

# Baycrest Centre for Geriatric Care

Consolidated financial statements  
March 31, 2018



## Independent auditors' report

To the Board of Directors of  
**Baycrest Centre for Geriatric Care**

### Report on consolidated financial statements

We have audited the accompanying consolidated financial statements of **Baycrest Centre for Geriatric Care**, which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statements of operations, changes in net deficit, remeasurement gains (losses) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these 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.

### Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Baycrest Centre for Geriatric Care** as at March 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### 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.

Toronto, Canada  
June 21, 2018

*Ernst & Young LLP*

Chartered Professional Accountants  
Licensed Public Accountants



**Baycrest Centre for Geriatric Care**

**Consolidated statement of financial position**

[in thousands of dollars]

As at March 31

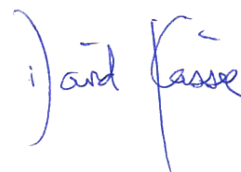
	2018	2017
	\$	\$
<b>Assets</b>		
<b>Current</b>		
Cash	1,267	131
Funds held for others	1,531	1,487
Accounts receivable <i>[note 3]</i>	7,313	9,455
Inventories, deposits and prepaid expenses	2,637	3,612
<b>Total current assets</b>	<b>12,748</b>	<b>14,685</b>
Investment <i>[note 4[a]]</i>	136	33
Capital assets, net <i>[note 5]</i>	132,472	123,102
	<b>145,356</b>	<b>137,820</b>
<b>Liabilities and net deficit</b>		
<b>Current</b>		
Accounts payable and accrued liabilities <i>[note 4[b]]</i>	31,811	31,465
Deferred program contributions <i>[note 9]</i>	9,361	5,996
Due to The Baycrest Centre Foundation <i>[note 14[c]]</i>	357	635
Current portion of long-term debt <i>[notes 7 and 8]</i>	2,240	2,167
Funds held for others	1,531	1,487
<b>Total current liabilities</b>	<b>45,300</b>	<b>41,750</b>
Long-term debt <i>[note 7]</i>	29,739	25,625
Energy management loan <i>[note 8]</i>	7,390	9,013
Deferred capital contributions <i>[note 10]</i>	72,102	68,240
Employee future benefits <i>[note 11]</i>	9,031	8,706
Derivative liabilities <i>[note 12]</i>	1,945	657
<b>Total liabilities</b>	<b>165,507</b>	<b>153,991</b>
Contingencies <i>[note 13]</i>		
<b>Net deficit</b>		
Accumulated deficit	(18,206)	(15,514)
Accumulated remeasurement losses	(1,945)	(657)
	<b>(20,151)</b>	<b>(16,171)</b>
	<b>145,356</b>	<b>137,820</b>

See accompanying notes

On behalf of the Board:



Director



Director

## Baycrest Centre for Geriatric Care

### Consolidated statement of operations

[in thousands of dollars]

Year ended March 31

	2018	2017
	\$	\$
<b>Revenue</b>		
Ministry of Health and Long-Term Care and the Toronto Central Local Health Integration Network	101,646	99,293
Charges for client services	22,025	21,433
The Baycrest Centre Foundation grants <i>[note 14[b]]</i>	12,551	13,774
Other grants <i>[note 9]</i>	16,479	10,978
Ancillary and other	8,328	7,069
Amortization of deferred capital contributions <i>[note 10]</i>	4,222	3,863
	<u>165,251</u>	<u>156,410</u>
<b>Expenses</b>		
Salaries and employee benefits <i>[note 11]</i>	116,473	116,718
Other operating <i>[notes 4[a] and 4[b]]</i>	42,059	33,272
Amortization of capital assets	8,437	7,958
Interest <i>[notes 7, 8 and 14[c]]</i>	1,437	1,508
	<u>168,406</u>	<u>159,456</u>
<b>Deficiency of revenue over expenses for the year</b>	<u>(3,155)</u>	<u>(3,046)</u>

See accompanying notes

## Baycrest Centre for Geriatric Care

### Consolidated statement of changes in net deficit

[in thousands of dollars]

Year ended March 31

	2018	2017
	\$	\$
<b>Balance, beginning of year</b>	<b>(15,514)</b>	(12,689)
Deficiency of revenue over expenses for the year	<b>(3,155)</b>	(3,046)
Donation of art <i>[note 5]</i>	<b>463</b>	221
<b>Balance, end of year</b>	<b>(18,206)</b>	(15,514)

*See accompanying notes*

**Baycrest Centre for Geriatric Care**

**Consolidated statement of remeasurement gains (losses)**

[in thousands of dollars]

Year ended March 31

	<b>2018</b>	<b>2017</b>
	\$	\$
<b>Balance, beginning of year</b>	<b>(657)</b>	(1,201)
Change in fair value of derivatives <i>[note 12]</i>	<b>(1,288)</b>	544
<b>Balance, end of year</b>	<b>(1,945)</b>	(657)

*See accompanying notes*

## Baycrest Centre for Geriatric Care

### Consolidated statement of cash flows

[in thousands of dollars]

Year ended March 31

	2018	2017
	\$	\$
<b>Operating activities</b>		
Deficiency of revenue over expenses for the year	(3,155)	(3,046)
Add (deduct) items not affecting cash		
Amortization of capital assets	8,437	7,958
Amortization of deferred capital contributions	(4,222)	(3,863)
Share of net loss in long-term investments	688	636
Increase (decrease) in employee future benefits	325	(488)
Gain on sale of assets	—	(119)
Net change in non-cash working capital balances related to operations <i>[note 15]</i>	7,797	2,642
<b>Cash provided by operating activities</b>	<b>9,870</b>	<b>3,720</b>
<b>Investing activities</b>		
Sale of short-term investments	—	518
Increase in long-term investment	(400)	(500)
<b>Cash provided by (used in) investing activities</b>	<b>(400)</b>	<b>18</b>
<b>Capital activities</b>		
Purchase of capital assets <i>[note 15]</i>	(18,783)	(13,512)
Proceeds from sale of assets	—	144
<b>Cash used in capital activities</b>	<b>(18,783)</b>	<b>(13,368)</b>
<b>Financing activities</b>		
Contributions for purchase of capital assets	8,083	8,162
Proceeds from long-term debt	4,365	7,130
Repayment of long-term debt	(443)	(4,406)
Repayment of energy management loan	(1,556)	(1,491)
<b>Cash provided by financing activities</b>	<b>10,449</b>	<b>9,395</b>
<b>Net increase (decrease) in cash during the year</b>	<b>1,136</b>	<b>(235)</b>
Cash, beginning of year	131	366
<b>Cash, end of year</b>	<b>1,267</b>	<b>131</b>

See accompanying notes

## Baycrest Centre for Geriatric Care

### Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2018

#### 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; conducting cutting-edge cognitive neuroscience; and 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

#### 2. 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 gains (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 gains (losses). The Centre does not engage in derivative trading or speculative activities.



## Baycrest Centre for Geriatric Care

### Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2018

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 gains (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 14]. 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 that of the Centre’s 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

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.

## Baycrest Centre for Geriatric Care

### Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2018

#### 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

##### [a] 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.

##### [b] 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.

#### 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, 2018.

## Baycrest Centre for Geriatric Care

### Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2018

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.

#### Change in accounting policy

During the year, the Centre adopted the new accounting standards PS 2200, related party disclosures, and PS 3420, inter-entity transactions. These new standards are effective for fiscal years beginning on or after April 1, 2017. PS 2200 defines a related party and establishes disclosures required for related party transactions. PS 3420 establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. The change in accounting policy was applied on a retroactive basis and did not have any impact on the consolidated financial statements.

### 3. Accounts receivable

Accounts receivable consists of the following:

	2018	2017
	\$	\$
Province of Ontario	1,203	2,288
Federal government	1,601	2,048
Client accounts	2,740	2,468
Research	318	1,144
Other [note 4[b]]	1,451	1,507
	<b>7,313</b>	<b>9,455</b>

There are no significant past due or impaired accounts as at March 31, 2018 and 2017.

## Baycrest Centre for Geriatric Care

### Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2018

#### 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% [2017 – 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:

	2018 \$	2017 \$
<b>Balance, beginning of year</b>	<b>33</b>	109
Convertible debenture*	<b>400</b>	—
Additional equity investment	<b>—</b>	500
Share of Cogniciti net loss	<b>(297)</b>	(576)
<b>Balance, end of year</b>	<b>136</b>	33

\*During the year, the Centre invested in three [2017 – nil] convertible debentures totalling \$400 [2017 – nil] maturing from May 1, 2020 to February 12, 2021, bearing interest at the bank's prime rate plus 1%.

The Centre recorded its share of Cogniciti's net loss as other operating expenses. The following amounts represent the Centre's 88% [2017 – 88%] share of the assets, liabilities, revenue and expenses of Cogniciti:

	2018 \$ [unaudited]	2017 \$ [unaudited]
Assets	<b>96</b>	49
Liabilities	<b>430</b>	85
Revenue	<b>292</b>	99
Expenses	<b>589</b>	675

- [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:

	2018 \$	2017 \$
<b>Balance, beginning of year</b>	<b>(2,615)</b>	(2,555)
Share of BGS net loss	<b>(391)</b>	(60)
<b>Balance, end of year</b>	<b>(3,006)</b>	(2,615)

## Baycrest Centre for Geriatric Care

### Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2018

The negative investment balance is reflected in the accounts of the Centre as a provision against a long-term receivable of \$1,153 [2017 – \$1,131] and a short-term receivable of \$1,364 [2017 – \$1,524] recorded in accounts receivable in the consolidated statement of financial position [note 3]. The remaining difference of \$489 [2017 – nil] is included in accounts payable and accrued liabilities.

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:

	2018 \$	2017 \$
	<i>[unaudited]</i>	<i>[unaudited]</i>
Assets	42	11
Liabilities	3,048	2,626
Revenue	1,115	—
Expenses	1,506	60

#### 5. Capital assets

Capital assets consist of the following:

	2018		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Land	823	—	823
Land improvements and parking lot	5,811	5,492	319
Buildings	238,968	129,234	109,734
Equipment	93,831	81,504	12,327
Works of art	9,269	—	9,269
	<b>348,702</b>	<b>216,230</b>	<b>132,472</b>

	2017		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Land	823	—	823
Land improvements and parking lot	5,739	5,477	262
Buildings	226,159	123,474	102,685
Equipment	89,368	78,842	10,526
Works of art	8,806	—	8,806
	<b>330,895</b>	<b>207,793</b>	<b>123,102</b>

## Baycrest Centre for Geriatric Care

### Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2018

During the year, fully amortized capital assets with a value of nil [2017 – \$440] were written off.

Included in equipment are capital leases with a cost of \$11,804 [2017 – \$11,606] and accumulated amortization of \$10,174 [2017 – \$9,889].

#### 6. Credit facilities

[a] The Centre has an unsecured \$30,000 credit agreement. Under this credit agreement, the following facilities are available:

[i] Demand operating credit facility was increased from \$10,000 to \$15,000 during the year. The facility can be comprised of 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, 2018 was 2.7%. 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, 2018 and 2017, there were no balances related to this credit facility.

[ii] Special revolving credit facility of \$15,000, which can be comprised of Canadian floating rate advances or Canadian bankers' acceptances. The term of this facility was extended 5 years. 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, 2018 was 2.95%. 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.

As at March 31, 2018, a combination of Canadian bankers' acceptances and floating rate allowances of \$14,761 was outstanding related to this credit facility [2017 – \$11,861] [note 7].

[b] On April 1, 2015, the Centre entered into a secured revolving credit agreement of \$13,500 related to a residential project. 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 at March 31, 2018 was 2.95%. 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. 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 12]. As at March 31, 2018, a combination of Canadian bankers' acceptances and floating rate allowances of \$9,129, net of loan discount was outstanding related to this credit facility [2017 – \$7,460] [note 7].

## Baycrest Centre for Geriatric Care

### Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2018

#### 7. Long-term debt

Long-term debt consists of the following:

	2018	2017
	\$	\$
Special revolving credit facility <i>[note 6[a][ii]]</i>	14,761	11,861
Line of credit from The Baycrest Centre Foundation <i>[note 14[d]]</i>	250	500
Mortgage payable, bearing interest at 6.04% per annum, due January 1, 2020, collateralized by the Apotex Centre building with a carrying value of \$43,156 [2017 – \$45,102]	5,845	6,040
Capital leases, maturing from June 2016 to January 2022, bearing interest at rates ranging from 6.53% to 9.48%, collateralized by equipment with a carrying value of \$1,629 [2017 – \$1,716]	371	375
Credit facility at the rate of bank's prime minus 0.5% per annum net of loan discount <i>[note 6[b]]</i>	9,129	7,460
	<u>30,356</u>	<u>26,236</u>
Less current portion	617	611
	<u>29,739</u>	<u>25,625</u>

During the year, interest paid and interest expense recorded in the consolidated statement of operations on long-term debt was \$752 [2017 – \$634].

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

	\$
2019	617
2020	354
2021	9,426
2022	259
2023	15,024
Thereafter	4,676
	<u>30,356</u>

#### 8. Energy management loan

The Centre has entered into agreements to finance energy management improvements to certain facilities of the Centre's.

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 April 15, 2013 to fix the floating rate at 3.475% for a combined rate of 4.245% *[note 12]*. As at March 31, 2018, \$7,053 [2017 – \$5,497] has been repaid with a balance

## Baycrest Centre for Geriatric Care

### Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2018

of \$9,013 [2017 – \$10,569] remaining, of which \$1,623 [2017 – \$1,556] is due in the next fiscal year. During the year, interest paid and interest expense recorded in the consolidated statement of operations on the unsecured term loan was \$419 [2017 – \$483].

Principal repayments on the term loan are as follows:

	\$
2019	1,623
2020	1,692
2021	1,768
2022	1,843
2023	1,923
Thereafter	164
	<u>9,013</u>

#### 9. Deferred program contributions

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

	2018 \$	2017 \$
<b>Balance, beginning of year</b>	<b>5,996</b>	5,795
Amounts recorded <i>[note 14[b]]</i>	<b>11,426</b>	7,852
Amounts recognized as revenue	<b>(8,061)</b>	(7,651)
<b>Balance, end of year</b>	<b>9,361</b>	5,996

#### 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.

	2018 \$	2017 \$
<b>Balance, beginning of year</b>	<b>68,240</b>	63,941
Amounts recorded <i>[note 14[b]]</i>	<b>8,084</b>	8,162
Amortization recognized as revenue	<b>(4,222)</b>	(3,863)
<b>Balance, end of year</b>	<b>72,102</b>	68,240



## Baycrest Centre for Geriatric Care

### Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2018

#### 11. Employee benefit plans

##### [a] 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 \$6,872 [2017 – \$6,615] 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, 2017, disclosed net assets available for benefits of \$77,755,000 with pension obligations of \$59,602,000, resulting in a surplus of \$18,153,000.

##### [b] Retirement and other benefits

The Centre also provides retirement allowances for former employees. These obligations are not funded, but the estimated liability of \$1,414 [2017 – \$1,393] has been fully accrued.

##### [c] Accrued post-retirement benefits

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, 2016.

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

	2018	2017
	\$	\$
<b>Accrued benefit obligation</b>		
Balance, beginning of year	7,710	7,611
Current service cost	456	452
Interest cost	254	235
Benefits paid	(465)	(424)
Actuarial gain	—	(164)
Balance, end of year	7,955	7,710
Unamortized net actuarial loss	(338)	(397)
<b>Accrued benefit liability</b>	<b>7,617</b>	<b>7,313</b>

The expense for the year related to these plans is \$769 [2017 – \$764], and employer contributions to these plans were \$465 [2017 – \$424].

The discount rate adopted in measuring the Centre's accrued benefit obligation was 3.2% [2017 – 3.2%] and expense was 3.2% [2017 – 3.0%] for the non-pension post-retirement benefit plans.

Dental costs are assumed to increase by 3.0% per annum. Hospital and extended healthcare costs are assumed to be 6.25% in 2016 and to decrease by 0.25% per annum to an ultimate rate of 4.50%.

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#### 12. 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 \$9,013 associated with the energy management loan [note 8] and two interest rate swap contracts for \$2,300 and \$3,900 associated with borrowings for a residential project [note 6[b]]. During the year, the Centre also entered into an interest rate swap associated with the anticipated execution of a \$33,600 construction facility for the Terraces redevelopment project which will lock-in the loan interest rate at 3.16%. 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 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:

	Effective date	Termination date	2018		2017	
			Notional value	Fair value	Notional value	Fair value
			\$	\$	\$	\$
<b>3.475% fixed interest rate swap</b>	15-Apr-13	17-Apr-23	<b>9,013</b>	<b>(293)</b>	10,569	(717)
<b>1.6% fixed interest rate swap</b>	05-Jun-15	05-Jun-20	<b>2,300</b>	<b>27</b>	2,300	(28)
<b>1.37% fixed interest rate swap</b>	05-Jul-16	02-Apr-25	<b>3,900</b>	<b>258</b>	3,900	88
<b>3.16% fixed interest rate swap</b>	01-May-20	01-May-45	<b>33,600</b>	<b>(1,937)</b>	-	-
			<b>48,813</b>	<b>(1,945)</b>	16,769	(657)

The loss in the fair value of the interest rate swaps of \$1,288 [2017 – gain of \$544] is recorded in the consolidated statement of remeasurement gains (losses).

The notional amount of the fixed interest rate swap related to the energy management loan [note 8] decreases to coincide with repayments of this loan.

#### 13. 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

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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, 2018, no assessments have been received.

#### 14. 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:

	2018 \$	2017 \$
Total assets	163,695	150,646
Total liabilities	484	225
	<b>163,211</b>	150,421
Endowment Fund	118,251	115,904
Restricted Fund	44,960	34,517
	<b>163,211</b>	150,421
	2018 \$	2017 \$
Total revenue [including additions to endowments of \$2,379 [2017 – \$13,438]]	35,446	38,964
Total expenses	8,265	7,416
Excess of revenue over expenses before grants	27,181	31,548
Grants to the Centre, included in operations	(12,552)	(13,774)
Capital grants to the Centre, included in deferred program and deferred capital contributions [notes 9 and 10]	(1,818)	(2,013)
Grant to third party	(21)	(125)
<b>Excess of revenue over expenses for the year</b>	<b>12,790</b>	15,636

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

[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, 2018, net interest expense of \$83 [2017 – \$88] was recorded in the consolidated statement of operations.

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[d] On March 28, 2014, the Foundation provided a \$1,000 line of credit due March 28, 2019, bearing interest at 5%, with repayments of principal in four annual installments beginning no later than December 31, 2015 [note 7]. During the year ended March 31, 2018, the Centre repaid \$250 [2017 - \$250] of this line of credit. 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.

#### 15. Additional cash flow information

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

	2018	2017
	\$	\$
Accounts receivable	1,751	8,729
Inventories, deposits and prepaid expenses	975	(740)
Accounts payable and accrued liabilities	1,984	2,630
Deferred program contributions	3,365	201
Due from/to The Baycrest Centre Foundation	(278)	(8,178)
	<u>7,797</u>	<u>2,642</u>

The following is supplemental cash flow information:

	2018	2017
	\$	\$
Additions to capital assets through capital leases	198	364
Additions to capital assets funded by accounts payable and accrued liabilities	2,719	4,356

#### 16. 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 12], 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

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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 12]* to manage the interest rate cash flow risk with respect to its floating rate energy management loan and a portion of its borrowings for a residential project.

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 would also have no impact since the rate has been fixed as described in note 12. A 1% change in the interest rate on the floating rate credit facility would increase annual interest expense by \$179.