Baycrest Centre for Geriatric Care

Consolidated financial statements
March 31, 2021

Independent auditor's report

Baycrest Centre for Geriatric Care

Opinion

We have audited the consolidated financial statements of **Baycrest Centre for Geriatric Care** [the "Centre"], which comprise the consolidated statement of financial position as at March 31, 2021 and the consolidated statement of operations, consolidated statement of changes in net surplus (deficit), consolidated statement of remeasurement losses and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Centre in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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.

Report on other legal and regulatory requirements

As required by the *Corporations Act* (Ontario), we report that, in our opinion, Canadian public sector accounting standards have been applied on a basis consistent with that of the preceding year.

Ernst & Young LLP

Toronto, Canada
June 24, 2021

Chartered Professional Accountants
Licensed Public Accountants

Baycrest Centre for Geriatric Care

Consolidated statement of financial position

[in thousands of dollars]

As at March 31

	2021	2020
	$	$
Assets		
Current		
Cash	**2,553**	2,828
Restricted cash *[note 6[d]]*	**3,575**	—
Funds held for others	**1,601**	1,584
Accounts receivable *[notes 3 and 4]*	**49,610**	12,695
Due from The Baycrest Centre Foundation *[note 13[c]]*	**—**	2,275
Inventories, deposits and prepaid expenses	**1,942**	3,193
Total current assets	**59,281**	22,575
Capital assets, net *[note 5]*	**173,700**	154,659
	232,981	177,234
Liabilities and net surplus (deficit)		
Current		
Bank indebtedness *[note 6[a][i]]*	**8,600**	8,800
Accounts payable and accrued liabilities	**41,644**	35,410
Deferred program contributions *[note 9]*	**11,109**	9,814
Due to The Baycrest Centre Foundation *[note 13[c]]*	**3,828**	—
Current portion of long-term debt *[note 7]*	**2,958**	2,374
Funds held for others	**1,601**	1,584
Total current liabilities	**69,740**	57,982
Long-term debt *[note 7]*	**70,809**	59,408
Deferred capital contributions *[note 10]*	**79,207**	76,410
Employee future benefits *[note 11]*	**8,701**	8,934
Derivative liabilities *[note 8]*	**3,960**	9,527
Total liabilities	**232,417**	212,261
Contingencies *[note 12]*		
Net surplus (deficit)		
Surplus (deficiency)	**4,524**	(25,500)
Accumulated remeasurement gains and losses	**(3,960)**	(9,527)
Total net surplus (deficit)	**564**	(35,027)
	232,981	177,234

See accompanying notes

On behalf of the Board:

Director

B Bacowa

Director

Baycrest Centre for Geriatric Care

Consolidated statement of operations

[in thousands of dollars]

Year ended March 31

	2021	2020
	$	$
Revenue		
Ministry of Health and Long-Term Care and the Toronto Central Local Health Integration Network	**166,520**	107,309
Charges for client services	**16,031**	18,650
The Baycrest Centre Foundation grants *[note 13[b]]*	**6,333**	14,384
Other grants	**17,058**	26,477
Ancillary services and other	**14,925**	14,842
Amortization of deferred capital contributions *[note 10]*	**5,073**	4,634
	225,940	186,296
Expenses		
Salaries and employee benefits *[note 11]*	**133,139**	125,856
Other operating *[notes 4[a] and 4[b]]*	**50,480**	52,919
Amortization of capital assets	**10,974**	10,053
Interest *[notes 7, 13[c] and 13[d]]*	**1,368**	1,503
	195,961	190,331
Excess (deficiency) of revenue over expenses for the year	**29,979**	(4,035)

See accompanying notes

Baycrest Centre for Geriatric Care

Consolidated statement of changes in net surplus (deficit)

[in thousands of dollars]

Year ended March 31

	2021	2020
	$	$
Net deficit, beginning of year	**(25,500)**	(21,516)
Excess (deficiency) of revenue over expenses for the year	**29,979**	(4,035)
Donation of art *[note 5]*	**45**	51
Net surplus (deficit), end of year	**4,524**	(25,500)

See accompanying notes

Baycrest Centre for Geriatric Care

Consolidated statement of remeasurement losses

[in thousands of dollars]

Year ended March 31

	2021	2020
	$	$
Balance, beginning of year	**(9,527)**	(4,109)
Change in fair value of derivatives *[note 8]*	**5,567**	(5,418)
Balance, end of year	**(3,960)**	(9,527)

See accompanying notes

Baycrest Centre for Geriatric Care

Consolidated statement of cash flows

[in thousands of dollars]

Year ended March 31

	2021	2020
	$	$
Operating activities		
Excess (deficiency) of revenue over expenses for the year	**29,979**	(4,035)
Add (deduct) items not affecting cash		
Amortization of capital assets	**10,974**	10,053
Amortization of deferred capital contributions	**(5,073)**	(4,634)
Share of net loss of long-term investments	**541**	1,732
Decrease in employee future benefits	**(233)**	(297)
Net change in non-cash working capital balances related to operations *[note 14]*	**(25,521)**	(1,443)
Cash provided by operating activities	**10,667**	1,376
Investing activities		
Increase in long-term investment	**(287)**	(1,852)
Cash used in investing activities	**(287)**	(1,852)
Capital activities		
Purchase of capital assets *[note 14]*	**(26,142)**	(18,916)
Cash used in capital activities	**(26,142)**	(18,916)
Financing activities		
Increase in restricted cash	**(3,575)**	—
Contributions for purchase of capital assets	**7,870**	5,577
Increase in bank indebtedness	**(200)**	4,800
Proceeds from long-term debt	**12,881**	12,832
Repayment of long-term debt	**(1,489)**	(1,453)
Cash provided by financing activities	**15,487**	21,756
Net increase (decrease) in cash during the year	**(275)**	2,364
Cash, beginning of year	**2,828**	464
Cash, end of year	**2,553**	2,828

See accompanying notes

Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2021

1. Description of organization

Baycrest Centre for Geriatric Care [the "Centre"] is recognized as a global leader in innovative care delivery and cutting-edge cognitive neuroscience. Fully affiliated with the University of Toronto, the Centre is among the world's most respected academic health sciences centres focused on the needs of seniors and the aging population.

The Centre is renowned for its state-of-the-art continuum of hospital, residential and community healthcare and wellness services focused on improving care and quality of life for frail, vulnerable older adults; educating, training and sharing knowledge in leading practices in geriatric care and aging solutions.

The Centre is incorporated without share capital under the laws of Ontario. The Centre is a registered charity under the *Income Tax Act* (Canada) and, accordingly, is exempt from income taxes.

The following not-for-profit entities have the same Board membership as the Centre and are consolidated into the accounts of the Centre. These entities, which are incorporated without share capital under the laws of Ontario, are registered charities under the *Income Tax Act* (Canada) and, accordingly, are exempt from income taxes.

- Baycrest Hospital, which operates a complex continuing care, mental health and rehabilitation program
- The Jewish Home for the Aged, which operates a long-term care facility
- The Baycrest Day Care Centre, which operates a day care for seniors

The Centre is the sole member of the Canadian Centre for Aging & Brain Health Innovation Advancement Inc., who in turn is the sole member of Canadian Centre for Aging & Brain Health Innovation Development Inc. These entities are also consolidated into the accounts of the Centre. The Canadian Centre for Aging & Brain Health Innovation Advancement Inc., which is incorporated without share capital under the laws of Ontario, is a registered charity under the *Income Tax Act* (Canada) and, accordingly, is exempt from income taxes. The Canadian Centre for Aging & Brain Health Innovation Development Inc. is incorporated without share capital under the laws of Ontario as a not-for-profit entity and accordingly is exempt from income taxes.

2. Summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with the *CPA Canada Public Sector Handbook* ["PS"], which sets out generally accepted accounting principles for government not-for-profit organizations in Canada. The Centre has chosen to use the standards for not-for-profit organizations that include Sections PS 4200 to 4270. The significant accounting policies are summarized below:

Financial instruments

Financial instruments are classified in one of the following categories: [i] fair value or [ii] cost or amortized cost. The Centre determines the classification of its financial instruments at initial recognition.

Investments reported at fair value consist of equity instruments that are quoted in an active market as well as investments in pooled funds, derivative contracts and any other investments where the investments are managed on a fair value basis and the fair value option is elected. Transaction costs are recognized in the consolidated statement of operations in the period during which they are incurred. Investments at fair value are remeasured at their fair value at the end of each reporting period. Any revaluation gains and losses are recognized in the consolidated statement of remeasurement losses and are cumulatively reclassified to the consolidated statement of operations upon disposal or settlement.

Derivatives are measured at fair value on the consolidated statement of financial position, with the changes in value recognized in the consolidated statement of remeasurement losses. The Centre does not engage in derivative trading or speculative activities.

Investments in securities not designated to be measured at fair value are initially recorded at fair value plus transaction costs and are subsequently measured at amortized cost using the effective interest rate method, less any provision for impairment.

All investment transactions are recorded on a trade date basis.

A write-down is recognized in the consolidated statement of operations for a portfolio investment in either category when there has been a loss in the value of the investment considered as an “other than temporary” loss. Subsequent changes to the measurement of the investment in the fair value category are reported in the consolidated statement of remeasurement losses. If the loss in value of the portfolio investment subsequently reverses, the write-down is not reversed in the consolidated statement of operations until the investment is sold.

Long-term debt is initially recorded at fair value, which represents cost, and subsequently measured at amortized cost using the effective interest rate method. Transaction costs related to the issuance of long-term debt are capitalized and amortized over the term of the instrument using the effective interest rate method.

Other financial instruments, including cash, accounts receivable, accounts payable and accrued liabilities, are initially recorded at their fair value and are subsequently measured at cost, net of any provisions for impairment.

Related entities

The Baycrest Centre Foundation [the “Foundation”], a controlled not-for-profit entity, is not consolidated. Instead, summarized financial information is provided *[note 13]*. Other controlled not-for-profit entities are consolidated *[note 1]*. Controlled for-profit entities are accounted for using the modified equity method *[notes 4[a] and 4[b]]*, whereby the accounting principles of the entity are not modified to conform with those of the Centre and inter-organizational transactions are not eliminated, except for any gains or losses on assets remaining within the Centre at the reporting date.

Inventories

Inventories are valued at the lower of cost, determined on a first-in, first-out basis, and replacement cost.

Capital assets

Capital assets are recorded at cost. Amortization of capital assets is calculated using the straight-line method so as to charge operations with the cost of the assets over their estimated useful lives as follows:

Land improvements and parking lot	10 years
Buildings	20–40 years
Equipment	3–10 years

Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2021

Donations of works of art are recorded as an asset at fair market value when donated and are recognized directly in the consolidated statement of changes in net deficit. Works of art are not amortized.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective assets. The Centre allocates salary and benefit costs related to personnel who work directly on managing capital projects to capital assets. No amortization is recorded until construction is substantially complete and the assets are ready for productive use.

Revenue recognition

The Centre follows the deferral method of accounting for contributions. Contributions are recorded in the accounts when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Revenue from unrestricted operating grants is recognized as revenue when it is initially recorded in the accounts. Research grants and other restricted contributions are deferred when initially recorded in the accounts and recognized as revenue in the year in which the related expenses are recorded.

Charges for client services are recognized as revenue when the service is provided.

Investment income and losses recorded in the consolidated statement of operations consist of interest, dividends, and realized gains and losses, net of related fees. Unrealized gains and losses are recorded in the consolidated statement of remeasurement gains (losses).

Employee benefit plans

Multi-employer plan

The multi-employer defined benefit plan is accounted for as a defined contribution plan, as there is not sufficient information to apply defined benefit plan accounting. Contributions to the multi-employer plan are expensed on an accrual basis.

Accrued post-retirement benefits

The Centre accrues its obligations for non-pension post-retirement benefits 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.

The cumulative unamortized balance of net actuarial gains (losses) is amortized over the average remaining service period of active employees. The average remaining service period of active employees is 10 years. Prior service costs, if any, arising from a plan amendment are expensed when incurred. The accrued benefit obligation related to employee future benefits is discounted using a rate that represents the Centre’s cost of borrowing.

Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2021

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

In particular, the amount of revenue recognized from the Ministry of Health and Long-Term Care [the “Ministry”] and the Toronto Central Local Health Integration Network [the “TC-LHIN”] is a significant estimate. The Centre has entered into a number of accountability agreements with the TC-LHIN that set out the rights and obligations of the two parties in respect of funding provided to the Centre by the TC-LHIN for the year ended March 31, 2021.

These accountability agreements set out certain performance standards and obligations that establish acceptable results for the Centre’s performance in a number of areas. If the Centre does not meet its performance standards or obligations, the TC-LHIN/Ministry has the right to adjust funding received by the Centre. The TC-LHIN/Ministry is not required to communicate certain funding adjustments until after the submission of year-end data. Since this data is not submitted until after the completion of the consolidated financial statements, the amount of funding received during the year from the TC-LHIN/Ministry may be increased or decreased subsequent to year-end. The amount of revenue recognized in these consolidated financial statements represents management’s best estimate of amounts that have been earned during the year.

Contributed materials and services

Contributed materials and services are not recognized in the consolidated financial statements.

3. Accounts receivable

Accounts receivable consists of the following:

	2021 $	2020 $
Province of Ontario	**41,269**	1,641
Federal government	**525**	4,605
Client accounts	**2,170**	2,374
Research	**949**	793
Other *[notes 4[a] and 4[b]]*	**4,697**	3,282
	49,610	12,695

There are no significant past due or impaired accounts as at March 31, 2021 and 2020.

Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2021

4. Investments

[a] On January 20, 2010, the Centre and MaRS Discovery District incorporated a taxable, for-profit company, Cogniciti Inc. ["Cogniciti"]. Cogniciti, which is owned 88% [2020 – 88%] by the Centre, was established to develop and commercialize products for the assessment, management and rehabilitation of brain functioning.

The continuity of the investment is as follows:

	2021 $	2020 $
Balance, beginning of year	**(3,630)**	(1,778)
Share of Cogniciti net loss	**(287)**	(1,852)
Balance, end of year	**(3,917)**	(3,630)

The negative investment balance is reflected in the accounts of the Centre as a provision against a loan receivable of $2,527 [2020 – $1,488], a short-term receivable of $2,497 [2020 – $2,166] and convertible debentures totalling $433 [2020 – $418] recorded in accounts receivable in the consolidated statement of financial position *[note 3]*. The remaining difference of $1,540 [2020 – $442] is included in other accounts receivable.

The convertible debentures bear interest at the bank's prime rate plus 1%.

The Centre provided a demand loan in the amount of $2,527 [2020 – $1,488], bearing interest at 5%.

Cogniciti entered into a demand operating credit facility in the amount of $1,000, on August 29, 2019. The facility is guaranteed by the Centre and used to finance day-to-day operations. Floating rate advances bear interest at the bank's prime rate plus 1.35% per annum. On February 3, 2021 the facility was closed. As a result, no amounts were outstanding as at March 31, 2021 [2020 – $1,000] related to this credit facility.

The Centre recorded its share of Cogniciti's net loss as other operating expenses. The following amounts represent the Centre's 88% [2020 – 88%] share of the assets, liabilities, revenue and expenses of Cogniciti:

	2021 $ *[unaudited]*	2020 $ *[unaudited]*
Assets	**147**	52
Liabilities	**4,064**	3,682
Revenue	**—**	513
Expenses	**287**	2,365

Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2021

[b] On January 25, 2012, the Centre incorporated a taxable, for-profit company, Baycrest Global Solutions Inc. ["BGS"]. BGS is owned 100% by the Centre and was established to develop and offer products and services in the areas of aging and brain health.

The continuity of the investment is as follows:

	2021 $	2020 $
Balance, beginning of year	**(2,988)**	(3,108)
Share of BGS net profit (loss)	**(254)**	120
Balance, end of year	**(3,242)**	(2,988)

The negative investment balance is reflected in the accounts of the Centre as a provision against a loan receivable of $1,400 [2020 – $1,350] and a short-term receivable of $2,639 [2020 – $2,142] recorded in accounts receivable in the consolidated statement of financial position *[note 3]*. The remaining difference of $797 [2020 – $504] is included in clients and other accounts receivable.

The Centre recorded its share of BGS's net loss as other operating expenses. The following amounts represent the Centre's 100% share of the assets, liabilities, revenue and expenses of BGS:

	2021 $ *[unaudited]*	2020 $ *[unaudited]*
Assets	**808**	516
Liabilities	**4,050**	3,504
Revenue	**814**	1,236
Expenses	**1,068**	1,116

5. Capital assets

Capital assets consist of the following:

	2021		
	Cost $	Accumulated amortization $	Net book value $
Land	**823**	—	**823**
Land improvements and parking lot	**6,033**	**5,560**	**473**
Buildings	**300,871**	**151,259**	**149,612**
Equipment	**102,843**	**89,623**	**13,220**
Works of art	**9,572**	—	**9,572**
	420,142	**246,442**	**173,700**
		2020	

Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2021

	Cost	Accumulated amortization	Net book value
	$	$	$
Land	823	—	823
Land improvements and parking lot	5,951	5,534	417
Buildings	274,870	143,158	131,712
Equipment	98,956	86,776	12,180
Works of art	9,527	—	9,527
	390,127	235,468	154,659

Included in equipment are capital leases with a cost of $15,295 [2020 – $12,275] and accumulated amortization of $11,238 [2020 – $10,840].

6. Credit facilities

[a] The Centre has an unsecured $35,000 credit agreement. Under this credit agreement, the following facilities are available:

[i] On November 20, 2020, the Centre increased the demand operating credit facility from $20,000 to $25,000 for twelve months, reverting to $15,000 on December 31, 2021. The facility can comprise Canadian floating rate advances, Canadian bankers' acceptances, letters of guarantee or standby letters of credit in Canadian dollars.

Floating rate advances bear interest at the bank's prime rate minus 0.75% per annum. The effective interest rate as at March 31, 2021 was 1.7%. Canadian bankers' acceptances bear interest at a rate determined at the time of their acceptance and have a stamping fee of 0.25% per annum. Issue fees of 0.30% per annum are applicable to letters of guarantee or standby letters of credit.

As at March 31, 2021, $8,600 was outstanding [2020 – $8,800] related to this credit facility.

[ii] Special revolving credit facility of $15,000, which can comprise Canadian floating rate advances or Canadian bankers' acceptances. Borrowings under this facility shall be repaid in full no later than January 22, 2023.

Floating rate advances bear interest at the bank's prime rate minus 0.50% per annum. The effective interest rate at March 31, 2021 was 1.95%. Canadian bankers' acceptances bear interest at a rate determined at the time of their acceptance and have a stamping fee of 0.75% per annum. There is a standby fee of 0.15% per annum on the undrawn portion of the facility.

As at March 31, 2021, a combination of floating rate advances and Canadian bankers' acceptances of $14,944 was outstanding related to this credit facility [2020 – $13,844] *[note 7]*.

Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2021

[b] On December 1, 2019, the Centre increased the secured revolving credit facility related to a residential project from $13,500 to $25,000 and the term was extended by 36 months. The residential project is the security for this revolving credit facility. Floating rate advances bear interest at the bank's prime rate minus 0.5% per annum, which was 1.95% at March 31, 2021. Canadian bankers' acceptances bear interest at a rate determined at the time of their acceptance and have a stamping fee of 0.75% per annum. There is a standby fee of 0.15% per annum on the undrawn portion of the facility. The Centre entered into interest rate swaps effective June 5, 2015 and July 5, 2016 to fix the interest rates on portions of these borrowings *[note 8]*. Borrowings under this facility shall be repaid in full no later than December 1, 2022.

As at March 31, 2021, a combination of Canadian bankers' acceptances and floating rate allowances of $15,582, net of loan discount, was outstanding related to this credit facility [2020 – $14,708] *[note 7]*.

[c] On November 23, 2018, the Centre entered into a secured term credit facility agreement of $6,000 to discharge the existing mortgage related to the Apotex facility. The facility is available by way of Canadian bankers' acceptances that bear interest at a rate determined at the time of their acceptance and have a stamping fee of 1.60% per annum. The Centre entered into an interest rate swap effective November 23, 2018 to fix the interest rate on this borrowing at 2.96% *[note 8]*. The term credit facility is repayable in equal monthly instalments of principal and interest and matures on November 30, 2028.

As at March 31, 2021, $5,683 was outstanding [2020 – $5,822] related to this credit facility *[note 7]*.

[d] On November 23, 2018, the Centre entered into a $33,600 construction facility for the Terraces redevelopment project. The facility is a multi-draw two-year construction facility, with a ten-year term-out credit facility following completion of construction. The Centre entered into an interest rate swap on May 1, 2020 to fix the loan interest rate at 3.16% *[note 8]*. The construction facility terminated and converted to a prime rate term loan on May 1, 2020. Principal and interest payments began on August 1, 2020. The construction facility can comprise prime rate loans or Canadian bankers' acceptances. Prime rate loans bear interest at the bank's prime rate plus 0.25% per annum, which at March 31, 2021 was 2.70%. Canadian bankers' acceptances bear interest at a rate determined at the time of their acceptance and have a stamping fee of 1.25% per annum. Borrowings under this facility shall be repaid in full no later than November 30, 2030.

As at March 31, 2021, $33,045 was outstanding [2020 – $18,507] related to this construction facility *[note 7]*. An interest-bearing restricted bank account was opened to hold the balance of unused funds. As at March 31, 2021, the balance was $3,575 [2020 – nil].

[e] On March 26, 2019, the Centre executed a $8,000 revolving credit facility to fund potential cost overruns that may be incurred in connection with the Terraces redevelopment project. The revolving credit facility can comprise prime rate loans or Canadian bankers' acceptances. Prime rate loans bear interest at the bank's prime rate minus 0.50% per annum, which at March 31, 2021, was 1.95%. Canadian bankers' acceptances bear interest at a rate determined at the time of their acceptance and have a stamping fee of 1.75% per annum. There is a standby fee of 0.15% per annum on the undrawn portion of the facility and an upfront fee of 0.10% on the total amount which is due and payable on the advance date. Borrowings under this facility are due December 31, 2021.

As at March 31, 2021, no amounts were outstanding [2020 – nil] related to this credit facility *[note 7]*.

Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2021

[f] The Centre has entered into agreements to finance energy management improvements to certain facilities of the Centre. The Centre entered into an unsecured term loan of $16,066 to fund the improvements. The term loan is repayable in equal monthly blended payments of interest and principal of $165. The term loan will mature on April 17, 2023, bearing interest at a floating rate equal to the CAD-BA-CDOR rate and is subject to stamping fees of 0.77% per annum. The Centre entered into an interest rate swap effective November 15, 2018 to fix the floating rate at 3.475% for a combined rate of 4.245% *[note 8]*.

As at March 31, 2021, $12,146 [2020 – $10,378] has been repaid, with a balance of $3,930 [2020 – $5,698] remaining, of which $1,843 [2020 – $1,768] is due in the next fiscal year.

7. Long-term debt

Long-term debt consists of the following:

	2021 $	2020 $
Special revolving credit facility *[note 6[a][ii]]*	**14,944**	13,844
Revolving credit facility, bearing interest at the rate of bank's prime minus 0.5% per annum net of loan discount, collateralized by first mortgages and assignments of the leases and rents of Neptune drive *[note 6[b]]*	**15,582**	14,708
Term facility, maturing November 23, 2028, bearing interest at an effective rate of 2.96% per annum, collateralized by the Baycrest Lands with a carrying value of $72,981 [2020 – $58,054] *[note 6[c]]*	**5,683**	5,822
Construction facility, bearing interest at an effective rate of 3.16% per annum, collateralized by the Baycrest Lands with a carrying value of $72,981 [2020 – $58,054] *[note 6[d]]*	**33,045**	18,507
Term loan, maturing April 17, 2023, bearing interest at a floating rate equal to the CAD-BA-CDOR rate *[note 6[f]]*	**3,930**	5,698
Capital leases, maturing from February 2016 to November 2025, bearing interest at rates ranging from 1.85% to 8.91%, collateralized by equipment with a carrying value of $4,057 [2020 – $1,435]	**583**	166
Line of credit from The Baycrest Centre Foundation, maturing August 29, 2021, bearing interest of 5%, collateralized by parking revenue *[note 13[d]]*	**—**	3,037
	73,767	61,782
Less current portion	**2,958**	2,374
	70,809	59,408

During the year, interest paid and interest expense recorded in the consolidated statement of operations on long-term debt was $1,081 [2020 – $1,007].

Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2021

Principal repayments on the long-term debt are as follows:

	$
2022	2,958
2023	33,588
2024	1,316
2025	1,140
2026	1,147
Thereafter	33,618
	73,767

8. Derivative liabilities

The Centre has entered into several interest rate swap contracts in order to manage the interest rate cash flow exposure. The Centre has entered into an interest rate swap contract for $3,930 associated with the energy management loan *[note 6[f]]* and an interest rate swap contract for $3,900 associated with borrowings for a residential project *[note 6[b]]*. The Centre entered into an interest rate swap associated with the execution of a $33,045 construction facility *[note 6[d]]* for the Terraces redevelopment project, and also entered into an interest rate swap associated with the secured term credit facility of $5,683 to discharge existing mortgage related to Apotex facility *[note 6[c]]*. These contracts have the effect of converting the floating rate of interest on these borrowings to a fixed rate.

The notional amounts of the derivative financial instruments do not represent amounts exchanged between parties and are not a measure of the Centre's exposure resulting from the use of derivative contracts. The amounts exchanged are based on the applicable rates applied to the notional amounts.

The notional amount of the fixed interest rate swap related to the secured term credit facility *[note 6[c]]* and the energy management loan *[note 6[f]]* decrease to coincide with repayments of these facilities.

The Centre is exposed to credit-related losses in the event of non-performance by counterparties to these financial instruments, but it does not expect any counterparties to fail to meet their obligations given their high credit ratings.

The notional and fair values of the interest rate swaps are as follows:

			2021		**2020**	
	Effective date	**Termination date**	**Notional value**	**Fair value**	**Notional value**	**Fair value**
			$	$	$	$
3.475% fixed interest rate swap	Nov 15, 2018	Apr 17, 2023	**3,930**	**(129)**	5,698	(251)
1.6% fixed interest rate swap	Jun 5, 2015	Jun 5, 2020	**—**	**—**	2,300	(2)
1.37% fixed interest rate swap	Jul 5, 2016	Apr 2, 2025	**3,900**	**(28)**	3,900	(84)
3.16% fixed interest rate swap	May 1, 2020	May 1, 2045	**33,045**	**(3,357)**	33,600	(8,360)
2.96% fixed interest rate swap	Nov 23, 2018	Nov 23, 2028	**5,683**	**(446)**	5,822	(830)
			46,558	**(3,960)**	51,320	(9,527)

Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2021

The gain in the fair value of the interest rate swaps of $5,567 [2020 – loss of $5,418] is recorded in the consolidated statement of remeasurement losses.

9. Deferred program contributions

Deferred program contributions represent unspent funds received for research and other purposes.

	2021 $	2020 $
Balance, beginning of year	**9,814**	7,932
Amounts received *[note 13[b]]*	**27,067**	21,853
Amounts recognized as revenue	**(25,772)**	(19,971)
Balance, end of year	**11,109**	9,814

10. Deferred capital contributions

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

	2021 $	2020 $
Balance, beginning of year	**76,410**	75,467
Amounts received *[note 13[b]]*	**7,870**	5,577
Amortization recognized as revenue	**(5,073)**	(4,634)
Balance, end of year	**79,207**	76,410

11. Employee benefit plans

Multi-employer plan

Certain employees of the Centre as at March 9, 1998 and all employees joining the Centre since that date are eligible to be members of the Healthcare of Ontario Pension Plan [the “Plan”], which is a multi-employer, defined benefit, highest consecutive average earnings, contributory pension plan. The Centre’s contributions to the Plan during the year amounted to $7,637 [2020 – $7,466] and are included in salaries and employee benefits expense in the consolidated statement of operations. The most recent actuarial valuation for financial reporting purposes completed by the Plan was as of December 31, 2020 and disclosed net assets available for benefits of $103,983,000 with pension obligations of $79,852,000, resulting in a surplus of $24,131,000.

Retirement and other benefits

The Centre also provides retirement allowances for former employees. These obligations are not funded, but the estimated liability of $1,113 [2020 – $1,169] has been fully accrued.

Accrued post-retirement benefits

Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2021

The Centre's non-pension post-retirement benefit plans comprise medical, dental and life insurance coverage for certain groups of full-time employees who have retired 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. The most recent actuarial valuation of the non-pension post-retirement benefit plans for funding purposes was as of March 31, 2019.

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

	2021	2020
	$	$
Accrued benefit obligation		
Balance, beginning of year	**5,646**	8,416
Current service cost	**247**	248
Interest cost	**176**	168
Benefits paid	**(453)**	(408)
Actuarial loss (gain)	**68**	(2,778)
Balance, end of year	**5,684**	5,646
Unamortized net actuarial gain	**1,904**	2,119
Accrued benefit liability	**7,588**	7,765

The expense for the year related to these plans is $276 [2020 – $281], and employer contributions to these plans were $453 [2020 – $408].

The discount rate adopted in measuring the Centre's accrued benefit obligation was 3.0% [2020 – 3.1%] and expense was 3.1% [2020 – 2.9%] for the non-pension post-retirement benefit plans.

Dental costs are assumed to increase by 3.0% per annum until 2023. Hospital and extended healthcare costs are assumed to increase by 5.20% per annum until 2023.

12. Contingencies

[a] The Centre is subject to various claims and potential claims related to operations. Where the potential liability is likely and able to be estimated, management has recorded its best estimate of the potential liability. In other cases, the ultimate outcome of the claims cannot be determined at this time. Any additional losses related to claims will be recorded in the year during which the liability is able to be estimated or adjustments to the amount recorded are determined to be required.

[b] A group of healthcare institutions, including the Centre, are members of the Healthcare Insurance Reciprocal of Canada ["HIROC"]. HIROC is a pooling of the liability insurance risks of its members. All members pay annual deposit premiums, which are actuarially determined and are subject to further assessment for losses, if any, experienced by the pool for the years in which they were members. As at March 31, 2021, no assessments have been received.

Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2021

13. The Baycrest Centre Foundation

[a] The Foundation is a separate corporation and its accounts are not included in these consolidated financial statements. The Foundation, which operates as a public foundation, is responsible for all fundraising activities of the Centre and grants funds to the Centre and other charitable organizations as approved by the Board of Directors of the Foundation. The Centre has the ability to elect the majority of the Foundation's directors.

The Foundation prepares its financial statements in accordance with Part III of the *CPA Canada Handbook – Accounting*, which sets out generally accepted accounting principles for not-for-profit organizations in Canada.

[b] The summarized financial statements of the Foundation are as follows:

	2021 $	2020 $
Total assets	**186,543**	159,976
Total liabilities	**356**	2,797
	186,187	157,179
Endowment Fund	**135,578**	114,951
Restricted Fund	**50,609**	42,228
	186,187	157,179

	2021 $	2020 $
Total revenue [including addition to endowments of $20,627 [2020 – reduction to endowments of $1,163]	**45,982**	15,745
Total expenses	**6,580**	8,530
Excess of revenue over expenses before grants	**39,402**	7,215
Grants to the Centre, included in operations	**(6,333)**	(14,384)
Capital grants to the Centre, included in deferred program and deferred capital contributions *[notes 9 and 10]*	**(4,061)**	(841)
Excess (deficiency) of revenue over expenses for the year	**29,008**	(8,010)

There are no significant differences in the reporting framework that are material to the Centre's consolidated financial statements.

Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2021

[c] Advances to/from the Foundation classified as current are due on demand and bear interest at the prime rate of interest. For the year ended March 31, 2021, net interest expense of $80 [2020 – interest expense of $40] was recorded in interest expense within the consolidated statement of operations. As at March 31, 2021, $3,828 was due to [2020 – $2,275 due from] the Foundation.

[d] On August 22, 2019, the Foundation provided a $3,000 line of credit due at the earlier of securing alternate construction financing for the Apotex facility and August 29, 2021, bearing interest at 5% accrued quarterly *[note 7]*. The line of credit is collateralized by parking revenue.

[e] The Centre provides the Foundation with office space, furniture and equipment at no cost. Salaries, benefits and certain other expenses are paid by the Centre and are reimbursed by the Foundation.

14. Additional cash flow information

The net change in non-cash working capital balances related to operations is as follows:

	2021 $	2020 $
Accounts receivable	**(37,169)**	(201)
Inventories, deposits and prepaid expenses	**1,251**	(1,502)
Accounts payable and accrued liabilities	**3,000**	733
Deferred program contributions	**1,294**	1,882
Due from/to The Baycrest Centre Foundation	**6,103**	(2,355)
	(25,521)	(1,443)

The following is supplemental cash flow information:

	2021 $	2020 $
Additions to capital assets through capital leases	**593**	85
Additions to capital assets funded by accounts payable and accrued liabilities	**8,049**	4,816

15. Financial instruments

The Centre is exposed to various financial risks through transactions in financial instruments.

Credit risk

In addition to its exposure to credit risk with respect to its derivative contracts *[note 8]*, the Centre is exposed to credit risk in connection with its accounts receivable and its short-term investments because of the risk that one party to the financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Centre manages its credit risk by monitoring its outstanding accounts receivable on an ongoing basis.

Liquidity risk

The Centre is exposed to the risk that it will encounter difficulties in meeting obligations associated with its financial liabilities. The Centre derives a significant portion of its operating revenue from the Government of Ontario and other funders with no firm commitment of funding in future years. To manage liquidity risk, the Centre keeps sufficient resources readily available to meet its obligations. In addition, the Centre has credit facilities *[note 6]* that are used when sufficient cash flow is not available from operations to cover operating and capital expenditures. The Centre will enter into long-term debt to assist with the financing of capital assets when other sources of funding are not available.

Accounts payable mature within six months. The maturities of other financial liabilities are provided in the notes to the consolidated financial statements related to these liabilities.

Interest rate risk

The Centre is exposed to interest rate risk with respect to its floating rate debt because cash flows will fluctuate since the interest rate is linked to the bank's prime rate, which changes from time to time. The Centre has entered into interest rate swap contracts *[note 8]* to manage the interest rate cash flow risk with respect to its floating rate energy management loan, a portion of its borrowings for the residential project, the construction facility and a secured term credit facility.

The Centre is exposed to interest rate risk with respect to its fixed rate long-term debt because the fair value will fluctuate due to changes in market interest rates.

A change in the interest rate on the Centre's fixed rate long-term debt would have no impact on the consolidated financial statements since the debt is measured at amortized cost. A change in the interest rate in the Centre's floating rate on the energy management loan, the construction facility and the secured term credit facility would also have no impact since the rate has been fixed as described in note 8. A 1% change in the interest rate on the floating rate credit facility would increase annual interest expense by $635.

16. COVID-19

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ["COVID-19"] as a pandemic which has resulted in a series of public health and emergency measures that have been put into place to combat the spread of the virus. The Centre is working diligently to mitigate the financial impacts while carrying out its response to the impacts of COVID-19.

Management considered the impact of COVID-19 in its assessment of the Centre's assets, liabilities and its ability to continue as a going concern. Although COVID-19 has had an impact on funding and operations, measures have been implemented to ensure that the Centre continued to maintain its core operations. The Ministry of Health [the "MOH"] and Ontario Health are supporting the Ontario Hospitals through this pandemic with a series of various funding envelopes, including incremental operating expense reimbursements. The Centre is tracking and reporting expenses related to the COVID-19 response and has received confirmation of government reimbursement for certain expenses in order to mitigate the financial impacts through to March 31, 2021. The various funding envelopes are subject to a broader funding reconciliation and is subjected to a high degree of uncertainty. The Centre has made its best estimates based on the guidance received to recognize the amount of funding available and the outcomes of any funding reconciliations, which may be material to the financial statements, will be adjusted in the year of notification by the MOH and Ontario Health.