depending on the union and/or the age of retirement.

An actuarial valuation was performed as at December 31, 2022 for both the post-retirement and sick leave benefits plans. The results were extrapolated to March 31, 2023, and were used to develop the expense for the period from April 1, 2022 to March 31, 2023.

The next required actuarial valuation will be performed as of December 31, 2025.

These benefits are recorded in the consolidated statement of revenue and expenses as a component of salaries and wages for \$156,800 [2022 - \$217,800] and as a component of benefit contributions for \$442,200 [2022 - \$473,700].

Effective March 31, 2023, the non-union employees [excluding Quebec residents] are entitled to the retiree benefits [extended health, semi-private and dental coverage]. Past service costs related to this award totaled \$708,300. The plan amendment past service costs were offset by the immediate recognition of unamortized actuarial gains of \$708,300.

Accrued liability is as follows:

	<u>Post-employment benefits</u>		<u>Post-retirement benefits</u>	
	<u>March 31, 2023</u>	<u>March 31, 2022</u>	<u>March 31, 2023</u>	<u>March 31, 2022</u>
	\$	\$	\$	\$
Accrued benefit liability				
Balance, beginning of year	1,958,600	2,140,400	5,016,600	5,039,100
Benefit cost for the year	156,800	217,800	466,200	473,700
Benefit payments	(261,400)	(399,600)	(520,100)	(496,200)
Balance, end of year	1,854,000	1,958,600	4,962,700	5,016,600

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31

16. POST-EMPLOYMENT AND POST-RETIREMENT BENEFITS (continued)

The benefit cost includes:

	<u>Post-employment benefits</u>		<u>Post-retirement benefits</u>	
	<u>March 31, 2023</u>	<u>March 31, 2022</u>	<u>March 31, 2023</u>	<u>March 31, 2022</u>
	\$	\$	\$	\$
Current service cost	76,600	78,700	224,800	231,700
Interest cost on accrued benefit obligation	71,700	68,200	180,700	160,300
Past service costs	—	—	708,300	—
Immediate recognition of unamortized gains	—	—	(708,300)	—
Amortization of actuarial loss	8,500	70,900	60,700	81,700
Benefit cost	156,800	217,800	466,200	473,700

The reconciliation of the accrued benefit obligation to the accrued benefit liability is as follows:

	<u>Post-employment benefits</u>		<u>Post-retirement benefits</u>	
	<u>March 31, 2023</u>	<u>March 31, 2022</u>	<u>March 31, 2023</u>	<u>March 31, 2022</u>
	\$	\$	\$	\$
Accrued benefit obligation	1,935,500	1,924,800	5,113,600	4,793,700
Unamortized actuarial gain (loss)	(81,500)	33,800	(150,900)	222,900
Accrued benefit liability	1,854,000	1,958,600	4,962,700	5,016,600

The key actuarial assumptions used to determine the accrued benefit obligation are:

	<u>Post-employment benefits</u>		<u>Post-retirement benefits</u>	
	<u>March 31, 2023</u>	<u>March 31, 2022</u>	<u>March 31, 2023</u>	<u>March 31, 2022</u>
	\$	\$	\$	\$
Discount rate	4.04%	3.89%	4.04%	3.89%
Salary escalation rate	2.00%	1.50%	2.00%	1.50%
Extended health care cost trend - current	—	—	5.46%	5.46%
Extended health care cost trend - ultimate	—	—	3.57%	3.57%
Dental care cost trend - current	—	—	4.00%	4.00%
Average remaining service years for gain & loss	5.00	5.00	10.00	11.00

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31

17. LINE OF CREDIT

Bruyère has an available unsecured line of credit of \$2,400,000 [2022 - \$2,400,000], bearing interest based on the bank prime rate minus 0.75%, renewable annually. As of March 31, 2023, Bruyère had no draws from the line of credit and had no Letter of Guarantee drawn [2022 - \$nil] against the line of credit. The remaining balance of \$2,400,000 [2022 - \$2,400,000] is available to support Bruyère's cash flow requirements.

18. ASSET RETIREMENT OBLIGATION

Bruyère owns and operates several buildings that are known to contain asbestos, which represents a health hazard upon demolition and for which there is a legal obligation to remove. Following the adoption of *PS 3280 – Asset Retirement Obligations*, Bruyère recognized an obligation relating to the removal of the asbestos in these buildings as estimated at April 1, 2021. The buildings had an estimated useful life of 40 years when they were donated by the Sisters of Charity of Ottawa ["SCO"] in March 2017 of which 36 years remained as at April 1, 2021.

Bruyère has no intention to demolish and or remediate the current asbestos and would very likely sell the assets as is in the event operations are relocated to a new facility. Therefore, Bruyère will amortize over the remaining useful life of building using the modified retrospective method. On April 1, 2021, the future costs have been estimated using an inflation rate of 2% per annum and discounted to the present value using a discount rate of 3.33% per annum. Bruyère remeasured its liability on March 31, 2023, using a discount rate of 4.08%.

Changes to the asset retirement obligation in the year as follows:

	March 31, 2023	March 31, 2022
Asset Retirement Obligation	\$	\$
Balance, beginning of year	12,723,757	12,313,710
Accretion expense	423,701	410,047
Remeasurement adjustment at year-end	(3,265,286)	—
Balance, end of year	9,882,172	12,723,757

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31

19. COMMITMENTS AND CONTINGENCIES

[a] Bruyère is committed to several equipment leases and maintenance and service agreements, which expire on various dates. The minimum amounts payable over the five years until March 2028 are as follows:

	\$
2024	3,850,297
2025	2,999,232
2026	1,731,034
2027	1,163,389
2028	341,963

[b] Bruyère is periodically involved in claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate resolution of these matters will not have a material adverse effect on the Bruyère's financial position, results of operations, or liquidity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31

20. CAPITAL MANAGEMENT

Bruyère includes net assets invested in capital assets and unrestricted net assets (deficiency) in the definition of capital.

In managing capital, Bruyère focuses on liquid resources available for operations. Bruyère's objective is to have sufficient liquid resources to continue operating despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. As at March 31, 2023, Bruyère has met its objective of having sufficient liquid resources to meet its current obligations.

Bruyère is also subject to external restrictions through long-term debt and CCRF. As at March 31, 2023, Bruyère was in compliance with all the covenants of the financing agreements *[note 10]*.

21. FINANCIAL RISKS

Fair value

The fair values of accounts receivable and accounts payable and accrued liabilities approximate its fair value due to the relatively short period to maturity of these instruments.

The fair values of the long-term debts *[note 9]* and obligation under capital lease *[note 10]* are not materially different from the carrying value.

Fair value hierarchy

Financial instruments are grouped into Levels 1 to 3 based on the degree to which fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and,
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31

21. FINANCIAL RISKS (continued)

Cash, trust assets and liabilities as well as the restricted cash are classified as level 1 financial instrument.

Financial instrument risk management

Credit risk

Credit risk arises from the potential that a counterparty to an investment will fail to perform its obligations. Concentrations of credit risk exists when a significant proportion of investments are invested in securities with similar characteristics or subject to similar economic, political or other conditions.

Bruyère is exposed to credit risk on its accounts receivable. The maximum exposure to credit risk is the carrying value reported in the consolidated statement of financial position. Credit risk is mitigated through collection practices and the diverse nature of amounts with accounts receivable.

The accounts receivable from the Government, due to the nature of the counterparty, bears no risk to Bruyère.

Bruyère considers receivables to be past due when they are over 90 days old. At March 31, 2023, the balance of receivables over 90 days is \$174,100 [2022 - \$467,534]. Of this amount, \$160,600 [2022 - \$460,832] is related to amounts due from patients and \$13,500 [2022 - \$6,702] is due from other parties. Bruyère does not consider these amounts to be impaired. Bruyère actively manages and monitors these receivables balances. As of March 31, 2023, an impairment allowance which totals \$1,080,428 [2022 - \$1,232,810] is set up against other receivable based on individual analysis basis.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure credit risk.

Interest rate risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments due to changes in market interest rates.

There is a risk to Bruyère's earnings that arises from fluctuations in interest rates and the degree of volatility of these rates. To effectively manage this risk, Bruyère entered into two successive fixed rate debentures [see note 10 Village Debenture Phase I – 40 years amortization and Village Debenture Phase II – 30 years amortization] and entered into a fixed rate obligation under capital lease [see note 11].

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure interest rate risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31

21. FINANCIAL RISKS (continued)

Liquidity risk

Liquidity risk is the risk that Bruyère will not be able to meet all cash flow obligations as they come due. Bruyère mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and cash flow analysis.

Almost all accounts payable and accrued vacation and overtime pay mature within one year. The maturity dates of long-term debt and the obligation under capital lease are disclosed in note 10 and 11 respectively.

Other than the liquidity risk related to COVID-19 as disclosed in note 22, there have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure liquidity risk.

Bruyère has no significant exposure to currency risk and other price risk.

22. MINISTRY OF HEALTH PANDEMIC FUNDING

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

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

Management's estimate of Government revenue for COVID-19 is based on the most recent guidance provided by Government and the impacts of COVID-19 on the Bruyère's operations, revenues and expenses. Management has analyzed the requirements and has provided an estimate for the supportable amounts based on the current available information.

Any adjustments to management's estimate of Government revenues will be reflected in Bruyère's financial statements in the year of settlement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31

22. MINISTRY OF HEALTH PANDEMIC FUNDING (continued)

At March 31, 2023 Bruyère recognized \$8,556,982 of one-time funding recorded in the statement of revenue and expenses under Funding from Government [2022 - \$23,588,008]. Total funding consists of a partial recovery [2022 – full recovery] for COVID 19 incremental expenses which includes the temporary wage enhancement, the permanent compensation enhancement, the temporary retention incentive for nurses and the prevention and containment expenses. In addition to the above, Bruyère also received \$364,940 [2022 - \$402,925] in Government funding for COVID-19 related capital expenditures, which has been recorded as an addition to deferred capital contributions during the year.

23. COMPARATIVE FIGURES

Certain 2022 comparative figures have been reclassified within the consolidated statement of revenue and expenses to conform with the financial statement's presentation adopted in 2023.