

Financial Statements of

**BRANT COMMUNITY HEALTHCARE
SYSTEM**

And Independent Auditor's Report thereon

Year ended March 31, 2026



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Brant Community Healthcare System

Opinion

We have audited the financial statements of Brant Community Healthcare System (the Entity), which comprise:

- the statement of financial position as at March 31, 2026
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- the statement of remeasurement gains and losses for the year ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2026, and its results of operations, its remeasurement of gains and losses, its changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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



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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.



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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

June 24, 2026

BRANT COMMUNITY HEALTHCARE SYSTEM

Statement of Financial Position

March 31, 2026, with comparative information for 2025

	2026	2025
Assets		
Current assets:		
Cash (note 5)	\$ 11,970,655	\$ 5,450,904
Accounts receivable (note 3)	21,258,038	15,841,394
Inventories	3,124,133	2,621,767
Due from Brant Community Healthcare System Foundation (note 14)	1,035,013	1,140,729
Other assets	1,881,590	2,249,120
	<u>39,269,429</u>	<u>27,303,914</u>
Capital assets (note 4)	164,748,065	150,459,387
	<u>\$ 204,017,494</u>	<u>\$ 177,763,301</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 49,424,832	\$ 56,251,050
Current portion of long-term debt (note 6)	7,984,435	6,500,792
Obligations under capital leases (note 7)	634,273	1,081,465
Deferred revenue	3,281,807	1,702,964
	<u>61,325,347</u>	<u>65,536,271</u>
Long-term debt (note 6)	22,727,921	18,140,267
Obligations under capital leases (note 7)	180,605	785,222
Derivative liability	30,743	67,171
Employee future benefits (note 8)	6,524,600	6,180,100
Deferred contributions (note 9)	122,055,725	98,110,058
Asset retirement obligation (note 10)	1,777,430	1,777,430
	<u>214,622,371</u>	<u>190,596,519</u>
Net assets:		
Invested in capital assets (note 11)	11,427,527	24,089,333
Unrestricted deficiency	(22,001,661)	(36,855,380)
	<u>(10,574,134)</u>	<u>(12,766,047)</u>
Accumulated rereasurement loss	(30,743)	(67,171)
	<u>(10,604,877)</u>	<u>(12,833,218)</u>
Contingencies and commitments (note 12)		
	<u>\$ 204,017,494</u>	<u>\$ 177,763,301</u>

See accompanying notes to financial statements.

On behalf of the Board:

Dave Diegel Director

Paul Ineson Director

BRANT COMMUNITY HEALTHCARE SYSTEM

Statement of Operations

Year ended March 31, 2026, with comparative information for 2025

	2026	2025
Revenue:		
Funding	\$ 254,479,904	\$ 231,445,817
Outpatient revenue – Ontario Hospital Insurance Plan	15,231,653	13,918,233
Other revenue	10,679,520	9,823,848
Emergency department – Alternate Funding Agreement	7,763,294	6,995,947
Hospitalist program/CCU closed model – in-patient	3,690,706	3,347,105
In-patient	908,446	2,476,623
Outpatient	1,927,889	2,038,598
Amortization of deferred contributions relating to equipment	1,130,092	1,174,276
Preferred accommodation and chronic co-payment	697,528	633,191
	<u>296,509,032</u>	<u>271,853,638</u>
Expenses:		
Salaries and wages	137,472,856	134,292,120
Other supplies and expenses	43,610,493	43,274,568
Employee benefits	41,534,811	38,989,024
Medical staff remuneration	35,478,452	32,308,736
Medical and surgical supplies	14,808,298	14,596,136
Drugs	14,783,046	15,053,784
Amortization of equipment and furnishings	4,426,339	4,557,091
	<u>292,114,295</u>	<u>283,071,459</u>
Excess (deficiency) of revenue over expenses before the undernoted	4,394,737	(11,217,821)
Amortization of deferred contributions relating to buildings and building service equipment	4,000,373	3,824,913
Amortization of buildings and building service equipment	(6,203,197)	(5,929,936)
Excess (deficiency) of revenue over expenses for the year	<u>\$ 2,191,913</u>	<u>\$(13,322,844)</u>

See accompanying notes to financial statements.

BRANT COMMUNITY HEALTHCARE SYSTEM

Statement of Changes in Net Assets

Year ended March 31, 2026, with comparative information for 2025

	Invested in capital assets	Unrestricted	2026 Total
Balance, beginning of year	\$ 24,089,333	\$ (36,855,380)	\$(12,766,047)
Excess (deficiency) of revenue over expenses for the year (note 11)	(5,499,071)	7,690,984	2,191,913
Net change in investment in capital assets (note 11)	(7,162,735)	7,162,735	–
Balance, end of year	\$ 11,427,527	\$ (22,001,661)	\$(10,574,134)

	Invested in capital assets	Unrestricted	2025 Total
Balance, beginning of year	\$ 19,041,356	\$ (18,484,559)	\$ 556,797
Deficiency of revenue over expenses for the year (note 11)	(5,487,838)	(7,835,006)	(13,322,844)
Net change in investment in capital assets (note 11)	10,535,815	(10,535,815)	–
Balance, end of year	\$ 24,089,333	\$ (36,855,380)	\$(12,766,047)

See accompanying notes to financial statements.

BRANT COMMUNITY HEALTHCARE SYSTEM

Statement of Cash Flows

Year ended March 31, 2026, with comparative information for 2025

	2026	2025
Cash provided by (used in)		
Operating activities:		
Deficiency of revenue over expenses for the year	\$ 2,191,913	\$(13,322,844)
Items not affecting cash:		
Amortization of deferred contributions:		
Equipment	(1,130,092)	(1,174,276)
Buildings and building service equipment	(4,000,373)	(3,824,913)
Amortization of capital assets:		
Equipment and furnishings	4,426,339	4,557,091
Buildings and building service equipment	6,203,197	5,929,936
Employee future benefits	344,500	331,000
Changes in non-cash working capital items relating to operations (note 13)	(8,986,943)	(1,598,076)
	(951,459)	(9,102,082)
Capital activities:		
Purchase of capital assets	(26,624,411)	(50,425,909)
Financing activities:		
Issuance of short-term debt	6,900,000	–
Principal payments under capital leases	(1,051,809)	(1,318,974)
Principal payments of long-term debt	(828,702)	(770,149)
Proceeds from mortgage issuance	–	8,000,000
Contributions received:		
Donations from Brant Community Healthcare System Foundation	2,503,949	2,167,940
Contributions and donations from third parties	430,000	34,916
Net provincial capital grants	26,142,183	27,207,913
	34,095,621	35,321,646
Change in cash during the year	6,519,751	(24,206,345)
Cash, beginning of year	5,450,904	29,657,249
Cash, end of year	\$ 11,970,655	\$ 5,450,904
Supplementary disclosure for capital activities – non-cash transactions:		
Capital assets additions in obligation under capital leases – leased	\$ –	\$ 408,835
Capital assets additions in accounts payable and accrued liabilities	(1,687,121)	(3,393,318)

See accompanying notes to financial statements

BRANT COMMUNITY HEALTHCARE SYSTEM

Statement of Remeasurement Gains and Losses

Year ended March 31, 2026, with comparative information for 2025

	2026		2025	
Accumulated remeasurement (loss) gain, beginning of year	\$	(67,171)	\$	31,763
Derivative - interest rate swaps – gain (loss)		36,428		(98,934)
Accumulated remeasurement loss, end of year	\$	(30,743)	\$	(67,171)

See accompanying notes to financial statements

BRANT COMMUNITY HEALTHCARE SYSTEM

Notes to Financial Statements

Year ended March 31, 2026

1. Nature of operations:

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

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

On March 17, 2022, the Minister of Health issued a series of orders transferring the LHIN's health system planning and funding functions to Ontario Health. These transfers were effective April 1, 2022 and should be considered where references to the LHIN are made throughout these financial statements. This health system change was anticipated following the ratification of the Connecting Care Act, 2019, and management does not expect any subsequent impact on operations or the financial position of the System.

2. Summary of significant accounting policies:

Basis of presentation:

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

A summary of the significant accounting policies is as follows:

(a) Revenue recognition:

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

BRANT COMMUNITY HEALTHCARE SYSTEM

Notes to Financial Statements (continued)

Year ended March 31, 2026

2. Summary of significant accounting policies (continued):

(a) Revenue recognition (continued):

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

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

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

All other revenues including those from the Ontario Health Insurance Plan, preferred accommodation and marketed services are recognized when the goods are sold or the services are provided, performance obligations fulfilled, and future economic benefits are measurable and expected to be obtained.

(b) Contributed materials and services:

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

(c) Inventories:

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

(d) Capital assets:

Purchased capital assets are stated at cost. Contributed capital assets are recorded at fair value at the date of contribution.

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

BRANT COMMUNITY HEALTHCARE SYSTEM

Notes to Financial Statements (continued)

Year ended March 31, 2026

2. Summary of significant accounting policies (continued):

(d) Capital assets (continued):

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

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

Construction-in-progress comprises construction, development costs and interest capitalized during the construction period. Upon completion, costs in construction-in-progress are reclassified to the appropriate capital asset account and amortization commences when the asset is operational.

When conditions indicate a capital asset no longer contributes to the System's ability to provide services, or that the value of future economic benefits associated with the capital asset is less than its net book value, the book value of the capital asset will be reduced to reflect the decline in the asset's value.

(e) Equipment under capital leases:

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

(f) Employee future benefits:

(i) Multi-employer plan:

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

BRANT COMMUNITY HEALTHCARE SYSTEM

Notes to Financial Statements (continued)

Year ended March 31, 2026

2. Summary of significant accounting policies (continued):

(f) Employee future benefits (continued):

(ii) Other post-employment benefit plans:

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

The System has adopted the following policies:

- Certain employees of the System are entitled to receive post-employment benefits. The costs of these benefits are determined using the accrued benefit method pro-rated on service and management's best estimate of expected salary escalation, retirement ages of employees and health-care costs. The discount rate used to determine the accrued benefit obligation was determined by reference to the rate of return on provincial government bonds with an additional risk premium specific to the System for varying durations based on the cash flows expected from the post-employment benefit obligations.
- Past service from plan amendments is expensed when the amendment takes effect.
- The excess of the cumulative unamortized balance of the net actuarial gain (loss) is amortized over the average remaining service period of active employees. The average remaining service period of active employees is 14 years (2025 - 16 years).

(g) Financial instruments:

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

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

Asset/liabilities	Measurement
Cash (bank indebtedness)	amortized cost
Restricted investments	amortized cost
Accounts receivable	amortized cost
Due from Brant Community Healthcare System Foundation	amortized cost
Accounts payable and accrued liabilities	amortized cost
Long-term debt	amortized cost
Obligations under capital leases	amortized cost

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

BRANT COMMUNITY HEALTHCARE SYSTEM

Notes to Financial Statements (continued)

Year ended March 31, 2026

2. Summary of significant accounting policies (continued):

(g) Financial instruments (continued):

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest income or expense.

The standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 – Observable or corroborated inputs, other than Level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

(h) Asset retirement obligations:

The System recognizes the fair value of an asset retirement obligation (“ARO”) when all of the following criteria have been met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

A liability for the removal of asbestos-containing materials in certain hospital facilities and underground fuel tanks owned by the System has been recognized based on estimated future expenses. Actual remediation costs incurred are charged against the ARO to the extent of the liability recorded. Differences between the actual remediation costs incurred and the associated liability recorded within the consolidated financial statements are recognized in the Statement of Operations at the time of remediation occurs.

(i) Use of estimates:

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

BRANT COMMUNITY HEALTHCARE SYSTEM

Notes to Financial Statements (continued)

Year ended March 31, 2026

3. Accounts receivable:

	2026	2025
Ministry of Health and Long-Term Care/Local Health Integration Network and Cancer Care Ontario	\$ 17,035,050	\$ 9,120,895
Insurers and patients	1,521,543	7,160,795
Other	2,701,445	4,100,368
	21,258,038	20,382,058
Less: Allowance for doubtful accounts	–	(4,540,664)
	\$ 21,258,038	\$ 15,841,394

During the year the System reduced the allowance for doubtful accounts by amounts written off additionally, the System incurred bad debt expense of \$2,131,247 (2025 - \$1,431,223).

BRANT COMMUNITY HEALTHCARE SYSTEM

Notes to Financial Statements (continued)

Year ended March 31, 2026

4. Capital assets:

			2026
	Cost	Accumulated amortization	Net book value
Land	\$ 9,581,143	\$ –	\$ 9,581,143
Land improvements	1,307,878	1,024,512	283,366
Buildings and building service equipment	174,694,089	105,660,777	69,033,312
Major equipment	62,594,263	46,159,534	16,434,729
Building renovations in progress	68,547,500	–	68,547,500
Equipment under capital leases	12,038,178	11,170,163	868,015
	<u>\$ 328,763,051</u>	<u>\$ 164,014,986</u>	<u>\$ 164,748,065</u>

			2025
	Cost	Accumulated amortization	Net book value
Land	\$ 9,581,143	\$ –	\$ 9,581,143
Land improvements	1,272,765	979,946	292,819
Buildings and building service equipment	173,480,110	99,503,588	73,976,522
Major equipment	59,344,855	42,875,582	16,469,273
Building renovations in progress	48,252,862	–	48,252,862
Equipment under capital leases	11,914,544	10,027,776	1,886,768
	<u>\$ 303,846,279</u>	<u>\$ 153,386,892</u>	<u>\$ 150,459,387</u>

5. Bank indebtedness:

The System has an available \$30,000,000 (2025 - \$30,000,000) unsecured demand operating line of credit with a major financial institution.

As at March 31, 2026, the System has drawn \$nil (2025 - \$nil) under this operating line of credit. This operating line of credit bears interest at the prime rate minus 0.25% (2025 - prime rate minus 0.25%).

BRANT COMMUNITY HEALTHCARE SYSTEM

Notes to Financial Statements (continued)

Year ended March 31, 2026

6. Long-term debt:

In April 2017, the System entered into an agreement with a third-party contractor for an energy retrofit project to increase energy efficiency, including infrastructure renewal at the Brantford site, with a guaranteed minimum level of energy savings of \$11,432,974 over an 11-year period. Under this agreement, the System has committed \$13,080,000 to be financed, through a tri-party agreement, over a 22-year term. In April 2017, the full funds available for the project were advanced by the lender and provided to an appointed Trustee to hold in an investment account on behalf of the System for the project completion. In September 2022, the debt repayment schedule was amended so that the timing of certain repayments corresponded with the receipt of government energy-saving incentive payments. In addition, the maturity date changed from July 2038 to August 2038; there was no change to the interest rate. Funds previously held in a restricted investment account have been released upon completion of the project during 2023.

In December 2020, the System entered a \$3,500,000 non-revolving term loan to purchase real estate, repayable over 20 years. This debt consisted of a long-term (3 year) loan facility priced at a floating rate of Bankers Acceptance (BA) plus 1.50% credit spread. The floating rate loan exposure (BA exposure) was hedged via an interest rate swap at a swap rate of 0.92%. Total fixed interest expense for the 3 year loan is 0.92% swap rate plus the credit spread of 1.50% for an all-in fixed rate of 2.42%. In December 2023, the loan facility was refinanced at a floating rate of CORRA (Canadian Overnight Repo Rate Average) plus 1.795% credit spread. The floating rate loan exposure (CORRA exposure) has been hedged via an interest rate swap at a swap rate of 4.55%. Total fixed interest expense for the period until January 2026 is 4.55% swap rate plus the credit spread of 1.795% for an all-in fixed rate of 6.345%. In January 2026, the loan facility was renewed as a \$2,901,079 non-revolving term credit facility with a 5-year term maturing on January 12, 2031. Concurrent with the renewal, the floating rate loan exposure was hedged through an interest rate swap at an improved fixed swap rate of 2.95%. Including the loan credit spread of 1.65% and the CORRA adjustment of 0.295%, the resulting all-in fixed interest rate is 4.895%. The loan is repayable in monthly installments of \$16,335, and the indicative remaining amortization period at renewal was 14.6 years.

BRANT COMMUNITY HEALTHCARE SYSTEM

Notes to Financial Statements (continued)

Year ended March 31, 2026

6. Long-term debt (continued):

In August 2022, the System entered a \$3,800,000 non-revolving term loan to finance the purchase of Diagnostic Imaging Equipment. In November 2023, the loan was refinanced from interest only payments and being due on demand to a floating rate loan with interest calculated on CORRA (Canadian Overnight Repo Rate Average) plus 2.195% credit spread with blended payments. The floating rate loan exposure (CORRA exposure) has been hedged via an interest rate swap at a swap rate of 3.455%. Total fixed interest expense for the period until November 2025 is 3.455% swap rate plus the credit spread of 2.195% for an all-in fixed rate of 5.65%. In January 2026, the loan facility was renewed as a \$2,880,101 non-revolving equipment line of credit. Interest on each advance is calculated based on the daily compounded Canadian Overnight Repo Rate Average (CORRA), plus the applicable CORRA adjustment and an applicable spread, with interest calculated monthly. The spread over the base rate is determined based on the term and amortization applicable to each advance. Concurrent with the renewal, the floating rate loan exposure was hedged through an interest rate swap at a fixed swap rate of 3.04%. Including the loan credit spread of 2.645%, the resulting all-in fixed interest rate is 5.685%. The loan is secured with the underlying equipment.

In May 2024, the System finalized an agreement to acquire property. The acquisition was partially financed through a vendor take back mortgage in the amount of \$8,000,000. The mortgage bears interest at a fixed rate of 4.00%, has a five-year term, and a 25-year amortization period. Principal and interest are repayable in blended monthly installments of \$42,082 per month. The mortgage is secured by the property acquired and matures in June 2049.

In January 2026, the Board approved a credit facility agreement with TD Bank Group totaling \$32,913,000. The facility includes an interim construction and project facility which is due on demand and bears interest at prime minus 0.85% and a committed reducing term facility that would have terms of between one and five years and would bear interest at a rate associated with the establishment of the terms. The maximum draw under the facilities is \$32,913,000. During the year \$6,900,000 was approved to support the financing of diagnostic equipment acquisitions, with the remaining balance available to support future operational and capital funding requirements. As at year end, the \$6,900,000 approved amount had not yet been converted into a term loan and no repayment schedule had been established. The loan is unsecured.

BRANT COMMUNITY HEALTHCARE SYSTEM

Notes to Financial Statements (continued)

Year ended March 31, 2026

6. Long-term debt (continued):

The amount is financed with the lender is as follows:

	2026	2025
Capital loan payable, due August 2038, with variable principal and interest instalments at 4.60% per annum	\$ 10,475,921	\$ 10,811,965
Non revolving loan bearing interest at 4.895%, repayable in blended monthly payments of \$28,396, maturing January 2031	2,868,409	2,976,592
Non revolving loan bearing interest at 5.685%, repayable in blended monthly payments of approximately \$36,400, maturing January 2031	2,805,658	2,994,237
Mortgage payable with blended monthly payments of \$42,082, bearing interest at 4% per annum over a 5-year term, with a 25-year amortization period, maturing June 2049	7,662,368	7,858,265
Demand interim construction and project loan bearing interest at 3.6%, with no set repayment terms	6,900,000	—
	30,712,356	24,641,059
Less: current portion	(7,984,435)	(6,500,792)
	\$ 22,727,921	\$ 18,140,267

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

2027	\$ 7,984,435
2028	1,172,657
2029	1,250,008
2030	4,911,852
2031	950,603
Thereafter	14,442,801
	\$ 30,712,356

BRANT COMMUNITY HEALTHCARE SYSTEM

Notes to Financial Statements (continued)

Year ended March 31, 2026

7. Obligations under capital leases:

The System has financed equipment with third party suppliers. The equipment financed through third party suppliers is financed over 72, 60 and 24 months with fixed interest rates of 4.89%, 4.95%, 5.0%, and 8.24%, respectively. All leases are secured by the underlying equipment financed.

The System has financed medical and information technology equipment by entering into capital leasing arrangements. The following is a schedule of the future minimum lease payments on the capital leases:

2027	\$	662,020
2028		85,179
2029		85,179
2030		28,393
		860,771
Less: amount representing interest an average rate of 5.96%		45,893
		814,878
Less: current portion		634,273
	\$	180,605

8. Pension plan and employee future benefits:

(a) Multi-employer plan:

Contributions made during the year to HOOPP by the System amounted to \$11,544,617 (2025 - \$10,829,907). These amounts are included in employee benefits expense in the statement of operations. The most recent actuarial valuation of HOOPP as at December 31 2025 indicates the plan has a 109% surplus in disclosed actuarial assets and is fully funded on a solvency basis.

(b) Employee future benefits:

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

Information about the System's post-employment benefits is calculated based on the latest actuarial valuation performed on March 31, 2026.

BRANT COMMUNITY HEALTHCARE SYSTEM

Notes to Financial Statements (continued)

Year ended March 31, 2026

8. Pension plan and employee future benefits (continued):

(b) Employee future benefits (continued):

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

	2026	2025
Accrued benefit obligation	\$ 6,750,700	\$ 6,714,800
Unamortized net actuarial loss	(226,100)	(534,700)
	\$ 6,524,600	\$ 6,180,100

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

	2026	2025
Employee future benefits liability, as at April 1	\$ 6,180,100	\$ 5,849,100
Current service cost	472,200	437,200
Interest cost	311,900	306,100
Amortization of net actuarial losses	70,300	99,800
	7,034,500	6,692,200
Benefits paid	(509,900)	(512,100)
Employee future benefits liability, as at March 31	\$ 6,524,600	\$ 6,180,100

In the year, there was an actuarial gain of \$238,300 (2025 - loss of \$671,100).

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

	2026	2025
Discount rate	4.50%	4.50%
Dental trend rates	4.00%	4.00%
Expected average remaining service life (years)	14	14
Extended health-care trend rates	6.30%	6.30%

BRANT COMMUNITY HEALTHCARE SYSTEM

Notes to Financial Statements (continued)

Year ended March 31, 2026

9. Deferred contributions:

	2026	2025
Contributions held for future expenditures	\$ 2,039,851	\$ 25,180
Capital assets	120,015,874	98,084,878
	<u>\$ 122,055,725</u>	<u>\$ 98,110,058</u>

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

	2026	2025
Balance, beginning of year	\$ 25,180	\$ 1,200,310
Contributions relating to capital assets	2,021,164	—
Capital assets expenditures	(6,493)	(1,175,130)
Balance, end of year	<u>\$ 2,039,851</u>	<u>\$ 25,180</u>

Deferred capital contributions relating to capital assets represent the unamortized amount of donations and grants received and spent on the purchase of capital assets. The amortization of deferred contributions is recorded as revenue in the statement of operations.

	2026	2025
Balance, beginning of year	\$ 98,084,878	\$ 72,498,168
Change in unspent grants and donations	(2,014,671)	1,175,130
Contributions	29,076,132	29,410,769
Amounts amortized to revenue	(5,130,465)	(4,999,189)
Balance, end of year	<u>\$ 120,015,874</u>	<u>\$ 98,084,878</u>

10. Asset retirement obligation:

The System has accrued for asset retirement obligations related to the legal requirement for the removal or remediation of asbestos-containing materials in certain facilities as well as underground fuel tanks on properties owned by the System. The obligation is determined based on the estimated undiscounted cash flows that will be required in the future to remove or remediate the asbestos containing material and any soil contaminants in accordance with current legislation.

The System has recorded an amount of \$1,777,430 (2025 - \$1,777,430) for asset retirement obligations. There were no obligations settled during the year.

BRANT COMMUNITY HEALTHCARE SYSTEM

Notes to Financial Statements (continued)

Year ended March 31, 2026

11. Net assets invested in capital assets:

Invested in capital assets is calculated as follows:

	2026	2025
Capital assets	\$ 164,748,065	\$ 150,459,387
Amounts financed by debt and capital leases	(31,527,234)	(26,507,746)
Amounts financed by deferred contributions	(120,015,874)	(98,084,878)
Amount related to asset retirement obligation	(1,777,430)	(1,777,430)
	<u>\$ 11,427,527</u>	<u>\$ 24,089,333</u>

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

	2026	2025
Deficiency of revenue over expenses:		
Amortization of deferred contributions relating to capital assets	\$ 5,130,465	\$ 4,999,189
Amortization of capital assets	(10,629,536)	(10,487,027)
	<u>\$ (5,499,071)</u>	<u>\$ (5,487,838)</u>

	2026	2025
Net change in investment in capital assets:		
Purchase of capital assets	\$ 24,918,214	\$ 47,441,426
Amounts funded by deferred contributions	(27,061,461)	(30,585,899)
Payments of debt and capital leases	1,881,533	2,089,123
Issuance of debt	(6,900,000)	(8,000,000)
Acquisition of capital lease	(1,021)	(408,835)
	<u>\$ (7,162,735)</u>	<u>\$ 10,535,815</u>

12. Contingencies and commitments:

- (a) The System has been named as a defendant in various lawsuits. Based on the opinion of legal counsel as to a realistic estimate of the merits of these actions and the System's potential liability, management believes that any liability resulting from these actions would be adequately covered by liability insurance.
- (b) During the normal course of business, the System is involved in certain employment related negotiations and has recorded accruals based on management's estimate of potential settlement amounts where these amounts are reasonably determinable.

BRANT COMMUNITY HEALTHCARE SYSTEM

Notes to Financial Statements (continued)

Year ended March 31, 2026

12. Contingencies and commitments (continued):

- (c) The System is consistently reviewing pay equity. These financial statements include accrued amounts which represent management's best estimate of the obligation of The System for pay equity plans.

13. Changes in non-cash working capital items relating to operations:

	2026	2025
Accounts receivable	\$ (5,416,644)	\$ (3,171,312)
Inventories	(502,366)	218,667
Due from the Foundation	105,716	399,379
Other assets	367,530	(272,756)
Accounts payable and accrued liabilities	(5,120,022)	583,011
Deferred revenue	1,578,843	644,935
	<u>\$ (8,986,943)</u>	<u>\$ (1,598,076)</u>

14. Related party transactions:

The Brant Community Healthcare System Foundation (the Foundation) is incorporated under the laws of the Province of Ontario as a not-for-profit organization and is a registered charity under the Income Tax Act (Canada). The Foundation is an independent organization that raises funds and holds resources solely for the benefit of the System. As at March 31, 2026, the Foundation holds donations from the community in the amount of \$20,525,248 (2025 - \$17,386,578), which will be used for the benefit of the System to maintain and enhance capital infrastructure and to acquire capital equipment.

During the year, the Foundation transferred \$2,503,949 (2025 - \$2,167,940) of donations to the System in support of capital equipment and projects, which is included in deferred contributions, and \$19,184 (2025 - \$6,688) in support of minor equipment and education. During the year, net reimbursements from the Foundation to the System for operating costs incurred by the System on behalf of the Foundation totalled \$1,088,140 (2025 - \$923,659) and are recorded in due from Brant Community Healthcare System Foundation.

As at March 31, 2026, amounts due from Brant Community Healthcare System Foundation totalled \$1,035,013 (2025 - \$1,140,729).

15. Financial instruments and risk management:

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

BRANT COMMUNITY HEALTHCARE SYSTEM

Notes to Financial Statements (continued)

Year ended March 31, 2026

15. Financial instruments and risk management (continued):

(a) Interest rate risk:

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The System is exposed to interest rate risk through the floating interest rates on its overdraft facilities, non-revolving term debt and capital leases. Increases in the floating interest rates in the market could lead to a decrease in cash flows and increased interest costs. The System has mitigated interest rate risk on their non-revolving term loans by entering into interest rate swaps (note 6). As March 31, 2026, the System's estimate of the exposure to interest rate risk and the effect on net assets is not material.

(b) Credit risk:

The majority of the System's accounts receivable are due from the MOHLTC or other government agencies. As at March 31, 2026, the System's exposure to credit risk in the event of non-payment by patients for non-insured services and for services provided to non-resident patients is not material.

(c) Liquidity risk:

Liquidity risk results from the System's potential inability to meet its obligations associated with the financial liabilities as they come due. The System manages its liquidity risk by forecasting cash flows from operations and anticipating investing and financing activities and maintaining credit facilities to ensure it has sufficient available funds to meet current and foreseeable financial requirements. The System prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. As at March 31, 2026, the System's current liabilities exceed its current assets by \$22,055,918. Additionally, the maturity analysis of the System's long-term debt is described in note 6 and capital lease obligations are described in note 7.

The System has reported financial deficit in the previous last two years and a surplus in the current year. The System's budget for the year ending March 31, 2027 reflects a forecasted financial loss. As a result of these historical losses, the System has incurred a reduction in its working capital, operating cashflow loss and moved into an overall net asset deficit position. Management has identified a number of factors that have contributed to its recurring operating losses, including but not limited to the impact of recent wages settlements, investments in information technology, inflationary cost increase and financial pressures from patient volumes/acuity and capital commitments. The System continues to identify and consider opportunities to address these financial challenges. In the short-term, the System intends to rely on financing through its existing credit facilities and cost savings resulting from efficiency measures. The System is also exploring opportunities to increase debt financing to provide sufficient cash flows over the short to medium term as the System continues to align expenditures to funding levels. As a result of its previous financial deficits and projected deficits, the System has an increased level of reliance on the Ministry of Health and Ontario Health to assist in meeting its operating and capital requirements at current levels.