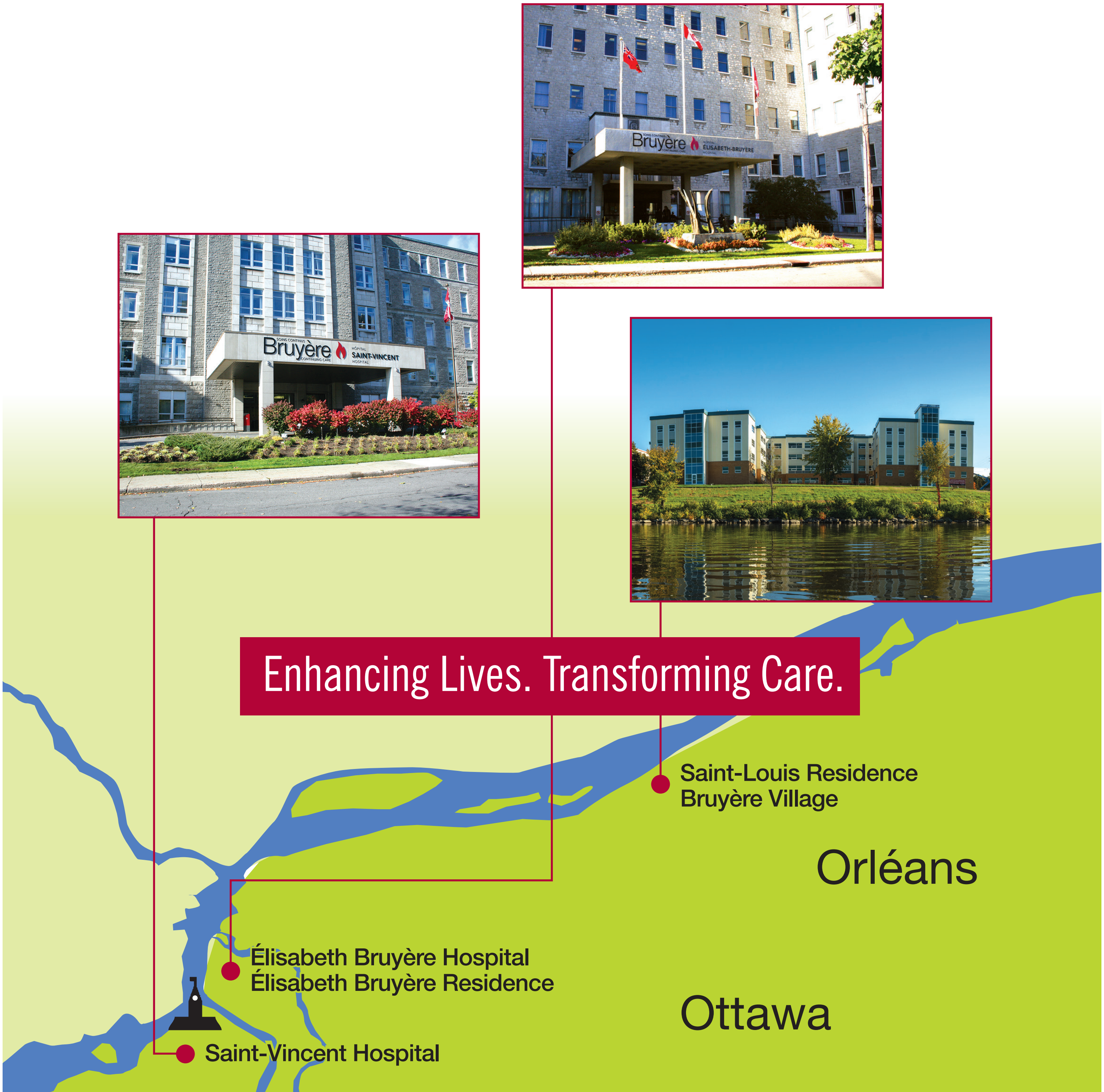
Consolidated Financial Statements

March 31, 2019



INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Directors of
Bruyère Continuing Care Inc.

Report on Audit of the Consolidated Financial Statements Opinion

We have audited the consolidated financial statements of Bruyère Continuing Care Inc. ("Bruyère"), which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of revenue and expenses, changes in net assets (deficiency) and cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Bruyère as at March 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards ("PSAS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Bruyère 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.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PSAS, 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 Bruyère'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 Bruyère or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with Canadian GAAS, 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 Bruyère'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 Bruyère's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Bruyère 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

Report on Other Legal and Regulatory Requirements

As required by the Ontario Corporations Act, we report that, in our opinion, the accounting principles in Canadian public sector accounting standards have been applied on a consistent basis.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants

June 20, 2019
Ottawa, Ontario

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		March 31, 2019	March 31, 2018
		$	$
ASSETS			
Current assets			
Cash		**11,631,982**	8,253,968
Accounts receivable	- Government	**1,665,152**	2,521,371
	- Patient service	**2,142,392**	2,615,866
	- Other	**2,090,052**	1,632,059
Inventories *[note 3]*		**777,794**	716,003
Prepaid expenses		**690,043**	820,738
Total current assets		**18,997,415**	16,560,005
Capital assets and equipment under capital lease *[note 4]*		**261,313,438**	268,701,182
Restricted cash *[note 5]*		**4,999,579**	4,694,238
Trust assets *[note 6]*		**1,019,489**	992,602
		286,329,921	290,948,027
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable and accrued liabilities *[note 7]*		**28,817,789**	28,834,351
Current portion of long-term debt and obligation *[notes 8 & 9]*		**1,497,018**	1,447,006
Deferred revenue		**193,723**	258,728
Total current liabilities		**30,508,530**	30,540,085
Long-term liabilities			
Trust liabilities *[note 6]*		**1,019,489**	992,602
Deferred contributions related to capital assets *[note 10]*		**155,673,852**	159,000,816
Long-term debt *[note 8]*		**54,485,104**	55,631,579
Obligation under capital lease *[note 9]*		**2,424,900**	2,775,443
Post-employment benefits *[note 14]*		**2,650,800**	2,648,919
Post-retirement benefits *[note 14]*		**4,851,500**	4,370,200
Total long-term liabilities		**221,105,645**	225,419,559
Commitments and contingencies [note 16]			
Net assets			
Unrestricted			
Invested in capital assets *[note 11a]*		**49,457,498**	52,078,369
Unrestricted (deficiency)		**(15,516,397)**	(17,552,193)
Externally restricted			
Capital and contingency replacement fund *[note 11c]*		**774,645**	462,207
Total net assets		**34,715,746**	34,988,383
		286,329,921	290,948,027

See accompanying notes to the financial statements

On behalf of the Board:

Chair: Barbara Kieley

Treasurer: Louis Savoie

CONSOLIDATED STATEMENT OF REVENUE AND EXPENSES

Year ended March 31

	Hospitals	LTC Homes	Academic Research	CSS	Village	Total 2019	Total 2018
	$	$	$	$	$	$	$
REVENUE							
MOHLTC / LHIN grants	**94,598,104**	**15,428,709**	**3,432,910**	**4,173,160**	**304,000**	**117,936,883**	114,368,640
Patient revenue from other payors	**6,685,483**	**—**	**2,562,030**	**—**	**—**	**9,247,513**	9,154,029
Room differential and co-payment	**8,714,450**	**5,914,049**	**—**	**—**	**—**	**14,628,499**	15,330,351
Recoveries and miscellaneous revenue	**6,855,601**	**433,763**	**1,025,342**	**67,854**	**683,362**	**9,065,922**	8,538,233
Rental income	**502,224**	**58,628**	**—**	**—**	**6,823,604**	**7,384,456**	7,258,036
Amortization of deferred contributions for major equipment and software	**648,178**	**73,966**	**1,712**	**4,208**	**4,240**	**732,304**	1,469,421
	118,004,040	**21,909,115**	**7,021,994**	**4,245,222**	**7,815,206**	**158,995,577**	156,118,710
EXPENSES							
Salaries and wages	**71,911,584**	**12,585,853**	**4,056,635**	**3,135,261**	**1,224,962**	**92,914,295**	90,550,490
Benefit contributions	**21,537,850**	**3,674,834**	**1,016,311**	**477,288**	**290,646**	**26,996,929**	26,610,909
Medical staff remuneration	**1,335,854**	**78,759**	**405,447**	**—**	**—**	**1,820,060**	1,504,711
Supplies and other expenses	**14,961,203**	**4,389,157**	**1,305,145**	**609,602**	**2,143,799**	**23,408,906**	22,479,268
Medical and surgical supplies	**1,885,566**	**662,845**	**82,988**	**6,918**	**1,133**	**2,639,450**	2,389,097
Drugs and medical gases	**3,199,883**	**753**	**19,871**	**—**	**295**	**3,220,802**	3,217,208
Bad debts	**31,968**	**77,804**	**—**	**47**	**—**	**109,819**	73,396
Banking charges and interest	**47,173**	**—**	**—**	**—**	**149**	**47,322**	34,891
Amortization of major equipment and software	**2,295,173**	**118,251**	**15,778**	**4,208**	**11,453**	**2,444,863**	3,677,149
Rental and lease of equipment	**258,939**	**3,731**	**28,716**	**11,898**	**754**	**304,038**	232,693
	117,465,193	**21,591,987**	**6,930,891**	**4,245,222**	**3,673,191**	**153,906,484**	150,769,812
Excess of revenue over expenses before the following items	**538,847**	**317,128**	**91,103**	**—**	**4,142,015**	**5,089,093**	5,348,899
Amortization of grant/donations of land improvement, building and building service equipment	**(3,836,335)**	**(873,206)**	**—**	**—**	**(236,720)**	**(4,946,261)**	(4,935,728)
Amortization of land improvement, building and building service equipment	**5,115,936**	**1,061,218**	**—**	**—**	**1,860,393**	**8,037,547**	8,231,906
Interest expense on long-term debt	**—**	**—**	**—**	**—**	**2,176,671**	**2,176,671**	2,214,398
Interest expense on obligation under capital lease	**93,773**	**—**	**—**	**—**	**—**	**93,773**	86,237
Excess (deficiency) of revenue over expenses	**(834,527)**	**129,116**	**91,103**	**—**	**341,671**	**(272,637)**	(247,915)

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS (DEFICIENCY)

	Externally restricted	Unrestricted			
	Capital and contingency replacement fund	Invested in capital assets	Unrestricted (deficiency)	2019	2018
	$	$	$	$	$
Net assets (deficiency), beginning of	**462,207**	**52,078,369**	**(17,552,193)**	**34,988,383**	35,236,298
Deficiency of revenue over expenses	**—**	**—**	**(272,637)**	**(272,637)**	(247,915)
Net change in net assets invested in capital assets *[note 11b]*	**—**	**(2,620,871)**	**2,620,871**	**—**	—
Transfer *[note 11c]*	**312,438**	**—**	**(312,438)**	**—**	—
Net assets (deficiency), end of year	**774,645**	**49,457,498**	**(15,516,397)**	**34,715,746**	34,988,383

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOW

Year ended March 31

	2019	2018
	$	$
OPERATING ACTIVITIES		
Deficiency of revenue over expenses	**(272,637)**	(247,915)
Change in deferred revenue	**(65,005)**	77,455
Add (deduct) items not affecting cash		
Amortization of capital assets and equipment under capital lease	**10,482,410**	11,909,055
Amortization of deferred contributions related to capital assets	**(5,678,565)**	(6,405,149)
Post-retirement benefits	**481,300**	184,800
Post-employment benefits	**1,881**	(44,881)
Academic Research transfer		(71,030)
	4,949,384	5,402,335
Changes in non-cash operating working capital items:		
Accounts receivable	**871,700**	1,055,834
Inventories	**(61,791)**	11,078
Prepaid expenses	**130,695**	224,660
Accounts payable and accrued liabilities *[note 7]*	**205,195**	3,807,159
Cash provided by operating activities	**6,095,183**	10,501,066
INVESTING ACTIVITIES		
Increase of restricted cash *[note 5]*	**(305,341)**	(943,270)
Cash used in investing activities	**(305,341)**	(943,270)
CAPITAL ACTIVITIES		
Purchase of capital assets *[note 11b]*	**(3,094,666)**	(4,708,239)
Change in payables related to purchase of capital assets [note 7]	**(221,757)**	(631,817)
Cash used in capital activities	**(3,316,423)**	(5,340,056)
FINANCING ACTIVITIES		
Reimbursement of long-term debt *[note 8]*	**(1,107,379)**	(1,069,776)
Reimbursement of obligation under capital lease *[note 9]*	**(339,627)**	(274,930)
Proceeds of disposal of capital assets	**-**	35,097
Deferred contributions received for capital assets *[note 10]*	**2,351,601**	3,348,017
Cash provided by financing activities	**904,595**	2,038,408
Net increase in cash	**3,378,014**	6,256,148
Cash, beginning of year	**8,253,968**	1,997,820
Cash, end of year	**11,631,982**	8,253,968

Non-cash transactions consist of:		
Acquisition of equipment under capital lease *[notes 4 & 9]*		
Purchase of equipment	—	(3,056,700.00)
HST Receivable on purchase of equipment	—	(333,300.00)
Obligation under capital lease	—	3,390,000.00
See accompanying notes to the financial statements	—	—

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 and residents. Bruyère is sponsored by the Catholic Health Corporation of Ontario whose directors are Members of Bruyère.

Bruyère consists of Saint-Vincent Hospital [“SVH”] and Élisabeth Bruyère Hospital [“EBH”], 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 Academic Research [“AR”]. Under the umbrella of AR 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. Intercompany balances and transactions between the entities have been eliminated from the consolidated financial statements.

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

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.

Transaction costs are expensed as incurred.

Revenue recognition

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

Hospitals: EBH and SVH hospitals are funded by the Champlain Local Health Integration Network ["LHIN"] 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 269 beds [EBR - 71 beds; RSL - 198 beds] facility funded by the LHIN 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 Champlain LHIN, except for the Other Accommodation envelope which can be recorded in Net Assets.

Academic Research: On April 1, 2017, the FHO physicians in Family Medicine and the University of Ottawa entered into a memorandum of agreement with Bruyère to transfer all of the family medicine department operations to Bruyère [under the name of Academic Research]. All assets and liabilities from family medicine were transferred into the consolidated statement of financial position of Bruyère with the exception of funding that comes directly from the Ministry of Health and Long Term Care (Family Health Team funding and Diabetes Education Program funding) under which any surpluses are the object of repayments to the MOHLTC. The mandate of the Academic Research is to support an academic environment for the training of physicians, medical students and other allied health students in a family medicine setting. The Academic Research also provides financial support to the Bruyère Research Institute. The Academic Research 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 Bruyère Academic Family Health Team. 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 LHIN under the Local Health System Integration 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 LHIN 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 LHIN. 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.

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 and presented under recoveries and miscellaneous revenue.

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 that will not be amortized are recognized as a direct increase in net assets.

Inventories

Retail 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.

Capital assets

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

Land	Not amortized due to its infinite life
Land improvements	5% - 20%
Building	2.5% - 4%
Building service and equipment	5% - 20%
Equipment under capital lease	5%
Major equipment	5% - 20%
Software	20%

Construction in progress and software under development 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 [*note 4*].

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.

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.

Post-employment and post-retirement 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.

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.

Use of estimates

The preparation of 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. Actual results could differ from these estimates.

3. INVENTORIES

The retail pharmacy and other inventories consist primarily of drugs, medical and surgical supplies. The amount of inventories recognized as an expense during the year was $1,350,950 [2018 - $1,358,204] and $4,497,964 [2018 - $4,457,787] respectively.

4. CAPITAL ASSETS AND EQUIPMENT UNDER CAPITAL LEASE

	March 31, 2019		
	Cost	Accumulated Amortization	Net Book Value
	$	$	$
Land	**41,742,729**	**—**	**41,742,729**
Land improvements	**295,537**	**149,940**	**145,597**
Building	**214,847,697**	**20,048,390**	**194,799,307**
Building service equipment	**18,236,122**	**2,981,352**	**15,254,770**
Construction in progress	**1,101,557**	**—**	**1,101,557**
Major equipment	**45,554,260**	**42,854,883**	**2,699,377**
Software	**14,835,796**	**13,257,138**	**1,578,658**
Software under development	**1,087,578**	**—**	**1,087,578**
Equipment under capital lease	**3,056,700**	**152,835**	**2,903,865**
	340,757,976	**79,444,538**	**261,313,438**

	March 31, 2018		
	Cost	Accumulated Amortization	Net Book Value
	$	$	$
Land	41,742,729	—	41,742,729
Land improvements	295,536	138,253	157,283
Building	214,702,543	13,597,675	201,104,868
Building service equipment	14,817,558	1,559,041	13,258,517
Construction in progress	2,605,931	—	2,605,931
Major equipment	44,651,152	41,787,555	2,863,597
Software	14,820,698	11,685,537	3,135,161
Software under development	776,396	—	776,396
Equipment under capital lease	3,056,700	—	3,056,700
	337,469,243	68,768,061	268,701,182

During the year, the amount of interest capitalized included in building service equipment is $100,921 [2018 - $89,311 included in construction in progress]. Last year, equipment was acquired at an aggregate cost of $3,056,700 financed through issuance of an obligation under capital lease.

5. RESTRICTED CASH

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

	March 31, 2019	March 31, 2018
	$	$
Unspent capital contributions *[note 10]*	**2,224,934**	2,232,031
Capital and contingency replacement funds *[note 11c]*	**774,645**	462,207
Restricted Cash - Bruyere Village	**2,000,000**	2,000,000
	4,999,579	4,694,238

Bruyère was obliged to restrict excess cash flows generated by the Village up to the amount of $2 million. The usage of these funds in the debt service reserve account is subject to Ontario Infrastructure Lands Corporation ["IOLC"] consent and approval.

6. 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, 2019	March 31, 2018
	$	$
Balance, beginning of year	**992,602**	974,640
Contributions received during the year	**657,771**	839,673
Disbursements made during the year	**(675,502)**	(832,136)
Transfers	**44,618**	10,425
Balance, end of year	**1,019,489**	992,602

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2019	March 31, 2018
	$	$
Accounts payable related to vendors	**11,625,979**	11,428,060
Employee/employer remittances payable	**3,177,975**	3,107,411
Accrued salaries & wages - general	**2,463,315**	2,046,589
Accrued salaries & wages - under negotiation	**2,026,261**	1,841,855
Vacation benefits payable	**8,021,003**	7,944,037
Other accrued benefits	**567,235**	1,130,970
Other accrued liabilities	**936,021**	1,335,429
	28,817,789	28,834,351

The amount of payables related to purchase of capital assets as at March 31, 2019 amounts to $756,168 [2018 - $977,925].

8. LONG-TERM DEBT

	March 31, 2019	March 31, 2018
	$	$
Village Debenture - Phase II	**42,153,277**	42,980,868
Village Debenture - Phase I	**12,858,302**	13,018,090
	55,011,579	55,998,958
SCO loan	**620,000**	740,000
Total debt long-term debt	**55,631,579**	56,738,958
Less current portion of long-term debt	**(1,146,475)**	(1,107,379)
	54,485,104	55,631,579

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

	$
2020	1,146,475
2021	1,187,122
2022	1,229,382
2023	1,273,320
2024	1,319,002
	6,155,301

Financing agreement – Bruyère Village

In fiscal year 2012, Bruyère entered into a financing agreement [“Village Construction Loan”] for the construction of the Bruyère Village [“Phase I” and “Phase II”] with IOLC for financing of up to $54,273,259.

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 twenty 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 Construction loan – Phase II

On May 24, 2012, Bruyère entered into a forward contract to purchase a fixed rate debenture of $40,604,509 having a closing date of June 1, 2015. As at March 31, 2015, Bruyère was not in compliance with the financing agreement covenant to maintain $3 million of unrestricted cash on hand until a 1.15 debt service coverage ratio is reached. Through consultation with IOLC, Bruyère opted to terminate its forward contract on June 1, 2015 and immediately pay the lender a penalty fee of $506,267. In addition, the amount of $3,173,060 which constitutes the cost of the locked-in rate was added to the Village Construction loan – Phase II, totaling $43,777,569. Both penalty fee and locked-in rate cost were presented as an expense in the statement of revenue and expenses under Forward contract on construction loan cancellation cost as of March 31st, 2016.

In addition and as a result of the breach of covenant presented above, Bruyère entered into two successive forbearance agreements with IOLC dated June 29, 2015 and September 22, 2015 (collectively the “Forbearance Agreements”). Under the terms of the Forbearance Agreements, IOLC forbears from exercising its rights and remedies associated with the breach of the covenant identified above until December 31, 2016. On December 23, 2016, the parties extended the forbearance period to January 31, 2017 or any such later date to enable Bruyère to convert the Construction Loan – Phase II to a Debenture [see below *Village Debenture – Phase II*].

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 twenty 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 31st, 2019, Bruyère was 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 [2018 - $3,147,729] and a first ranking mortgage/charge on Phase II lands with a carrying value of $3,000,000 [2018 - $3,000,000].

Sisters of Charity of Ottawa 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.

9. 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. The implementation of the Co-Gen project was planned in three phases:

- Phase I: Provision of the generator;
- Phase II: Installation of the generator and ancillary equipment and;
- Phase III: Computer system to control and monitor operation.

Phase I and II were successfully completed in fiscal year 2018. As of April 2018, Bruyère started to depreciate all cost related to the Phase I, II and III due the Co-Gen being fully operational. Minimal costs will be incurred in fiscal year 2020 for the completion of phase III.

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 is reimbursable on a monthly payment of $36,117 [capital and interest], bearing interest of 3.23% and secured by the equipment under capital lease with a net book value of $2,903,865 [2018: $3,056,700]. The obligation under capital lease is presented as follow:

	March 31, 2019 **$**	March 31, 2018 $
Obligation under capital lease	**3,115,070**	3,390,000*
Capital repayment during current fiscal year	**(339,627)**	(274,930)
Obligation under capital lease	**2,775,443**	3,115,070
Less current portion of obligation under capital lease	**(350,543)**	(339,627)
	2,424,900	2,775,443

** non-cash transaction*

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

	$
2020	350,543
2021	361,810
2022	373,439
2023	385,442
2024	397,830
	1,869,064

10. DEFERRED CONTRIBUTIONS 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 donated by SCO. 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, 2019 **$**	March 31, 2018 $
Balance, beginning of year	**159,000,816**	162,057,948
Capital grants and donations received	**2,351,601**	3,348,017
Amortization of deferred contributions	**(5,678,565)**	(6,405,149)
Balance, end of year	**155,673,852**	159,000,816

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

	March 31, 2019 **$**	March 31, 2018 $
Unamortized capital contributions	**153,448,918**	156,768,785
Unspent capital contributions	**2,224,934**	2,232,031
	155,673,852	159,000,816

11. NET ASSETS

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

	March 31, 2019	March 31, 2018
	$	$
Capital assets [*note 4*]	**261,313,438**	268,701,182
Less amounts financed by:		
Unamortized capital contributions [*note 10*]	**(153,448,918)**	(156,768,785)
Total debt [*note 8*]	**(55,631,579)**	(56,738,958)
Total obligation under capital lease [*note 9*]	**(2,775,443)**	(3,115,070)
	49,457,498	52,078,369

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

	March 31, 2019	March 31, 2018
	$	$
Purchase of capital assets	**3,094,666**	7,764,939
Amounts financed by deferred capital contributions:		
Capital grants and donations received	**(2,351,601)**	(3,348,017)
Academic research transfer	**—**	71,030
Proceeds on disposal of capital assets	**—**	(35,097)
Changes in unspent capital contributions	**(7,097)**	389,234
Amounts financed by long-term debt and obligation under capital lease:		
Obligation under capital lease	**—**	(3,390,000)
Repayment of obligation under capital lease	**339,627**	274,930
Repayment of long-term debt	**1,107,379**	1,069,776
Amortization of deferred contributions	**5,678,565**	6,405,149
Amortization of capital assets	**(10,482,410)**	(11,909,055)
	(2,620,871)	(2,707,111)

[c] IO 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 $312,438 [2018 - $292,369].

12. RELATED PARTY TRANSACTIONS

Bruyère exercises significant influence over the Bruyère Foundation Inc. ["the Foundation"], 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 entities, 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 $523,697 [2018 - $879,535] from the Foundation for capital and operating purposes. 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 $51,804 [2018 - $51,000], 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 receivable as at March 31, 2019 is $141,894 [2018 – $32,459 in other accounts payable].

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 $727,460 [2018 - $727,460]. Bruyère provided BRI with financial, human resources and information systems services as well as occupation cost at minimal charges of $62,400 as at March 31, 2019 [2018 - $61,500], based on cost and ability to pay. All revenue and expenses of BRI are initially respectively received and paid by Bruyère. Included in accounts receivable as at March 31, 2019 is $547,761 due from BRI [2018 - $136,110 other accounts payable due to].

Hospital Food Services – Ontario Inc., Ottawa Regional Hospital Linen Services Incorporated and Champlain Health Supply Services Inc.

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

For the year ended March 31, 2019, Bruyère disbursed $1,089,499 [2018 - 1,053,826] to HFS for food services, $1,261,346 [2018 - $1,362,999] to ORHLS for laundry services and $107,310 [2018 - $116,748] to CHSS for procurement services. These amounts have been included in supplies and other expenses in the statement of revenue and expenses.

13. PENSION PLAN

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. The plan is accounted for as a defined contribution plan. Contributions to HOOPP made during the year by Bruyère on behalf of its employees amounted to $6,866,561 [2018- $6,695,102] 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, 2018 indicated HOOPP is fully funded.

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 $270,799 [2018 - $284,752]. A group RRSP plan is also offered to non-unionized employees of the SLR. Contributions to this plan for the year totaled $32,930 [2018 - $28,367]. 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.

14. 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. The cost of the extended health care and dental benefits is the sole responsibility of the retirees, except for a subgroup of retirees, for whom Bruyère is paying 50% or 75% of the premiums depending on the union and/or the age of retirement.

An actuarial valuation was performed as at December 31, 2016 for both the post-retirement and sick leave benefits plans. The results were extrapolated to March 31, 2019. The results of the actuarial valuation extrapolated as at March 31, 2019 were used to develop the expense for the period from April 1, 2018 to March 31, 2019.

The next required actuarial valuation will be performed as at December 31, 2019.

These benefits are recorded in the consolidated statement of revenue and expenses as a component of salaries and wages for $278,981 [2018 - $248,000] and as a component of benefit contributions for $952,600 [2018 - $630,900]. As of November, 2018, the employees under the Ontario Public Service Employees Union on behalf its Local 486 [OPSEU] are entitled to the retiree benefits [extended health, semi-private and dental coverage]. Past service costs related to this award totaled $295,200 included in the benefit contributions of $952,600.

Information about the Bruyère post-employment and post-retirement benefits is as follows:

	Post-employment benefits		**Post-retirement benefits**	
	March 31, 2019	March 31, 2018	**March 31, 2019**	March 31, 2018
	$	$	**$**	$
Accrued benefit liability				
Balance, beginning of year	**2,648,919**	2,693,800	**4,370,200**	4,185,400
Benefit cost for the year	**278,981**	248,000	**952,600**	630,900
Benefit payments	**(277,100)**	(292,881)	**(471,300)**	(446,100)
Balance, end of year	**2,650,800**	2,648,919	**4,851,500**	4,370,200

The benefit cost for the year includes:

`

	Post-employment benefits		Post-retirement benefits	
	March 31, 2019	March 31, 2018	**March 31, 2019**	March 31, 2018
	$	$	**$**	$
Current service cost	**71,600**	60,500	**278,900**	257,300
Past service costs	**—**	—	**295,200**	—
Interest cost on accrued benefit obligation	**98,181**	101,800	**204,200**	207,100
Amortization of actuarial loss	**109,200**	85,700	**174,300**	166,500
Benefit cost	**278,981**	248,000	**952,600**	630,900

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

	Post-employment benefits		Post-retirement benefits	
	March 31, 2019	March 31, 2018	**March 31, 2019**	March 31, 2018
	$	$	**$**	$
Accrued benefit obligation	**2,960,200**	3,045,119	**6,348,000**	5,926,400
Less unamortized actuarial loss	**(309,400)**	(396,200)	**(1,496,500)**	(1,556,200)
Accrued benefit liability	**2,650,800**	2,648,919	**4,851,500**	4,370,200

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

	Post-employment benefits		Post-retirement benefits	
	March 31, 2019	March 31, 2018	**March 31, 2019**	March 31, 2018
	$	$	**$**	$
Discount rate	**3.18%**	3.43%	**3.18%**	3.43%
Salary escalation rate	**1.50%**	1.50%	**1.50%**	1.50%
Extended health care cost trend - current	**—**	—	**6.25%**	6.50%
Extended health care cost trend - ultimate	**—**	—	**4.50%**	4.50%
Dental care cost trend - current	**—**	—	**4.00%**	4.00%
Average remaining service years for gain & loss	**5.00**	5.00	**10.00**	10.00

15. LINE OF CREDIT

Bruyère has an available unsecured line of credit of $2,400,000 [2018 - $2,400,000], bearing interest based on the bank prime rate minus 0.75%, renewable annually. As at March 31, 2019, Bruyère had drawn $nil [2018 - $nil] from the line of credit, but has one [2018 - one] Letter of Guarantee drawn against the line of credit for an amount of $1,024,800 [2018 - $1,024,800]. The remaining balance of $1,375,200 [2018 - $1,375,200] is available to support Bruyère cash flow requirements.

16. COMMITMENTS AND CONTINGENCIES

[a] At March 31, 2019, HFS has an outstanding balance of $2,615,500 [2018 - $3,139,990] on an available non-revolving demand loan for which Bruyère, as a founding member, is one of the guarantors. In the event of any breach of covenants associated with this non-revolving demand loan, Bruyère may be required to advance some funds to HFS, in accordance with its guarantee of the debt. The Bruyère share of the capital advance would be based on its percentage of ownership in HFS, which at March 31, 2019 is 27.8% [2018 – 27.8%]. This rate was fixed in 2008-2009 based on the percentage of the Hospitals purchases in that year. Bruyère's share of the potential debt repayment should HFS default on the line of credit is $1,283,109 [2018 - $1,428,917]. As at the date of finalizing the consolidated financial statements, there has been no such request by the debtor.

During the year-ended March 31, 2019, the Board of Directors of HFS ("the Board") undertook an exercise to divest the assets of HFS. On November 16th 2018, the Board signed a letter of intent with a third party purchaser to sell substantially all of the assets of HFS to the purchaser, with an effective closing date of May 13, 2019. As part of the closing conditions, the members have committed to continue to purchase food products at the current level for the next three years [note 12].

[b] 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 January 2024 are as follows:

	$
2020	2,244,131
2021	1,416,614
2022	1,002,900
2023	232,052
2024	133,525

[c] 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.

[d] In late fiscal year 2017, Bruyère started the final phase [Phase IV] of its electronic patient record. As of March 31, 2019, Bruyère's remaining commitment amounts to $796,500 [2018 - $1,227,559] over the next fiscal year.

17. 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, 2019, 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, 2019, Bruyère was in compliance with all the covenants of the financing agreement *[note 8]*.

18. FINANCIAL INSTRUMENTS 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 8]* and obligation under capital lease *[note 9]* 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.

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

There were no transfers between levels for the year ended March 31, 2019 [2018 – no transfers].

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, 2019, the balance of receivables over 90 days is $292,755 [2018 - $247,162]. Of this amount, $28,181 [2018 - $53,541] is due from other and $264,574 [2018 - $193,621] due from patients. Bruyère does not consider these amounts to be impaired. Bruyère actively manages and monitors these receivables balances. As of March 31, 2019, an impairment allowance which totals $210,862 [2018 - $148,794] is set up 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 8 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 8].

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.

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 8 and 9* respectively.

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.