

Baycrest Seniors Care

Consolidated financial statements
March 31, 2022



Independent auditor's report

To the Board of Directors of
Baycrest Seniors Care

Opinion

We have audited the consolidated financial statements of **Baycrest Seniors Care** ["BSC"], which comprise the consolidated statement of financial position as at March 31, 2022 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 BSC as at March 31, 2022 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 BSC 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 BSC'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 BSC or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing BSC'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 BSC'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 BSC'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 BSC 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 28, 2022

Chartered Professional Accountants
Licensed Public Accountants



Baycrest Seniors Care

Consolidated statement of financial position

[in thousands of dollars]

As at March 31

	2022	2021
	\$	\$
Assets		
Current		
Cash	8,586	2,553
Restricted cash [note 6[d]]	5,420	3,575
Funds held for others	1,610	1,601
Accounts receivable [notes 3 and 4]	14,870	49,610
Due from The Baycrest Centre Foundation [note 13[c]]	550	—
Inventories, deposits and prepaid expenses	2,151	1,942
Total current assets	33,187	59,281
Investment [note 4]	1,203	—
Derivative assets [note 8]	713	—
Capital assets, net [note 5]	198,288	173,700
	233,391	232,981
Liabilities and net surplus (deficit)		
Current		
Bank indebtedness [note 6[a][i]]	—	8,600
Accounts payable and accrued liabilities	41,260	41,644
Deferred program contributions [note 9]	8,751	11,109
Due to The Baycrest Centre Foundation [note 13[c]]	—	3,828
Current portion of long-term debt [note 7]	3,395	2,958
Funds held for others	1,610	1,601
Total current liabilities	55,016	69,740
Long-term debt [note 7]	88,960	70,809
Deferred capital contributions [note 10]	82,531	79,207
Employee future benefits [note 11]	8,448	8,701
Derivative liabilities [note 8]	—	3,960
Total liabilities	234,955	232,417
Contingencies [note 12]		
Net surplus (deficit)		
Surplus (deficiency)	(2,277)	4,524
Accumulated rereasurement gains and losses	713	(3,960)
Total net surplus (deficit)	(1,564)	564
	233,391	232,981

See accompanying notes

On behalf of the Board:



Director



Director

Baycrest Seniors Care

Consolidated statement of operations

[in thousands of dollars]

Year ended March 31

	2022	2021
	\$	\$
Revenue		
Ministry of Health, Ministry of Long-Term Care and Ontario Health	133,600	166,520
Charges for client services	18,467	16,031
The Baycrest Centre Foundation grants <i>[note 13[b]]</i>	9,708	6,333
Other grants	15,224	17,058
Ancillary services and other	13,308	14,925
Amortization of deferred capital contributions <i>[note 10]</i>	5,610	5,073
	195,917	225,940
Expenses		
Salaries and employee benefits <i>[note 11]</i>	143,097	133,139
Other operating <i>[notes 4[a] and 4[b]]</i>	47,406	50,480
Amortization of capital assets	12,649	10,974
Interest <i>[notes 7, 13[c] and 13[d]]</i>	1,205	1,368
	204,357	195,961
Excess (deficiency) of revenue over expenses for the year	(8,440)	29,979

See accompanying notes

Baycrest Seniors Care

Consolidated statement of changes in net surplus (deficit)

[in thousands of dollars]

Year ended March 31

	2022	2021
	\$	\$
Net deficit, beginning of year	4,524	(25,500)
Excess (deficiency) of revenue over expenses for the year	(8,440)	29,979
Change in fair value of investment <i>[note 4]</i>	1,586	—
Donation of art <i>[note 5]</i>	53	45
Net surplus (deficit), end of year	(2,277)	4,524

See accompanying notes

Baycrest Seniors Care

Consolidated statement of remeasurement losses

[in thousands of dollars]

Year ended March 31

	2022	2021
	\$	\$
Balance, beginning of year	(3,960)	(9,527)
Change in fair value of derivatives <i>[note 8]</i>	4,673	5,567
Balance, end of year	713	(3,960)

See accompanying notes

Baycrest Seniors Care

Consolidated statement of cash flows

[in thousands of dollars]

Year ended March 31

	2022	2021
	\$	\$
Operating activities		
Excess (deficiency) of revenue over expenses for the year	(8,440)	29,979
Add (deduct) items not affecting cash		
Amortization of capital assets	12,649	10,974
Amortization of deferred capital contributions	(5,610)	(5,073)
Share of net loss of long-term investments	664	541
Decrease in employee future benefits	(253)	(233)
Net change in non-cash working capital balances related to operations <i>[note 14]</i>	28,434	(25,521)
Cash provided by operating activities	27,444	10,667
Investing activities		
Increase in long-term investment	(1,069)	(287)
Cash used in investing activities	(1,069)	(287)
Capital activities		
Purchase of capital assets <i>[note 14]</i>	(37,310)	(26,142)
Cash used in capital activities	(37,310)	(26,142)
Financing activities		
Increase in restricted cash	(1,845)	(3,575)
Contributions for purchase of capital assets	8,934	7,870
Increase in bank indebtedness	(8,600)	(200)
Proceeds from long-term debt	20,120	12,881
Repayment of long-term debt	(1,641)	(1,489)
Cash provided by financing activities	16,968	15,487
Net increase (decrease) in cash during the year	6,033	(275)
Cash, beginning of year	2,553	2,828
Cash, end of year	8,586	2,553

See accompanying notes

Baycrest Seniors Care

Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2022

1. Description of organization

Until January 31, 2022, the financial statements for the Baycrest group of companies ["Baycrest"] were consolidated under Baycrest Centre for Geriatric Care. Effective January 31, 2022, Baycrest was reorganized and consolidated under a newly created holding company, Baycrest Seniors Care ["BSC"]. BSC, which is incorporated without share capital under the laws of Ontario, a not-for-profit corporation under the *Income Tax Act* (Canada) and, accordingly, is exempt from income taxes. BSC refers to reporting within the consolidated financial statements. Baycrest refers to one or more entities within the Baycrest group of companies.

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

Baycrest 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 following entities are consolidated into the accounts of BSC. BSC is the sole member of each entity listed. The 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 Centre for Geriatric Care [the "Centre"], which provides strategic support to Baycrest, and includes research and education activities;
- Baycrest Hospital, which operates complex continuing care, mental health and rehabilitation programs and a long-term care facility;
- The Jewish Home for the Aged ["JHA"], which operates a retirement home;
- The Baycrest Day Care Centre, which operates day care services for seniors; and
- Canadian Centre for Aging & Brain Health Innovation Advancement Inc ["CABHI Advancement"] – helps innovators develop, disseminate, scale, and promote the adoption of promising innovations in the aging and brain health sector.

Canadian Centre for Aging & Brain Health Innovation Advancement Inc. is the sole member of Canadian Centre for Aging & Brain Health Innovation Development Inc ["CABHI – Development"], which is incorporated without share capital under the laws of Ontario as a not-for-profit entity and accordingly is exempt from income taxes.

Baycrest Seniors Care

Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2022

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. BSC 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. BSC 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. Baycrest 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.

Baycrest Seniors Care

Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2022

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 BSC, and inter-organizational transactions are not eliminated, except for any gains or losses on assets remaining within BSC 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

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. BSC 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

BSC 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).

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Notes to consolidated financial statements

[in thousands of dollars]

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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

BSC 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 BSC'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 Ministry of Long-Term Care [the "Ministry"] and Ontario Health ["OH"] is a significant estimate. Baycrest has entered into a number of accountability agreements, with OH that set out the rights and obligations of the two parties in respect of funding provided to the Centre by OH for the year ended March 31, 2022.

These accountability agreements set out certain performance standards and obligations that establish acceptable results for Baycrest's performance in a number of areas. If Baycrest does not meet its performance standards or obligations, the Ministry/OH has the right to adjust funding received by the Centre. The Ministry/OH 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 Ministry/OH 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.

Baycrest Seniors Care

Notes to consolidated financial statements

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Future changes in accounting policies

Effective for the fiscal year beginning on April 1, 2022, Baycrest will be required to follow the *Public Sector Accounting ["PSA"] Handbook* Section PS 3280 Asset Retirement Obligations. Baycrest will adopt the new standards in its fiscal 2023 financial statements.

3. Accounts receivable

Accounts receivable consist of the following:

	2022	2021
	\$	\$
Province of Ontario	6,621	41,269
Federal government	—	525
Research	808	949
Client accounts	2,092	2,170
Other [notes 4[a] and 4[b]]	5,349	4,697
	<u>14,870</u>	<u>49,610</u>

There are no significant past due or impaired accounts as at March 31, 2022 and 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 100% [2021 – 88%] by the Centre, was established to develop and commercialize products for the assessment, management and rehabilitation of brain functioning. On March 24, 2022, the Centre purchased the remaining shares of Cogniciti for nominal consideration.

The continuity of the investment is as follows:

	2022	2021
	\$	\$
Balance, beginning of year	(3,917)	(3,630)
Share of Cogniciti net loss	(316)	(287)
Balance, end of year	(4,233)	(3,917)

The negative investment balance is reflected in the accounts of the Centre as a provision against a loan receivable of \$2,609 [2021 – \$2,527], a short-term receivable of \$2,806 [2021 – \$2,497] and convertible debentures totalling \$449 [2021 – \$433] recorded in accounts receivable in the consolidated statement of financial position [note 3]. The remaining difference of \$1,631 [2021 – \$1,540] is included in other accounts receivable.

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Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2022

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

The Centre provided a demand loan in the amount of \$2,609 [2021 – \$2,527], bearing interest at 5%.

The Centre recorded its share of Cogniciti's net loss as other operating expenses. The following amounts represent the Centre's 100% [2021 – 88%] share of the assets, liabilities, revenue and expenses of Cogniciti:

	2022 \$	2021 \$
	<i>[unaudited]</i>	<i>[unaudited]</i>
Assets	193	147
Liabilities	4,429	4,064
Revenue	158	—
Expenses	474	287

- [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:

	2022 \$	2021 \$
Balance, beginning of year	(3,242)	(2,988)
Share of BGS loss	(348)	(254)
Balance, end of year	(3,590)	(3,242)

The negative investment balance is reflected in the accounts of the Centre as a provision against a loan receivable of \$1,450 [2021 – \$1,400] and a short-term receivable of \$2,673 [2021 – \$2,639] recorded in accounts receivable in the consolidated statement of financial position [note 3]. The remaining difference of \$533 [2021 – \$797] 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:

	2022 \$	2021 \$
	<i>[unaudited]</i>	<i>[unaudited]</i>
Assets	579	808
Liabilities	4,169	4,050
Revenue	463	814
Expenses	811	1,068

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Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2022

[c] CABHI Development provides program funding to innovators under a modified simple agreement for future equity, where CABHI Development receives a right to future shares of the innovator upon certain events occurring. Investments of \$1,203 [2021 – \$nil] consist of shares in private enterprises, which are recorded at fair market value on the date of acquisition and subsequently measured at cost, less any provision for impairment.

5. Capital assets

Capital assets consist of the following:

	2022		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Land	823	—	823
Land improvements and parking lot	6,033	5,589	444
Buildings	334,218	160,802	173,416
Equipment	106,680	92,700	13,980
Works of art	9,625	—	9,625
	<u>457,379</u>	<u>259,091</u>	<u>198,288</u>
	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
	<u>420,142</u>	<u>246,442</u>	<u>173,700</u>

Included in equipment are capital leases with a cost of \$16,682 [2021 – \$15,295] and accumulated amortization of \$11,893 [2021 – \$11,238].

Baycrest Seniors Care

Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2022

6. Credit facilities

The Centre has entered into various credit agreements on behalf of Baycrest.

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

[i] On December 31, 2021 the demand operating credit facility reverted to \$15,000 from \$25,000. 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, 2022 was 1.95%. Canadian bankers' acceptances bear interest at a rate determined at the time of their acceptance and have a stamping fee of 0.25% per annum. Issue fees of 0.30% per annum are applicable to letters of guarantee or standby letters of credit.

As at March 31, 2022, \$nil was outstanding [2021 – \$8,600] related to this credit facility.

[ii] Special revolving credit facility of \$15,000, which can comprise Canadian floating rate advances or Canadian bankers' acceptances.

Floating rate advances bear interest at the bank's prime rate minus 0.50% per annum. The effective interest rate at March 31, 2022 was 2.20%. 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, 2022, a combination of floating rate advances and Canadian bankers' acceptances of \$14,944 was outstanding related to this credit facility [2021 – \$14,944] [note 7]. Management intends to renew the facility upon its maturity on January 22, 2023.

[b] On December 1, 2019, the Centre increased the secured revolving credit facility related to a JHA 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 2.20% at March 31, 2022. 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, which expired during 2022, and July 5, 2016 to fix the interest rates on portions of these borrowings [note 8]. The credit facility may be renewed by submitting a 60 day notice prior to December 1, 2022, which is management's intention.

As at March 31, 2022, a combination of Canadian bankers' acceptances and floating rate allowances of \$16,781, net of loan discount, were outstanding related to this credit facility [2021 – \$15,582] [note 7].

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[in thousands of dollars]

March 31, 2022

- [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 JHA's 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 23, 2028.

As at March 31, 2022, \$5,536 was outstanding [2021 – \$5,683] related to this credit facility [note 7].

- [d] On November 23, 2018, the Centre entered into a \$33,600 construction facility for the JHA's 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 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, 2022 was 2.45%. 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. The Centre entered into an interest rate swap on May 1, 2020 to fix the loan interest rate at 3.16% [note 8]. Borrowings under this facility shall be repaid in full no later than November 30, 2030.

As at March 31, 2022, \$32,263 was outstanding [2021 – \$33,045] 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, 2022, the balance was \$5,420 [2021 – \$3,575].

- [e] The Centre has entered into agreements to finance energy management improvements to certain facilities of the Baycrest Hospital. 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, 2022, \$13,989 [2021 – \$12,146] has been repaid, with a balance of \$2,087 [2021 – \$3,930] remaining, of which \$ 1,923 [2021 – \$1,843] is due in the next fiscal year.

- [f] On August 23, 2021, the Centre executed a \$20,250 renovation term credit facility to fund the final phase of the JHA's Terraces redevelopment project. The facility has a 13 month multi-draw construction phase, scheduled to end September 29, 2022, followed by a ten-year term-out credit facility and is subject to a stamping fees of 1.10%. The Centre also entered into an interest rate swap, effective August 23, 2021, to fix the floating rate at 2.25% per annum for a combined rate of 3.35%.

As at March 31, 2022, \$20,250 was outstanding [2021 – \$nil] related to this credit facility.

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7. Long-term debt

Long-term debt consists of the following:

	2022	2021
	\$	\$
Special revolving credit facility <i>[note 6[a][ii]]</i>	14,944	14,944
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 <i>[note 6[b]]</i>	16,781	15,582
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 \$92,991 [2021 – \$72,981] <i>[note 6[c]]</i>	5,536	5,683
Construction facility, bearing interest at an effective rate of 3.16% per annum, collateralized by the Baycrest Lands with a carrying value of \$92,991 [2021 – \$72,981] <i>[note 6[d]]</i>	32,263	33,045
Term loan, maturing April 17, 2023, bearing interest at a floating rate equal to the CAD-BA-CDOR rate <i>[note 6[e]]</i>	2,087	3,930
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 \$4,788 [2021 – \$4,057]	494	583
Renovation term credit facility <i>[note 6[f]]</i> , bearing interest rate of 3.35%	20,250	—
	92,355	73,767
Less current portion	3,395	2,958
	88,960	70,809

During the year, interest paid and interest expense recorded in the consolidated statement of operations on long-term debt was \$1,017 [2021 – \$1,081].

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

	\$
2022	3,395
2023	1,883
2024	1,716
2025	1,730
2026	1,755
Thereafter	81,877
	92,356

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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 an interest rate swap contract for \$2,087 associated with the energy management loan [note 6[e]] and an interest rate swap contract for \$3,900 associated with borrowings for a residential project [note 6[b]]. The Centre has an interest rate swap associated with the execution of a \$32,263 construction facility [note 6[d]] for the Terraces redevelopment project, and has an interest rate swap associated with the secured term credit facility of \$5,539 to discharge existing mortgage related to Apotex facility [note 6[c]]. The Centre has an interest rate swap associated with the execution of a \$20,250 construction facility [note 6[f]] for the Terraces redevelopment project. 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]], construction facility [note 6[d]], energy management loan [note 6[e]] and renovation term credit facility [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:

	Effective date	Termination date	2022		2021	
			Notional value	Fair value	Notional value	Fair value
			\$	\$	\$	\$
3.475% fixed interest rate swap	Nov 15, 2018	Apr 17, 2023	2,087	(21)	3,930	(129)
1.37% fixed interest rate swap	Jul 5, 2016	Apr 2, 2025	3,900	157	3,900	(28)
3.16% fixed interest rate swap	May 1, 2020	May 1, 2045	32,263	(907)	33,045	(3,357)
2.96% fixed interest rate swap	Nov 23, 2018	Nov 23, 2028	5,539	(68)	5,683	(446)
2.25% fixed interest rate swap	Aug 23, 2021	Aug 30, 2047	20,250	1,552	—	—
			64,039	713	46,558	(3,960)

The gain in the fair value of the interest rate swaps of \$4,673 [2021 – gain of \$5,567] is recorded in the consolidated statement of remeasurement losses.

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9. Deferred program contributions

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

	2022	2021
	\$	\$
Balance, beginning of year	11,109	9,814
Amounts received [note 13[b]]	26,691	27,067
Amounts recognized as revenue	(29,049)	(25,772)
Balance, end of year	8,751	11,109

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.

	2022	2021
	\$	\$
Balance, beginning of year	79,207	76,410
Amounts received [note 13[b]]	8,934	7,870
Amortization recognized as revenue	(5,610)	(5,073)
Balance, end of year	82,531	79,207

11. Employee benefit plans

Multi-employer plan

Certain employees of Baycrest as at March 9, 1998 and all employees joining the Baycrest 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. Baycrest's contributions to the Plan during the year amounted to \$7,962 [2021 – \$7,637] 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 \$114,414,000 with pension obligations of \$85,902,000, resulting in a surplus of \$28,512,000.

Retirement and other benefits

Baycrest also provides retirement allowances for former employees. These obligations are not funded, but the estimated liability of \$1,005 [2021 – \$1,113] has been fully accrued.

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Accrued post-retirement benefits

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

	2022	2021
	\$	\$
Accrued benefit obligation		
Balance, beginning of year	5,684	5,646
Current service cost	258	247
Interest cost	172	176
Benefits paid	(433)	(453)
Actuarial loss (gain)	(451)	68
Balance, end of year	5,230	5,684
Unamortized net actuarial gain	2,213	1,904
Accrued benefit liability	7,443	7,588

The expense for the year related to these plans is \$289 [2021 – \$276], and employer contributions to these plans were \$433 [2021 – \$453].

The discount rate adopted in measuring the BSC's accrued benefit obligation was 3.7% [2021 – 3.0%] and expense was 3.0% [2021 – 3.1%] 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] Baycrest 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 Baycrest, 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, 2022, no assessments have been received.

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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 Baycrest and grants funds to the Baycrest and other charitable organizations as approved by the Board of Directors of the Foundation. BSC 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:

	2022	2021
	\$	\$
Total assets	192,657	186,543
Total liabilities	1,460	356
	191,197	186,187
Endowment Fund	138,023	135,578
Restricted Fund	53,174	50,609
	191,197	186,187
	2022	2021
	\$	\$
Total revenue [including addition to endowments of \$2,455 [2021 – addition to endowments of \$20,627]	27,927	45,982
Total expenses	8,529	6,580
Excess of revenue over expenses before grants	19,398	39,402
Grants to the Baycrest, included in operations	(9,708)	(6,333)
Capital grants to the Baycrest, included in deferred program and deferred capital contributions [notes 9 and 10]	(4,679)	(4,061)
Excess of revenue over expenses for the year	5,011	29,008

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

- [c] Advances to/from the Foundation classified as current, has no fixed repayment terms and bear interest at the prime rate of interest. As at March 31, 2022, \$550 was due from [2021 – \$3,828 due to] 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 6[c]]. The line of credit is collateralized by parking revenue. The advance was repaid in 2021.

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[e] Baycrest 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:

	2022	2021
	\$	\$
Accounts receivable	34,392	(37,169)
Inventories, deposits and prepaid expenses	(209)	1,251
Accounts payable and accrued liabilities	(150)	3,000
Deferred program contributions	(1,221)	1,294
Due from/to The Baycrest Centre Foundation	(4,378)	6,103
	<u>28,434</u>	<u>(25,521)</u>

The following is supplemental cash flow information:

	2022	2021
	\$	\$
Additions to capital assets through capital leases	108	593
Additions to capital assets funded by accounts payable and accrued liabilities	7,815	8,049

15. Financial instruments and risk management

Baycrest 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], Baycrest 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. Baycrest manages its credit risk by monitoring its outstanding accounts receivable on an ongoing basis.

Liquidity risk

Baycrest is exposed to the risk that it will encounter difficulties in meeting obligations associated with its financial liabilities. Baycrest 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, Baycrest maintains 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 on behalf of Baycrest, will enter into long-term debt to assist with the financing of capital assets when other sources of funding are not available.

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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 \$842.

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. Baycrest continues to work diligently to mitigate the financial impacts while carrying out its response to the impacts of COVID-19.

Management continued to consider the impact of COVID-19 in its assessment of the BSC'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 Baycrest continued to maintain its core operations. The Ministry and OH are supporting the Ontario Hospitals through this pandemic with a series of various funding envelopes, including incremental operating expense reimbursements. Baycrest 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, 2022. The various funding envelopes are subject to a broader funding reconciliation and is subjected to a high degree of uncertainty. Baycrest 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 Ministry and OH.