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# Financial statements of Perley Health

December 31, 2023

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## Independent Auditor's Report

To the Board of Directors of  
Perley Health

### Opinion

We have audited the financial statements of Perley Health, which comprise the statement of financial position as at December 31, 2023, 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 (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Perley Health as at December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 Perley Health 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 the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing Perley Health'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 GAAS 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 GAAS, 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 control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Perley Health's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Perley Health'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 Perley Health 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 control that we identify during our audit.

*Deloitte LLP*

Chartered Professional Accountants  
Licensed Public Accountants  
May 2, 2024

**Perley Health**  
**Statement of operations**  
Year ended December 31, 2023

	Notes	2023 \$	2022 \$
<b>Long-term care</b>			
Operating revenue			
Ministry of Long-Term Care (MOLTC) Funding		48,080,981	37,928,728
Veterans Affairs Canada		5,409,906	5,462,198
Resident accommodation		11,479,978	11,775,554
Amortization of deferred capital contributions – long-term care (LTC)		1,467,152	1,509,523
		<b>66,438,017</b>	<b>56,676,003</b>
Operating expenses			
General LTC Expenses		64,935,070	55,328,912
Amortization of capital and intangible assets – LTC		2,207,254	2,208,403
		<b>67,142,324</b>	<b>57,537,315</b>
		<b>(704,307)</b>	<b>(861,312)</b>
<b>Community services</b>			
Operating revenue			
Arts and crafts and dental programs for veterans		1,153,258	988,416
Arts and crafts community program		133,173	111,483
Community support services		3,606,952	3,295,324
		<b>4,893,383</b>	<b>4,395,223</b>
Operating expenses			
Arts and crafts and dental programs for veterans		1,153,258	988,416
Arts and crafts community program		133,173	111,483
Community support services		3,606,952	3,295,324
		<b>4,893,383</b>	<b>4,395,223</b>
		—	—
<b>Seniors' housing operations</b>			
Operating revenue	18	4,679,980	4,683,375
Operating expenses		4,249,693	4,440,492
		<b>430,287</b>	<b>242,883</b>
<b>Centre of excellence</b>			
Operating revenue		902,214	649,623
Operating expenses		902,214	649,623
		—	—
<b>Interprofessional clinic</b>			
Operating revenue		981,247	1,482,268
Operating expenses		1,285,733	1,604,301
		<b>(304,486)</b>	<b>(122,033)</b>
<b>Village Expansion Project</b>			
Operating revenue		—	15,753
Operating expenses		471,964	214,432
		<b>(471,964)</b>	<b>(198,679)</b>
<b>Ancillary operations</b>			
Operating revenue	19	3,053,411	1,684,002
Operating expenses		1,430,971	1,334,339
		<b>1,622,440</b>	<b>349,663</b>
Excess (deficiency) of revenue over expenses before prior years' per diem grant adjustment		<b>571,970</b>	<b>(589,478)</b>
Prior years' adjustment	17	—	56,366
<b>Excess (deficiency) of revenue over expenses</b>		<b>571,970</b>	<b>(533,112)</b>

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

**Perley Health**

**Statement of changes in net assets**

Year ended December 31, 2023

	Invested in capital and intangible assets – long-term care \$	Invested in capital assets – seniors’ housing \$	Internally restricted \$	Unrestricted \$	2023 Total \$	2022 Total \$
<b>Deficit, beginning of year</b>	<b>4,594,115</b>	<b>(4,437,731)</b>	<b>2,026,483</b>	<b>(4,779,441)</b>	<b>(2,596,574)</b>	(3,577,461)
Excess (deficiency) of revenue over expenses	—	—	—	<b>571,970</b>	<b>571,970</b>	(533,112)
Employee future benefit remeasurement and other items	—	—	—	<b>(284,000)</b>	<b>(284,000)</b>	1,514,000
Additions to capital and intangible assets	<b>1,681,513</b>	<b>734,805</b>	—	<b>(2,416,318)</b>	—	—
Amortization of capital and intangible assets	<b>(2,282,083)</b>	<b>(1,200,994)</b>	—	<b>3,483,077</b>	—	—
Additions to deferred capital contributions	<b>(573,198)</b>	—	—	<b>573,198</b>	—	—
Amortization of deferred capital contributions	<b>1,511,351</b>	<b>373,701</b>	—	<b>(1,885,052)</b>	—	—
Repayment of long-term debt	<b>240,660</b>	<b>394,664</b>	—	<b>(635,324)</b>	—	—
Transfer from unrestricted funds	—	—	<b>254,931</b>	<b>(254,931)</b>	—	—
<b>Deficit, end of year</b>	<b>5,172,358</b>	<b>(4,135,555)</b>	<b>2,281,414</b>	<b>(5,626,821)</b>	<b>(2,308,604)</b>	(2,596,574)

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

**Perley Health**  
**Statement of financial position**  
As at December 31, 2023

	Notes	2023 \$	2022 \$
<b>Assets</b>			
Current assets			
Cash and cash equivalents		21,080,640	19,530,431
Accounts receivable	3	6,548,314	1,120,057
Prepaid expenses		379,430	426,879
		<b>28,008,384</b>	21,077,367
Residents' trust account		76,220	69,941
Tenants' deposit account		309,606	297,488
Long-term care – capital and intangible assets	4	33,194,445	33,795,015
Seniors' housing – capital assets	5	29,184,692	30,332,681
Restricted investments – seniors' housing	6	2,281,414	2,026,483
		<b>93,054,761</b>	87,598,975
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities	7	18,073,486	12,218,871
Accrued vacation pay		2,441,266	2,268,089
Deferred revenue		4,688,253	4,006,648
Current portion of long-term debt	8	414,785	394,664
Current portion of energy retrofit lease	9	247,020	240,660
		<b>25,864,810</b>	19,128,932
Residents' deposits		76,220	69,941
Tenants' deposits		309,606	297,488
Long-term debt	8	28,832,533	29,247,318
Energy retrofit lease	9	2,381,414	2,628,434
Employee future benefits	10	7,750,400	7,363,200
Deferred capital contributions related to long-term care – capital and intangible assets	11	25,393,653	26,331,806
Deferred capital contributions related to seniors' housing – capital assets	12	4,754,729	5,128,430
		<b>95,363,365</b>	90,195,549
Contingencies	17		
<b>Net assets</b>			
Invested in capital and intangible assets – long-term care		5,172,358	4,594,115
Invested in capital assets – seniors' housing		(4,135,555)	(4,437,731)
Internally restricted	15	2,281,414	2,026,483
Unrestricted		(5,626,821)	(4,779,441)
		<b>(2,308,604)</b>	(2,596,574)
		<b>93,054,761</b>	87,598,975

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

On behalf of the Board



\_\_\_\_\_, Board Chair



\_\_\_\_\_, Treasurer

## Perley Health

### Statement of cash flows

Year ended December 31, 2023

	2023	2022
	\$	\$
<b>Operating activities</b>		
Excess (deficiency) of revenue over expenses	571,970	(533,112)
Items not affecting cash		
Amortization of capital and intangible assets – long-term care	2,207,254	2,208,403
Amortization of capital assets – seniors’ housing	1,200,994	1,384,858
Amortization of capital assets – operations	74,829	77,692
Amortization of deferred capital contributions – long-term care	(1,511,351)	(1,521,789)
Amortization of deferred capital contributions – seniors’ housing	(373,701)	(378,597)
Loss (gain) on sale of restricted investment - seniors’ housing	19,444	(2,863)
Deferred revenue	681,605	(1,826,343)
Employee future benefits	103,200	215,600
Change in unrealized gains/losses on restricted investment - seniors’ housing	(51,789)	129,132
	<b>2,922,455</b>	<b>(247,019)</b>
Changes in non-cash operating working capital items		
working capital items	646,984	3,335,002
	<b>3,569,439</b>	<b>3,087,983</b>
<b>Financing activities</b>		
Deferred capital contributions – long-term care	573,198	750,581
Deferred contributions - seniors’ housing	—	28,606
Repayment of long-term debt	(394,664)	(375,520)
Repayment of energy retrofit lease	(240,660)	(234,463)
	<b>(62,126)</b>	<b>169,203</b>
<b>Investing activities</b>		
Additions to long-term care – capital and intangible assets	(1,681,513)	(1,793,509)
Additions to senior housing – capital and intangible assets	(53,005)	—
Proceeds from sales of restricted investments seniors’ housing	681,800	658,177
Purchases of restricted investments - seniors’ housing	(904,386)	(783,557)
	<b>(1,957,104)</b>	<b>(1,918,889)</b>
Net increase in cash and cash equivalents	1,550,209	1,338,297
Cash and cash equivalents, beginning of year	19,530,431	18,192,134
<b>Cash and cash equivalents, end of year</b>	<b>21,080,640</b>	<b>19,530,431</b>
<b>Cash and cash equivalents are composed of</b>		
Cash	20,192,208	18,613,759
Cash equivalents	888,432	916,672
	<b>21,080,640</b>	<b>19,530,431</b>

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



**1. Description of the organization**

The Perley and Rideau Veterans' Health Centre ("Perley Health") is a long-term care facility serving veterans and other members of the community. It receives funding for its operations from the Ministry of Long-Term Care of Ontario, Veterans Affairs Canada and residents.

The Perley and Rideau Veterans' Health Centre is incorporated without share capital under the laws of Ontario and is exempt from income taxes pursuant to paragraph 149(1)(l) of the *Income Tax Act* (Canada).

The Perley and Rideau Veterans' Health Centre is operating as Perley Health.

**2. Accounting policies**

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

*Basis of presentation*

These financial statements include the assets, liabilities, and activities of Perley Health, but do not include the assets, liabilities, and activities of any organizations that are related to Perley Health but not operated by it, such as Perley Health Foundation (the "Foundation") and Perley Health Volunteer Association.

*Revenue recognition and deferred revenue*

Perley Health follows the deferral method of accounting for contributions.

Ontario Ministry of Long-Term Care, Ministry of Health, and Veterans Affairs Canada revenues, being the operating per diems from the Province of Ontario and the federal government, respectively, are recognized in the accounts for the year to which they relate.

Resident accommodation funding is recognized for the year to which it relates.

Perley Health receives funding for operations for certain programs from the Ontario Ministry of Long-Term Care (the "Ministry"), Ministry of Health, and Veterans Affairs Canada. The final amount of operating revenue recorded cannot be determined until the Ministry has reviewed Perley Health's financial and statistical returns for the year. Any adjustments arising from the Ministry review are recorded in the year in which the adjustment is made.

*Cash and cash equivalents*

Cash and cash equivalents include cash on deposits with financial institutions, demand deposits, money market funds, interest savings accounts and short-term investments with maturities of less than three months at acquisition.

*Capital and intangible assets*

Capital and intangible assets are stated at cost. Capital assets under capital leases are stated at the present value of minimum lease payments. Capital and intangible assets are amortized based on their estimated useful life using the declining balance method as follows and the following rates or terms:

**2. Accounting policies (continued)**

*Capital and intangible assets (continued)*

For the capital assets purchased before January 1, 2023

Building on leased land	4% to 20%
Furniture and equipment	10% to 50%
Computer equipment	30% or over the life of the equipment
Software	20% to 30%
Leasehold improvement	Over the term of the lease
Energy retrofit equipment under capital lease	5%
Solare panels	10%

For the capital assets purchased after December 31, 2022

Building on leased land	Straight line 20 years
Furniture and equipment	Straight line 5 years
Computer equipment	Straight line 5 years
Software	Straight line 5 years
Leasehold improvement	Straight line 20 years

*Impairment of long-lived assets*

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the asset no longer has long-term service potential. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its residual value.

*Vacation pay*

Non-union employees and employees belonging to the Ontario Nurses' Association are entitled to annual vacation pay based on full-time service in the preceding twelve-month period from May 1 to April 30. Employees who are members of the Canadian Union of Public Employees are entitled to annual vacation pay based on full-time service up to their anniversary date of employment. Perley Health charges the cost of accrued vacation pay to the year in which it is earned.

*Deferred capital contributions related to long-term care and seniors' housing capital assets*

Deferred contributions related to long-term care and seniors' housing capital assets primarily represent contributions used to fund the construction of the health centre, seniors' housing and the purchase of equipment. The deferred contributions are amortized over the life of the capital asset for which they have been received.

*Employee future benefits*

Perley Health has a defined benefit sick leave plan, whereby certain employees earn accumulated sick leave benefits, and defined post-retirement benefit plans (other than pensions) that provide medical, dental and life insurance coverage to eligible employees.

Perley Health recognizes the full amount of the defined benefit obligations, net of plan assets, in its statement of financial position. Perley Health accrues its obligations under the defined benefit plans as the employees render the services necessary to earn the pension and other retirement benefits. The cost of the employee future benefits earned by employees is actuarially determined using the projected benefit actuarial cost method prorated on services. The valuation of liabilities is based upon a current market-related discount rate and other actuarial assumptions which represent management's best long-term estimates of factors such as future wage increases and employee turnover rates.

## **2. Accounting policies (continued)**

### *Employee future benefits (continued)*

Actuarial remeasurement gains (losses) on the accrued benefit liability arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit liability. Remeasurement gains (losses) are recorded directly in the statement of changes in net assets.

The benefit plan expenses for the year consist of the current service and finance costs.

### *Allocation of expenses*

Perley Health classifies expenses in the statement of operations by function. Perley Health does not allocate expenses between functions in the statement of operations.

### *Financial instruments*

#### *Initial measurement*

Financial assets and financial liabilities originated or exchanged in arm's length transactions are initially recognized at fair value when Perley Health becomes a party to the contractual provisions of the financial instrument. Financial assets and financial liabilities originated or exchanged in related party transactions, except for those that involve parties whose sole relationship with Perley Health is in the capacity of management, are initially recognized at cost.

The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms. The cost of financial instruments with repayment terms is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor. The cost of financial instruments without repayment terms is determined using the consideration transferred or received by Perley Health in the transaction.

#### *Subsequent measurement*

All financial instruments are subsequently measured at amortized cost, except for cash and cash equivalents and investments which are recorded at fair value. Unrealized gains and losses are recorded in the statement of operations.

#### *Transaction costs*

Transaction costs related to financial instruments subsequently measured at fair value are expensed as incurred.

#### *Impairment*

With respect to financial assets measured at cost or amortized cost, Perley Health recognizes an impairment loss, if any, in net earnings when there are indicators of impairment, and it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to net earnings in the period the reversal occurs.

## 2. Accounting policies (continued)

### *Financial instruments (continued)*

#### *Hedge accounting*

Certain derivative financial instruments held by Perley Health may be eligible for hedge accounting. To be eligible for hedge accounting, an instrument must meet certain criteria with respect to identification, designation and documentation. In addition, the critical terms of the derivative financial instrument must match the specific terms and conditions of the hedged item. The fair value of derivative instruments eligible and qualifying for hedge accounting is generally not recognized in the statement of financial position. Gains and losses on such instruments are recognized in the statement of operations in the same period as those of the hedged item.

For interest rate swaps, interest on the hedged item is recognized using the instrument's stated interest rate plus or minus amortization of any initial premium or discount and any financing fees and transaction costs. Net amounts receivable or payable on the interest rate swap are recorded on an accrual basis of accounting and are recognized as an adjustment to interest on the hedged item in the year in which they accrue.

#### *Use of estimates*

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the estimated useful life of capital and intangible assets, the amount of certain accrued liabilities including retroactive union settlements and the assumptions used to determine employee future benefits. Actual results could differ from these estimates.

## 3. Accounts receivable

	<b>2023</b>	2022
	<b>\$</b>	\$
Ontario Ministry of Long-Term Care	<b>5,632,735</b>	—
Veterans Affairs Canada	<b>215,369</b>	368,625
Perley Health Foundation	<b>472,647</b>	435,166
Residents	<b>66,323</b>	76,163
Accounts receivable - general	<b>161,240</b>	240,103
	<b>6,548,314</b>	1,120,057

**4. Long-term care – capital and intangible assets**

	<b>Cost</b>	<b>Accumulated amortization</b>	<b>2023 Net book value</b>	<b>2022 Net book value</b>
	\$	\$	\$	\$
Building on leased land	<b>69,210,032</b>	<b>46,663,464</b>	<b>22,546,568</b>	23,332,895
Furniture and equipment	<b>11,421,058</b>	<b>7,491,789</b>	<b>3,929,269</b>	4,209,440
Computer equipment	<b>5,310,183</b>	<b>3,904,474</b>	<b>1,405,709</b>	1,358,043
Software	<b>676,227</b>	<b>592,620</b>	<b>83,607</b>	82,198
Leasehold improvements	<b>2,933,515</b>	<b>1,135,658</b>	<b>1,797,857</b>	1,163,599
Energy retrofit equipment under capital lease	<b>4,994,356</b>	<b>2,192,226</b>	<b>2,802,130</b>	2,949,611
Solar panels	<b>1,784,339</b>	<b>1,155,034</b>	<b>629,305</b>	699,228
	<b>96,329,710</b>	<b>63,135,265</b>	<b>33,194,445</b>	33,795,015

**5. Seniors' housing – capital assets**

	<b>Cost</b>	<b>Accumulated amortization</b>	<b>2023 Net book value</b>	<b>2022 Net book value</b>
	\$	\$	\$	\$
Building on leased land	<b>43,121,525</b>	<b>14,538,641</b>	<b>28,582,884</b>	29,751,900
Furniture and equipment	<b>1,453,356</b>	<b>851,548</b>	<b>601,808</b>	580,781
	<b>44,574,881</b>	<b>15,390,189</b>	<b>29,184,692</b>	30,332,681

**6. Restricted investments – seniors' housing**

Under the terms of the debentures issued to Ontario Infrastructure and Lands Corporation (OILC), Perley Health is required to deposit capital and contingency replacement funds (CCRF) in the amount of a minimum of 4.00% of the monthly effective gross income of the seniors' housing into a segregated account. The CCRF are for the exclusive purposes of major capital maintenance overhaul deemed necessary by both the OILC and Perley Health, and for debt service obligations relating solely to the seniors' housing. Any use of the CCRF requires prior written consent by the OILC and is assignable to the OILC.

The monies are invested in Canadian mutual funds and dividend-bearing common shares of Canadian companies listed on the Toronto Stock Exchange.

	<b>Fair value</b>	<b>2023 Cost</b>	<b>Fair value</b>	<b>2022 Cost</b>
	\$	\$	\$	\$
Canadian equity	<b>261,791</b>	<b>217,982</b>	265,850	217,982
Canadian mutual funds	<b>1,764,241</b>	<b>1,835,839</b>	1,611,604	1,739,049
Canadian cash and equivalents	<b>255,382</b>	<b>255,382</b>	149,030	149,030
	<b>2,281,414</b>	<b>2,309,203</b>	2,026,483	2,106,061

**6. Restricted investments – seniors’ housing (continued)**

*Investment risk*

Market volatility risk is generally inherent in Perley Health’s investment portfolio and refers to the extent that the fair value of future cash flows from financial instruments will fluctuate because of changes in various other market factors affecting equity prices, including general economic conditions.

Perley Health mitigates the above-noted risks through the use of investment policies and managers, whose objective is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

*Interest rate risk*

Interest rate risk refers to the adverse consequences of interest rate changes. Perley Health has investments in bonds with fixed rates, which are subject to this risk. The value of fixed rate instruments will generally increase if interest rates increase and decrease if interest rates decrease.

*Credit risk*

Credit risk is the risk of financial loss if a member or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from Perley Health’s investments in mutual funds.

**7. Accounts payable and accrued liabilities**

	<b>2023</b>	2022
	\$	\$
Accounts payable - general	<b>8,559,113</b>	6,740,638
Ontario Ministry of Long-Term Care	<b>8,049,978</b>	4,546,479
Veterans Affairs Canada	<b>692,486</b>	—
Payroll remittances	<b>771,909</b>	931,754
	<b>18,073,486</b>	12,218,871

**8. Long-term debt**

	<b>2023</b>	2022
	\$	\$
Debenture A, bearing interest at 4.96%, semi-annual, monthly payments commenced September 1, 2014, maturing August 1, 2034	<b>9,768,195</b>	9,901,896
Debenture B, bearing interest at 5.08%, semi-annual, monthly payments commenced September 1, 2014, maturing August 1, 2034	<b>19,479,123</b>	19,740,086
Long-term Portion	<b>29,247,318</b>	29,641,982
Less: current portion	<b>414,785</b>	394,664
Long-term Portion	<b>28,832,533</b>	29,247,318

**8. Long-term debt (continued)**

Debentures are secured by a first-ranking leasehold mortgage on the lands and buildings of Perley Health located at 1750 Russell Road, Ottawa, Ontario and by a first-ranking general security agreement (GSA) on all assets, excluding those pledged as security for the energy retrofit lease.

The annual principal repayment requirements on the long-term debt for the next five years are as follows:

	\$
2024	414,785
2025	435,931
2026	458,156
2027	481,514
2028 and thereafter	<u>27,456,932</u>
	<u>29,247,318</u>

**9. Energy retrofit lease**

	2023 \$	2022 \$
Energy retrofit lease, bearing interest at 2.61% quarterly payments commenced August 1, 2020, and maturing August 1, 2027	<b>2,628,434</b>	2,869,094
Less: current portion	<b>247,020</b>	240,660
Long-term portion	<b><u>2,381,414</u></b>	<u>2,628,434</u>

In 2013 Perley Health entered into a lease agreement to finance the purchase of energy equipment. The term of the original lease was a 7-year term with a 20-year amortization period. In 2020, the lease was refinanced by entering into a new lease with a term of 7-years and an amortization period of 13-years. The lease is secured by specified mechanical and electrical equipment.

The energy retrofit lease is subject to an interest rate swap in order to eliminate the interest rate cash flow risk.

In July 2020, Perley Health entered into an interest rate swap agreement which was designated as a hedging relationship with regard to the variable interest rate energy retrofit lease which matures in August 2027. According to the swap agreement, whose maturity date coincides with that of the energy retrofit lease, Perley Health will pay interest at a fixed rate of 2.61% and will receive interest at a variable rate, the amount of which corresponds exactly to the energy retrofit lease's interest payment (30-day bankers acceptance rates plus 1.28% per annum).

The annual principal repayment requirements on the energy retrofit lease for the next four years are as follows:

	\$
2024	247,020
2025	253,548
2026	260,248
2027	<u>1,867,618</u>
	<u>2,628,434</u>

**10. Employee future benefits**

Perley Health provides a sick leave plan, whereby eligible employees earn accumulated sick leave benefits, and defined post-retirement benefit plans (other than pensions) that provide medical, dental and life insurance coverage.

The most recent actuarial valuation of employee future benefits was completed as at December 31, 2023.

	<b>2023</b>	2022
	\$	\$
Accrued benefit obligation, beginning balance	<b>7,363,200</b>	8,661,600
Net benefit cost	<b>783,500</b>	768,800
Past service cost	<b>14,700</b>	—
Re-measurements due to actuarial gain	<b>269,300</b>	(1,514,000)
Funding contributions	<b>(680,300)</b>	(553,200)
Accrued benefit obligation, ending balance	<b>7,750,400</b>	7,363,200

The significant actuarial assumptions adopted in estimating Perley Health's accrued benefit obligation are as follows:

	<b>2023</b>	2022
	%	%
Discount rate for expenses	<b>5.20</b>	3.00
Discount rate for accrued benefit obligation	<b>4.60</b>	5.20
Salary increase	<b>3.00</b>	3.00
Dental benefit cost escalation	<b>3.00</b>	3.00
Medical benefit cost escalation - extended health care	<b>5.70</b>	5.70

**11. Deferred capital contributions related to long-term care – capital and intangible assets**

Deferred capital contributions related to long-term care include the unamortized portions of restricted contributions with which Perley Health was built.

The changes for the year in the deferred contribution balance are as follows:

	<b>2023</b>	2022
	\$	\$
Balance, beginning of year	<b>26,331,806</b>	27,103,014
Capital funding received	<b>573,198</b>	750,581
Amounts amortized to revenue	<b>(1,511,351)</b>	(1,521,789)
Balance, end of year	<b>25,393,653</b>	26,331,806



**12. Deferred capital contributions related to seniors' housing – capital assets**

Deferred capital contributions related to seniors' housing include the unamortized portions of restricted contributions with which seniors' housing buildings were built.

The changes for the year in the deferred contribution balance are as follows:

	<b>2023</b>	2022
	<b>\$</b>	\$
Balance, beginning of year	<b>5,128,430</b>	5,478,421
Capital funding received	<b>—</b>	28,606
Amounts amortized to revenue	<b>(373,701)</b>	(378,597)
Balance, end of year	<b>4,754,729</b>	5,128,430

Capital funding received consists of contributions from the Foundation and the City of Ottawa (the "City").

The Foundation's contribution has been provided as a gift for the purpose of the construction of the seniors' housing. Total capital contributions for the seniors' housing provided by the Foundation as at December 31, 2023, are \$2,970,055 (\$2,970,055 in 2022).

Contributions from the City are provided for the construction and operation by Perley Health of forty-five affordable housing units within the buildings under the seniors' housing. The contributions are secured by a twenty-year mortgage for the same amount and no payments will be required under the mortgage so long as Perley Health continues to provide affordable housing in the specified units. Should this cease to apply, the principal amount of the mortgage shall immediately become due and payable. The City has provided total contributions of \$5,810,415, including a grant of \$5,400,000 and reduction of development fees of \$410,415.

The City's contribution is secured by a second-ranking GSA on the land and all assets of Perley Health, excluding those pledged as security for the energy retrofit lease and the line of credit.

**13. Pension plan**

Substantially all of the full-time employees of Perley Health are eligible to be members of the Hospitals of Ontario Pension Plan, which is a multi-employer final average pay contributory pension plan. Employer contributions made to the defined benefit pension plan during the year by Perley Health amounted to \$3,298,399 (\$2,903,189 in 2022).

**14. Additional information relating to the statement of cash flows**

*Changes in non-cash operating working capital items*

	<b>2023</b>	2022
	<b>\$</b>	\$
Accounts receivable	<b>(5,428,257)</b>	(632,230)
Prepaid expenses	<b>47,449</b>	402,977
Accounts payable and accrued liabilities	<b>5,854,615</b>	3,532,064
Accrued vacation pay	<b>173,177</b>	32,191
	<b>646,984</b>	3,335,002

**15. Internally restricted net assets**

	Balance as at December 31, 2022 \$	Transfer to unrestricted net assets \$	<b>Balance as at December 31, 2023 \$</b>
Capital reserve - seniors' housing	2,026,483	254,931	<b>2,281,414</b>

Transfer from unrestricted net assets to the capital reserve – seniors' housing in 2023 is comprised of a net contribution of \$172,000 (\$85,200 in 2022) and change in unrealized gains on the restricted investments (Note 6) of \$51,789 ((\$129,132) in 2022) plus the investment income of \$31,143 (\$61,298 in 2022).

**16. Related party transactions**

*(a) Perley Health Foundation*

The Foundation seeks donations for capital expansion, equipment needs, expanded resident programs, research and education for Perley Health.

During the year ended December 31, 2023, the Foundation distributed \$1,330,909 (\$1,514,024 in 2022) to Perley Health for programs and capital expenditures through gifts-in-kind, purchases and general contributions for specific programs.

These funds have been included in Perley Health's statement of operations, deferred revenue and deferred capital contributions related to capital assets.

As at December 31, 2023, Perley Health has a balance owing from the Foundation of \$472,647 which is included in accounts receivable (\$435,166 in 2022).

	<b>2023 \$</b>	2022 \$
Programs and capital expenditures		
Gifts-in-kind	<b>23,991</b>	4,379
Cash donations	<b>1,306,918</b>	1,509,645
	<b>1,330,909</b>	1,514,024

*(b) Ottawa Regional Hospital Linen Services Incorporated*

Perley Health is a member of the Ottawa Regional Hospital Linen Services Incorporated (ORHLS). The ORHLS was established to provide laundry services to members on a cost-of-service basis.

For the year ended December 31, 2023, Perley Health paid \$546,708 (\$593,809 in 2022) to the ORHLS for linen services. These amounts have been included in general long-term care facility operations in the statement of operations.

*(c) Pub and canteen operations*

The pub and canteen operations are operated on behalf of the Rideau Veteran Residents' Council (the "Council") under the supervision of Perley Health. Profits from these operations are returned to the Council.

**17. Contingencies**

*Per diem grants*

Perley Health receives funding for operations for certain programs from the Ontario Ministry of Long-Term Care (MOLTC), the Ministry of Health (MoH), its Foundation and Veterans Affairs Canada (VAC).

The final amount of operating revenue recorded for the current year will not be determined until the MOHLTC, MoH, and VAC have reviewed Perley Health's financial and statistical returns for the year. Management of Perley Health considers the amount recorded as revenue from the MOHLTC and VAC to be accurate. Any adjustments arising from the MOHLTC, MoH, and VAC reviews will be recorded in the year in which the adjustment is made. The MOHLTC reconciliations are outstanding for 2018, 2019, 2020, 2021, 2022 and the current year. The VAC reconciliations are outstanding for 2020/21, 2021/22 and the current year. The MoH reconciliations are outstanding are for 2021/22 and the current year.

Funding adjustments recorded during the year are summarized below.

Funder	<b>Funding adjustments made in 2023 relate to</b>	<b>2023 \$</b>	2022 \$
MOLTC	<b>2017</b>	—	(1,110,725)
MOLTC	<b>2021</b>	—	(180,743)
VAC	<b>2017, 2018 and 2019</b>	—	1,360,530
MOH	<b>2017/18, 2018/19, 2019/20 and 2020/21</b>	—	(25,222)
		—	43,840

A final adjustment of \$12,526 was made in 2022 to reflect the finalization of the Foundation supported Summer Youth Program

*Litigation*

Perley Health has received a statement of claim arising out of a contract dispute with a former service provider. The claim is for approximately \$3.5 million, and management believes the claim is wholly defensible. Consequently, Perley Health has not recorded any liability with respect to this matter.

**18. Seniors' housing operations**

The seniors' housing operating revenue and expenses consist of the following:

	<b>2023</b>	2022
	\$	\$
Operating revenue		
Rental revenue	<b>3,905,510</b>	3,980,612
Amortization of deferred contributions	<b>373,701</b>	378,597
Other revenue	<b>400,769</b>	324,166
	<b>4,679,980</b>	4,683,375
Operating expenses		
General supplies	<b>168,222</b>	268,112
Interest	<b>1,466,564</b>	1,485,788
Maintenance and repairs	<b>223,555</b>	209,764
Property taxes	<b>237,508</b>	169,394
Salaries and benefits	<b>643,903</b>	646,192
Utilities	<b>308,947</b>	276,384
Amortization	<b>1,200,994</b>	1,384,858
	<b>4,249,693</b>	4,440,492
Excess of revenue over expenses	<b>430,287</b>	242,883

**19. Ancillary operations**

Ancillary revenue and expenses consist of the following:

	<b>2023</b>	2022
	\$	\$
Operating revenue		
Non-resident food services	<b>517,214</b>	433,159
Parking	<b>609,598</b>	194,481
Telecommunications, rental, investment income and other	<b>1,685,876</b>	813,918
Solar panels	<b>240,723</b>	242,444
	<b>3,053,411</b>	1,684,002
Operating expenses		
Non-resident food services	<b>857,977</b>	745,413
Parking	<b>376,922</b>	427,549
Telecommunications services and other	<b>125,087</b>	82,659
Solar panels	<b>1,062</b>	1,026
Amortization of capital assets - solar panels	<b>69,923</b>	77,692
	<b>1,430,971</b>	1,334,339
Excess of revenue over expenses	<b>1,622,440</b>	349,663

**20. Comparative information**

Certain comparative information has been reclassified to conform to the financial statement presentation adopted in the current year.