

**Waypoint Centre for Mental
Health Care**
Financial Statements
For the year ended March 31, 2023

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Financial Statements
For the year ended March 31, 2023**

Contents

Independent Auditor's Report	2-3
Financial Statements	
Statement of Financial Position	4
Statement of Operations	5
Statement of Changes in Net Assets	6
Statement of Cash Flows	7
Statement of Remeasurement Gains and Losses	8
Notes to the Financial Statements	9-26

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, 2023, and the statements of operations, changes in net assets, cash flows, and remeasurement gains (losses), 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 Waypoint Centre for Mental Health Care as at March 31, 2023, and the results of its operations, changes in net assets, cash flows and remeasurement gains (losses) 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 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.

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 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 31, 2023

Waypoint Centre for Mental Health Care

Statement of Financial Position

March 31	2023	2022
		As restated (Note 3)
Assets		
Current		
Cash (Note 5)	\$ 35,331,595	\$ 26,765,456
Accounts receivable	2,889,195	2,818,233
Due from Ministry of Health (Note 4)	6,738,255	3,623,986
Inventory (Note 6)	941,812	1,105,948
Prepaid expenses	918,576	1,200,754
Other current assets	322,992	321,592
	<u>47,142,425</u>	<u>35,835,969</u>
Long-term		
Capital Assets (Note 7)	258,706,092	264,303,182
Long-term receivable (Note 7)	526,219	537,888
	<u>259,232,311</u>	<u>264,841,070</u>
Cash and investments - restricted (Note 8)	<u>60,682,424</u>	<u>62,564,712</u>
Total Assets	\$ 367,057,160	\$ 363,241,751
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities (Note 13)	\$ 20,873,609	\$ 16,485,641
Due to Ministry of Health (Note 4)	7,507,684	5,385,034
Patient's trust accounts	309,843	264,948
Deferred contributions related to operations	3,224,774	1,016,915
Current portion of long-term debt (Note 9)	2,675,627	2,427,699
	<u>34,591,537</u>	<u>25,580,237</u>
Long-term		
Deferred contributions - capital assets (Note 12)	157,245,275	162,266,547
Long-term debt (Note 9)	104,776,511	108,048,026
Asset retirement obligation (Note 11)	682,425	657,759
	<u>262,704,211</u>	<u>270,972,332</u>
Commitments (Note 20)		
Contingencies (Note 21)		
Net Assets		
Unrestricted	21,711,994	17,270,392
Internally restricted for capital purposes	46,531,795	48,899,651
Endowment fund (Note 19)	254,169	246,775
	<u>68,497,958</u>	<u>66,416,818</u>
Accumulated remeasurement gains	1,263,454	272,364
Total Net Assets	69,761,412	66,689,182
Total Liabilities and Net Assets	\$ 367,057,160	\$ 363,241,751

Approved on behalf of the Board:


 _____ Director

 _____ Director

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

Waypoint Centre for Mental Health Care Statement of Operations

For the year ended March 31	2023	2022
		As restated (Note 3)
Revenues		
Ministry of Health:		
Approved allocation (Note 22)	\$ 152,125,598	\$ 145,906,451
Other revenue:		
Recoveries (Note 14)	5,385,158	5,763,830
Other revenue (Note 15)	3,185,084	2,042,461
Service recipient inpatient revenue	851,598	832,569
Amortization of deferred contributions for donations (Note 12)	4,945	4,945
Amortization of deferred contributions for redevelopment (Note 12)	10,545,021	10,133,830
Amortization of project grants (Note 12)	644,671	644,980
Donations	305,261	241,033
	<u>173,047,336</u>	<u>165,570,099</u>
Expenses		
Salaries and wages (Note 16)	104,142,201	96,434,669
Employee benefits (Note 16)	26,470,836	25,503,021
	<u>130,613,037</u>	<u>121,937,690</u>
Supplies and other:		
Supplies	20,676,632	19,926,921
Interest on long-term debt	8,796,489	8,934,237
Maintenance and repairs	5,157,854	4,062,692
Amortization of equipment	1,717,455	1,996,066
Accretion of asset retirement obligation	24,666	23,774
Interest and bank charges	59,710	19,319
Drugs	1,828,987	1,690,197
Medical and surgical supplies	794,615	766,509
	<u>39,056,408</u>	<u>37,419,715</u>
Total expenses	<u>169,669,445</u>	<u>159,357,405</u>
Surplus of revenue over expenses from general operations	3,377,891	6,212,694
Other revenue:		
Deferred contributions - redevelopment building (Note 12)	7,466,725	7,471,738
Fund type 2 revenues	12,027,812	9,567,023
Other expenses:		
Amortization of Deferred capital contributions	8,770,870	8,616,742
Fund type 2 expenses	12,027,812	9,567,023
Excess of revenues over expenses for the year	<u>\$ 2,073,746</u>	<u>\$ 5,067,690</u>

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	2023	As restated (Note 3) 2022
Balance, beginning of year	\$17,270,392	\$ 246,775	\$48,899,651	\$66,416,818	\$ 61,689,129
Excess of revenues over expenses for the year	2,073,746	-	-	2,073,746	5,067,690
Transfer from (to) internally restricted for capital	2,367,856	-	(2,367,856)	-	-
Contribution to endowment fund (Note 19)	-	7,394	-	7,394	1,497
Adjustment to opening unrestricted net assets (Note 3)	-	-	-	-	(341,498)
Balance, end of the year	\$21,711,994	\$ 254,169	\$46,531,795	\$68,497,958	\$ 66,416,818

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	2023	2022
		As restated (Note 3)
Cash flows from operating activities		
Excess of revenues over expenses for the year	\$ 2,073,746	\$ 5,067,690
Adjustments for:		
Amortization of equipment	1,717,455	1,996,066
Amortization of deferred capital contributions	8,770,870	8,616,742
Accretion of asset retirement obligation	24,666	23,774
Amortization of deferred contributions - capital assets	(18,661,362)	(18,255,493)
Amortization of deferred contributions - other	(284,841)	(136,720)
	<u>(6,359,466)</u>	<u>(2,687,941)</u>
Net change in non-cash working capital balances:		
Accounts receivable	(70,962)	1,649,331
Inventory	164,136	712,033
Prepaid expenses	282,178	40,401
Other current assets	(1,400)	(50,308)
Accounts payable and accrued liabilities	4,387,967	(3,605,163)
Due to/from the Ministry of Health	(991,619)	5,432,975
	<u>3,770,300</u>	<u>4,179,269</u>
	<u>(2,589,166)</u>	<u>1,491,328</u>
Cash flows from financing activities		
Deferred contributions related to capital assets	13,640,090	12,676,135
Deferred contributions related to operations	2,492,701	325,061
Increase in grant endowment	7,394	1,497
Transfer of restricted cash from operating	2,322,385	(2,210,081)
Repayment of long-term debt	(2,427,699)	(2,330,489)
	<u>16,034,871</u>	<u>8,462,123</u>
Cash flows from investing activities		
Additions of capital assets	(4,891,235)	(2,746,887)
Long-term receivable	11,669	11,243
	<u>(4,879,566)</u>	<u>(2,735,644)</u>
Net increase in cash for the year	8,566,139	7,217,807
Cash, beginning of year	26,765,456	19,547,649
Cash, end of year	\$ 35,331,595	\$ 26,765,456

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

Waypoint Centre for Mental Health Care Statement of Remeasurement Gains and Losses

For the year ended March 31	2023	2022
Accumulated remeasurement gains, beginning of year	\$ 272,364	\$ 423,314
Unrealized gain (loss) on investments (Note 8)	395,202	(858,027)
Derivative - interest rate swap (Note 9)	<u>595,888</u>	<u>707,077</u>
Accumulated remeasurement gains, end of year	\$ 1,263,454	\$ 272,364

Waypoint Centre for Mental Health Care

Notes to the Financial Statements

For the year ended March 31, 2023

1. Incorporation

Waypoint Centre for Mental Health Care (the "Hospital") was incorporated by Letters of Patent under the Corporations Act (Ontario) without share capital on September 26, 2008.

The Hospital provides a range of specialized, tertiary mental health care programs for inpatients and outpatients throughout its primary service area as well as forensic services for the entire province of Ontario. The Hospital is a charitable organization registered under the Income Tax Act (Canada) and, as such, is exempt from income taxes. The operations of the Hospital are subject to the provisions of the Public Hospital Act (Ontario) and the regulations relating thereto. The Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health (the "Ministry") and Ontario Health. The Board of Directors recognizes the Hospital's on-going dependency on the Ministry/Ontario Health as the primary funding source for the Hospital's operating activities.

2. Significant Accounting Policies

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").

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.

Capital Assets and Amortization

Purchased capital assets are recorded at cost. Contributed capital assets 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

Capital assets 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, 2023

2. Significant Accounting Policies (continued)

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, useful life of capital assets, asset retirement obligations, 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.

Revenue recognized from the Ministry of Health ("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 2022-2023. 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.

Internally Restricted Funds

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.

Waypoint Centre for Mental Health Care

Notes to the Financial Statements

For the year ended March 31, 2023

2. Significant Accounting Policies (continued)

Revenue Recognition

The Hospital follows the deferral method of accounting for contributions which include donations and government grants.

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, 2023.

Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are deferred and recognized as revenue in the year in which the related expenses are recognized.

Cost recoveries are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on the same basis as and at a rate corresponding to the amortization rate for the related assets.

Other revenues are recognized when the goods are sold or the service is provided.

Endowment contributions are recognized as a direct increase in net assets.

Contributed Services

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.

Compensated Absences

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.

Waypoint Centre for Mental Health Care

Notes to the Financial Statements

For the year ended March 31, 2023

2. 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 10).

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, guaranteed investment certificates and pooled funds are reported at fair value, with any unrealized gains and losses reported in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations. The Hospital's interest rate swap is considered to be a derivative financial instrument and is included in this category. 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.

For financial assets measured at fair value, where a decline in fair value is determined to be other than temporary, the amount of the loss is removed from unrealized gains and losses and recognized in the statement of operations. On sale, the amount held in accumulated remeasurement gains and losses associated with that instrument is transferred and recognized in the statement of operations.

For financial assets measured at amortized cost, writedowns are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the writedown being recognized in the statement of operations.

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, long-term investments, accounts receivable, long-term receivables, accounts payable and accruals, amounts due to/from the Ministry of Health, long-term debt and the interest rate swap.

Waypoint Centre for Mental Health Care

Notes to the Financial Statements

For the year ended March 31, 2023

2. Significant Accounting Policies (continued)

Asset Retirement Obligations A liability for an asset retirement obligation is recognized when there is a legal obligation to incur retirement costs in relation to a tangible capital asset; the past transaction or event giving rise to the liability has occurred; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability is recorded at an amount that is the best estimate of the expenditure required to retire a tangible capital asset at the financial statement date. This liability is subsequently reviewed at each financial reporting date and adjusted for the passage of time and for any revisions to the timing, amount required to settle the obligation or the discount rate. Upon the initial measurement of an asset retirement obligation, a corresponding asset retirement cost is added to the carrying value of the related tangible capital asset if it is still in productive use. This cost is amortized over the useful life of the tangible capital asset. If the related tangible asset is unrecognized or no longer in productive use, the asset retirement costs are expensed.

3. Change in Accounting Policy

Effective April 1, 2022, the organization adopted new Public Sector Accounting Handbook Standard, Section PS 3280, Asset Retirement Obligations. As a result of the adoption, the presentation of the financial statements changed from the prior year. The new standard requires the recognition of asset retirement obligations when all conditions listed in Note 2 - Significant Accounting Policies - Asset Retirement Obligations are met. Modified retrospective approach has been selected to reflect this adoption of the new accounting policy and therefore, the following financial statement balances and amounts in the prior year have been affected. The impact of adoption of this standard was as follows:

	March 31, 2022
Increase in asset retirement obligations	\$ (657,759)
Increase in capital assets	\$ 277,863
Decrease in excess of revenue over expenses for the year	\$ 38,398
Decrease in opening unrestricted net assets	\$ 341,498

Waypoint Centre for Mental Health Care

Notes to the Financial Statements

For the year ended March 31, 2023

4. Ministry of Health Funding

The Ministry provides funding for various Hospital programs. The timing of the receipt and expenditure of these funds can result in balances owing to and from the Ministry. The amounts of due from/to Ministry of Health are related to different funding programs and they cannot be settled on a net basis.

The Ministry has announced funding programs to assist hospitals with incremental operating and capital costs as a result of COVID-19.

Management's estimate of the Hospital's Ministry funding is based on guidance and the impacts of COVID-19 on the Hospital's operations and expenses. This guidance includes the maximum amount of funding potentially available to the Hospital, as well as the criteria for eligibility. As a result, there is a measurement uncertainty associated with the Ministry funding related to COVID-19. In addition, as the funding is subject to review and reconciliation in subsequent periods, funding recognized as revenue during a period may be increased or decreased in subsequent periods.

For the year ending March 31, 2023 the Ministry has provided funding towards COVID-related expenses. In the year the Hospital has recognized \$7,706,310 (2022 - \$6,923,752) of revenue from these programs.

5. Cash and Credit Facilities

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% (2022 - prime less 0.75%). The carrying balance of the operating line of credit at year-end was \$NIL (2022 - \$NIL).

There is \$670,502 (2022 - \$670,502) currently drawn as a letter of credit with the Town of Midland for the construction of the Community Health Hub captured within the \$4,000,000 operating line of credit above.

The Hospital also has a revolving term loan, to be used for the acquisition of capital assets 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 (2022 - prime). The carrying balance of the term loan at year end was \$Nil (2022 - \$Nil).

6. Inventory

The Hospital's departmental inventory consists of:

	2023	2022
Pharmacy	\$ 315,563	\$ 243,498
Plant Maintenance	214,493	198,886
Central Supply Room (CSR) and Stores	329,754	586,123
Dietary	82,002	77,441
	<u>\$ 941,812</u>	<u>\$ 1,105,948</u>

Inventory expensed during the year amounted to \$4,366,961 (2022 - \$4,115,386).

Waypoint Centre for Mental Health Care Notes to the Financial Statements

For the year ended March 31, 2023

7. Capital Assets

	2023		2022	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Building	\$ 310,538,587	\$ 64,379,931	\$ 310,406,235	\$ 56,599,221
Building service equipment	6,082,835	2,634,679	5,202,523	2,196,011
Equipment	37,367,500	32,512,758	35,305,086	30,795,303
Land improvements	846,724	361,055	814,833	296,517
Leasehold improvements	6,517,833	3,237,415	5,001,298	2,750,462
Construction-in-progress	478,451	-	210,721	-
	\$ 361,831,930	\$ 103,125,838	\$ 356,940,696	\$ 92,637,514
Net book value		\$ 258,706,092		\$ 264,303,182

During the year, the Hospital acquired capital assets at an aggregate cost of \$4,891,234 (2022 - \$2,746,887).

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 Hospital has entered into a long-term commercial lease with a third party to occupy approximately 50% of the Community Health Hub. The Hospital has also invested approximately \$6,434,592 (2022 - \$6,302,241) into Phase 2 improvements related to the building. Additional Phase 2 improvements of \$5,742,485 (2022 - \$5,626,056) have been incurred and billed to the third party. As at March 31, 2023, \$537,888 (2022 - \$549,131) was owing to the Hospital related to Phase 2 improvements billed to the third party.

Waypoint Centre for Mental Health Care Notes to the Financial Statements

For the year ended March 31, 2023

8. Cash and Investments - Restricted

	2023	2022
Externally restricted	\$ 17,291,819	\$ 16,822,993
Internally restricted		
Cash	904,222	4,768,624
Long-term investments	42,486,383	40,973,095
	43,390,605	45,741,719
	\$ 60,682,424	\$ 62,564,712

Externally restricted cash consists of funds from the Ministry for redevelopment projects, patient trust and endowment funds.

Internally restricted consists of funds for future capital expenditures.

Long-Term Investments:

The Hospital manages its long-term equities in pooled funds managed by external investment managers.

Investments held in pooled funds have been allocated among the asset classes based on the underlying investments in pooled funds.

	Market Value	
	2023	2022
Fiera Integrated Fixed Income Fund	\$ 16,602,655	\$ 17,263,085
Fiera Global Equity Fund	13,271,234	11,557,023
ACM Commercial Mortgage Fund	12,612,494	12,152,987
	\$ 42,486,383	\$ 40,973,095

	Cost	
	2023	2022
Fiera Integrated Fixed Income Fund	\$ 17,687,925	\$ 18,135,445
Fiera Global Equity Fund	11,126,958	10,135,855
ACM Commercial Mortgage Fund	12,827,056	12,252,553
	\$ 41,641,939	\$ 40,523,853

The difference between the fair value and the cost of the long-term investments as at March 31, 2023 is \$844,444 (2022 - \$449,242). The change in this difference year over year of \$(395,202) has been recognized in the statement of remeasurement gains and losses.

Waypoint Centre for Mental Health Care Notes to the Financial Statements

For the year ended March 31, 2023

9. Long-term debt

	2023	2022
Forensic Building Project (a)	\$ 97,904,687	\$ 100,126,083
Community Health Hub (b)	9,966,461	10,172,764
	107,871,148	110,298,847
Less Current Portion	(2,675,627)	(2,427,699)
	105,195,521	107,871,148
Interest rate swap	(419,010)	176,878
	\$ 104,776,511	\$ 108,048,026

(a) The Forensic Building Project debt is a partnership agreement between Integrated Team Solutions and MHCP. It is unsecured and repayable in monthly blended payments of \$887,437 until November, 2043. This facility bears interest at a fixed rate of 6.74% plus equity distributions of approximately \$1,736,780 (2022 - \$1,719,487) per annum, calculated quarterly until November, 2042. The costs are to be fully funded by the Ministry, either directly or through the Hospital's operating budget.

(b) The Hospital has a term loan with TD Bank of \$10,500,000 to finance the construction of Phase 1 of the Community Health Hub. The loan for the Community Health Hub is scheduled to be repaid over thirty years maturing on July 2050, bears interest at prime per annum and is repayable monthly payments of \$48,478.

The Hospital has fixed its interest rate at 3.725% (2022 - 3.725%) through an interest rate swap arrangement for the term of the loan. The interest rate includes a bank stamping fee of 0.70%. The interest rate swap is a derivative financial instrument. It has effectively locked in a fixed rate through 2050.

The fair value of the interest rate swap, in favour of the hospital, of \$(419,010) (2022 - \$176,878), is recorded in the statement of financial position with the change in fair value of \$595,888 (2022 - \$707,077) being recorded in the statement of remeasurement gains and losses.

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

2024	\$ 2,675,627
2025	2,765,272
2026	3,051,449
2027	3,217,540
2028	3,425,310
Thereafter	92,735,950
Total	\$ 107,871,148

Waypoint Centre for Mental Health Care Notes to the Financial Statements

For the year ended March 31, 2023

10. 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, 2022 and OPTrust was at December 31, 2022.

The valuation for HOOPP indicated the plan is 117% funded, it also discloses the net assets available for benefits of \$103.7 billion with an accrued pension obligation of \$92.7 billion and a surplus of \$11 billion. The valuation of OPTrust indicated the plan is fully funded, it also discloses net assets available for benefits of \$24.7 billion with an accrued pension obligation of \$20.8 billion and a surplus of \$3.9 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 \$6,525,412 (2022 - \$6,344,875) and for OPTrust amounted to \$1,095,365 (2022 - \$1,345,631) 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, 2023

11. Asset Retirement Obligations

The organization's financial statements include an asset retirement obligation for buildings containing asbestos. The Hospital would be required to perform abatement activities upon renovation or demolition of buildings. Abatement activities include handling and disposing of the asbestos in a prescribed manner when it is disturbed. The related asset retirement costs are being amortized on a straight line basis. The liability has been estimated using a net present value technique with a discount rate of 3.75% (2022 - 3.75%). The estimated total undiscounted future expenditures are \$1,323,856 (2022 - \$1,323,856), which are to be incurred over 19 years. The liability is expected to be settled in 2041.

The carrying amount of the liability is as follows:

Asset retirement obligation as at March 31, 2022	\$ 657,759
Increase due to accretion expense	<u>24,666</u>
Asset retirement obligation as at March 31, 2023	<u>\$ 682,425</u>

12. Deferred Contributions related to Capital Assets

Deferred contributions related to capital assets represent the unamortized amount of donations and grants received for the purchase of capital assets. These contributions are amortized and recorded as revenue in the statement of operations, on the same basis as the amortization of the related asset.

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 162,266,547	\$ 167,845,905
Add contributions received during the year	13,640,090	12,676,135
Less amounts amortized to revenue	<u>(18,661,362)</u>	<u>(18,255,493)</u>
Balance, end of year	<u>\$ 157,245,275</u>	<u>\$ 162,266,547</u>

Waypoint Centre for Mental Health Care Notes to the Financial Statements

For the year ended March 31, 2023

13. Accounts Payable and Accrued Liabilities

	2023	2022
Trade payables	\$ 7,299,915	\$ 5,781,447
Salary, wages, and other entitlements	9,756,779	6,083,602
Compensated absences - vacation accrual and banked time	3,816,915	4,479,369
Severance liability	-	141,223
	\$ 20,873,609	\$ 16,485,641

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.

Included in benefit contributions in the statement of operations is \$8,582,464 (2022 - \$8,939,084) of compensated balances.

14. Recoveries

	2023	2022
Compensation	\$ 2,087,386	\$ 1,724,875
Dietary and food services	286,679	262,715
Material	659,844	600,810
Services	2,326,346	3,112,365
Photocopy	17,318	21,215
Other	7,585	41,850
	\$ 5,385,158	\$ 5,763,830

Waypoint Centre for Mental Health Care Notes to the Financial Statements

For the year ended March 31, 2023

15. Other Revenue

	2023	2022
Investment income	\$ 2,207,805	\$ 1,177,521
Other	238,282	120,588
Rental income	425,814	408,618
Parking	313,183	335,734
	\$ 3,185,084	\$ 2,042,461

16. Salaries, Wages and Employee Benefits

	2023		2022	
	Salaries and Wages	Benefits	Salaries and Wages	Benefits
Administration and Support	\$ 23,029,380	\$ 7,184,915	\$ 23,309,171	\$ 6,699,463
Clinical Programs and Support	81,112,821	19,285,921	73,125,498	18,803,558
	\$ 104,142,201	\$ 26,470,836	\$ 96,434,669	\$ 25,503,021

17. Financial Instruments

Establishing Fair Value

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to Level 3 based on the degree to which the fair value is observable:

Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Waypoint Centre for Mental Health Care Notes to the Financial Statements

For the year ended March 31, 2023

17. Financial Instruments (continued)

Fair Value Hierarchy

The following table presents the financial instruments recorded at fair value in the statement of financial position, classified using the fair value hierarchy in 000's:

	March 31, 2023			
	Level 1	Level 2	Level 3	Total
Fiera Integrated Fixed Income Fund	\$ 16,603	\$ -	\$ -	\$ 16,603
Fiera Global Equity Fund	13,271	-	-	13,271
ACM Commercial Mortgage fund	-	12,612	-	12,612
	\$ 29,874	\$ 12,612	\$ -	\$ 42,486
	March 31, 2022			
	Level 1	Level 2	Level 3	Total
Fiera Integrated Fixed Income Fund	\$ 17,263	\$ -	\$ -	\$ 17,263
Fiera Global Equity Fund	11,557	-	-	11,557
ACM Commercial Mortgage fund	-	12,153	-	12,153
	\$ 28,820	\$ 12,153	\$ -	\$ 40,973

There were no transfers between the Levels for the year ended March 31, 2023.

Waypoint Centre for Mental Health Care

Notes to the Financial Statements

For the year ended March 31, 2023

18. Financial Instrument Risk

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 Hospital is exposed to interest rate risk from its interest bearing cash and investments and 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 fixed income investment 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 mitigates interest rate risk on its term debt for the Community Health Hub through a derivative financial instrument that exchanges the variable rate inherent in the term debt for a fixed rate (see Note 9). Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the term debt.

At March 31, 2023, a 1% decrease in the interest rate at year end, with all other variables held constant, would have resulted in an unrealized loss of \$831,690. At March 31, 2023, a 1% increase in the interest rate at year end, with all other variables held constant, would have resulted in an unrealized gain of \$1,488,013.

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

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, 2023, 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 1.3533 (2022 - 1.2496).

	<u>2023</u>	<u>2022</u>
Cash	\$ 2,132	\$ 41,169
Accounts payable	\$ 57,760	\$ 36,675

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, 2023

18. Financial Instrument Risk (continued)

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 receivable's are made up of a large number of small balances from customers, and balances from government agencies. Management does not believe the Hospital is subject to significant credit risk with respect to accounts receivable.

As at March 31, 2023, the Hospital held investments in pooled mortgage funds. The Hospital adheres to the Board approved Investment Policy which mitigates risk by diversification of managers, asset mix, limitation of eligible investments and employing appropriate risk mitigation practices.

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

Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, other than those arising from interest rate risk or currency risk whether those changes are caused by factors specific to the individual financial instrument of its issuer or factors affecting all similar financial instruments traded in a market.

As at March 31, 2023, the Hospital held investments in pooled equity funds which are directly exposed to other price risk. If the unit prices of the pooled funds were to increase or decrease by 10%, with all other variables held constant, the estimated impact on the net assets would be approximately \$4,248,638 (2022 - \$4,097,310). In practice, actual results may differ from this sensitivity analyses and the difference could be material. The Hospital mitigates equity risk by adhering to the Board approved Investment Policy.

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, 2023

19. Endowment Fund

The Endowment fund consists of donations to Catholic Health Care prior to divestment. The change in Net Assets of \$7,394 is interest earned during the year.

20. 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 \$7,226,694 (2022 - \$8,281,444).

The minimum annual lease and contract payments for years subsequent to March 31, 2023 are as follows: 2024 - \$1,046,650, 2025 - \$1,082,241, 2026 - \$967,099, 2027 - \$217,969, and 2028 - \$119,885 plus \$3,792,851 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 \$482,424 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 Ministry 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, 2023

21. Contingencies

A statement of claim has been issued against the Hospital, the Province of Ontario and individual defendants in relation to the alleged abuse of seclusion and restraint practices from January 1, 2000 until present. Plaintiffs are seeking \$200 million in general and punitive damages. Pleadings have been exchanged and certification application has been served. As at March 31, 2023, the outcome of this claim and the impact on the Hospital, if any, is indeterminable.

The nature of the Hospital's activities is such that there may be litigation pending or in progress at any time. With respect to all other claims as at March 31, 2023, 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.

A group of healthcare institutions, including the Hospital, are members of the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the liability insurance risk 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 of March 31, 2023, no assessments have been received.

The Hospital receives funding from the Ministry through Ontario Health. 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.

Effective June 2019, the Province of Ontario enacted Bill 124 "Protecting a Sustainable Public Sector for Future Generations Act, 2019". This legislation limited compensation increases to 1.0% per year for a three-year moderation period for both unionized and non-unionized employees in the Ontario public sector. The starting dates of the moderation period varied across entities and employee groups. On November 29, 2022, the Ontario Superior Court of Justice struck down Bill 124, finding it unconstitutional and declaring it to be "void and of no effect". On December 29, 2022, the Ontario government filed a Notice of Appeal with the Ontario Court of Appeal. The impact to the organization as a result of the Ontario Superior Court decision has been considered. However, no amount has been disclosed in these financial statements as not to adversely impact future negotiations.

22. Economic Dependence

The Hospital received 94.9% (2022 - 95.1%) of its revenue from the Ministry.

23. Comparative Amounts

Certain comparative amounts presented in the financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the reported results of operations. Specifically, previously restricted cash for capital purposes was reclassified as current therefore changing the prior year amounts.
