

**Waypoint Centre for Mental
Health Care**
Financial Statements
For the year ended March 31, 2020

**Waypoint Centre for Mental Health Care
Financial Statements
For the year ended March 31, 2020**

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Independent Auditor's Report

To the Chair, Board of Directors
and Members of the Corporation,
Waypoint Centre for Mental Health Care

Opinion

We have audited the financial statements of Waypoint Centre for Mental Health Care (the "Hospital"), which comprise the statement of financial position as at March 31, 2020, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Hospital as at March 31, 2020, and the results of its operations, changes in net assets, and cash flows for the year then ended in accordance with Canadian public sector accounting standards for Government not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Hospital in accordance with the ethical requirements that are relevant to our audit of the 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.

Emphasis of Matter - Restatement of Comparative Information

Without modifying our opinion, we draw attention to note 2 to the financial statements, which explains that certain comparative information for the year ended March 31, 2019 has been restated. Our audit opinion is not modified in respect to this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Government not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Hospital'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 Hospital or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Hospital's financial reporting

process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls 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 Hospital's internal controls.
- 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 Hospital's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Hospital to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

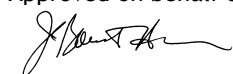
Barrie, Ontario
May 27, 2020

Waypoint Centre for Mental Health Care

Statement of Financial Position

March 31	2020	2019 As restated (Note 2)
Assets		
Current		
Cash (Note 4)	\$ 22,041,733	\$ 15,933,684
Accounts receivable	5,078,332	2,677,139
Inventory (Note 5)	633,982	584,507
Prepaid expenses	1,135,681	850,399
Other current assets	289,232	286,500
	<u>29,178,960</u>	<u>20,332,229</u>
Long-term		
Property, plant and equipment (Note 6)	278,637,043	281,528,562
Cash - restricted (Note 7)	<u>46,417,879</u>	<u>47,659,343</u>
Total Assets	<u>\$ 354,233,882</u>	<u>\$ 349,520,134</u>
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities (Note 11)	\$ 17,831,567	\$ 14,177,348
Due to the Local Health Integration Network	881,932	582,129
Patient's trust accounts (Note 7)	182,360	184,089
Deferred contributions related to operations (Note 9)	762,944	853,036
Current portion of long-term debt, redevelopment (Note 6)	1,973,220	1,858,952
	<u>21,632,023</u>	<u>17,655,554</u>
Long-term		
Deferred contributions related to property, plant, equipment (Note 10)	173,849,641	173,877,517
Long-term debt, redevelopment (Note 6)	102,257,803	104,231,023
	<u>276,107,444</u>	<u>278,108,540</u>
Commitments (Note 17)		
Contingencies (Note 18)		
Net Assets		
Unrestricted	27,842,331	23,279,137
Internally restricted for capital purposes (Note 7)	28,408,683	30,238,808
Endowment fund (Notes 7 and 16)	243,401	238,095
	<u>56,494,415</u>	<u>53,756,040</u>
Total Liabilities and Net Assets	<u>\$ 354,233,882</u>	<u>\$ 349,520,134</u>

Approved on behalf of the Board:



Director

Director

Waypoint Centre for Mental Health Care

Statement of Operations

For the year ended March 31

2020

2019
As restated
(Note 2)

Revenues

Ministry of Health and Long-Term Care:

Approved allocation (note 19) \$ 132,607,227 \$ 131,234,965

Other revenue:

Recoveries (Note 12) 4,149,063 3,242,585

Other revenue (Note 13) 1,326,074 1,517,975

Service recipient inpatient revenue 949,300 766,031

Amortization of deferred contributions for donations (Note 10) 1,364 1,501

Amortization of deferred contributions for redevelopment (Note 10) 10,925,265 11,418,434

Amortization of project grants (Note 10) 431,097 424,645

Donations 70,324 159,363

150,459,714 148,765,499

Expenses

Salaries and wages (Note 14) 85,993,648 82,995,672

Employee benefits (Note 14) 25,545,038 23,588,297

111,538,686 106,583,969

Supplies and other:

Supplies 17,769,311 18,094,993

Interest on long-term debt 8,818,704 8,940,721

Maintenance and repairs 3,496,170 3,485,936

Amortization of equipment 3,613,742 4,571,080

Interest and bank charges 30,296 25,134

Drugs 1,363,382 1,235,251

Medical and surgical supplies 229,757 206,289

35,321,362 36,559,404

Total expenses

146,860,048 143,143,373

Surplus of revenue over expenses from general operations

3,599,666 5,622,126

Other revenue:

Deferred contributions - redevelopment building (Note 10) 7,323,359 7,333,025

Fund type 2 revenues 4,728,196 5,306,064

Other expenses:

Amortization of building service equipment, leasehold and land improvements and interest 8,189,956 7,955,858

Fund type 2 expenses 4,728,196 5,306,064

4,728,196 5,306,064

Excess of revenues over expenses for the year

\$ 2,733,069 \$ 4,999,293

Waypoint Centre for Mental Health Care Statement of Changes in Net Assets

For the year ended March 31

	Unrestricted	Endowment Fund	Internally restricted for capital	2020	2019
Balance, beginning of year	\$23,279,137	\$ 238,095	\$30,238,808	\$53,756,040	\$ 48,752,500
Excess of revenues over expenses for the year	2,733,069	-	-	2,733,069	4,999,293
Transfer from internally restricted for capital	1,830,125	-	(1,830,125)	-	-
Contribution to endowment fund (Note 16)	-	5,306	-	5,306	4,247
Balance, end of the year	\$27,842,331	\$ 243,401	\$28,408,683	\$56,494,415	\$ 53,756,040

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

Waypoint Centre for Mental Health Care

Statement of Cash Flows

For the year ended March 31

2020

2019
As restated
(Note 2)

Cash flows from operating activities

Excess of revenues over expenses for the year	\$ 2,733,069	\$ 4,999,293
Adjustments for:		
Amortization of equipment	3,613,742	4,571,080
Amortization of building service equipment, leasehold improvements and land improvements	8,189,956	7,955,858
Amortization of deferred contributions - donations	(1,364)	(1,501)
Amortization of deferred contributions - redevelopment	(18,248,624)	(18,751,459)
Amortization of deferred contributions - equipment	(431,097)	(424,645)
Amortization of deferred contributions - other	(951,840)	(165,837)
	<u>(5,096,158)</u>	<u>(1,817,211)</u>

Net change in non-cash working capital balances:

Accounts receivable	(2,401,193)	(939,122)
Inventory	(49,475)	(52,837)
Prepaid expenses	(285,282)	(100,790)
Other current assets	(2,732)	(17,628)
Accounts payable and accrued liabilities	3,654,220	1,087,739
Due to the LHIN	299,803	335,812
	<u>1,215,341</u>	<u>313,174</u>

<u>(3,880,817)</u>	<u>(1,504,037)</u>
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Cash flows from financing activities

Deferred contributions related to property, plant, and equipment	18,653,209	13,774,229
Deferred contributions related to operations	861,748	199,519
Deferred grant endowment	5,306	4,247
Transfer of cash to restricted cash for redevelopment	(663,746)	(788,765)
Transfer of restricted cash to/(from) operating	1,903,480	(15,807,781)
Repayment of long-term debt, redevelopment	(1,858,952)	(1,728,898)
	<u>18,901,045</u>	<u>(4,347,449)</u>

Cash flows from investing activities

Additions of property, plant and equipment	(8,912,179)	(10,445,456)
Disposition of long-term investment	-	15,500,000
	<u>(8,912,179)</u>	<u>5,054,544</u>

Net increase (decrease) in cash for the year

6,108,049	(796,942)
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Cash, beginning of year

<u>15,933,684</u>	<u>16,730,626</u>
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Cash, end of year

<u>\$ 22,041,733</u>	<u>\$ 15,933,684</u>
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Waypoint Centre for Mental Health Care

Notes to the Financial Statements

For the year ended March 31, 2020

1. Significant Accounting Policies

Nature and Purpose of Organization

Waypoint Centre for Mental Health Care (the "Hospital") is a not-for-profit organization and a registered charity incorporated without share capital under the laws of Ontario. The Hospital is principally involved in providing mental health care services. The Hospital provides acute and community care, a variety of supportive clinical and outpatient programs, as well as maximum and minimum security programs for mentally disordered offenders. The Regional Programs Division provides services to the Hospital's regional catchment area which includes the Simcoe and Dufferin Counties and the southern portions of Muskoka and Parry Sound. The Forensic Programs Division serves the entire province of Ontario.

Basis of Presentation

The financial statements of the Hospital are the responsibility of management. They have been prepared in accordance with Canadian Public Sector Accounting Standards for Government Not-for-Profit Organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board ("PSAB for Government NPOs").

Income Taxes

The Hospital is not subject to federal or provincial income taxes pursuant to exemptions accorded to registered charities in the income tax legislation.

Use of Estimates

The preparation of financial statements in accordance with Canadian Public Sector Accounting Standards for Government Not-for-Profit Organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting year. The principal estimates used in the preparation of these financial statements are the allowance for doubtful accounts, inventory valuation and obsolescence, valuation and useful life of property, plant and equipment, payroll related accruals, contingencies and the fair value of financial instruments. Actual results could differ from management's best estimates as additional information becomes available in the future.

Waypoint Centre for Mental Health Care Notes to the Financial Statements

For the year ended March 31, 2020

1. Significant Accounting Policies (continued)

Use of Estimates (continued)

Revenue recognized from the Ministry of Health and Long-Term Care ("Ministry") has a number of estimates. The Hospital has entered into a Hospital Service Accountability Agreement ("HSAA") and a Multi-Sector Service Accountability Agreement ("MSAA") that set out the rights and obligations of the two parties with respect to funding provided to the Hospital by the Ministry for fiscal year 2019-2020. These agreements set out certain performance standards and obligations for the Hospital's performance in a number of areas. If the Hospital does not meet its performance standards or obligations, the Ministry has the right to adjust funding received by the Hospital. The 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 financial statements, the amount of Ministry funding received during the year may be increased or decreased subsequent to the year end. The amount of revenue recognized in these financial statements represents management's best estimates of the amounts earned during the year.

Inventory

Inventory is stated at the lower of cost and replacement cost. Cost is determined based on a weighted average basis. Inventory consists of drugs, and medical and general supplies that are used in the Hospital's operations.

Property, Plant and Equipment and Amortization

Purchased property, plant and equipment are recorded at cost. Contributed property, plant and equipment are recorded at fair value at the date of contribution. Betterments which extend the useful life of an asset are capitalized. When an asset no longer contributes to the Hospital's ability to provide services, its carrying amount is written down to its residual value. Amortization based on the estimated useful life of the asset is calculated as follows:

Building	10 to 40 years straight line basis
Building service equipment	3 to 25 years straight line basis
Equipment	3 to 20 years straight line basis
Land improvements	8 to 20 years straight line basis
Leasehold improvements	3 to 10 years straight line basis

Property, plant and equipment under construction are recorded at cost and are not amortized until the asset is available for productive use.

Waypoint Centre for Mental Health Care

Notes to the Financial Statements

For the year ended March 31, 2020

1. Significant Accounting Policies (continued)

Internally Restricted Funds	<p>The hospital has restricted its internal fund for capital purposes with any other use approved by the board of directors. The purpose of the internally restricted fund is to cover future capital projects that are not funded by general operations.</p>
Revenue Recognition	<p>The Hospital follows the deferral method of accounting for contributions which include donations and government grants.</p> <p>Under the Health Insurance Act and Regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant is related to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by the Ministry with respect to the year ended March 31, 2020.</p> <p>Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.</p> <p>Externally restricted contributions are deferred and recognized as revenue in the year in which the related expenses are recognized.</p> <p>Cost recoveries are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.</p> <p>Contributions restricted for the purchase of property, plant and equipment are deferred and amortized into revenue on the same basis as and at a rate corresponding to the amortization rate for the related assets.</p> <p>Other revenues are recognized when the goods are sold or the service is provided.</p> <p>Endowment contributions are recognized as a direct increase in net assets.</p>
Contributed Services	<p>The Hospital is dependent on the voluntary services of many individuals. Since these services are not normally purchased by the Hospital and because of the difficulty in estimating their fair market value, these services are not recognized in the financial statements.</p>
Compensated Absences	<p>Compensation expense is accrued for all employees as entitlement to these payments is earned, in accordance with the Hospital's benefit plans for vacation, statutory holidays, and sick leave.</p>

Waypoint Centre for Mental Health Care

Notes to the Financial Statements

For the year ended March 31, 2020

1. Significant Accounting Policies (continued)

Employee Post-Retirement Benefits

The Hospital applies the defined contribution accounting principle to its multi-employer defined benefit pension plans. The Hospital does not have adequate information to apply the defined benefit plan accounting principle. The contributions are expensed when due (see Note 8).

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, guaranteed investment certificates are reported at fair value, with any unrealized gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

The Hospital's financial instruments are comprised of cash, short-term investments, long-term investments, accounts receivable, accounts payable, amounts due to the Ministry and the LHIN and accrued liabilities.

Waypoint Centre for Mental Health Care

Notes to the Financial Statements

For the year ended March 31, 2020

2. Prior period adjustment

During the year, it was determined that long-term debt and property, plant and equipment were understated as at March 31, 2019. These understatements occurred due to a discrepancy on the amortization schedule provided to the Hospital.

Since then, the Hospital has received updated schedules from Infrastructure Ontario and a prior period adjustment has been recorded to correct the understatement. The impact of the prior period adjustment is as follows:

	<u>2019</u>
Statement of Financial Position	
Net increase in property, plant and equipment	\$ 10,050,767
Increase in current portion of long-term debt, redevelopment	(870,045)
Net increase in long-term debt, redevelopment	(6,581,733)
Increase in deferred contributions related to property, plant and equipment	<u>(2,598,989)</u>
Net change on statement of financial position	<u>\$ -</u>
Statement of Operations	
Decrease (increase) in revenue:	
Amortization of deferred contributions for redevelopment	\$ 841,518
Deferred contributions - redevelopment building	(283,120)
Decrease (increase) in expenses:	
Maintenance and repairs	29,295
Interest on long-term debt	812,223
Amortization of property, plant and equipment	<u>(283,120)</u>
Net change on statement of operations	<u>\$ -</u>

3. Incorporation

The Hospital was incorporated by Letters Patent under the Corporation Act (Ontario) without share capital on September 26, 2008. During the period from the date of incorporation to December 14, 2008, the Hospital was engaged in start-up and preparatory activities related to the transfer of the operations of the Hospital from the Province of Ontario. Effective on the date of transfer, December 15, 2008, the Board of Directors and management team became responsible for the management and operations of the Hospital.

Under the provisions of a transfer agreement dated November 27, 2008, all equipment previously owned by the Hospital, a provincially-owned facility, was transferred to the Hospital. Since the value of the equipment transferred was not readily determinable, management elected to set up the value of the equipment transferred at a nominal value.

Waypoint Centre for Mental Health Care

Notes to the Financial Statements

For the year ended March 31, 2020

4. Cash

The Hospital's bank accounts are held at a chartered bank. The bank accounts earn interest at a variable rate calculated on the daily balances.

The Hospital has a credit facility agreement with the bank. Under this agreement the Hospital has an operating line of credit, to be used to finance the day-to-day operations, in the amount of \$4,000,000 at an interest rate of prime less 0.75% (2019 - prime less 0.75%). The carrying balance of the term loan at year end was \$Nil (2019 - \$Nil).

The Hospital also has a revolving term loan, to be used for the acquisition of property, plant, equipment and leasehold improvements in the amount of \$1,000,000. The term loan is secured by a general security agreement and is subject to interest at the bank's prime rate (2019 - prime). The carrying balance of the term loan at year end was \$Nil (2019 - \$Nil).

An interim construction loan of \$15,000,000 is available to fund the construction of a building at 287 Bayshore (the "Health Hub"). The interim construction loan is secured by a general security agreement and is subject to interest at the Bank's prime rate (2019 - prime). At a future date an estimated \$10,500,000 of the construction loan will be transferred to a swap option financed with Toronto Dominion Bank (Note 15).

5. Inventory

The Hospital's departmental inventory consists of:

	2020	2019
Pharmacy	\$ 218,379	\$ 265,425
Plant Maintenance	161,679	148,461
Central Supply Room (CSR) and Stores	196,142	114,001
Dietary	57,782	56,620
	<u>\$ 633,982</u>	<u>\$ 584,507</u>

Inventory expensed during the year amounted to \$3,173,354 (2019 - \$2,991,949).

Waypoint Centre for Mental Health Care Notes to the Financial Statements

For the year ended March 31, 2020

6. Property, Plant and Equipment

	2020		2019 As restated (Note 2)	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Building	\$ 293,841,293	\$ 41,114,379	\$ 292,389,138	\$ 33,596,899
Building service equipment	4,142,318	1,435,207	3,779,942	1,126,448
Equipment	32,051,214	25,688,464	30,076,740	22,074,722
Land improvements	330,915	205,265	216,339	178,348
Leasehold improvements	4,200,692	2,028,957	3,870,556	1,692,157
Construction-in-progress	14,542,883	-	9,864,421	-
	<u>\$ 349,109,315</u>	<u>\$ 70,472,272</u>	<u>\$ 340,197,136</u>	<u>\$ 58,668,574</u>
Net book value		<u>\$ 278,637,043</u>		<u>\$ 281,528,562</u>

During the year, the Hospital acquired property, plant and equipment at an aggregate cost of \$8,912,179 (2019 - \$10,445,456).

Ownership of the original buildings on-site were transferred to the Hospital from the province at a nominal value, upon divestment.

Construction in progress is not amortized until the assets are available for productive use. The value of construction in progress includes the community health hub building. Substantial completion of the base building has been completed but remains under construction with leasehold improvements expected to be completed in May 2020. Occupancy is expected to be achieved in May 2020, at which time the asset will be placed in to service. Upon occupancy, Waypoint intends to enter into a long-term financing agreement with a third party to supply approximately 50% of the building as a commercial lease. Waypoint has also invested approximately \$4,742,649 (2019 - \$353,416) into leasehold improvements related to the building. Leasehold improvements of \$4,560,592 (2019 - \$348,291) have been incurred and billed for Chigamik.

Waypoint Centre for Mental Health Care Notes to the Financial Statements

For the year ended March 31, 2020

6. Property, Plant and Equipment (continued)

Long-term Debt - Forensic Building Project

The Hospital's long-term debt consists of the following:

	2020	2019
Integrated Team Solutions MHCP Partnership, unsecured, payable in blended monthly payments of \$887,437. Interest is variable with final installment due November 2043.	\$ 104,231,023	\$ 106,089,975
Less Current Portion	(1,973,220)	(1,858,952)
Total	<u>\$ 102,257,803</u>	<u>\$ 104,231,023</u>

Principal repayments for the next five years and thereafter are as follows:

2020	\$ 1,973,220
2021	2,131,720
2022	2,221,396
2023	2,461,507
2024	2,543,038
Thereafter	<u>92,900,142</u>
Total	<u>\$ 104,231,023</u>

These costs are to be fully funded by the Ministry, either directly or through the Hospital's operating budget.

Waypoint Centre for Mental Health Care Notes to the Financial Statements

For the year ended March 31, 2020

7. Cash - Restricted

The Hospital manages the monies of its patients and former patients, some of which are received from the Ministry of Community and Social Services, pursuant to a custodial and trust arrangement.

Additionally, the Hospital has set aside funds from the Ministry for the redevelopment project. These funds will be used in the planning, design, and construction of the overall project.

The Board has internally restricted \$28,408,683 (2019 - \$27,967,487) for the purpose of future capital expenditures.

	2020	2019
Externally restricted		
Ministry of Community and Social Services		
Restricted cash - Patient trust	\$ 182,360	\$ 184,089
Ministry of Health and Long-Term Care		
Restricted cash - Redevelopment	17,305,192	16,918,654
	17,487,552	17,102,743
Internally Restricted		
Restricted cash - Capital	2,350,265	4,675,733
High Interest Savings Account, variable interest rate	26,058,418	10,063,075
Guaranteed investment certificate, Toronto		
Dominion Securities, bearing interest of 1.74%,		
maturing on November 27, 2019	-	15,500,000
	28,408,683	30,238,808
Restricted cash - Donations	278,243	79,697
Restricted cash - Endowment funds	243,401	238,095
	28,930,327	30,556,600
	\$46,417,879	\$ 47,659,343

Waypoint Centre for Mental Health Care

Notes to the Financial Statements

For the year ended March 31, 2020

8. Pension Plan

All employees who were a member of the Ontario Public Sector Employees Union Pension Trust ("OPTrust") at the date of divestment continued as members of OPTrust. All other employees are members of the Healthcare of Ontario Pension Plan ("HOOPP").

HOOPP is a multi-employer, defined benefit pension plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the five consecutive years that provide the highest earnings.

OPTrust is a defined benefit pension plan. Plan members will receive benefits based on the average annual salary rates for the five consecutive years that produce the highest average and accrued pensionable service credit.

Pension assets for these plans consist of investment-grade securities. Market and credit risk on these securities are managed by placing plan assets in trust and through the plan's investment policy.

For each plan, pension expense is based on the plan management's best estimates, in consultation with its actuaries, of the amount, together with the percentage of salary contributed by employees, required to provide a high level of assurance that the benefits will be fully represented by fund assets at retirement, as provided by the plans. The funding objective is for the employer contributions to the plans to remain a constant percentage of employees' contributions.

Variances between actual funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. Each year, independent actuaries determine the funding status of HOOPP and of OPTrust by comparing the actuarial value of the invested assets to the estimated present value of all pension benefits members have earned to date. The most recent actuarial valuation for the HOOPP was at December 31, 2019 and OPTrust was at December 31, 2019.

The valuation for HOOPP indicated the plan is 119% funded, it also discloses the net assets available for benefits of \$94.1 billion with an accrued pension obligation of \$73.5 billion and a surplus of \$20.6 billion. The valuation of OPTrust indicated the plan is fully funded, it also discloses net assets available for benefits of \$21.7 billion with an accrued pension obligation of \$20.2 billion and a surplus of \$1.5 billion. Due to the nature of these plans, the Hospital does not recognize any share of the HOOPP or OPTrust pension surplus or deficit. Contributions to HOOPP made during the year by the Hospital on behalf of its employees amounted to \$5,562,337 (2019 - \$4,979,686) and for OPTrust amounted to \$1,836,191 (2019 - \$2,262,548) and are included in the Statement of Operations.

Waypoint Centre for Mental Health Care Notes to the Financial Statements

For the year ended March 31, 2020

9. Deferred Contributions Related to Operations

Deferred contributions related to operations represent the unamortized amounts of grants received for operations during the year. The contributions are recorded in revenue as the related expenses to the specified funding are incurred.

	2020	2019
Balance, beginning of year	\$ 853,036	\$ 819,354
Add: Contributions received during the year		
Behavioural Intervention Response Team (BIRT)	413,394	-
Youth Wellness Hub	219,095	97,866
Other	14,300	-
Parking	10,630	2,359
Donations	101,572	66,294
Specialized Geriatrics	-	33,000
Research	127,757	-
Total contributions received during the year	886,748	199,519
Less: Amounts amortized to revenue		
Deferred contributions Donations	(24,898)	-
Deferred contributions BIRT	(413,394)	(24,125)
Deferred Youth Wellness	(299,069)	-
Deferred contributions Other	(671)	(28,054)
Deferred contributions Parking	(11,321)	-
Deferred contributions Specialized Geriatrics	(8,000)	-
Deferred contributions Research	(194,487)	(113,658)
Total amortized to revenue	(951,840)	(165,837)
Less: Amounts transferred to accounts payable LHIN	(25,000)	-
Balance, end of year	\$ 762,944	\$ 853,036

Waypoint Centre for Mental Health Care Notes to the Financial Statements

For the year ended March 31, 2020

10. Deferred Contributions related to Property, Plant, and Equipment

Deferred contributions related to property, plant and equipment represent the unamortized amount of donations and grants received for the purchase of property, plant and equipment. These contributions are amortized and recorded as revenue in the Statement of Operations, on the same basis as the amortization of the related asset.

	2020	2019 As restated (Note 2)
Balance, beginning of year	<u>\$ 173,877,517</u>	<u>\$ 179,280,893</u>
Add: Contributions received during the year		
HIRF	611,791	633,942
Redevelopment grant	12,830,592	12,153,664
Interest earned	363,539	330,128
Community Health Hub Ministry grant	4,131,027	-
Other miscellaneous contributions	43,008	41,136
County of Simcoe Health Hub Building grant	<u>673,252</u>	<u>615,359</u>
	<u>18,653,209</u>	<u>13,774,229</u>
Less: Amounts amortized to revenue		
Deferred contributions for transitional equipment	(58,803)	(91,314)
Deferred contributions for redevelopment	(10,925,265)	(11,418,434)
Deferred contributions for donations	(1,364)	(1,501)
HIRF	(340,056)	(301,093)
Infrastructure Ontario Grant	(17,053)	(17,053)
Other	(15,185)	(15,185)
Deferred contributions for redevelopment building	<u>(7,323,359)</u>	<u>(7,333,025)</u>
	<u>(18,681,085)</u>	<u>(19,177,605)</u>
Balance, end of year	<u><u>\$ 173,849,641</u></u>	<u><u>\$ 173,877,517</u></u>

Waypoint Centre for Mental Health Care

Notes to the Financial Statements

For the year ended March 31, 2020

11. Accounts Payable and Accrued Liabilities

	2020	2019
Accounts Payable and Accrued liabilities		
Trade Payables	\$ 6,883,976	\$ 4,515,214
Payroll Accruals		
Salary, wages, and other entitlements	7,835,272	6,695,392
Compensated absences - vacation accrual and banked time	2,971,096	2,825,519
Severance liability	141,223	141,223
	<u>\$ 17,831,567</u>	<u>\$ 14,177,348</u>

Severance benefit is a compensation that is paid to qualified employees upon the termination of their employment.

Compensated absences are absences for which employees will be paid based on sick and vacation leave. These benefits are not vested and are available immediately. Employees are permitted to accumulate their unused entitlement each year, up to the allowable maximum provided in their collective agreement or summary of working conditions.

These benefit liabilities have not been actuarially calculated.

Included in benefit contributions in the statement of operations is \$7,791,511 (2019-\$7,841,692) of compensated balances.

Waypoint Centre for Mental Health Care Notes to the Financial Statements

For the year ended March 31, 2020

12. Recoveries

	2020	2019
Compensation	\$ 940,012	\$ 750,290
Dietary and food services	396,902	381,396
Material	1,024,467	870,919
Services	1,692,666	1,175,977
Photocopy	16,569	26,021
Other	78,447	37,982
	<u>\$ 4,149,063</u>	<u>\$ 3,242,585</u>

13. Other Revenue

	2020	2019
Interest	\$ 814,924	\$ 760,110
Other	280,982	398,382
Parking	230,168	359,483
	<u>\$ 1,326,074</u>	<u>\$ 1,517,975</u>

14. Salaries, Wages and Employee Benefits

	2020		2019	
	Salaries and Wages	Benefits	Salaries and Wages	Benefits
Administration and Support	\$ 19,063,641	\$ 7,184,131	\$ 18,543,144	\$ 6,021,295
Clinical Programs and Support	66,930,007	18,360,907	64,452,528	17,567,002
	<u>\$ 85,993,648</u>	<u>\$ 25,545,038</u>	<u>\$ 82,995,672</u>	<u>\$ 23,588,297</u>

Waypoint Centre for Mental Health Care

Notes to the Financial Statements

For the year ended March 31, 2020

15. Financial Instruments

Interest Rate Risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates.

The interest rate exposure of the Hospital arises from its interest bearing assets. The Hospital is exposed to interest rate risk from the variable rate on its long-term debt.

The Hospital's cash includes amounts on deposit with financial institutions that earn interest at market rate plus basis points.

The Hospital manages its exposure to the interest rate risk of its cash by maximizing the interest income earned on excess funds while maintaining the minimum liquidity necessary to conduct operations on a day to day basis.

The primary objective of the Hospital with respect to its investments in fixed income investments is to ensure the security of principal amounts invested and provide for a high degree of liquidity, while achieving a satisfactory investment return.

The Hospital manages its exposure to the interest rate risk of its fixed income investments by using a laddered portfolio with varying terms to maturity. The laddered structure of maturities helps to enhance the average portfolio yield while reducing the sensitivity of the portfolio to the impact of interest rate fluctuations.

The Hospital entered into swap transaction with Toronto-Dominion Bank. The effective date of the transaction is December 14, 2019. The Hospital is using the interest rate swap to manage its exposure to interest rate movement on its bank borrowings by swapping a proportion of those borrowings from floating rates to fixed rates. An agreement with nominal values of \$10,500,000 have fixed interest payments with an average rate of 3.725% commencing on July 31, 2020. There have not been any changes in the risk from the prior year.

Waypoint Centre for Mental Health Care

Notes to the Financial Statements

For the year ended March 31, 2020

15. Financial Instruments (continued)

Currency Risk

Currency risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Hospital is exposed to foreign currency risk as it enters into service arrangements in foreign denominations and has cash, and accounts payable in foreign denominations.

At March 31, 2020, the Hospital held assets and liabilities denominated in US Dollars (USD). These assets and liabilities have been translated to Canadian dollars for financial statement purposes at the year-end rate of 1.4187 (2019 - 1.3363).

	2020	2019
Cash	\$ 145,639	\$ 138,474
Accounts payable	\$ 20,005	\$ 2,674

There have not been any changes in the risk from the prior year.

Credit Risk

Credit risk is the risk of loss of principal or loss of a financial reward stemming from a borrower's failure to repay a loan or otherwise meet a contractual obligation. Credit risk arises whenever a borrower is expecting to use future cash flows to pay a current debt.

The Hospital's cash is all held at a chartered bank. Bank accounts are only insured up to \$100,000 and the Hospital has numerous bank accounts well in excess of this maximum insured amount.

The Hospital's accounts receivable is made up of a large number of small balances from customers and government agencies in a number of different industries. Therefore management does not believe the Hospital is subject to significant credit risk with respect to accounts receivable. There have not been any changes in the risk from the prior year.

16. Endowment Fund

The Endowment fund consists of donations to Catholic Health Care prior to divestment. The change in Net Assets of \$5,306 is interest earned during the year.

Waypoint Centre for Mental Health Care

Notes to the Financial Statements

For the year ended March 31, 2020

17. Commitments

The Hospital is committed to contracts for various equipment, maintenance, support fees and bursary agreements, expiring at various times through to 2060. The amounts of these commitments total \$4,889,175 (2019 - \$5,035,529).

The minimum annual lease and contract payments for years subsequent to March 31, 2020 are as follows: 2021 - \$228,994, 2022 - \$193,958, 2023 - \$113,764, 2024 - \$113,671, and 2025 - \$113,014 plus \$4,125,023 in commitments thereafter based on current contracts.

As a result of implementation of Electronic Health Records Modules the hospital is committed to annual service fees of approximately \$405,312 in US dollars. The annual service payment is indefinite provided the Modules continue in use. A commitment amount with respect to these services cannot be determined.

The Hospital currently contracts security and other services from external providers. The quantity of contracted hours and usage can vary depending on Hospital requirements; therefore a commitment amount with respect to these services cannot be determined.

On April 1, 2011 the Hospital entered into a ground lease agreement with the Minister of Infrastructure. The Hospital accepts the land and all improvements located thereon, on an "as is" "where is" basis. The land and all improvements will revert back to the Ministry of Infrastructure upon expiry of the ground lease agreement effective September 30, 2060, unless the parties mutually agree to extend the lease agreement until the Hospital no longer has a leasehold interest or other right to occupy the land.

The Hospital also has a commitment regarding the Forensic Building Project. Annual payments of approximately \$13.4 million for lifecycle and hard facility maintenance costs for a period of 30 years, with final payment November 2043. These costs are to be funded by the Ministry, either directly or through the Hospital's operating budget. A portion of the payment will be indexed to allow for increases in the cost of living, labour, insurance, energy and utilities.

Waypoint Centre for Mental Health Care

Notes to the Financial Statements

For the year ended March 31, 2020

18. Contingencies

The nature of the Hospital's activities is such that there may be litigation pending or in progress at any time. With respect to claims as at March 31, 2020, it is management's position the Hospital has valid defences and appropriate insurance coverage in place. In the event any claims are successful, management believes such claims are not expected to have a material effect on the Hospital's financial position.

The Hospital receives funding from the Ministry through the North Simcoe Muskoka LHIN. The amount of funding provided is subject to annual review and approval. Any future adjustments will be accounted for at the time as an adjustment to the excess revenue over expenses for the year on the Statement of Operations.

19. Economic Dependence

The Hospital received 96.0% (2019 - 96.5%) of its revenue from the Ministry.

20. Comparative Amounts

Certain comparative amounts presented in the financial statements have been reclassified to conform to the current year's presentation.

21. Subsequent Event

Subsequent to year end, the impact of COVID-19 in Canada and on the global economy increased significantly. At this time, the full potential impact of COVID-19 on the Hospital is not known. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of disruption and the related financial impact cannot be reasonably estimated at this time. The Hospital has closed certain facilities to the general public and has implemented working from home strategies. The Hospital has revised the delivery of services to create capacity for pandemic response and to limit the potential for transmission within the Hospital. As a result of the above measures, the hospital may experience decreases in operating revenues and increases in operating expenses. These factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations.

The hospital has deferred \$236,000 of unspent HIRF funding, as a result of contractor shutdowns related to COVID-19.
