

West Park Healthcare Centre

Financial Statements

March 31, 2019



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, 2019 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, 2019;
 - 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.
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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.

Other information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, included in the annual report.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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
May 31, 2019

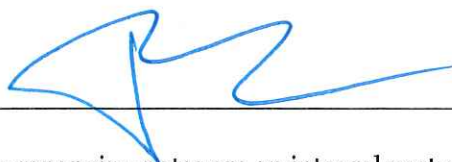
West Park Healthcare Centre

Statement of Financial Position

As at March 31, 2019

	2019	2018
	\$	\$
Assets		
Current assets		
Cash	7,285,905	8,858,737
Short-term investments	6,820,167	5,982,238
Accounts receivable	2,756,748	3,066,793
Due from Ministry of Health and Long-Term Care and Local Health Integration Networks	141,687	1,846,975
Inventories	888,222	760,482
Prepaid expense and others	990,682	795,822
	<u>18,883,411</u>	<u>21,311,047</u>
Campaign advance (note 15)	2,330,820	1,910,247
Restricted cash (note 4)	5,682,093	11,682,872
Investments (note 5)	19,259,499	18,633,510
Property, plant and equipment (note 9)	50,421,739	47,796,538
	<u>96,577,562</u>	<u>101,334,214</u>
Liabilities		
Current liabilities		
Accounts payable and accrued charges	13,361,410	21,799,076
Deferred revenue	1,229,455	1,261,664
Current portion of long-term debt (note 6)	1,645,381	1,535,413
	<u>16,236,246</u>	<u>24,596,153</u>
Long term liabilities		
Long-term debt (note 6)	3,462,411	5,107,792
Derivative liability (note 7)	5,619,965	-
Post-retirement benefits (note 10)	5,779,200	6,067,200
Deferred capital contributions (note 11)	43,803,489	42,402,121
	<u>74,901,311</u>	<u>78,173,266</u>
Contingencies and Commitments (notes 20 and 21)		
Net Assets	<u>21,676,251</u>	<u>23,160,948</u>
	<u>96,577,562</u>	<u>101,334,214</u>
Net assets consist of		
Accumulated operating surplus	27,658,866	23,715,270
Accumulated remeasurement losses	(5,982,615)	(554,322)
	<u>21,676,251</u>	<u>23,160,948</u>

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, 2019

	2019 \$	2018 \$
Revenue		
Ministry of Health and Long-Term Care and Local Health Integration Networks	79,409,791	76,637,382
Patient care	8,381,923	8,510,791
Investment income	683,599	545,108
Business operations (note 12)	11,921,470	11,953,722
Ancillary operations (note 12)	3,198,053	3,035,507
Amortization of deferred capital contributions - furnishings and major equipment (note 11)	307,368	302,487
	<u>103,902,204</u>	<u>100,984,997</u>
Expenses		
Salaries and employee benefits (notes 10 and 13)	75,287,351	72,950,379
Patient care supplies and services (note 14)	4,110,363	3,855,830
Contracted out services	2,515,720	2,419,696
Equipment and software maintenance	1,895,893	1,825,457
Utilities	1,314,256	1,415,525
Other supplies and expenses	5,203,100	5,007,143
Cost of goods sold - business operations (notes 12 and 14)	7,421,857	7,370,294
Interest expense on long-term debt	495,931	522,944
Amortization of furnishings and major equipment	1,039,174	1,247,504
	<u>99,283,645</u>	<u>96,614,772</u>
Excess of revenue over expenses before the following	4,618,559	4,370,225
Amortization of deferred capital contributions - buildings and land improvements (note 11)	1,572,656	783,346
Amortization of buildings and land improvements	(2,247,619)	(1,977,030)
Excess of revenue over expenses for the year	<u>3,943,596</u>	<u>3,176,541</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, 2019

2019

	Internally restricted \$ (note 8)	Unrestricted \$	Total \$
Balance - Beginning of year	15,200,000	8,515,270	23,715,270
Excess of revenue over expenses for the year	-	3,943,596	3,943,596
Transfer to internally restricted net assets	3,500,000	(3,500,000)	-
Balance - End of year	18,700,000	8,958,866	27,658,866

2018

	Internally restricted \$ (note 8)	Unrestricted \$	Total \$
Balance - Beginning of year	13,900,000	6,638,729	20,538,729
Excess of revenue over expenses for the year	-	3,176,541	3,176,541
Transfer to internally restricted net assets	1,300,000	(1,300,000)	-
Balance - End of year	15,200,000	8,515,270	23,715,270

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

West Park Healthcare Centre
Statement of Remeasurement Gains and Losses
As at March 31, 2019

	2019 \$	2018 \$
Accumulated remeasurement losses – Beginning of year	(554,322)	(148,730)
Unrealized gains/(losses) attributable to		
Investments	191,022	(405,976)
Derivative liability	(5,619,965)	-
Amounts reclassified to statement of operations		
Loss on sale of investments	650	384
Net remeasurement losses for the year	(5,428,293)	(405,592)
Accumulated remeasurement losses – End of year	(5,982,615)	(554,322)

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, 2019

	2019 \$	2018 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	3,943,596	3,176,541
Add (deduct): Non-cash items		
Amortization of property, plant and equipment	3,286,793	3,224,535
Amortization of deferred capital contributions	(1,880,024)	(1,085,833)
Realized gains and interest income on investments, net	(572,248)	(510,136)
Non-pension post-retirement expense (note 10)	(25,600)	(30,900)
	<u>4,752,517</u>	<u>4,774,207</u>
Net change in non-cash working capital balances related to operations (note 16)	(2,577,301)	2,007,500
Premiums paid related to employee future benefits (note 10)	(262,400)	(271,900)
	<u>1,912,816</u>	<u>6,509,807</u>
Investing activities		
Redemption of investments	-	294,246
Purchase of investments	(700,000)	(2,073,870)
Increase in campaign advance	(420,572)	(542,520)
Decrease (increase) in restricted cash	6,000,779	(6,805,275)
	<u>4,880,207</u>	<u>(9,127,419)</u>
Capital activities		
Purchase of property, plant and equipment	(12,087,456)	(5,217,864)
Financing activities		
Capital contributions received	5,257,014	10,248,329
Long-term debt principal repayments	(1,535,413)	(1,432,476)
	<u>3,721,601</u>	<u>8,815,853</u>
Increase / (Decrease) in cash during the year	(1,572,832)	980,377
Cash - Beginning of year	<u>8,858,737</u>	<u>7,878,360</u>
Cash - End of year	<u>7,285,905</u>	<u>8,858,737</u>
Non-cash transactions		
Capital asset additions recorded in accounts payable	389,096	6,564,558
Due from Ministry of Health and Long-Term Care related to deferred capital contributions recorded	263,895	2,239,517

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

West Park Healthcare Centre

Notes to Financial Statements

March 31, 2019

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 and specially trained 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 and operates a long-term care facility.

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 and Long-Term Care (MOHLTC) and the Local Health Integration Networks (LHINs).

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 of 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, 2019

Investments

- Short-term investments

Short-term investments consist of guaranteed investment certificates with maturity dates of one year or less 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 \$1. 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, except 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.

Description of 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, 2019

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 13.4 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.

Financial instruments

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

Cash and short-term investments	Fair value
Accounts receivable	Amortized cost
Campaign advance	Amortized cost
Restricted cash and investments	Fair value
Accounts payable and accrued charges	Amortized cost
Due to/from MOHLTC and LHINs	Amortized cost
Long-term debt	Amortized cost
Derivative liability	Fair value

Unrealized changes in fair value 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.

West Park Healthcare Centre

Notes to Financial Statements

March 31, 2019

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.

Cash, restricted cash, short-term investments and investments are measured as Level 1 fair value instruments and interest rate swaps are measured as Level 2 fair value instruments.

3 Campus development project

The Centre, in conjunction with the MOHLTC, 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.

4 Restricted cash

The Centre has received \$32,473,531 (\$29,439,517 in 2018) from the MOHLTC for planning, design and other project related costs for the new patient care building. 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 MOHLTC. Interest earned on these funds is recorded as an increase in deferred capital contributions.

5 Investments

Short-term investments consist of guaranteed investment certificates with maturity dates of one year or less.

	2019	2018
	\$	\$
Guaranteed investment certificates	6,820,167	5,982,238

The weighted rate of return on these guaranteed investment certificates is 2.86% (2018 – 2.21%).

West Park Healthcare Centre

Notes to Financial Statements

March 31, 2019

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

	2019	2018
	\$	\$
Cash and cash equivalents	1,380,907	1,346,125
Fixed income pooled fund	17,878,592	17,287,385
	<u>19,259,499</u>	<u>18,633,510</u>

The weighted average rate of return on the fixed income pooled fund was 3.54% (2018 – 0.04%).

6 Long-term debt

	2019	2018
	\$	\$
Long-term debt for long-term care facility (note 6(a))	4,899,598	6,351,735
Long-term debt for energy management project (note 6(b))	208,194	291,470
Less: Current portion of long-term debt	(1,645,381)	(1,535,413)
Long-term portion	<u>3,462,411</u>	<u>5,107,792</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 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 2019 was \$420,007 (2018 - \$522,944). 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 MOHLTC 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 \$1,359,871 (2018 - \$1,335,714), 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.

West Park Healthcare Centre

Notes to Financial Statements

March 31, 2019

The Centre repays principal in quarterly instalments of \$20,819. No interest was expensed in 2019. The Centre has pledged as security a promissory note equal to the value of the loan.

Principal due within each of the next three years on the loans for the long-term care facility and the energy management grant as at March 31, 2019 are as follows:

	\$
2020	1,645,381
2021	1,766,270
2022	1,696,141
	<u>5,107,792</u>

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 million, 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 of March 31, 2019.

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. 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 amounts represents the contract amounts to which interest rates are applied to calculation the cash flows to be exchanged. The notional amount of the Centre's interest rate swaps as of March 31, 2019 is \$93,912,000.

Fair value of the interest rate swaps was calculated using the discounted cash flow method. Fair value as of March 31, 2019 of these interest rate swaps is (\$5,619,965) and is reported 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 2019 were \$20,925 (2018 - \$ nil).

West Park Healthcare Centre

Notes to Financial Statements

March 31, 2019

8 Internally restricted net assets

During 2019, the Centre transferred \$3,500,000 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:

	2019 \$	2018 \$
Local share of redevelopment	16,035,000	12,535,000
Renewal of property, plant and equipment - Long-Term Care Facility	2,665,000	2,665,000
	18,700,000	15,200,000

9 Property, plant and equipment

	2019		
	Cost \$	Accumulated amortization \$	Net \$
Land and land improvements	1,396,136	591,822	804,314
Buildings	56,683,919	37,328,215	19,355,704
Furnishings and major equipment	46,322,427	42,434,447	3,887,980
Campus Development – Hospital	26,373,741	-	26,373,741
	130,776,223	80,354,484	50,421,739

	2018		
	Cost \$	Accumulated amortization \$	Net \$
Land and land improvements	1,396,136	547,771	848,365
Buildings	56,421,481	35,124,647	21,296,834
Furnishings and major equipment	45,393,865	41,494,981	3,898,884
Campus Development – Hospital	21,752,455	-	21,752,455
	124,963,937	77,167,399	47,796,538

West Park Healthcare Centre

Notes to Financial Statements

March 31, 2019

During the year, the Centre wrote off \$99,708 (2018 - \$114,769) in cost and \$99,708 (2018 - \$114,769) in accumulated amortization of assets that were no longer in use by the Centre.

Under an agreement dated April 25, 1977 between the Centre and the NSA, the NSA donated its land to the Centre for \$1. 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 \$4,374,731 (2018 - \$4,240,591). 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, 2018 indicates the Plan is 121% 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 \$278,585 (2018 - \$257,825). 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, 2018 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, 2019. The most recent actuarial valuation of the non-pension post-retirement benefit plans for funding purposes was at March 31, 2017.

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:

	2019	2018
	\$	\$
Balance - Beginning of year	6,067,200	6,370,000
Current service cost	166,800	161,600
Interest cost	105,000	104,900
Benefits paid	(262,400)	(271,900)
Actuarial gain	(297,400)	(297,400)
Balance- End of year	<u>5,779,200</u>	<u>6,067,200</u>

West Park Healthcare Centre

Notes to Financial Statements

March 31, 2019

Net benefit cost (recovery) recognized		
Current service costs	166,800	161,600
Interest cost	105,000	104,900
Amortization of actuarial gains	(297,400)	(297,400)
	<u>(25,600)</u>	<u>(30,900)</u>

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 3.20% (2018 – 3.20%);
- discount rate to determine accrued benefit obligation for disclosure at end of year of 2.90% (2018 – 3.20%); and
- dental and extended health-care costs in 2019 are based on actual rates. Dental cost increases are assumed to be 2.75% per annum thereafter. Extended health-care costs are assumed to be 6.0% in 2019 decreasing by 0.25% per annum to an ultimate rate of 4.50% 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:

	2019	2018
	\$	\$
Deferred capital contributions - Beginning of year	42,402,121	31,000,108
Add		
Contributions received for capital purposes	3,281,392	12,487,846
Less		
Amortization of deferred capital contributions - furnishings and major equipment	(307,368)	(302,487)
Amortization of deferred capital contributions - buildings and land improvements	(1,572,656)	(783,346)
	<u>43,803,489</u>	<u>42,402,121</u>
Deferred capital contributions - End of year		

Deferred capital contributions include the following:

	2019	2018
	\$	\$
Campus development	32,962,290	29,783,679
Other capital purposes	10,094,226	11,871,469
Debt service escrow account	746,973	746,973
	<u>43,803,489</u>	<u>42,402,121</u>

West Park Healthcare Centre

Notes to Financial Statements

March 31, 2019

12 Ancillary and business operations revenue

Business operations revenue includes revenue from the Assessment Centre and Prosthetics and Orthotics.

Ancillary operations revenue includes revenue from the parking lease and management fee, Rehab Plus outpatient rehabilitation and wellness and other services.

13 Salaries and employee benefits expenses

Salaries and employee benefits expenses consist of the following:

	2019	2018
	\$	\$
Program salaries	37,261,763	36,188,402
Long-term care facility contracted salaries and benefits	10,662,842	10,136,462
Administration and support salaries	11,709,954	11,663,557
Ancillary and business operations salaries	1,953,317	1,819,228
Employee benefits	13,699,475	13,142,730
	<u>75,287,351</u>	<u>72,950,379</u>

14 Inventories

During the year, \$3,923,718 (2018 - \$3,765,626) of inventory was recognized as an expense. These amounts are included as part of patient care supplies and services and cost of goods sold. There were no significant write-downs of inventories recognized as an expense during 2019 and 2018.

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 \$475,635 (2018 - \$359,876) 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 (2018 - \$226,200) in leasing revenue and \$238,200 (2018 - \$238,200) in management fees from the operations of the parking lot. These amounts are included in ancillary operations.

West Park Healthcare Centre

Notes to Financial Statements

March 31, 2019

All transactions between the Centre and the Foundation are settled through the campaign advance account on a monthly basis. On March 29, 2017, the Foundation and Centre entered into a new agreement that extended the term loan of \$2,500,000 to July 31, 2021. On June 11, 2018, the Centre extended a temporary increase of the loan to \$3,000,000 to expire on March 31, 2020. The Foundation has pledged as security on this term loan its unrestricted investments.

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

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

	2019	2018
	\$	\$
Accounts receivable	310,045	(697,493)
Due from MOHLTC and LHINs	(270,334)	237,448
Inventories	(127,740)	84,238
Prepaid expense and others	(194,859)	47,857
Accounts payable and accrued charges	(2,262,204)	2,208,782
Deferred revenue	(32,209)	126,668
	<u>(2,577,301)</u>	<u>2,007,500</u>

17 Operating line of credit

The Centre has an unsecured operating line of credit to a maximum of \$2,500,000. This facility bears interest at prime less 0.25% and is due on demand. As at March 31, 2019, there were no borrowings under this facility.

18 Segmented financial reporting

The Centre's reportable segments are a 276-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 Joint Liaison 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.

West Park Healthcare Centre

Notes to Financial Statements

March 31, 2019

For the year ended March 31, 2019

	Long-Term Care Centre \$	Healthcare Centre \$	Consolidated \$
Revenue			
MOHLTC and LHINs	10,990,925	68,418,866	79,409,791
Patient care and other agencies	5,001,525	3,380,398	8,381,923
Investment income	43,761	639,838	683,599
Business operations	-	11,921,470	11,921,470
Ancillary operations	105,832	3,092,221	3,198,053
Amortization of deferred capital contributions	-	307,368	307,368
	<u>16,142,043</u>	<u>87,760,161</u>	<u>103,902,204</u>
Expenses			
Salaries and employee benefits	10,662,842	64,624,509	75,287,351
Patient care supplies and services	1,039,960	3,070,403	4,110,363
Contracted out services	266,320	2,249,400	2,515,720
Equipment and Software Maintenance	314,549	1,581,344	1,895,893
Utilities	372,636	941,620	1,314,256
Other supplies and expenses	1,171,256	4,031,844	5,203,100
Cost of goods sold - business operations	-	7,421,857	7,421,857
Interest on long-term liabilities	420,007	75,924	495,931
Amortization of furnishings and major equipment	110,227	928,947	1,039,174
	<u>14,357,797</u>	<u>84,925,848</u>	<u>99,283,645</u>
Excess of revenue over expenses before the following	1,784,246	2,834,313	4,618,559
Amortization of deferred capital contributions - buildings and land improvements	104,975	1,467,681	1,572,656
Amortization of buildings and land improvements	(639,071)	(1,608,548)	(2,247,619)
Excess of revenue over expenses for the year	<u>1,250,150</u>	<u>2,693,446</u>	<u>3,943,596</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, 2019.

West Park Healthcare Centre

Notes to Financial Statements

March 31, 2019

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.

21 Commitments

As at March 31, 2019, the Centre has entered into various contracts for Campus Development Construction. The commitments outstanding as at March 31, 2019 are \$3,206,791 (2018 - \$3,094,877).

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, 2019, the following accounts receivable were past due but not impaired:

	30 days	60 days	90 days	Over 120 days
Accounts receivable	\$263,269	\$96,216	\$68,000	\$158,070

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.

West Park Healthcare Centre

Notes to Financial Statements

March 31, 2019

As at March 31, 2019, the Centre's total exposure to interest rate risk is \$26,079,666 which represents the Centre's total investments. The Centre's estimate of the effect on net assets as at March 31, 2019 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 \$260,797. 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, 2019:

	Up to 6 months \$	More than 6 months up to 1 year \$	More than 1 year up to 5 years \$	More than 5 years	Total \$
Accounts payable and accrued charges	10,643,817	811,634	1,905,959	-	13,361,410
Long term debt	808,739	836,641	3,462,411	-	5,107,791
Derivative Liability	-	-	-	5,619,965	5,619,965
	<u>11,452,556</u>	<u>1,648,275</u>	<u>5,368,370</u>	<u>5,619,965</u>	<u>24,089,166</u>

23 Comparative figures

Certain prior year comparative figures have been reclassified to conform to the current year's presentation.