

West Park Healthcare Centre

Financial Statements

March 31, 2023



Independent auditor's report

To the Board of 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, 2023 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, 2023;
- 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

Oakville, Ontario
May 25, 2023

West Park Healthcare Centre

Statement of Financial Position

As at March 31, 2023

	2023	2022
	\$	\$
Assets		
Current assets		
Cash	17,632,790	15,810,801
Short-term investments (note 5)	23,712,005	19,489,303
Accounts receivable (note 22)	2,636,995	2,881,034
Due from Ministry of Health and Ministry of Long-Term Care	-	1,321,860
Inventories (note 14)	1,031,280	1,010,086
Prepaid expense and others	1,025,826	1,577,820
	<u>46,038,896</u>	<u>42,090,904</u>
Campaign advance (note 15)	4,022,841	2,435,187
Restricted assets (note 4)	69,678,425	107,012,039
Investments (note 5)	-	3,759,609
Property, plant and equipment (note 9)	<u>273,120,910</u>	<u>129,178,399</u>
	<u>392,861,072</u>	<u>284,476,138</u>
Liabilities		
Current liabilities		
Accounts payable and accrued charges (notes 13 and 22)	30,634,840	22,139,973
Due to Ministry of Health and Ministry of Long-Term Care	3,815,060	-
Deferred revenue	<u>19,534,467</u>	<u>17,588,236</u>
	53,984,367	39,728,209
Long-term liabilities		
Derivative liability (note 7)	846,334	1,464,295
Post-retirement benefits (note 10)	5,251,600	5,348,300
Deferred capital contributions (note 11)	<u>291,068,651</u>	<u>198,122,263</u>
	351,150,952	244,663,067
Net Assets		
Accumulated operating surplus	42,556,454	41,495,896
Accumulated rereasurement losses	<u>(846,334)</u>	<u>(1,682,825)</u>
	<u>41,710,120</u>	<u>39,813,071</u>
	<u>392,861,072</u>	<u>284,476,138</u>

Contingencies and Commitments (notes 20 and 21)

Approved by the Board of Directors



Director



Director

West Park Healthcare Centre

Statement of Operations

For the year ended March 31, 2023

	2023 \$	2022 \$
Revenue		
Ministry of Health and Ministry of Long-Term Care (note 23)	101,764,411	99,237,484
Patient care	8,477,278	7,249,210
Investment income	914,251	255,169
Business operations (note 12)	4,664,029	5,568,672
Ancillary operations (note 12)	8,643,887	9,390,919
Amortization of deferred capital contributions - furnishings and major equipment (note 11)	250,225	287,121
	<hr/> 124,714,081	<hr/> 121,988,575
Expenses		
Salaries and employee benefits (notes 10 and 13)	95,227,187	90,372,795
Patient care supplies and services (note 14)	5,475,210	5,515,137
Contracted out services	3,795,247	4,078,721
Equipment and software maintenance	2,715,813	2,579,332
Utilities	1,512,813	1,314,226
Other supplies and expenses	8,992,645	9,281,309
Cost of goods sold - business operations (notes 12 and 14)	3,020,871	3,563,200
Interest expense on long-term debt	32,500	94,133
Amortization of furnishings and major equipment	916,890	1,365,044
	<hr/> 121,689,176	<hr/> 118,163,897
Excess of revenue over expenses before the following	3,024,905	3,824,678
Amortization of deferred capital contributions - buildings and land improvements (note 11)	1,968,594	1,776,666
Amortization of buildings and land improvements	<hr/> (2,674,481)	<hr/> (2,366,263)
Excess of revenue over expenses for the year	<hr/>2,319,018	<hr/>3,235,081

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, 2023

	2023		
	Internally restricted \$ (note 8)	Unrestricted \$	Total \$
Balance - Beginning of year	30,200,000	11,295,896	41,495,896
Impact of adoption of Section PS 3280 Asset Retirement Obligations on April 1, 2022 (note 24)	-	(1,258,460)	(1,258,460)
Adjusted Balance - Beginning of year	30,200,000	10,037,436	40,237,436
Excess of revenue over expenses for the year	-	2,319,018	2,319,018
Transfer to internally restricted net assets	75,000	(75,000)	-
Balance - End of year	30,275,000	12,281,454	42,556,454
	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

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, 2023

	2023 \$	2022 \$
Accumulated remeasurement losses - Beginning of year	(1,682,825)	(4,597,612)
Unrealized gains/(losses) attributable to		
Investments	(84,337)	(416,559)
Derivative liability	617,961	3,118,274
Amounts reclassified to statement of operations		
Loss on sale of investments	302,867	213,072
Net remeasurement gains for the year	836,491	2,914,787
Accumulated remeasurement losses - End of year	(846,334)	(1,682,825)

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, 2023

	2023 \$	2022 \$
Cash provided by		
Operating activities		
Excess of revenue over expenses for the year	2,319,018	3,235,081
Add (deduct): Non-cash items		
Amortization of property, plant and equipment	3,591,371	3,731,307
Amortization of deferred capital contributions	(2,218,819)	(2,063,787)
Loss on disposal of capital assets	-	2,789
Realized gains and interest income on investments, net	(410,798)	(109,402)
Non-pension post-retirement expense (note 10)	244,700	264,100
	<u>3,525,472</u>	<u>5,060,088</u>
Net change in non-cash working capital balances related to operations (note 16)	15,255,220	15,533,259
Premiums paid related to employee future benefits (note 10)	<u>(341,400)</u>	<u>(330,800)</u>
	<u>18,439,292</u>	<u>20,262,547</u>
Investing activities		
Purchases of investments	(3,603,211)	(8,445,000)
Proceeds from sale of investments	3,776,814	12,824,242
Increase in campaign advance	(1,587,654)	(1,310,527)
(Increase) decrease in restricted assets	<u>37,326,246</u>	<u>(104,474,153)</u>
	<u>35,912,195</u>	<u>(101,405,438)</u>
Capital activities		
Purchases of property, plant and equipment	(147,764,795)	(80,226,896)
Financing activities		
Capital contributions received	95,235,297	155,293,985
Long-term debt principal repayments	-	(1,696,141)
	<u>95,235,297</u>	<u>153,597,844</u>
Increase (decrease) in cash during the year	1,821,989	(7,771,943)
Cash - Beginning of year	<u>15,810,801</u>	<u>23,582,744</u>
Cash - End of year	<u>17,632,790</u>	<u>15,810,801</u>
Non-cash transactions		
Property, plant and equipment additions recorded in accounts payable and accrued charges	1,999,323	971,776
Due from Ministry of Health related to deferred capital contributions recorded	25,586	95,676

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

West Park Healthcare Centre

Notes to Financial Statements

March 31, 2023

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 the licenses to a long-term care facility, operated by Extencicare (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.

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, which includes donations and government grants. 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 in the form of grants for specific capital expenditures are initially deferred and recorded as deferred capital contributions. The deferred contributions are recognized into revenue on the same basis as the amortization of the cost of the related capital assets.

Investment income earned on grants received and unspent MOH/OH capital grants are recognized as an increase in deferred capital contribution and are considered restricted to these purposes. Unrestricted investment income, which consists of interest and realized gains and losses on investments, is recognized as revenue when earned.

Revenue from patient and resident revenue from other payers, preferred accommodation and co-payment revenues, and marketed services is recognized when the goods are sold or the service is provided.

West Park Healthcare Centre

Notes to Financial Statements

March 31, 2023

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 of planning, development, construction 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, 2023

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.

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
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 reclassified 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.

West Park Healthcare Centre

Notes to Financial Statements

March 31, 2023

Asset Retirement Obligations

An asset retirement obligation is a legal obligation associated with the retirement of property, plant and equipment. It is recognized when there is a legal obligation to incur retirement costs in relation to property, plant and equipment.

Asset retirement obligations are measured as the best estimate of directly attributable expenditures required to settle the obligation. The amount of the obligation is added to the carrying amount of the associated property, plant and equipment and amortized on a straight-line basis over the estimated remaining life. Asset retirement obligations are reviewed at each statement of financial position date and adjusted based on the facts and circumstances available at the time. Once the property, plant and equipment is no longer in productive use, all subsequent changes in the estimate of the liability for asset retirement obligation and new obligation that arise in respect of the asset's disposal is recognized as an expense in the period in which those changes occur.

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. Items 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.

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

Future changes in accounting policies

Effective for the fiscal year beginning on April 1, 2023, the Centre will be required to follow the Public Sector Accounting (PSA) Handbook Sections PS 3400 Revenue. The section establishes standards on how to account for and report on revenue. Specifically, it differentiates between revenue arising from transactions that include performance obligations and those that do not. The Centre will adopt the new section in its financial statements for the year ended March 31, 2024 and is currently evaluating the impact that the new section will have on the financial statements.

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.

West Park Healthcare Centre

Notes to Financial Statements

March 31, 2023

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, a 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 July 31, 2023. Final completion, including demolition of the existing buildings and landscaping, is scheduled for February 10, 2025.

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. Construction Period Payments, as described in the project agreement, are recorded in the amount of \$175,973,779 (2022 - \$73,046,612). During the year, the Centre made additional payments as a result of the COVID-19 Settlement Agreement.

The Centre continues to capitalize all relevant ancillary costs, transition amounts, COVID-19 delay expenditures and other expenses related to the campus development project.

At substantial completion, the asset is transferred to the Centre, and EllisDon will be paid the balance outstanding, funded by MOH grants and the Centre's local share.

4 Restricted assets

The Centre has received \$282,658,668 (2022 - \$190,103,22) to date from the MOH for planning, design, transition, and other project related ancillary costs for the new patient care building. Cash in the amount of \$92,377,917 was received during the current year. These funds are required to be segregated 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:

	2023	2022
	\$	\$
HST Recoverable	3,094,020	1,109,092
Guaranteed investment certificates	66,584,405	105,902,947
	<u>69,678,425</u>	<u>107,012,039</u>

West Park Healthcare Centre

Notes to Financial Statements

March 31, 2023

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.

	2023 \$	2022 \$
Cash and money market funds	19,420,965	15,184,684
Guaranteed investment certificates	4,291,040	4,304,619
	<u>23,712,005</u>	<u>19,489,303</u>

The weighted rate of return on the guaranteed investment certificates is 3.25% (2022 – 1.12%).

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

	2023 \$	2022 \$
Fixed income pooled fund	-	3,759,609

The weighted average rate of return on the fixed income pooled fund was 2.51% (2022 – (0.94) %).

6 Long-term debt

On August 8, 2018, the Centre entered into a 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.

On October 21, 2022, the credit agreement was amended for facility 3, the amount of \$25,000,000, to an amortization period of twenty (20) years, with no other changes to the terms.

The associated change to the interest rate swap resulted in a change in swap rate from 3.07% to 3.41%.

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	3.41%	0.65%	20 years	Construction
\$15,000,000	\$13,500,000	3.21%	0.35%	15 years	Equipment
\$21,000,000	-	-	0.35%	4 years	HST
<u>\$127,000,000</u>	<u>\$93,912,000</u>				

No draws have been made against any of the credit facilities as at March 31, 2023 and 2022.

West Park Healthcare Centre

Notes to Financial Statements

March 31, 2023

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, 2023 is \$93,912,000 (2022 - \$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, 2023 of these interest rate swaps is \$846,334 (2022 - \$1,464,295) 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 2023 were \$32,500 (2022 - \$32,500).

8 Internally restricted net assets

During 2023, the Centre transferred \$75,000 (2022 - \$2,000,000) to internally restricted net assets from unrestricted net assets. Cash equal to these internally restricted net assets is part of investments.

The balance of internally restricted funds is as follows:

	2023 \$	2022 \$
Local share of redevelopment	26,535,000	26,535,000
Renewal of property, plant and equipment - Long-Term Care Facility	3,515,000	3,515,000
Spasticity research	225,000	150,000
	<u>30,275,000</u>	<u>30,200,000</u>

9 Property, plant and equipment

	<u>2023</u>		
	Cost \$	Accumulated amortization \$	Net \$
Land and land improvements	1,424,169	801,728	622,441
Buildings	59,426,077	47,857,779	11,568,298
Furnishings and major equipment	55,017,448	46,770,941	8,246,507
Campus Development – Hospital	252,683,664	-	252,683,664
	<u>368,551,358</u>	<u>95,430,448</u>	<u>273,120,910</u>

West Park Healthcare Centre

Notes to Financial Statements

March 31, 2023

	2022		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Land and land improvements	1,433,059	726,323	706,736
Buildings	57,341,517	44,000,245	13,341,272
Furnishings and major equipment	52,090,934	45,854,049	6,236,885
Campus Development – Hospital	108,893,506	-	108,893,506
	219,759,016	90,580,617	129,178,399

The Centre accelerated amortization on certain furnishings and major equipment in the amount of nil (2022 - \$346,212) that will no longer be used by the Centre in the near future.

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 \$4,574,831 (2022 - \$4,842,012). 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, 2022 indicates the Plan is 117% 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 \$348,737 (2022 - \$316,704). 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, 2023 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, 2023. The most recent actuarial valuation of the non-pension post-retirement benefit plans for funding purposes is at March 31, 2023.

West Park Healthcare Centre

Notes to Financial Statements

March 31, 2023

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:

	2023 \$	2022 \$
Balance - Beginning of year	5,348,300	5,415,000
Current service cost	261,800	277,900
Interest cost	173,900	148,100
Benefits paid	(341,400)	(330,800)
Actuarial gain	(191,000)	(161,900)
	<u>5,251,600</u>	<u>5,348,300</u>
Balance - End of year		
Net benefit cost (recovery) recognized		
Current service costs	261,800	277,900
Interest cost	173,900	148,100
Amortization of actuarial gains	(191,000)	(161,900)
	<u>244,700</u>	<u>264,100</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 3.60% (2022 – 2.90%);
- discount rate to determine accrued benefit obligation for disclosure at end of year of 4.50% (2022 – 3.60%); and
- dental and extended health care costs in 2023 are based on actual rates. Dental cost increases are assumed to be 5.00% per annum from 2023 to 2027 and variable thereafter. Extended healthcare costs are assumed to be 5.60% from 2023 through 2027 and variable thereafter to an ultimate rate of 3.57% per annum.

West Park Healthcare Centre

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March 31, 2023

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:

	2023 \$	2022 \$
Deferred capital contributions - Beginning of year	198,122,263	44,973,918
Add		
Contributions received for capital purposes	95,165,207	155,212,132
Less		
Amortization of deferred capital contributions - furnishings and major equipment	(250,225)	(287,121)
Amortization of deferred capital contributions - buildings and land improvements	(1,968,594)	(1,776,666)
	<hr/>	<hr/>
Deferred capital contributions - End of year	291,068,651	198,122,263

Deferred capital contributions include the following:

	2023 \$	2022 \$
Campus development	285,937,730	190,710,209
Other capital purposes	4,383,948	6,665,081
Long-term care contributions	746,973	746,973
	<hr/>	<hr/>
	291,068,651	198,122,263

12 Ancillary and business operations revenue

Ancillary operations revenue includes revenue from prosthetics and orthotics, Ontario Workers' Network, parking operations, Rehab Plus outpatient rehabilitation and wellness and leasing income.

Business operations revenue represents revenue from the assessment centre.

West Park Healthcare Centre

Notes to Financial Statements

March 31, 2023

13 Salaries and employee benefits expenses

Salaries and employee benefits expenses consist of the following:

	2023 \$	2022 \$
Program salaries	47,036,140	44,431,162
Long-term care facility contracted salaries and benefits	14,321,457	12,766,066
Administration and support salaries	16,222,002	14,776,352
Ancillary and business operations salaries	1,832,213	1,516,587
Employee benefits	15,815,375	16,882,628
	95,227,187	90,372,795

In November 2022, the Ontario Superior Court of Justice ruled that Bill 124 was unconstitutional, enabling unions to trigger reopener provisions in collective agreements. With the triggering of the reopener clause by the Ontario Nurses Association (ONA), the Ontario Hospital Association (OHA) was required to resume negotiations with unions on compensation for the years that were previously capped by Bill 124. In April 2023, the arbitrators released a decision regarding the monetary award for ONA. The Centre has accrued a liability for salaries payable in the amount of \$2,958,284 under the reopener clause of the ONA collective agreement.

14 Inventories

During the year, \$3,931,211 (2022 - \$4,402,135) 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 2023 and 2022.

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 financial statements. The Foundation receives and expends funds for the benefit of the Centre. During the year, the Foundation approved \$248,397 (2022 - \$321,818) 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 30, 2023, the campaign advance of \$3,500,000 was extended with an expiry date of July 31, 2025. The Foundation has pledged as security on this campaign advance its unrestricted investments.

West Park Healthcare Centre

Notes to Financial Statements

March 31, 2023

At March 31, 2023 the amount outstanding on the campaign advance is \$4,022,841 (2022 - \$2,435,187) which exceeds the campaign advance limit by \$522,841. On May 16, 2023, the Centre received \$400,000 to reduce the campaign advance balance. On May 25, 2023, the campaign advance limit was temporarily increased to \$4,500,000 with an expiry date of August 31, 2023.

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:

	2023 \$	2022 \$
Accounts receivable	244,039	207,982
Due to MOH and MLTC	5,066,830	5,269,367
Inventories	(21,194)	120,644
Prepaid expense and others	551,994	(475,197)
Accounts payable and accrued charges	7,467,320	1,942,789
Deferred revenue	1,946,231	8,467,674
	<u>15,255,220</u>	<u>15,533,259</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, 2023 and 2022, 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 these financial statements as disclosed in note 2.

West Park Healthcare Centre

Notes to Financial Statements

March 31, 2023

	Healthcare Centre	Long-Term Care Centre	Total
	\$	\$	\$
Revenue			
MOH and MLTC	86,811,865	14,952,546	101,764,411
Patient care and other agencies	3,497,056	4,980,222	8,477,278
Investment income	607,381	306,870	914,251
Business operations	4,664,029	-	4,664,029
Ancillary operations	7,709,107	934,780	8,643,887
Amortization of deferred capital contributions	250,225	-	250,225
	<u>103,539,663</u>	<u>21,174,418</u>	<u>124,714,081</u>
Expenses			
Salaries and employee benefits	80,905,730	14,321,457	95,227,187
Patient care supplies and services	3,585,376	1,889,834	5,475,210
Contracted out services	3,533,112	262,135	3,795,247
Equipment and Software maintenance	2,201,338	514,475	2,715,813
Utilities	839,428	673,385	1,512,813
Other supplies and expenses	7,533,317	1,459,328	8,992,645
Cost of goods sold - business operations	3,020,871	-	3,020,871
Interest expense on long-term debt	32,500	-	32,500
Amortization of furnishings and major equipment	774,313	142,577	916,890
	<u>102,425,985</u>	<u>19,263,191</u>	<u>121,689,176</u>
Excess of revenue over expenses before the following	1,113,678	1,911,227	3,024,905
Amortization of deferred capital contributions - buildings and land improvements	1,863,619	104,975	1,968,594
Amortization of buildings and land improvements	<u>(2,008,263)</u>	<u>(666,218)</u>	<u>(2,674,481)</u>
Excess of revenue over expenses for the year	<u>969,034</u>	<u>1,349,984</u>	<u>2,319,018</u>

West Park Healthcare Centre

Notes to Financial Statements

March 31, 2023

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, 2023.

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 of March 31, 2023, the Centre has entered into various contracts including those related to the Campus Development Construction. The commitments outstanding as at March 31, 2023 are \$19,733,791 (2022 - \$9,393,281).

22 Financial 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, 2023, the following accounts receivable were past due. An allowance in the amount of \$861,100 (2022- \$566,043) has been provided.

	30 days	60 days	90 days	Over 120 days
Accounts receivable	\$283,127	\$160,901	\$272,916	\$330,881

West Park Healthcare Centre

Notes to Financial Statements

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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 fixing the interest rates on other long-term debt through the use of interest rate swaps.

As at March 31, 2023, the Centre's total exposure to interest rate risk is \$23,712,005, which represents the Centre's total short-term investments. The Centre's estimate of the effect on net assets as at March 31, 2023 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 \$237,120. 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, 2023:

	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	29,652,646	982,194	-	30,634,840
Derivative liability	-	-	846,334	846,334
	29,652,646	982,194	846,334	31,481,174

23 Impact of COVID-19 on operations

The Centre has incurred unbudgeted pandemic response expenditures since March 2020 and received funding from the MOH to support the continued COVID-19 response. During the year, the Centre recorded \$3,352,962 (2022- \$5,317,700) in funding from the MOH of which \$1,715,200 (2022 - \$1,727,366) is recorded as a receivable related to pandemic related expenditures.

	2023 \$	2022 \$
Incremental expenses and cost pressures	1,715,200	4,982,367
Temporary retention incentive for nurses	1,288,980	-
Pandemic premium pay	348,782	335,333
	3,352,962	5,317,700

West Park Healthcare Centre

Notes to Financial Statements

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24 Adoption of Section PS 3280, Asset Retirement Obligations (ARO)

During the year, the Centre adopted ARO using the modified retroactive approach without restating comparatives. As a result of applying the new accounting policies (as described in note 2), an asset retirement obligation of \$1,339,000 was recognized in the statement of financial position as at April 1, 2022, representing the estimated asbestos costs for specific buildings. The below is a summary of the changes at April 1, 2022;

	As previously reported \$	Adjustments \$	April 1, 2022 \$ As restated
Property, plant and equipment	129,178,399	80,540	129,258,939
Accounts payable and accrued charges	22,139,973	1,339,000	23,478,973
Net assets	39,813,071	(1,258,460)	38,554,611