

West Park Healthcare Centre

Financial Statements

March 31, 2022



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, 2022 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, 2022;
- 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 a summary of significant accounting policies.

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

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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
May 26, 2022

West Park Healthcare Centre**Statement of Financial Position****As at March 31, 2022**

	2022	2021
	\$	\$
Assets		
Current assets		
Cash	15,810,801	23,582,744
Short-term investments (note 5)	19,489,303	15,304,605
Accounts receivable (note 22)	2,881,034	3,089,016
Due from Ministry of Health and Ministry of Long-Term Care	1,321,860	6,673,080
Inventories (note 14)	1,010,086	1,130,730
Prepaid expense and others	1,577,820	1,102,623
	<u>42,090,904</u>	<u>50,882,798</u>
Campaign advance (note 15)	2,435,187	1,124,660
Restricted assets (note 4)	107,012,039	2,537,886
Investments (note 5)	3,759,609	12,417,635
Property, plant and equipment (note 9)	129,178,399	52,357,499
	<u>284,476,138</u>	<u>119,320,478</u>
Liabilities		
Current liabilities		
Accounts payable and accrued charges	22,139,973	19,869,085
Deferred revenue	17,588,236	9,120,562
Current portion of long-term debt (note 6)	-	1,696,141
	<u>39,728,209</u>	<u>30,685,788</u>
Long-term liabilities		
Derivative liability (note 7)	1,464,295	4,582,569
Post-retirement benefits (note 10)	5,348,300	5,415,000
Deferred capital contributions (note 11)	198,122,263	44,973,918
	<u>204,934,858</u>	<u>85,657,275</u>
Net Assets		
Accumulated operating surplus	41,495,896	38,260,815
Accumulated remeasurement losses	(1,682,825)	(4,597,612)
	<u>39,813,071</u>	<u>33,663,203</u>
	<u>284,476,138</u>	<u>119,320,478</u>

Contingencies and Commitments (notes 20 and 21)**Approved by the Board of Directors**

DocuSigned by:

 Kim Marshall Director
 5/26/2022 | 15:44 EDT

DocuSigned by:

 David Keddy Director
 5/26/2022 | 15:59 EDT

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

West Park Healthcare Centre

Statement of Operations

For the year ended March 31, 2022

	2022	2021
	\$	\$
Revenue		
Ministry of Health and Ministry of Long-Term Care (note 23)	99,237,484	99,953,919
Patient care	7,249,210	6,670,467
Investment income	255,169	664,023
Business operations (note 12)	5,568,672	4,530,615
Ancillary operations (note 12)	9,390,919	8,711,241
Amortization of deferred capital contributions - furnishings and major equipment (note 11)	287,121	261,704
	<u>121,988,575</u>	<u>120,791,969</u>
Expenses		
Salaries and employee benefits (notes 10 and 13)	90,372,795	84,704,271
Patient care supplies and services (note 14)	5,515,137	5,959,767
Contracted out services	4,078,721	3,421,787
Equipment and software maintenance	2,579,332	2,289,402
Utilities	1,314,226	1,367,531
Other supplies and expenses	9,281,309	10,654,254
Cost of goods sold - business operations (notes 12 and 14)	3,563,200	2,914,211
Interest expense on long-term debt	94,133	222,473
Amortization of furnishings and major equipment	1,365,044	980,632
	<u>118,163,897</u>	<u>112,514,328</u>
Excess of revenue over expenses before the following	3,824,678	8,277,641
Amortization of deferred capital contributions - buildings and land improvements (note 11)	1,776,666	1,631,950
Amortization of buildings and land improvements	(2,366,263)	(2,226,403)
Excess of revenue over expenses for the year	<u>3,235,081</u>	<u>7,683,188</u>

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, 2022

	2022		
	Internally restricted \$ (note 8)	Unrestricted \$	Total \$
Balance - Beginning of year	28,200,000	10,060,815	38,260,815
Excess of revenue over expenses for the year	-	3,235,081	3,235,081
Transfer to internally restricted net assets	2,000,000	(2,000,000)	-
Balance - End of year	30,200,000	11,295,896	41,495,896
	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

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, 2022

	2022 \$	2021 \$
Accumulated remeasurement losses - Beginning of year	(4,597,612)	(13,289,646)
Unrealized gains/(losses) attributable to		
Investments	(416,559)	337,378
Derivative liability	3,118,274	8,424,822
Amounts reclassified to statement of operations		
Losses (gain) on sale of investments	213,072	(70,166)
Net remeasurement gains for the year	2,914,787	8,692,034
Accumulated remeasurement losses - End of year	(1,682,825)	(4,597,612)

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, 2022

	2022 \$	2021 \$
Cash provided by		
Operating activities		
Excess of revenue over expenses for the year	3,235,081	7,683,188
Add (deduct): Non-cash items		
Amortization of property, plant and equipment	3,731,307	3,207,035
Amortization of deferred capital contributions	(2,063,787)	(1,893,654)
Loss on disposal of capital assets	2,789	-
Realized gains and interest income on investments, net	(109,402)	(659,342)
Non-pension post-retirement expense (note 10)	264,100	243,600
	<u>5,060,088</u>	<u>8,580,827</u>
Net change in non-cash working capital balances related to operations (note 16)	15,533,259	4,302,010
Premiums paid related to employee future benefits (note 10)	(330,800)	(330,500)
	<u>20,262,547</u>	<u>12,552,337</u>
Investing activities		
Purchases of investments	(8,445,000)	(6,700,000)
Proceeds from sale of investments	12,824,242	6,714,800
(Increase) decrease in campaign advance	(1,310,527)	1,469,953
(Increase) decrease in restricted assets	(104,474,153)	647,010
	<u>(101,405,438)</u>	<u>2,131,763</u>
Capital activities		
Purchases of property, plant and equipment	(80,226,896)	(5,367,017)
Financing activities		
Capital contributions received	155,293,985	4,687,108
Long-term debt principal repayments	(1,696,141)	(1,765,447)
	<u>153,597,844</u>	<u>2,921,661</u>
Increase (decrease) in cash during the year	(7,771,943)	12,238,744
Cash - Beginning of year	<u>23,582,744</u>	<u>11,344,000</u>
Cash - End of year	<u>15,810,801</u>	<u>23,582,744</u>
Non-cash transactions		
Capital asset additions recorded in accounts payable	971,776	643,676
Due from Ministry of Health related to deferred capital contributions recorded	95,676	177,529

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

West Park Healthcare Centre

Notes to Financial Statements

March 31, 2022

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.

Under the Health Insurance Act (Ontario) and the regulations thereunder, the Centre is funded primarily by the Province of Ontario in accordance with funding arrangements established by both the Ministry of Health (MOH) and Ministry of Long-Term Care (MLTC) through the Hospital Service Accountability Agreement, the Multi-Sector Service Accountability Agreement and the Long Term Care Service Accountability Agreement with the Toronto Region/ Ontario Health. Ontario Health ("OH"), a Crown agency of the Government of Ontario, was established on June 6, 2019 and effective April 1, 2021, OH assumed all Toronto Central Local Health Integration Network responsibilities including all agreements.

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.

West Park Healthcare Centre

Notes to Financial Statements

March 31, 2022

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, and 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.

West Park Healthcare Centre

Notes to Financial Statements

March 31, 2022

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.

In particular, the amount of revenue recognized from the MOH and MLTC requires some estimations. The Centre has entered into accountability agreements that set out the rights and obligations of the parties in respect of funding provided to the Centre by the MOH. The accountability agreements set out certain performance standards and obligations that establish acceptable results for the Hospital's performance in a number of areas. If the Centre does not meet its performance standards or obligations, the MOH has the right to adjust funding received.

COVID-19 has added to the Centre's measurement uncertainty primarily due to judgement required by management to make significant assumptions related to estimates as they relate to funding received from the MOH for incremental costs and judgment in interpreting the related guidelines published by the MOH as of the date of these financial statements.

The amount of revenue recognized in these financial statements represents management's best estimates of amounts that have been earned during the year.

West Park Healthcare Centre

Notes to Financial Statements

March 31, 2022

Financial instruments

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

Cash	Amortized cost
Accounts receivable	Amortized cost
Campaign advance	Amortized cost
Restricted assets	Amortized cost
Investments	Fair value
Accounts payable and accrued charges	Amortized cost
Due from MOH and MLTC	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 (EllisDon) 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. Final completion, including demolition of the existing buildings and landscaping, is scheduled for September 27, 2024.

West Park Healthcare Centre

Notes to Financial Statements

March 31, 2022

As a Public-Private Partnership (P3) project, during construction, EllisDon is responsible for all expenditures including construction and financing of their asset. To reduce the cost of hospital construction, the MOH and Infrastructure Ontario created a structure to advance EllisDon funds once 50% of the construction costs have been funded through private capital. Monthly payments, described as Construction Period Payments in the project agreement were expected to commence July 31, 2021 and to continue to substantial completion. The payments flow through the Centre, with the first payment made on November 30th, 2021. At substantial completion, the asset is transferred to the Centre and EllisDon will be paid the balance outstanding which 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 assets

The Centre has received \$188,532,786 (2021 - \$34,849,912) to date from the MOH for planning, design and other project related costs for the new patient care building. Cash in the amount of \$153,682,874 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.

Restricted assets are segregated as follows:

	2022 \$	2021 \$
Cash	-	1,062,878
HST Recoverable	1,109,092	-
Guaranteed investment certificates	105,902,947	1,475,008
	<u>107,012,039</u>	<u>2,537,886</u>

5 Short-term investments and Investments

a) 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.

	2022 \$	2021 \$
Cash held in escrow (note 6)	-	1,396,161
Cash and money market funds	15,184,684	6,715,119
Guaranteed investment certificates	4,304,619	7,193,325
	<u>19,489,303</u>	<u>15,304,605</u>

The weighted rate of return on the guaranteed investment certificates is 1.12% (2021 - 2.00%).

West Park Healthcare Centre

Notes to Financial Statements

March 31, 2022

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

	2022 \$	2021 \$
Fixed income pooled fund	<u>3,759,609</u>	<u>12,417,635</u>

The weighted average rate of return on the fixed income pooled fund was (0.94%) (2021 – 3.98%).

6 Current portion of long-term debt

	2022 \$	2021 \$
Long-term debt for long-term care facility (note 6(a))	-	1,654,499
Long-term debt for energy management project (note 6(b))	-	41,642
	-	<u>1,696,141</u>
Less: Current portion of long-term debt	-	<u>(1,696,141)</u>
Long-term portion	<u>-</u>	<u>-</u>

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 at an interest rate of 7.375% per annum which matured in February 2022. During the year, the Centre repaid principal and interest in monthly instalments of \$156,012. Interest expensed in 2022 was \$61,634 (2021 – \$189,973).

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, repayable in quarterly instalments of \$20,819 which matured in July 2021.

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.

West Park Healthcare Centre

Notes to Financial Statements

March 31, 2022

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, 2022 and 2021.

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, 2022 is \$93,912,000 (2021 - \$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, 2022 of these interest rate swaps is \$1,464,295 (2021 - \$4,582,569) 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 2022 were \$32,500 (2021 - \$32,500).

8 Internally restricted net assets

During 2022, the Centre transferred \$2,000,000 (2021 - \$7,000,000) 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:

	2022	2021
	\$	\$
Local share of redevelopment	26,535,000	25,535,000
Renewal of property, plant and equipment - Long-Term Care Facility	3,515,000	2,665,000
Spasticity research	150,000	-
	30,200,000	28,200,000

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Notes to Financial Statements

March 31, 2022

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 \$316,704 (2021 - \$286,387). 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, 2021 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, 2022. The most recent actuarial valuation of the non-pension post-retirement benefit plans for funding purposes is at March 31, 2020.

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:

	2022 \$	2021 \$
Balance - Beginning of year	5,415,000	5,501,900
Current service cost	277,900	262,200
Interest cost	148,100	152,000
Benefits paid	(330,800)	(330,500)
Actuarial gain	(161,900)	(170,600)
	5,348,300	5,415,000
Net benefit cost (recovery) recognized		
Current service costs	277,900	262,200
Interest cost	148,100	152,000
Amortization of actuarial gains	(161,900)	(170,600)
	264,100	243,600

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 2.90% (2021 - 3.10%);
- discount rate to determine accrued benefit obligation for disclosure at end of year of 3.60% (2021 - 2.90%); and
- dental and extended health care costs in 2022 are based on actual rates. Dental cost increases are assumed to be 3.0% per annum from 2022 to 2024 and variable thereafter. Extended health-care costs are assumed to be 5.37% in 2022 through 2024 and decreasing by 0.12% per annum to an ultimate rate of 3.57% per annum.

West Park Healthcare Centre

Notes to Financial Statements

March 31, 2022

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:

	2022 \$	2021 \$
Deferred capital contributions - Beginning of year	44,973,918	42,266,830
Add		
Contributions received for capital purposes	155,212,132	4,600,742
Less		
Amortization of deferred capital contributions - furnishings and major equipment	(287,121)	(261,704)
Amortization of deferred capital contributions - buildings and land improvements	(1,776,666)	(1,631,950)
	<u>198,122,263</u>	<u>44,973,918</u>

Deferred capital contributions include the following:

	2022 \$	2021 \$
Campus development	190,710,209	35,486,878
Other capital purposes	6,665,081	8,740,067
Long-term care contributions	746,973	746,973
	<u>198,122,263</u>	<u>44,973,918</u>

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.

West Park Healthcare Centre

Notes to Financial Statements

March 31, 2022

13 Salaries and employee benefits expenses

Salaries and employee benefits expenses consist of the following:

	2022 \$	2021 \$
Program salaries	44,431,162	42,491,530
Long-term care facility contracted salaries and benefits	12,776,066	11,537,662
Administration and support salaries	14,766,352	13,546,583
Ancillary and business operations salaries	1,516,587	1,879,870
Employee benefits	16,882,628	15,248,626
	90,372,795	84,704,271

14 Inventories

During the year, \$4,402,135 (2021 - \$4,415,527) 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 2022 and 2021.

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 \$321,818 (2021 - \$308,837) 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.

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, 2024. The Foundation has pledged as security on this campaign advance its unrestricted investments.

At year end, the amount outstanding on the campaign advance is \$2,435,187 (2021 - \$1,124,660).

West Park Healthcare Centre

Notes to Financial Statements

March 31, 2022

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:

	2022 \$	2021 \$
Accounts receivable	207,982	(954,722)
Due to MOH and MLTC	5,269,367	(7,125,364)
Inventories	120,644	(245,192)
Prepaid expense and others	(475,197)	(159,444)
Accounts payable and accrued charges	1,942,789	5,678,346
Deferred revenue	8,467,674	7,108,386
	<u>15,533,259</u>	<u>4,302,010</u>

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, 2022 and 2021, 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, various Board Committees and 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.

West Park Healthcare Centre

Notes to Financial Statements

March 31, 2022

	Healthcare Centre \$	Long-Term Care Centre \$	Consolidated \$
Revenue			
MOH and MLTC	85,225,345	14,012,139	99,237,484
Patient care and other agencies	2,209,966	5,039,244	7,249,210
Investment income	209,922	45,247	255,169
Business operations	5,568,672	-	5,568,672
Ancillary operations	9,045,685	345,234	9,390,919
Amortization of deferred capital contributions	287,121	-	287,121
	<u>102,546,711</u>	<u>19,441,864</u>	<u>121,988,575</u>
Expenses			
Salaries and employee benefits	77,596,729	12,776,066	90,372,795
Patient care supplies and services	3,608,270	1,906,867	5,515,137
Contracted out services	3,817,818	260,903	4,078,721
Equipment and Software maintenance	2,023,188	556,144	2,579,332
Utilities	883,672	430,554	1,314,226
Other supplies and expenses	7,846,078	1,435,231	9,281,309
Cost of goods sold - business operations	3,563,200	-	3,563,200
Interest expense on long-term debt	32,500	61,633	94,133
Amortization of furnishings and major equipment	1,222,865	142,179	1,365,044
	<u>100,594,320</u>	<u>17,569,577</u>	<u>118,163,897</u>
Excess of revenue over expenses before the following	1,952,391	1,872,287	3,824,678
Amortization of deferred capital contributions - buildings and land improvements	1,671,691	104,975	1,776,666
Amortization of buildings and land improvements	(1,734,759)	(631,504)	(2,366,263)
Excess of revenue over expenses for the year	<u>1,889,323</u>	<u>1,345,758</u>	<u>3,235,081</u>

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, 2022.

West Park Healthcare Centre

Notes to Financial Statements

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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 EllisDon for additional amounts owing in connection with the campus redevelopment project (note 3) for project delays and higher costs resulting from COVID-19. In mid-June 2021, Infrastructure Ontario received direction from the MOH to commence Without Prejudice discussions with Project Co to potentially reach a settlement on COVID-19 impacts. IO and West Park engaged with EllisDon and the negotiations are ongoing. It is expected that the financial impact of any settlement on COVID-19 impacts will be MOH funded. The matter is in the early stages of discussion and the outcome is not determinable at this time. Accordingly, no amounts have been accrued for at March 31, 2022.

21 Commitments

As at March 31, 2022, the Centre has entered into various contracts for Campus Development Construction. The commitments outstanding as at March 31, 2022 are \$3,460,562 (2021 - \$3,606,856).

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, 2022, the following accounts receivable were past due. An allowance in the amount of \$566,043 (2021- \$296,186) has been provided.

	30 days	60 days	90 days	Over 120 days
Accounts receivable	\$524,836	\$151,496	\$239,355	\$267,617

West Park Healthcare Centre

Notes to Financial Statements

March 31, 2022

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, 2022, the Centre's total exposure to interest rate risk is \$23,248,912, which represents the Centre's total investments. The Centre's estimate of the effect on net assets as at March 31, 2022 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 \$232,489. 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, 2022:

	Up to 6 Months \$	More than 6 months up to 1 year \$	More than 1 year up to 5 years \$	Total \$
Accounts Payable and accrued charges	17,658,384	4,481,589	-	22,139,973
Derivative Liability	-	-	1,464,295	1,464,295
	16,172,313	5,392,913	1,464,295	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 unbudgeted pandemic response expenditures since March 2020. The MOH issued a series of funding announcements and Ministry Guidelines to support the continued COVID-19 response across the hospital sector. The various funding envelopes are intended to support patient care, reduce operating pressures and to offset the incremental operating expenditures incurred to provide direct COVID-19 care, including vaccine administration, surge beds and critical care/ LTV beds. One time funding was made available for lost non-Ministry revenues in 2021. The Centre has claimed reimbursements from MOH under approved funding envelopes and recorded the MOH revenue associated claims as follows:

West Park Healthcare Centre

Notes to Financial Statements

March 31, 2022

	2022	2021
	\$	\$
Incremental expenses and cost pressures	4,982,367	11,572,837
Lost non-Ministry revenues	-	3,505,414
Pandemic premium pay	335,333	1,661,860
Physician compensation expenses	-	31,570
	<hr/>	<hr/>
	5,317,700	16,771,681
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