

# Financial Statements

## March 31, 2016

*Bruyère Is There.*



# INDEPENDENT AUDITOR'S REPORT

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

## *Report on the Financial Statements*

We have audited the accompanying financial statements of Bruyère Continuing Care Inc., which comprise the statement of financial position as at March 31, 2016, and the statements of revenue and expenses, changes in net assets (deficiency), remeasurement losses and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

## *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

# INDEPENDENT AUDITOR'S REPORT (CONTINUED)

## *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Bruyère Continuing Care Inc. as at March 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

## ***Report on Other Legal and Regulatory Requirements***

As required by the Ontario Corporations Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

*Deloitte LLP*

Chartered Professional Accountants  
Licensed Public Accountants

June 23, 2016  
Ottawa, Ontario

# STATEMENT OF FINANCIAL POSITION

	March 31, 2016	March 31, 2015
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	—	—
Accounts receivable	—	—
- Government [note 6]	—	—
- Patient service [note 6]	—	1,071,881
- Other [note 6]	976,503	1,801,634
Inventories [note 3]	743,622	747,636
Prepaid expenses	724,719	682,853
<b>Total current assets</b>	<b>2,444,844</b>	<b>4,304,004</b>
Capital assets [notes 4 & 5]	132,301,889	137,261,573
Restricted assets [note 6]	8,389,118	8,397,084
Trust assets [note 7]	986,102	1,236,233
	<b>144,121,953</b>	<b>151,198,894</b>
<b>LIABILITIES, NET ASSETS AND ACCUMULATED REMEASUREMENT LOSSES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities [note 8]	24,722,554	24,915,744
Current portion of long-term debt [note 9]	534,482	260,986
Deferred revenue	195,750	237,606
<b>Total current liabilities</b>	<b>25,452,786</b>	<b>25,414,336</b>
<b>Long-term liabilities</b>		
Trust liabilities [note 7]	986,102	1,236,233
Deferred contributions related to capital assets [note 10]	54,496,097	56,063,344
Long-term debt [note 9]	57,528,915	61,790,337
Post-employment benefits [note 14]	2,868,800	2,984,700
Post-retirement benefits [note 14]	4,124,800	4,050,600
<b>Total long-term liabilities</b>	<b>120,004,714</b>	<b>126,125,214</b>
<i>Commitments and contingencies [note 16]</i>		
<b>Net assets</b>		
Unrestricted		
Invested in capital assets [note 11a]	21,047,732	27,363,539
Unrestricted (deficiency)	(22,473,460)	(20,849,346)
Externally restricted		
Capital and contingency replacement fund [note 11c]	90,181	45,151
<b>Total net assets (deficiencies)</b>	<b>(1,335,547)</b>	<b>6,559,344</b>
<b>Accumulated remeasurement losses</b>	—	(6,900,000)
	<b>144,121,953</b>	<b>151,198,894</b>

See accompanying notes to the financial statements

On behalf of the Board:



Chair: Amipal Manchanda



Treasurer: John Riddle

# STATEMENT OF REVENUE AND EXPENSES

Year ended March 31

	Hospitals	EBR	SLR	CSS	Village	Total 2016	Total 2015
	\$	\$	\$	\$	\$	\$	\$
<b>REVENUE</b>							
MOHLTC / LHIN grants	91,116,504	3,591,905	10,659,571	3,789,859	—	109,157,839	106,599,707
Patient revenue from other payors	4,505,853	—	—	—	—	4,505,853	4,918,912
Room differential and co-payment	10,055,387	1,576,056	4,053,347	—	—	15,684,790	15,354,596
Recoveries and miscellaneous revenue	7,554,409	9,903	462,342	97,601	255,007	8,379,262	8,576,811
Rental income	533,971	—	59,079	—	4,580,359	5,173,409	3,799,653
Amortization of deferred contributions for equipment	1,386,207	2,899	27,165	7,187	4,240	1,427,698	1,356,433
	<b>115,152,331</b>	<b>5,180,763</b>	<b>15,261,504</b>	<b>3,894,647</b>	<b>4,839,606</b>	<b>144,328,851</b>	<b>140,606,112</b>
<b>EXPENSES</b>							
Salaries and wages	70,999,772	3,203,442	9,166,192	2,709,800	678,102	86,757,308	85,709,639
Benefit contributions	21,760,908	921,465	2,464,385	343,309	157,316	25,647,383	23,565,536
Medical staff remuneration	913,562	23,929	55,007	—	—	992,498	1,205,727
Supplies and other expenses	15,439,481	983,406	3,179,261	808,508	1,760,902	22,171,558	23,193,034
Medical and surgical supplies	1,701,741	96,185	243,768	5,121	217	2,047,032	1,925,410
Drugs and medical gases	2,985,245	199	46	—	—	2,985,490	3,129,777
Bad debts	36,908	915	37,634	1,272	57	76,786	75,709
Banking charges and interest	30,574	—	—	—	1,265	31,839	42,869
Amortization of major equipment and software	3,518,723	13,718	64,802	7,187	7,568	3,611,998	2,534,243
Rental and lease of equipment	143,415	—	3,848	19,450	—	166,713	231,045
	<b>117,530,329</b>	<b>5,243,259</b>	<b>15,214,943</b>	<b>3,894,647</b>	<b>2,605,427</b>	<b>144,488,605</b>	<b>141,612,989</b>
<b>Excess (deficiency) of revenue over expenses before the following items</b>	<b>(2,377,998)</b>	<b>(62,496)</b>	<b>46,561</b>	<b>—</b>	<b>2,234,179</b>	<b>(159,754)</b>	<b>(1,006,877)</b>
Amortization of deferred contributions for leasehold improvements	3,185,894	—	293,950	—	236,720	3,716,564	3,519,924
Amortization of leasehold improvements	(4,179,816)	—	(456,850)	—	(1,858,715)	(6,495,381)	(6,244,888)
Interest expense on long-term debt	—	—	—	—	(1,276,993)	(1,276,993)	(1,291,738)
Forward contract on construction loan cancellation cost <i>[note 9]</i>	—	—	—	—	(3,679,327)	(3,679,327)	—
<b>Deficiency of revenue over expenses</b>	<b>(3,371,920)</b>	<b>(62,496)</b>	<b>(116,339)</b>	<b>—</b>	<b>(4,344,136)</b>	<b>(7,894,891)</b>	<b>(5,023,579)</b>

# STATEMENT OF CHANGES IN NET ASSETS (DEFICIENCY)

Year ended March 31

	Externally restricted Capital and contingency replacement fund \$	Unrestricted Invested in capital assets \$	Unrestricted (deficiency) \$	2016 \$	2015 \$
<b>Net assets, beginning of year</b>	45,151	27,363,539	(20,849,346)	6,559,344	11,582,923
Deficiency of revenue over expenses	—	—	(7,894,891)	(7,894,891)	(5,023,579)
Net change in net assets invested in capital assets <i>[note 11b]</i>	—	(6,315,807)	6,315,807	—	—
Transfer <i>[note 11c]</i>	45,030	—	(45,030)	—	—
<b>Net assets (deficiency), end of year</b>	<b>90,181</b>	<b>21,047,732</b>	<b>(22,473,460)</b>	<b>(1,335,547)</b>	<b>6,559,344</b>

*See accompanying notes to the financial statements*

# STATEMENT OF REMEASUREMENT LOSSES

Year ended March 31

	2016 \$	2015 \$
<b>Accumulated remeasurement losses, beginning of year</b>	<b>(6,900,000)</b>	(1,025,000)
Decrease (Increase) in unrealized losses on forward contract	<b>6,900,000</b>	(5,875,000)
<b>Accumulated remeasurement losses, end of year</b>	<b>—</b>	(6,900,000)

*See accompanying notes to the financial statements*

# STATEMENT OF CASH FLOW

Year ended March 31

	2016	2015
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Deficiency of revenue over expenses	(7,894,891)	(5,023,579)
Change in deferred revenue	(41,856)	34,802
Add (deduct) items not affecting cash		
Amortization of capital assets	10,107,379	8,779,131
Amortization of deferred capital contributions [note 10]	(5,144,262)	(4,876,357)
Post-retirement benefits	74,200	55,500
Post-employment benefits	(115,900)	(327,900)
Locked-in rate cost on terminated Forward contract [note 9]	3,173,060	—
	157,730	(1,358,403)
Changes in non-cash operating working capital items:		
Accounts receivable	1,897,012	3,474,734
Inventories	4,014	83,866
Prepaid expenses	(41,866)	526,124
Accounts payable and accrued liabilities	810,061	(2,953,596)
<b>Cash provided by (used in) operating activities</b>	<b>2,826,951</b>	<b>(227,275)</b>
<b>INVESTING ACTIVITIES</b>		
Decrease of restricted assets	7,966	170,009
<b>Cash provided by investing activities</b>	<b>7,966</b>	<b>170,009</b>
<b>CAPITAL ACTIVITIES</b>		
Purchase of capital assets [note 11b]	(5,147,695)	(7,332,719)
Change in payables related to purchase of capital assets	(1,003,251)	1,022,936
<b>Cash used in capital activities</b>	<b>(6,150,946)</b>	<b>(6,309,783)</b>
<b>FINANCING ACTIVITIES</b>		
Borrowing of long-term debt	-	1,506,671
Reimbursement of long-term debt	(260,986)	(235,063)
Deferred contributions received for capital assets [note 10]	3,577,015	2,744,993
<b>Cash provided by financing activities</b>	<b>3,316,029</b>	<b>4,016,601</b>
<b>Net decrease in cash</b>	<b>—</b>	<b>(2,350,448)</b>
Cash, beginning of year	—	2,350,448
<b>Cash, end of year</b>	<b>—</b>	<b>—</b>

See accompanying notes to the financial statements



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

Bruyère consists of Saint-Vincent Hospital and Élisabeth Bruyère Hospital, which constitute the Bruyère Hospitals [“Hospitals”], the Saint-Louis Residence [“SLR”], the Élisabeth Bruyère Residence [“EBR”], Community Support Services [“CSS”] and Bruyère Village [“Village”].

## 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 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:

### Financial instruments

The classification of financial instruments is as follows:

#### Asset / Liability

Cash	Fair value
Trust assets	Fair value
Restricted assets	Fair value or amortized cost depending on the nature
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Trust liabilities	Fair value
Long-term debt	Amortized cost
Derivative instrument	Fair value

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 statement of financial position date and collection of collateral.

Transaction costs are expensed as incurred.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31

## Revenue recognition

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

**Bruyère Hospitals:** Élisabeth Bruyère and Saint Vincent 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.

**EBR:** Élisabeth-Bruyère Residence is a 71 beds Long Term Care Home facility funded by the LHIN under the Long Term Care Homes Act and regulations thereof. The funding is the object of a Service Accountability Agreement [“L-SAA EBR”] 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 are returned to the Champlain LHIN, except with the Other Accommodation envelop which can be recorded in Net Assets.

**SLR:** Saint Louis Résidence is a 198 beds Long Term Care Home facility funded by the LHIN under the Long Term Care Homes Act and regulations thereof. The funding is the object of a Service Accountability Agreement [“L-SAA SLR”] 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 with the Other Accommodation envelop which can be recorded in Net Assets.

**CSS:** Bruyère operates smaller 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 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. Once its funding obligations are met, 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31

## 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 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's 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 over their estimated useful life as follows:

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Land	Not amortized due to its infinite life
Building	2.5% - 4%
Leasehold improvements	Over the remaining term of the leases [note 4]
Major equipment	5% - 20%
Software	20%

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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 5].

# NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31

## 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.

## Derivative financial instruments

Bruyère uses derivative financial instruments to manage interest rate risk. The only derivative product used by Bruyère was a forward contract to purchase a fixed rate debenture as disclosed in *note 9*. Derivative financial instruments are recorded on the Statement of Financial Position as assets and/or liabilities and are measured at fair value. Derivative financial instruments with a positive fair value are reported as assets, and derivatives with a negative fair value are reported as liabilities.

Changes in the fair value of derivative financial instruments are included in Statement of remeasurement gains and losses.

## 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 31<sup>st</sup>. 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 statement of financial position date. Unrealized exchange gains and losses are included in the statement of remeasurement gains and losses until realized when the cumulative gain or loss is transferred to the Statement of revenue and expenses.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31

## Use of estimates

The preparation of 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 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, recoverability of receivables, the amount of certain accrued liabilities, potential retroactive union settlements, fair-value of derivative contracts 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's inventories consist primarily of drugs, medical and surgical supplies. The amount of inventories recognized as an expense during the year was \$1,265,527 [2015 - \$1,344,681] and \$4,191,253 [2015 - \$4,168,040] respectively.

## 4. LAND AND BUILDINGS LEASED FROM THE CORPORATION OF THE SISTERS OF CHARITY OF OTTAWA

Most lands and buildings used by Bruyère are leased from the Corporation of the Sisters of Charity of Ottawa ["SCO"]. On April 1, 2007, Bruyère entered into a lease agreement for the buildings and lands for the Hospitals and EBR for a period of 20 years for a nominal amount, maturing in March 2027 without a pre-determined renewal period. On January 1, 2007, Bruyère entered into a lease agreement for the building and land for SLR for a period of 25 years for a nominal amount, maturing in September 2032 without a pre-determined renewal period. Bruyère also entered into a lease agreement on October 1, 2011 for the land for the Bruyère Village [*Place Besserer*] for a period of 45 years for a nominal amount, maturing in September 2060 without a pre-determined renewal period.

Accordingly, improvements made to the buildings are recorded as leasehold improvements and amortized over the term of the leases as presented in [note 5].

# NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31

## 5. CAPITAL ASSETS

	March 31, 2016		
	Cost	Accumulated	Net Book
	\$	Amortization	Value
		\$	\$
Land	4,872,729	—	4,872,729
Leasehold improvements	135,029,387	79,509,949	55,519,438
Building	63,514,063	5,172,093	58,341,970
Construction in progress	1,690,624	—	1,690,624
Major equipment	43,415,249	39,758,456	3,656,793
Software	14,601,583	6,520,380	8,081,203
Software under development	139,132	—	139,132
	<b>263,262,767</b>	<b>130,960,878</b>	<b>132,301,889</b>

	March 31, 2015		
	Cost	Accumulated	Net Book
	\$	Amortization	Value
		\$	\$
Land	4,872,729	—	4,872,729
Leasehold improvements	133,072,940	74,909,436	58,163,504
Building	63,514,063	3,277,224	60,236,839
Construction in progress	1,002,916	—	1,002,916
Major equipment	43,150,390	38,617,172	4,533,218
Software	8,057,037	4,049,667	4,007,370
Software under development	4,444,997	—	4,444,997
	<b>258,115,072</b>	<b>120,853,499</b>	<b>137,261,573</b>

As at March 31, 2016, the amount of interest capitalized included in construction in progress is \$15,888 [2015 - \$nil].

# NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31

## 6. RESTRICTED ASSETS

Restricted assets for long-term obligations consist of cash and accounts receivable, this reflects Bruyère's practice to designate assets required for future obligations, as follows:

	March 31, 2016	March 31, 2015
	\$	\$
Unspent capital contributions [note 10]	1,305,337	1,316,633
Capital and contingency replacement funds [note 11c]	90,181	45,151
Post-employment benefits	2,868,800	2,984,700
Post-retirement benefits	4,124,800	4,050,600
	<b>8,389,118</b>	<b>8,397,084</b>

Restricted Assets for long-term obligations consist of:

Cash	4,824,506	6,167,307
Accounts Receivable - Government	1,311,968	1,697,998
Accounts Receivable - Patient service	1,894,183	531,779
Accounts Receivable - Other	358,461	—
	<b>8,389,118</b>	<b>8,397,084</b>

## 7. TRUST FUNDS

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, 2016	March 31, 2015
	\$	\$
<b>Balance, beginning of year</b>	<b>1,236,233</b>	1,351,164
Contributions received during the year	1,021,276	952,324
Disbursements made during the year	(942,634)	(973,710)
Transfers	(328,773)	(93,545)
<b>Balance, end of year</b>	<b>986,102</b>	<b>1,236,233</b>

# NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31

## 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2016	March 31, 2015
	\$	\$
Accounts payable	8,546,221	8,749,676
Employee/employer remittances payable	3,147,671	3,317,322
Accrued salaries & wages - general	1,410,594	3,587,306
Accrued salaries & wages - under negotiation	2,207,946	640,710
Vacation benefits payable	7,791,394	7,735,550
Other accrued benefits	1,088,871	614,256
Other accrued liabilities	529,857	270,924
	<b>24,722,554</b>	<b>24,915,744</b>

The amount of payables related to purchase of capital assets as at March 31, 2016 amounted to \$337,816 [2015 - \$1,341,067].

## 9. LONG-TERM DEBT

	March 31, 2016	March 31, 2015
	\$	\$
Village Construction loan - Phase II	43,777,569	40,604,509
Village Debenture - Phase I	13,305,828	13,446,814
	<b>57,083,397</b>	54,051,323
Unrealized loss on forward contract	—	6,900,000
	<b>57,083,397</b>	60,951,323
SCO loan	980,000	1,100,000
Total debt	<b>58,063,397</b>	62,051,323
Less current portion of long-term debt	<b>(534,482)</b>	(260,986)
	<b>57,528,915</b>	61,790,337

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

	\$
2017	534,482
2018	1,095,599
2019	1,133,271
2020	1,172,402
2021	1,255,273
	<b>5,191,027</b>



# NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31

## Financing agreement – Bruyère Village

In fiscal year 2012, Bruyère entered into a financing agreement for the construction of the Bruyère Village with Ontario Infrastructure Lands Corporation [“IO”] for financing of up to \$54,273,259 at the bank prime rate plus 0.25%. IO has a first ranking mortgage/charge on Phase I lands with carrying value of \$3,147,729 [2015 - \$3,147,729] and a first ranking collateral leasehold mortgage/charge on Phase II lands.

### *Village Debenture – Phase 1*

On August 2, 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 2*

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 IO, 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 2, now totaling \$43,777,569 [2015 - \$40,604,509]. Both penalty fee and locked-in rate cost are presented as an expense in the statement of revenue and expenses under Forward contract on construction loan cancellation cost. As a result of the termination of the forward contract, the unrealized loss as at March 31, 2016 is \$nil [2015 - \$6,900,000].

In addition and as a result of the breach of covenant presented above, Bruyère entered into two successive forbearance agreements with IO dated June 19, 2015 and September 22, 2015 (collectively the “Forbearance Agreements”). Under the terms of the Forbearance Agreements, IO forbears from exercising its rights and remedies associated with the breach of the covenant identified above until December 31, 2016. During the forbearance period:

- [a] All other obligations, covenants or provisions required to be performed under the original financing agreement continue to apply along with the additional obligations, covenants or provisions required under the Forbearance Agreements. In the event Bruyère fails to perform all of the terms and conditions of the Forbearance Agreements, any debt outstanding from the financing agreement becomes immediately due and payable.
- [b] Bruyère will continue to make payments of principal and interest for the Debenture – Phase I and interest only payments on Construction loan – Phase II.

The Forbearance Agreements also require the Construction loan – Phase II to be converted to a 30 year term loan prior to December 31, 2016.

As at March 31, 2016, Bruyère was in compliance with all the covenants of the forbearance agreement.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31

## 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.

## 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. The amortization of deferred contributions related to capital assets is recorded as revenue in the statement of revenue and expenses.

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

	March 31, 2016	March 31, 2015
	\$	\$
<b>Balance, beginning of year</b>	<b>56,063,344</b>	58,194,708
Capital grants and donations received	<b>3,577,015</b>	2,744,993
Amortization of deferred contributions	<b>(5,144,262)</b>	(4,876,357)
<b>Balance, end of year</b>	<b>54,496,097</b>	56,063,344

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

	March 31, 2016	March 31, 2015
	\$	\$
Unamortized capital contributions	<b>53,190,760</b>	54,746,711
Unspent capital contributions	<b>1,305,337</b>	1,316,633
	<b>54,496,097</b>	56,063,344

# NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31

## 11. NET ASSETS

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

	March 31, 2016 \$	March 31, 2015 \$
Capital assets [note 5]	<b>132,301,889</b>	137,261,573
Less amounts financed by:		
Unamortized capital contributions [note 10]	<b>(53,190,760)</b>	(54,746,711)
Total debt [note 9]	<b>(58,063,397)</b>	(62,051,323)
Remeasurement losses	—	6,900,000
Total debt net of remeasurement losses	<b>(58,063,397)</b>	(55,151,323)
	<b>21,047,732</b>	27,363,539

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

	March 31, 2016 \$	March 31, 2015 \$
Purchase of capital assets	<b>5,147,695</b>	7,332,719
Amounts financed by deferred capital contributions:		
Capital grants and donations received	<b>(3,577,015)</b>	(2,744,993)
Changes in unspent capital contributions	<b>(11,296)</b>	70,789
Amounts financed by long-term debt		
Increase of long-term debt	<b>(3,173,060)</b>	(1,506,671)
Repayment of long-term debt	<b>260,986</b>	235,063
Amortization of deferred contributions	<b>5,144,262</b>	4,876,357
Amortization of capital assets	<b>(10,107,379)</b>	(8,779,131)
	<b>(6,315,807)</b>	(515,867)

[c] IO requires Bruyère to transfer 1% (minimum) 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 IO or debt service obligations. Any use of the CCRF shall require prior written consent by IO. The amount transferred in the year was \$45,030 [2015 - \$31,602].

# NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31

## 12. RELATED PARTY TRANSACTIONS

Bruyère exercises significant influence over the Bruyère Foundation Inc. [“the Foundation”], the Bruyère Family Health Organization [“FHO”] 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, FHO 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 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 \$907,731 [2015 - \$2,379,289] 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 \$50,000 [2015 - \$50,000], based on cost and ability to pay. All revenue and expenses of the Foundation are initially respectively received and paid by Bruyère. Included in other accounts payable is \$155,349 [2015 – \$72,174 due from] due to the Foundation for expenses incurred on their behalf.

### **Bruyère Family Health Organization**

FHO is an unincorporated governance structure was established by a tripartite agreement, which includes University of Ottawa, Bruyère and FHO, commencing on April 1, 2011 and expiring on March 31, 2016, which can be extended by the willingness of the participants. FHO is to provide family health services to the community and to support an academic environment for the training of physicians and medical students. During the year, Bruyère has charged \$238,518 [2015 - \$241,267] to FHO as a recovery of financial, human resources and information systems services as well as occupation cost. All revenue and expenses of FHO are initially respectively received and paid by Bruyère. Included in other accounts payable is \$1,142,176 [2015 - \$874,653] due to FHO.

### **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 \$877,027 [2015 - \$914,981]. Bruyère provided BRI with financial, human resources and information systems services as well as occupation cost at minimal charges of \$60,000 [2015 - \$60,000], based on cost and ability to pay. All revenue and expenses of BRI are initially respectively received and paid by Bruyère. Included in other accounts payable is \$312,914 [2015 - \$18,767] due to BRI.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31

## **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, 2016, Bruyère provided \$945,366 [2015 - \$813,337] to HFS for food services, \$1,177,436 [2015 - \$1,284,823] to ORHLS for laundry services and \$115,509 [2015 - \$130,400] 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**

Substantially all of the employees of the Bruyère Hospitals and the EBR 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 \$5,965,082 [2015 - \$5,851,103] and are included in the Statement of revenue and expenses.

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, 2015 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. Employees’ contributions are 4% of their salary and the employer contributes an equal amount. Contributions to this plan made during the year by the employer amounted to \$265,859 [2015 - \$273,316]. A group RRSP plan is also offered to non-unionized employees of the SLR. No contribution is required from the employees but Bruyère contributes an amount of 4% of their salary. Contributions to this plan for the year totaled \$23,537 [2015 - \$25,225]. Contributions made by the employer on behalf of employees of the SLR are included in the statement of revenue and expenses.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31

## 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 75% of the premiums. Bruyère pays 50% of the premium for those who are between ages 57 and 65 and retired on or after April 1<sup>st</sup> 2011.

An actuarial valuation was performed as at December 31, 2013 for both the post-retirement and sick leave benefits plans. The results were extrapolated to March 31, 2016. The results of the actuarial valuation extrapolated as at March 31, 2014 were used to develop the expense for the period from April 1, 2015 to March 31, 2016.

The next required actuarial valuation will be performed as at December 31, 2016.

These benefits are recorded in the statement of revenue and expenses as a component of salaries and wages for \$212,200 [2015 - \$229,100] and as a component of benefit contributions for \$326,100 [2015 - \$293,400].

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

	Post-employment benefits		Post-retirement benefits	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
	\$	\$	\$	\$
<b>Accrued benefit liability</b>				
Balance, beginning of year	2,984,700	3,312,600	4,050,600	3,995,100
Benefit cost for the year	212,200	229,100	326,100	293,400
Benefit payments	(328,100)	(557,000)	(251,900)	(237,900)
<b>Balance, end of year</b>	<b>2,868,800</b>	<b>2,984,700</b>	<b>4,124,800</b>	<b>4,050,600</b>

The benefit cost for the year includes:

	Post-employment benefits		Post-retirement benefits	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
	\$	\$	\$	\$
Current service cost	80,700	71,000	212,100	184,900
Interest cost on accrued benefit obligation	81,000	115,400	103,300	130,300
Amortization of actuarial loss (gain)	50,500	42,700	10,700	(21,800)
<b>Benefit cost</b>	<b>212,200</b>	<b>229,100</b>	<b>326,100</b>	<b>293,400</b>

# NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31

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

	Post-employment benefits		Post-retirement benefits	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
	\$	\$	\$	\$
Accrued benefit obligation	3,068,800	3,280,100	4,130,600	4,150,300
Less unamortized actuarial gain (loss)	(200,000)	(295,400)	(5,800)	(99,700)
<b>Accrued benefit liability</b>	<b>2,868,800</b>	<b>2,984,700</b>	<b>4,124,800</b>	<b>4,050,600</b>

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

	Post-employment benefits		Post-retirement benefits	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
	\$	\$	\$	\$
Discount rate	2.75%	2.50%	2.75%	2.50%
Salary escalation rate	2.00%	2.00%	2.00%	2.00%
Extended health care cost trend - current	—	—	7.50%	7.50%
Extended health care cost trend - ultimate	—	—	5.00%	5.00%
Dental care cost trend - current	—	—	4.00%	4.00%
Average remaining service years for gain & loss	7.00	7.00	10.00	10.00

## 15. LINE OF CREDIT

Bruyère has an available unsecured line of credit of \$2,400,000 [2015 - \$2,400,000], bearing interest based on the bank prime rate minus 0.75%, renewable annually. As at March 31, 2016, Bruyère had drawn \$nil [2015 - \$nil] from the line of credit, but has two Letters of Guarantee drawn against the line of credit for a combined total amount of \$1,138,537 [2015 - \$113,737]. The remaining balance of \$1,261,463 [2015 - \$2,286,263] is available to support Bruyère cash flow requirements.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31

## 16. COMMITMENTS AND CONTINGENCIES

- [a] At March 31, 2016, HFS has an outstanding balance of \$5,870,092 [2015 - \$6,922,686] 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. Bruyère's share of the potential debt repayment should HFS default on the line of credit is \$1,831,943 [2015 - \$1,924,507]. As at the date of finalizing the financial statements, there has been no such request by the debtor.
- [b] In late fiscal year 2013, Bruyère started planning the construction of a co-generation plant at Saint-Vincent Hospital site. All expenses occurred in this matter have been accounted as construction in progress under capital assets. 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. By executing this agreement, Bruyère (Lessee) shall lease the Equipment from RBC (Lessor) for a term of 65 months with an option to purchase for \$1 after all rentals have been paid. As at March 31, 2016, the co-generation was still under construction, therefore no rent has been paid.
- [c] In January, 2016, Bruyère received approval from the MOHLTC to proceed with the Geriatric Day Hospital and Y Wing Heating, Ventilation and Air Conditioning Upgrade Project at the Élisabeth Bruyère Hospital site. As of May 2016, the total estimated project cost is \$5,787,100, the MOHLTC approved a grant of \$4,787,800, which corresponds to approximately 83% of the total project cost and the Foundation have fundraised and financed an amount of \$1,000,000 which corresponds to approximately 17% of the total project cost. As of March 31<sup>st</sup>, 2016, the project is approximately 20% completed. The project is estimated to be completed by May 2017.
- [d] 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 are as follows:

	\$
2017	1,397,475
2018	685,444
2019	417,517
2020	276,880
2021 and thereafter	186,845

- [e] 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.
- [f] Bruyère entered into two successive forbearance agreements with IO dated June 19, 2015 and September 22, 2015 (collectively the "Forbearance Agreements") in regards its \$40,604,509 forward contract purchased on May 24, 2012 [note 9]. The Forbearance Agreements also require the Construction loan – Phase II to be converted to a 30 year term loan prior to December 31, 2016.



# NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31

## 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, 2016, 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 31st, 2016, Bruyère continues to be in breach of its unrestricted cash covenant but obtained a forbearance agreement as disclosed in [note 9].

## 18. FINANCIAL INSTRUMENTS RISKS

### Fair value

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

The fair value of the construction loan is 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 cash portion of assets internally restricted are classified as level 1 financial instrument whereas the interest forward contract is classified as a level 2 financial instrument.

There were no transfers between levels for the year ended March 31, 2016 [2015 – no transfers].

# NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31

## 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 statement of financial position. Credit risk is mitigated through collection practices and the diverse nature of amounts with accounts receivable.

The 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, 2016, the balance of receivables over 90 days is \$618,213 [2015 - \$177,092]. Of this amount, \$451,073 [2015 - \$35,146] is due from other and \$167,140 [2015 - \$141,946] due from patients. Bruyère does not consider these amounts to be impaired. Bruyère actively manages and monitors these receivables balances. An impairment allowance 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 a forward contract agreement on May 24, 2012. Bruyère has established strict guidelines that are monitored regularly and does not hold or issue derivative financial instruments for trading or speculative purposes.

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.

Accounts payable and accrued vacation and overtime pay mature within one year. The maturity dates of long-term debt is disclosed in *note 9*.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31

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.