# West Park Healthcare Centre

Financial Statements

**March 31, 2021**

# Independent auditor's report

To the Directors of West Park Healthcare Centre

## Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of West Park Healthcare Centre (the Centre) as at March 31, 2021 and the results of its operations, its remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

**What we have audited**

The Centre's financial statements comprise:

- the statement of financial position as at March 31, 2021;
- the statement of operations for the year then ended;
- the statement of changes in net assets for the year then ended;
- the statement of remeasurement gains and losses for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

## 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 report.

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

**Independence**

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

## 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 Centre'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 Centre or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Centre'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 these 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 Centre's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Centre'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 Centre 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.

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
June 2, 2021

# West Park Healthcare Centre

Statement of Financial Position

**As at March 31, 2021**

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash | 23,582,744 | 11,344,000 |
| Short-term investments (note 5) | 15,304,605 | 7,017,440 |
| Accounts receivable (note 22) | 3,089,016 | 2,134,293 |
| Due from Ministry of Health and Long-Term Care and Local Health Integration Networks | 6,673,080 | - |
| Inventories (note 14) | 1,130,730 | 885,538 |
| Prepaid expense and others | 1,102,623 | 943,179 |
| | 50,882,798 | 22,324,451 |
| **Campaign advance** (note 15) | 1,124,660 | 2,594,613 |
| **Restricted cash** (note 4) | 2,537,886 | 3,184,896 |
| **Investments** (note 5) | 12,417,635 | 19,793,046 |
| **Property, plant and equipment** (note 9) | 52,357,499 | 50,208,666 |
| | **119,320,478** | **98,105,671** |
| **Liabilities** | | |
| **Current liabilities** | | |
| Accounts payable and accrued charges | 19,869,085 | 14,201,887 |
| Due to Ministry of Health and Long-Term Care and Local Health Integration Networks | - | 365,918 |
| Deferred revenue | 9,120,562 | 2,012,176 |
| Current portion of long-term debt (note 6) | 1,696,141 | 1,765,447 |
| | 30,685,788 | 18,345,428 |
| **Long-term liabilities** | | |
| Long-term debt (note 6) | - | 1,696,141 |
| Derivative liability (note 7) | 4,582,569 | 13,007,391 |
| Post-retirement benefits (note 10) | 5,415,000 | 5,501,900 |
| Deferred capital contributions (note 11) | 44,973,918 | 42,266,830 |
| | 85,657,275 | 80,817,690 |
| **Net Assets** | 33,663,203 | 17,287,981 |
| | **119,320,478** | **98,105,671** |
| **Net assets consist of** | | |
| Accumulated operating surplus | 38,260,815 | 30,577,627 |
| Accumulated remeasurement losses | (4,597,612) | (13,289,646) |
| | 33,663,203 | 17,287,981 |

**Contingencies and Commitments** (notes 20 and 21)

## Approved by the Board of Directors

_________________________ Director _________________________ Director

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

# West Park Healthcare Centre

Statement of Operations

**For the year ended March 31, 2021**

| | 2021<br>$ | 2020<br>$ |
|---|---:|---:|
| **Revenue** | | |
| Ministry of Health and Long-Term Care and Local Health Integration Networks (note 23) | 99,953,919 | 80,178,638 |
| Patient care | 6,670,467 | 8,703,497 |
| Investment income | 664,023 | 784,980 |
| Business operations (note 12) | 4,530,615 | 6,986,254 |
| Ancillary operations (notes 12 and 15) | 8,711,241 | 6,905,376 |
| Amortization of deferred capital contributions - furnishings and major equipment (note 11) | 261,704 | 308,852 |
| | 120,791,969 | 103,867,597 |
| **Expenses** | | |
| Salaries and employee benefits (notes 10 and 13) | 84,704,271 | 76,762,786 |
| Patient care supplies and services (note 14) | 5,959,767 | 4,595,777 |
| Contracted out services | 3,421,787 | 2,526,012 |
| Equipment and software maintenance | 2,289,402 | 1,979,141 |
| Utilities | 1,367,531 | 1,372,730 |
| Other supplies and expenses | 10,654,254 | 7,354,051 |
| Cost of goods sold - business operations (notes 12 and 14) | 2,914,211 | 4,336,286 |
| Interest expense on long-term debt | 222,473 | 341,805 |
| Amortization of furnishings and major equipment | 980,632 | 1,077,910 |
| | 112,514,328 | 100,346,498 |
| **Excess of revenue over expenses before the following** | **8,277,641** | **3,521,099** |
| **Amortization of deferred capital contributions** - buildings and land improvements (note 11) | 1,631,950 | 1,611,527 |
| **Amortization of buildings and land improvements** | (2,226,403) | (2,213,865) |
| **Excess of revenue over expenses for the year** | **7,683,188** | **2,918,761** |

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

# West Park Healthcare Centre

Statement of Changes in Net Assets

**For the year ended March 31, 2021**

| | 2021 | | |
|---|---|---|---|
| | **Internally restricted $** (note 8) | **Unrestricted $** | **Total $** |
| **Balance - Beginning of year** | **21,200,000** | **9,377,627** | **30,577,627** |
| Excess of revenue over expenses for the year | - | 7,683,188 | 7,683,188 |
| Transfer to internally restricted net assets | 7,000,000 | (7,000,000) | - |
| **Balance - End of year** | **28,200,000** | **10,060,815** | **38,260,815** |

| | 2020 | | |
|---|---|---|---|
| | **Internally restricted $** (note 8) | **Unrestricted $** | **Total $** |
| **Balance - Beginning of year** | **18,700,000** | **8,958,866** | **27,658,866** |
| Excess of revenue over expenses for the year | - | 2,918,761 | 2,918,761 |
| Transfer to internally restricted net assets | 2,500,000 | (2,500,000) | - |
| **Balance - End of year** | **21,200,000** | **9,377,627** | **30,577,627** |

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

# West Park Healthcare Centre

## Statement of Remeasurement Gains and Losses

**For the year ended March 31, 2021**

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| **Accumulated remeasurement losses - Beginning of year** | **(13,289,646)** | **(5,982,615)** |
| **Unrealized gains/(losses) attributable to** | | |
| Investments | 337,378 | 80,317 |
| Derivative liability | 8,424,822 | (7,387,426) |
| **Amounts reclassified to statement of operations** | | |
| (Gains)/losses on sale of investments | (70,166) | 78 |
| Net remeasurement gains/ (losses) for the year | 8,692,034 | (7,307,031) |
| **Accumulated remeasurement losses - End of year** | **(4,597,612)** | **(13,289,646)** |

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

# West Park Healthcare Centre

Statement of Cash Flows

**For the year ended March 31, 2021**

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| **Cash provided by** | | |
| **Operating activities** | | |
| Excess of revenue over expenses for the year | 7,683,188 | 2,918,761 |
| Add (deduct): Non-cash items | | |
| Amortization of property, plant and equipment | 3,207,035 | 3,291,775 |
| Amortization of deferred capital contributions | (1,893,654) | (1,920,379) |
| Realized gains and interest income on investments, net | (659,342) | (650,425) |
| Non-pension post-retirement expense (note 10) | 243,600 | (10,700) |
| | 8,580,827 | 3,629,032 |
| Net change in non-cash working capital balances related to operations (note 16) | 4,302,010 | 2,537,717 |
| Premiums paid related to employee future benefits (note 10) | (330,500) | (266,600) |
| | 12,552,337 | 5,900,149 |
| **Investing activities** | | |
| Purchases of investments | (6,700,000) | - |
| Proceeds from sale of investments | 6,714,800 | - |
| Decrease (increase) in campaign advance | 1,469,953 | (263,793) |
| Decrease in restricted cash | 647,010 | 2,497,197 |
| | 2,131,763 | 2,233,404 |
| **Capital activities** | | |
| Purchases of property, plant and equipment | (5,367,017) | (2,812,974) |
| **Financing activities** | | |
| Capital contributions received | 4,687,108 | 383,720 |
| Long-term debt principal repayments | (1,765,447) | (1,646,204) |
| | 2,921,661 | (1,262,484) |
| **Increase in cash during the year** | 12,238,744 | 4,058,095 |
| **Cash - Beginning of year** | 11,344,000 | 7,285,905 |
| **Cash - End of year** | **23,582,744** | **11,344,000** |
| **Non-cash transactions** | | |
| Capital asset additions recorded in accounts payable | 643,676 | 654,826 |
| Due from Ministry of Health and Long-Term Care related to deferred capital contributions recorded | 177,529 | 263,895 |

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

## 1 Nature of operations

West Park Healthcare Centre (the Centre) is a public hospital that provides specialized rehabilitation for patients recovering from life-altering accidents and illnesses. The Centre operates a full service Prosthetics and Orthotics manufacturing facility where certified staff design and build prostheses and orthoses, operates an Assessment Centre that provides comprehensive assessment services aimed at providing credible third party opinions for the insurance industry and owns a long-term care facility, operated by Extendicare (Canada) Inc.

The Centre is incorporated without share capital under the laws of Ontario. The Centre is registered as a charitable organization under the Income Tax Act (Canada) and is therefore exempt from income taxes.

The Centre is funded primarily by the Province of Ontario in accordance with approved funding arrangements approved by both the Ministry of Health (MOH) and Ministry of Long-Term Care (MLTC) and the Local Health Integration Networks (LHINs). Under the Connecting Care Act, 2019, the funder will transfer from the LHINs to Ontario Health.

## 2 Summary of significant accounting policies

### Basis of presentation

These financial statements have been prepared by management in accordance with Canadian public sector accounting standards (PSAS), including the 4200 series of standards for government not-for-profit organizations, and include the following significant accounting policies.

### Revenue recognition

The Centre follows the deferral method of accounting for contributions. 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 recognized as revenue in the year in which the related expenses are recognized. Contributions received for property, plant and equipment are deferred in the accounts and amortized over the same term and on the same basis as the related asset.

### Campaign advance

The campaign advance due from West Park Healthcare Centre Foundation (the Foundation) comprises disbursements paid by the Centre on behalf of the Foundation, is in the normal course of operations, and is carried at cost. Impairment is reviewed whenever events or circumstances indicate the recorded value may not be recoverable. Impairment will be recognized in the statement of operations if it is determined that the recorded value is not recoverable.

**Investments**

- Short-term investments

  Short-term investments consist of guaranteed investment certificates with maturity dates of one year or less and money market funds and are carried at fair value. Fair value for these investments is the face value of these certificates plus interest accrued to the statement of financial position date.

- Investments

  Investments consist of fixed income pooled funds and are carried at fair value. Fair value is determined directly from published price quotations in an active market. Changes in fair value are recorded in the statement of remeasurement gains and losses until the portfolio investment matures or is sold. Interest and other income attributable to investments are reported in the statement of operations.

**Property, plant and equipment**

Land was contributed in 1977 by the National Sanitarium Association (the NSA) and is carried on the statement of financial position at a nominal amount. Land improvements, buildings, furnishings and major equipment are carried at cost and are amortized using the straight-line method over their estimated useful lives at the following annual rates, as noted below.

| | |
|---|---|
| Land improvements | 5% |
| Buildings | 2-1/2% |
| Furnishings and major equipment | 5% to 33-1/3% |

Campus development costs comprise planning, development and other project related costs related to the construction of the new patient care building. Amortization is not recorded until construction is substantially complete and the assets are ready for productive use.

The Centre reviews its property, plant and equipment for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable and exceeds its fair value. The impairment loss, if any, is the excess of the carrying value over its fair value.

**Net assets**

Unrestricted net assets represent the ongoing operational activity of the Centre and amounts invested in property, plant and equipment.

Internally restricted net assets are assets that have been restricted for specific purposes by the Board of Directors.

**Employee benefit plans**

- Multi-employer pension plan

  The Centre participates in a defined benefit multi-employer pension plan. As there is not sufficient information available to apply defined benefit plan accounting, the plan is accounted for on a defined contribution plan basis. Contributions to the multi-employer defined benefit plan are expensed when due.

- Accrued post-retirement benefits

  The Centre accrues its obligations under non-pension employee benefit plans as full-time employees render services. The cost of non-pension post-retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate assumptions. Actuarial gains (losses) are amortized over the average remaining service period of active employees. The average remaining service period of active employees is 12.0 years. Future cost escalation affects the amount of employee future benefits. The accrued benefit obligation related to employee future benefits is discounted using current interest rates on long-term debt.

**Use of estimates**

The preparation of financial statements in accordance with PSAS 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. Actual results could differ from those estimates. Accounts involving significant estimates include accrued charges and employee future benefits liability.

COVID-19 has added to the Center's measurement uncertainty in the current year primarily due to judgement required by management to make significant assumptions related to estimates as they relate to funding received from MOH for incremental costs related to COVID-19. Calculating the amount of the incremental funding requires judgment in interpreting the related guidelines published by MOH as of the date of these financial statements. Consequently, there is uncertainty with respect to the amounts reported as revenues and receivable from the MOH in the financial statements for the year ended March 31, 2021 as there is a risk the funding provided to the Centre may be clawed back or the funding receivable at year-end may be reduced if additional clarifying guidance is published by the MOH or if a different interpretation with respect to the application of the guidance to the Centre's submission is taken by the MOH.

**Financial instruments**

The Centre's financial instruments consist of cash, short-term investments, accounts receivable, campaign advance, restricted cash, investments, accounts payable and accrued charges, due to/from MOH, MLTC and LHINs, long-term debt and derivative liability. The Centre's financial instruments are measured as follows:

| | |
|---|---|
| Cash and restricted cash | Amortized cost |
| Accounts receivable | Amortized cost |
| Campaign advance | Amortized cost |
| Investments | Fair value |
| Accounts payable and accrued charges | Amortized cost |
| Due to/from MOH, MLTC and LHINs | Amortized cost |
| Long-term debt | Amortized cost |
| Derivative liability | Fair value |

Unrealized changes in fair value of investments and derivative financial instruments are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations. When a financial asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

**Fair value measurement**

The following classification system is used to describe the basis of the inputs used to measure the fair values of financial instruments in the fair value measurement category:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – market based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – inputs for the asset or liability that are not based on observable market data.

Investments and derivatives are measured as Level 2 fair value instruments.

## 3 Campus development project

The Centre, in conjunction with the MOH, has undertaken a major capital redevelopment project to design, build, finance and maintain a new patient care centre. The new patient care building will enable the Centre to meet the healthcare needs of the community.

A Project Agreement was entered into on August 8, 2018, with EllisDon Infrastructure Healthcare to design, build, finance and maintain (for a 30-year term) the new patient care centre. The guaranteed cost of construction, financing and the 30-year maintenance agreement is $1,246,287,000, of which the Centre's local share is $107,643,400. Construction activity is underway and substantial completion is scheduled for February 28, 2023. Including demolition of the existing buildings and landscaping, final completion is scheduled for September 27, 2024.

As a P3 project, during construction, EllisDon Infrastructure Healthcare is responsible for all expenditures including construction financing of their asset. At substantial completion, the asset is transferred to the Centre, at which time EllisDon will be paid the amount outstanding less previous Construction Period Payments (a vehicle to reduce financing expenses). The payment at substantial completion will be comprised of MOH grants and the Centre's local share.

The Centre continues to capitalize all relevant ancillary costs related to the campus development project.

## 4 Restricted cash

The Centre has received $34,849,912 (2020 - $32,209,636) to date from the MOH for planning, design and other project related costs for the new patient care building. Cash in the amount of $2,640,276 was received during the current year. These funds are required to be segregated in a separate bank account or investment certificates and the use of these funds is restricted to the redevelopment project. Any interest earned on the funds is to be used for the redevelopment project or returned to the MOH. Interest earned on these funds is recorded as an increase in deferred capital contributions.

## 5 Investments

Short-term investments consist of guaranteed investment certificates and money market funds managed by a third party investment manager, with maturity dates of one year or less. The cash is held in escrow which will be available for use within the term of one year.

| | **2021**<br>**$** | **2020**<br>**$** |
|---|---:|---:|
| Cash held in escrow (note 6) | 1,396,161 | - |
| Cash and money market funds | 6,715,119 | 11,014 |
| Guaranteed investment certificates | 7,193,325 | 7,006,426 |
| | **15,304,605** | **7,017,440** |

The weighted rate of return on the guaranteed investment certificates is 2.00% (2020 - 2.42%).

Investments, which are managed by a third party investment manager, consist of the following:

| | **2021**<br>**$** | **2020**<br>**$** |
|---|---:|---:|
| Cash held in escrow (note 6) | - | 1,388,088 |
| Fixed income pooled fund | 12,417,635 | 18,404,958 |
| | **12,417,635** | **19,793,046** |

The weighted average rate of return on the fixed income pooled fund was 3.0% (2020 – 2.97%).

## 6 Long-term debt

| | 2021<br>$ | 2020<br>$ |
|---|---:|---:|
| Long-term debt for long-term care facility (note 6(a)) | 1,654,499 | 3,336,674 |
| Long-term debt for energy management project (note 6(b)) | 41,642 | 124,914 |
| | 1,696,141 | 3,461,588 |
| Less: Current portion of long-term debt | (1,696,141) | (1,765,447) |
| **Long-term portion** | **-** | **1,696,141** |

a) Long-term debt for long-term care facility

The Centre operates a 200-bed long-term care facility, which was partially funded by a 20-year term mortgage maturing in February 2022, at an interest rate of 7.375% per annum.

The Centre repays principal and interest in monthly instalments of $156,012. Interest expensed in 2021 was $189,973 (2020 – $309,216). The Centre has pledged as security a debenture on all present and future assets of the facility, a debenture on a leasehold interest on the land related to the facility, an assignment of funds payable by the MOH for funding construction and operation of the facility and an assignment of any insurance proceeds related to the facility.

The Centre has a debt service escrow account, for the benefit of the lenders, of $1,396,161 (2020 - $1,388,088), which must maintain a minimum of six months' principal and interest on the mortgage plus the accrued interest earned on the escrow account. The debt service escrow account shall remain intact until the mortgage is fully repaid. The funds are held in a separate bank account and are recorded as part of investments.

b) Long-term debt for energy management project

In fiscal 2011, the Centre implemented an energy management project, which was partially funded by a loan from the City of Toronto's Sustainable Energy Funds loan program. The loan was provided interest free as the proceeds were spent on approved energy saving initiatives. The Centre was advanced a loan amount of $832,764, maturing in July 2021.

The Centre repays principal in quarterly instalments of $20,819. The Centre has pledged as security a promissory note equal to the value of the loan.

c) Long-term debt for new hospital development

On August 8, 2018, the Centre entered into a new credit agreement to finance the new campus development project. Total credit approved is $127,000,000, is unsecured, and includes short-term and long-term and revolving and non-revolving facilities.

| Credit Available | Swap | Swap Rate | Stamping Fee | Commitment | Purpose |
|---|---|---|---|---|---|
| $26,000,000 | $20,000,000 | 3.01% | 0.35% | 3 years | Construction holdback |
| $40,000,000 | $40,000,000 | 3.29% | 0.72% | 20 years | Construction |
| $25,000,000 | $20,412,000 | 3.07% | 0.65% | 4 years | Construction |
| $15,000,000 | $13,500,000 | 3.21% | 0.35% | 15 years | Equipment |
| $21,000,000 | - | - | 0.35% | 4 years | HST |
| $127,000,000 | $93,912,000 | | | | |

No draws have been made against any of the credit facilities as at March 31, 2021 and 2020.

## 7 Derivative liability

The Centre entered into interest rate swaps in order to reduce the impact of fluctuating interest rates on its long-term debt for the new hospital development. These swaps effectively lock-in the interest rate applicable on the long-term debt. These swap agreements require periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. Notional amount represents the contract amounts to which interest rates are applied to calculate the cash flows to be exchanged. The notional amount of the Centre's interest rate swaps as at March 31, 2021 is $93,912,000 (2020 - $93,912,000).

Fair value of the interest rate swaps was calculated based on the present value of the estimated future cash flows using observable Canadian dollar interest rate swap yield curves obtained from dealer quotes. Fair value as at March 31, 2021 of these interest rate swaps is $4,582,569 (2020 - $13,007,391) and is reported as a liability on the statement of financial position.

The Centre pays standby fees related to the interest rate swaps related to the non-revolving loans at 0.05%. Standby fees expensed in 2021 were $32,500 (2020 - $32,589).

## 8 Internally restricted net assets

During 2021, the Centre transferred $7,000,000 (2020 - $2,500,000) to internally restricted net assets from unrestricted net assets. Cash equal to these internally restricted net assets are part of investments.

The balance of internally restricted funds is as follows:

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Local share of redevelopment | 25,535,000 | 18,535,000 |
| Renewal of property, plant and equipment - Long-Term Care Facility | 2,665,000 | 2,665,000 |
| | **28,200,000** | **21,200,000** |

## 9 Property, plant and equipment

| | | | **2021** |
|---|---|---|---|
| | **Cost**<br>**$** | **Accumulated amortization**<br>**$** | **Net**<br>**$** |
| Land and land improvements | 1,424,169 | 675,078 | 749,091 |
| Buildings | 56,952,698 | 41,685,227 | 15,267,671 |
| Furnishings and major equipment | 48,775,502 | 44,489,631 | 4,285,871 |
| Campus Development – Hospital | 32,055,066 | - | 32,055,066 |
| | **139,207,435** | **86,849,936** | **52,357,499** |

| | | | **2020** |
|---|---|---|---|
| | **Cost**<br>**$** | **Accumulated amortization**<br>**$** | **Net**<br>**$** |
| Land and land improvements | 1,396,136 | 635,874 | 760,262 |
| Buildings | 56,951,709 | 39,498,028 | 17,453,681 |
| Furnishings and major equipment | 46,822,916 | 43,508,942 | 3,313,974 |
| Campus Development – Hospital | 28,680,749 | - | 28,680,749 |
| | **133,851,510** | **83,642,844** | **50,208,666** |

Under an agreement dated April 25, 1977 between the Centre and the NSA, the NSA donated its land to the Centre for a nominal amount. If the Centre ceases to be a public hospital, the property donated by the NSA is to revert to the NSA. The Centre must obtain permission from the NSA to sell any of the donated land. The Centre is also required to advise the NSA of any actions taken by it that may result in an encumbrance being placed on the land.

## 10 Post-retirement benefits

**Pension plan**

Substantially all of the employees of the Centre are eligible to be members of the Healthcare of Ontario Pension Plan (the Plan), which is a multi-employer, defined benefit, final average pay contributory pension plan. Employer contributions made to the Plan during the year by the Centre amounted to $4,615,629 (2020 - $4,453,913). These amounts are included in salaries and employee benefits in the statement of operations. The most recent actuarial valuation of the Plan as at December 31, 2020 indicates the Plan is 130% funded.

The unionized employees of the long-term care facility, which is managed by a third party on behalf of the Centre, are eligible to be members of the Nursing Homes and Related Industries Pension Plan (the Pension Plan), which is a multi-employer, defined benefit pension plan. Employer contributions made to the Pension Plan during the year by the Centre amounted to $286,387 (2020 - $293,505). These amounts are included in salaries and employee benefits in the statement of operations. The most recent actuarial valuation of the Pension Plan as at January 1, 2020 indicates the plan is 100% funded.

**Non-pension post-retirement benefit plans**

The Centre's non-pension post-retirement benefit plans are comprised of medical, dental and life insurance coverage for employees who retire from the Centre and are between the ages of 55 and 65. Spouses of eligible retirees are covered by the plans. The measurement date used to determine the accrued benefit obligation is March 31, 2021. The most recent actuarial valuation of the non-pension post-retirement benefit plans for funding purposes is at March 31, 2021.

Information about the Centre's non-pension post-retirement benefit plans and reconciliation to the accrued benefit liability and net benefit costs is as follows:

| | **2021**<br>**$** | **2020**<br>**$** |
|---|---|---|
| Balance - Beginning of year | 5,501,900 | 5,779,200 |
| Current service cost | 262,200 | 179,700 |
| Interest cost | 152.000 | 99,000 |
| Benefits paid | (330,500) | (266,600) |
| Actuarial gain | (170,600) | (289,400) |
| Balance - End of year | **5,415,000** | **5,501,900** |
| Net benefit cost (recovery) recognized | | |
| Current service costs | 262,200 | 179,700 |
| Interest cost | 152,000 | 99,000 |
| Amortization of actuarial gains | (170,600) | (289,400) |
| | **243,600** | **(10,700)** |

The significant actuarial assumptions adopted in measuring the Centre's accrued benefit obligations and expense for the non-pension post-retirement benefit plans are as follows:

- discount rate for calculation of net benefit costs of 3.10% (2020 – 2.90%);
- discount rate to determine accrued benefit obligation for disclosure at end of year of 2.90% (2020 – 3.10%); and
- dental and extended health care costs in 2021 are based on actual rates. Dental cost increases are assumed to be 3.0% per annum thereafter. Extended health-care costs are assumed to be 5.37% in 2021 through 2024 and decreasing by 0.12% per annum to an ultimate rate of 3.57% per annum.

## 11 Deferred capital contributions

Deferred capital contributions represent the unamortized amount of contributions received for the purchase of property, plant and equipment. The changes in the deferred capital contributions balance are as follows:

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Deferred capital contributions - Beginning of year | 42,266,830 | 43,803,489 |
| Add | | |
| Contributions received for capital purposes | 4,600,742 | 383,720 |
| Less | | |
| Amortization of deferred capital contributions - furnishings and major equipment | (261,704) | (308,852) |
| Amortization of deferred capital contributions - buildings and land improvements | (1,631,950) | (1,611,527) |
| Deferred capital contributions - End of year | **44,973,918** | **42,266,830** |

Deferred capital contributions include the following:

| | 2021<br>$ | 2019<br>$ |
|---|---|---|
| Campus development | 35,486,878 | 33,072,244 |
| Other capital purposes | 8,740,067 | 8,447,613 |
| Long-term care contributions | 746,973 | 746,973 |
| | **44,973,918** | **42,266,830** |

## 12 Ancillary and business operations revenue

Ancillary operations revenue includes revenue from Prosthetics and Orthotics, Ontario Workers' Network, the parking lease and management fee, Rehab Plus outpatient rehabilitation and wellness and other services.

Business operations revenue represents revenue from the Assessment Centre.

## 13 Salaries and employee benefits expenses

Salaries and employee benefits expenses consist of the following:

| | 2021 $ | 2020 $ |
|---|---|---|
| Program salaries | 40,243,040 | 37,785,971 |
| Long-term care facility contracted salaries and benefits | 11,537,662 | 11,104,206 |
| Administration and support salaries | 15,469,211 | 11,922,080 |
| Ancillary and business operations salaries | 2,205,630 | 2,072,256 |
| Employee benefits | 15,248,728 | 13,878,273 |
| | **84,704,271** | **76,762,786** |

## 14 Inventories

During the year, $4,415,527 (2020 - $4,135,243) of inventory was recognized as an expense. These amounts are included as part of patient care supplies and services and cost of goods sold – business operations. There were no significant write downs of inventories recognized as an expense during 2021 and 2020. Pandemic supplies were expensed directly during the year due to their nature and limited requirements.

## 15 Related party transactions

The Foundation is a separate corporation without share capital and with its own Board of Directors. The accounts of the Foundation are not included in the accompanying financial statements. The Foundation receives and expends funds for the benefit of the Centre. During the year, the Foundation approved $308,837 (2020 - $350,908) in capital and operating grants to the Centre.

All donations to the Centre are received through the Foundation and are receipted by the Foundation for income tax purposes. The Centre also provides space and certain administrative support services to the Foundation at no cost.

On July 1, 2011, the Centre entered into a ten-year Sublease Agreement for its parking facilities with the Foundation. During the year, the Centre earned $226,200 (2020 - $226,200) in leasing revenue and $238,200 (2020 - $238,200) in management fees from the operations of the parking lot. These amounts are included in ancillary operations. The ten-year Sublease Agreement and the related Services Agreement and the Pledge Agreement for its parking facilities were terminated effective March 31, 2021.

All transactions between the Centre and the Foundation are settled through the campaign advance account on a monthly basis. Since June 10, 2013, the Foundation and Centre have been party to an agreement (known as the campaign advance), initially in the amount of $1,000,000. The agreement is reviewed annually. On March 26, 2020, the loan limit was increased to $3,500,000 with an expiry date of July 31, 2022. The Foundation has pledged as security on this campaign advance its unrestricted investments.

During the year, the Centre agreed to support the Foundation's Brand Awareness Campaign in the amount of $1,500,000. At year end, the amount outstanding on the campaign advance is $1,124,660 (2020 - $2,594,613).

## 16 Net change in non-cash working capital balances related to operations

The change in non-cash working capital balances related to operations consists of the following:

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Accounts receivable | (954,722) | 622,455 |
| Due to/from MOH, MLTC and LHINs | (7,125,364) | 507,605 |
| Inventories | (245,192) | 2,684 |
| Prepaid expense and others | (159,444) | 47,503 |
| Accounts payable and accrued charges | 5,678,346 | 574,749 |
| Deferred revenue | 7,108,386 | 782,721 |
| | **4,302,010** | **2,537,717** |

## 17 Operating line of credit

The Centre has an unsecured operating line of credit to a maximum of $5,000,000. This facility bears interest at prime and is due on demand. As at March 31, 2021 and 2020, there were no borrowings under this facility.

## 18 Segmented financial reporting

The Centre's reportable segments are a 299-bed complex continuing care and rehabilitation hospital which includes in-patient, out-patient and community outreach services and a 200-bed long-term care facility. Segmentation is based on the distinct budgeting and operating process of these two segments.

The following segmented information is regularly reported to senior management of the Centre and the Corporate Committee of the Centre Board of Directors. Revenue and expenses are directly attributable between these segments due to the distinct operations, management and governance of these segments and do not incorporate any allocations between these segments. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in note 2.

| | Long-Term Care Centre<br>$ | Healthcare Centre<br>$ | Consolidated<br>$ |
|---|---|---|---|
| **Revenue** | | | |
| MOHLTC and LHINs | 13,227,663 | 86,726,256 | 99,953,919 |
| Patient care and other agencies | 4,280,088 | 2,390,379 | 6,670,467 |
| Investment income | 17,252 | 646,771 | 664,023 |
| Business operations | - | 4,530,615 | 4,530,615 |
| Ancillary operations | 168,538 | 8,542,703 | 8,711,241 |
| Amortization of deferred capital contributions | - | 261,704 | 261,704 |
| | 17,693,541 | 103,098,428 | 120,791,969 |
| **Expenses** | | | |
| Salaries and employee benefits | 11,537,662 | 73,166,609 | 84,704,271 |
| Patient care supplies and services | 1,597,060 | 4,362,707 | 5,959,767 |
| Contracted out services | 243,605 | 3,178,182 | 3,421,787 |
| Equipment and Software maintenance | 392,293 | 1,897,109 | 2,289,402 |
| Utilities | 432,125 | 935,406 | 1,367,531 |
| Other supplies and expenses | 1,172,682 | 9,481,572 | 10,654,254 |
| Cost of goods sold - business operations | - | 2,914,211 | 2,914,211 |
| Interest expense on long-term debt | 189,973 | 32,500 | 222,473 |
| Amortization of furnishings and major equipment | 128,680 | 851,952 | 980,632 |
| | 15,694,080 | 96,820,248 | 112,514,328 |
| **Excess of revenue over expenses before the following** | 1,999,461 | 6,278,180 | 8,277,641 |
| **Amortization of deferred capital contributions - buildings and land improvements** | 104,975 | 1,526,975 | 1,631,950 |
| **Amortization of buildings and land improvements** | ( 642,130) | ( 1,584,273) | ( 2,226,403) |
| **Excess of revenue over expenses for the year** | **1,462,306** | **6,220,882** | **7,683,188** |

## 19 Liability insurance

In 1987, a group of hospitals, including the Centre, formed the Health Care Insurance Reciprocal of Canada (HIROC). HIROC is a pooling of the public liability insurance risks of its members. All members of the pool pay annual premiums that are actuarially determined.

All members are subject to assessment for losses, if any, experienced by the pool for the years in which they were members. No assessments have been made to March 31, 2021

Each subscriber has an excess of premium plus investment income over the obligation for their allocation of claims reserves and expenses and may be entitled to receive distributions of their share of the unappropriated surplus at the time such distributions are declared by the Board of Directors.

## 20 Contingencies

The nature of the Centre's activities is such that there are usually claims pending or in progress at any time. In the opinion of management, the resolution of the claims against the Centre will not have a material effect on the financial position of the Centre.

The Centre received a claim during the year from a contractor for additional amounts owing in connection with the campus redevelopment project (note 3) for project delays and higher costs resulting from COVID-19. This matter is in the early stages and the outcome is not determinable at this time. Accordingly, no amounts have been accrued for at March 31, 2021.

## 21 Commitments

As at March 31, 2021, the Centre has entered into various contracts for Campus Development Construction. The commitments outstanding as at March 31, 2021 are $3,606,856 (2020 - $3,175,279).

## 22 Risk management

The Centre is exposed to a variety of financial risks, including credit risk, interest rate risk and liquidity risk.

*Credit risk*

The Centre is exposed to credit risk in the event of non-performance by patients for non-insured services and services provided to non-resident patients. The risk is common to hospitals as there are instances where the Centre would be required to provide care for patients regardless of their ability to pay for services. The Centre attempts to mitigate this credit risk by obtaining pre-approval from insurance providers of coverage of non-insured services and/or written confirmation from the patient that they will be responsible for the payment of any non-insured services.

As at March 31, 2021, the following accounts receivable were past due. An allowance in the amount of $296,186 (2020- $140,198) has been provided.

| | **30 days** | **60 days** | **90 days** | **Over 120 days** |
|---|---|---|---|---|
| Accounts receivable | $302,119 | $188,692 | $76,145 | $200,215 |

*Interest rate risk*

Interest rate risk arises from fluctuations in interest rates and the degree of volatility in those rates. The Centre is exposed to interest rate risk on its investment portfolio and long-term debt. The Centre mitigates its interest rate risk on its investment portfolio through diversification within the investment portfolio and through regular monitoring. The Centre has mitigated its risk of fluctuating interest rates by entering into a fixed interest rate on its long-term mortgage and by fixing the interest rates on other long-term debt through the use of interest rate swaps.

As at March 31, 2021, the Centre's total exposure to interest rate risk is $27,722,240, which represents the Centre's total investments. The Centre's estimate of the effect on net assets as at March 31, 2021 due to a 1% increase or decrease in the interest rate, with all other variables held constant, would approximately amount to an increase or decrease of $277,222. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

*Liquidity risk*

Liquidity risk is the risk the Centre will not be able to meet its financial obligations when they come due. The Centre 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 table below is a maturity analysis of the Centre's financial liabilities as at March 31, 2021:

| | Up to 6 Months<br>$ | More than 6 months up to 1 year<br>$ | More than 1 year up to 5 years<br>$ | Total<br>$ |
|---|---|---|---|---|
| Accounts Payable and accrued charges | 15,283,695 | 4,585,390 | - | 19,869,085 |
| Long-term debt | 888,618 | 807,523 | - | 1,696,141 |
| Derivative Liability | - | - | 4,582,569 | 4,582,569 |
| | **16,172,313** | **5,392,913** | **4,582,569** | **26,147,795** |

## 23 Impact of COVID-19 on operations

The outbreak of the novel strain of coronavirus, specifically identified as COVID-19, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. In response to the outbreak, the Centre has incurred additional expenditures including the opening of a 23 Bed LTV Unit to provide COVID-19 related care since March 2020. Additionally, following Ministry Directives resulted in services reductions and other impacts, resulting in a reduction of ancillary revenue generating operations. The Centre has claimed reimbursement from MOH, under approved funding envelopes, in order to mitigate the financial impact. MOH revenue associated with these claims for the fiscal 2021 year is included in the statement of operations in the following amounts:

| | Total<br>$ |
|---|---|
| Incremental expenses and cost pressures | 11,572,837 |
| Lost non-Ministry revenues | 3,505,414 |
| Pandemic premium pay | 1,661,860 |
| Physician compensation expenses | 31,570 |
| | **16,771,681** |

## 24 Comparative figures

Certain prior year comparative figures have been reclassified from statements previously presented to conform to the presentation of the 2021 financial statements.