
Financial statements of Perley Health

December 31, 2024

Independent Auditor's Report	1-2
Statement of operations	3
Statement of changes in net assets	4
Statement of financial position	5
Statement of cash flows	6
Notes to the financial statements	7-18

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, 2024, 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, 2024, 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 1, 2025

Perley Health

Statement of operations

Year ended December 31, 2024

	Notes	2024 \$	2023 \$
Long-term care			
Operating revenue			
Ministry of Long-Term Care (MOLTC) Funding		52,550,750	48,080,981
Veterans Affairs Canada		5,439,166	5,409,906
Resident accommodation		12,048,490	11,479,978
Amortization of deferred capital contributions – long-term care (LTC)		1,511,299	1,467,152
		71,549,705	66,438,017
Operating expenses			
General LTC Expenses		71,012,108	64,935,070
Amortization of capital and intangible assets – LTC		2,293,123	2,207,254
		73,305,231	67,142,324
		(1,755,526)	(704,307)
Community services			
Operating revenue			
Arts and crafts and dental programs for veterans		1,279,808	1,153,258
Arts and crafts community program		130,626	133,173
Community support services		4,292,177	3,606,952
		5,702,611	4,893,383
Operating expenses			
Arts and crafts and dental programs for veterans		1,279,808	1,153,258
Arts and crafts community program		130,626	133,173
Community support services		4,344,711	3,606,952
		5,755,145	4,893,383
		(52,534)	—
Seniors' housing operations	18		
Operating revenue		4,802,797	4,679,980
Operating expenses		4,403,994	4,249,693
		398,803	430,287
Centre of Excellence			
Operating revenue		998,079	902,214
Operating expenses		998,079	902,214
		—	—
Interprofessional Clinic			
Operating revenue		1,031,195	981,247
Operating expenses		900,928	1,285,733
		130,267	(304,486)
Village Expansion Project			
Operating revenue		39,393	—
Operating expenses		593,376	471,964
		(553,983)	(471,964)
Ancillary operations	19		
Operating revenue		3,051,287	3,053,411
Operating expenses		1,853,164	1,430,971
		1,198,123	1,622,440
(Deficiency) excess of revenue over expenses before prior year's per diem grant adjustment		(634,850)	571,970
Prior year's adjustment	17	18,513	—
(Deficiency) excess of revenue over expenses		(616,337)	571,970

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

Perley Health
Statement of changes in net assets

Year ended December 31, 2024

		Invested in capital and intangible assets – long-term care	Invested in capital assets – seniors' housing	Internally restricted	Unrestricted	2024 Total	2023 Total
	Notes	\$	\$	\$	\$	\$	\$
Balance, beginning of year		5,172,358	(4,817,355)	2,281,414	(4,945,021)	(2,308,604)	(2,596,574)
(Deficiency) excess of revenue over expenses		—	—	—	(616,337)	(616,337)	571,970
Employee future benefit remeasurement and other items	10	—	—	—	839,200	839,200	(284,000)
Additions to capital and intangible assets		3,683,716	76,401	—	(3,760,117)	—	—
Amortization of capital and intangible assets		(2,397,711)	(1,209,206)	—	3,606,917	—	—
Additions to deferred capital contributions		(1,631,691)	—	—	1,631,691	—	—
Amortization of deferred capital contributions		1,529,229	370,374	—	(1,899,603)	—	—
Repayment of long-term debt		267,521	414,785	—	(682,306)	—	—
Transfer from unrestricted funds	15	—	—	332,305	(332,305)	—	—
Balance, end of year		6,623,422	(5,165,001)	2,613,719	(6,157,881)	(2,085,741)	(2,308,604)

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

Perley Health
Statement of financial position
As at December 31, 2024

	Notes	2024 \$	2023 \$
Assets			
Current assets			
Cash and cash equivalents		14,470,886	21,080,640
Accounts receivable	3	8,951,552	6,548,314
Prepaid expenses		380,012	379,430
		23,802,450	28,008,384
Residents' trust account		70,830	76,220
Tenants' deposit account		309,349	309,606
Long-term care – capital and intangible assets	4	34,480,450	33,194,445
Seniors' housing – capital assets	5	28,051,887	29,184,692
Restricted investments – seniors' housing	6	2,613,719	2,281,414
		89,328,685	93,054,761
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	7	18,300,686	18,073,486
Accrued vacation pay		2,627,332	2,441,266
Deferred revenue		1,937,113	4,688,253
Current portion of long-term debt	8	435,931	414,785
Current portion of energy retrofit lease	9	267,521	247,020
		23,568,583	25,864,810
Residents' deposits		70,830	76,220
Tenants' deposits		309,349	309,606
Long-term debt	8	28,396,602	28,832,533
Energy retrofit lease	9	2,093,392	2,381,414
Employee future benefits	10	7,095,200	7,750,400
Deferred capital contributions related to long-term care – capital and intangible assets	11	25,496,115	25,393,653
Deferred capital contributions related to seniors' housing – capital assets	12	4,384,355	4,754,729
		91,414,426	95,363,365
Contingencies	17		
Net assets			
Invested in capital and intangible assets – long-term care		6,623,422	5,172,358
Invested in capital assets – seniors' housing		(5,165,001)	(4,817,355)
Internally restricted	15	2,613,719	2,281,414
Unrestricted		(6,157,881)	(4,945,021)
		(2,085,741)	(2,308,604)
		89,328,685	93,054,761

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, 2024

	Notes	2024 \$	2023 \$
Operating activities			
(Deficiency) excess of revenue over expenses		(616,337)	571,970
Items not affecting cash			
Amortization of capital and intangible assets – long-term care		2,331,402	2,207,254
Amortization of capital assets – seniors' housing		1,209,206	1,200,994
Amortization of capital assets – operations		66,309	74,829
Amortization of deferred capital contributions – long-term care		(1,529,229)	(1,511,351)
Amortization of deferred capital contributions – seniors' housing		(370,374)	(373,701)
Gain on sale of restricted investment – seniors' housing		12,962	19,444
Gain on sale of short-term investments			
Deferred revenue		(2,751,140)	681,605
Employee future benefits		184,000	103,200
Change in unrealized gains/losses on restricted investment – seniors' housing		(100,896)	(51,789)
		(1,564,097)	2,922,455
Changes in non-cash operating working capital items			
working capital items	14	(1,990,554)	646,984
		(3,554,651)	3,569,439
Financing activities			
Deferred capital contributions – long-term care		1,631,691	573,198
Repayment of long-term debt		(414,785)	(394,664)
Repayment of energy retrofit lease		(267,521)	(240,660)
		949,385	(62,125)
Investing activities			
Additions to long-term care – capital and intangible assets		(3,683,716)	(1,681,513)
Additions to senior housing – capital and intangible assets		(76,401)	(53,005)
Proceeds from sales of restricted investments seniors' housing		183,163	681,800
Purchases of restricted investments – seniors' housing		(427,534)	(904,386)
		(4,004,488)	(1,957,104)
Net (decrease) increase in cash and cash equivalents		(6,609,754)	1,550,209
Cash and cash equivalents, beginning of year		21,080,640	19,530,431
Cash and cash equivalents, end of year		14,470,886	21,080,640
Cash and cash equivalents are composed of			
Cash		13,549,653	20,192,208
Cash equivalents		921,233	888,432
		14,470,886	21,080,640

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.

Adoption of Accounting Guideline 20 ("AcG-20"), Customer's Accounting for Cloud Computing Arrangements

Effective December 31, 2024, Perley Health has adopted AcG-20. The guideline provides guidance on determining whether a software element is a software intangible asset or a software service, and how to account for expenditures in a cloud computing arrangement.

In accordance with AcG-20, an entity has an option to apply the simplification approach to account for expenditures in a cloud computing arrangement within the scope of the guideline. In applying the simplification approach, the expenditures in the arrangement shall be treated as the supply of services and the entity shall recognize the expenditures related to the elements in the cloud computing arrangement as an expense as incurred. The simplification approach is an accounting policy that shall be applied consistently to expenditures in all cloud computing arrangements.

An entity that does not apply the simplification approach is required to determine if a software element within the scope of AcG-20 is a software intangible asset or a software service:

- (a) If the software element is an intangible asset, an entity will apply Section 3064, Goodwill and Intangible Assets, to account for the implementation expenditures.⁹
- (b) If the software element is a service, the guideline provides a policy choice to either capitalize qualifying implementation expenditures or expense implementation expenditures.

Perley Health has elected not to apply the simplification approach and has elected to capitalize qualifying costs associated with implementing a software service. Capitalized implementation expenditures associated with implementing a software service have been disclosed separately on the balance sheet and have been presented in "Cloud computing implementation activities".

Perley Health has applied the guideline in accordance with the transition provisions of AcG-20. An entity that does not apply the simplification approach shall apply the guideline either retrospectively or only to expenditures on implementation activities incurred in a cloud computing arrangement on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the guideline.

The adoption of AcG-20 did not have an impact on Perley Health's financial statements.

2. Accounting policies (continued)

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:

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%
Solar 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

Intangible assets related to cloud computer arrangements

Perley Health has elected to capitalize qualifying costs associated with implementing a software service.

2. Accounting policies (continued)

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.

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.

2. Accounting policies (continued)

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.

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.

2. Accounting policies (continued)

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 and the assumptions used to determine employee future benefits. Actual results could differ from these estimates.

3. Accounts receivable

	2024 \$	2023 \$
Ontario Ministry of Long-Term Care	7,648,519	5,632,735
Veterans Affairs Canada	188,171	215,369
Perley Health Foundation	575,137	472,647
Residents	113,921	66,323
Accounts receivable - general	425,804	161,240
	8,951,552	6,548,314

4. Long-term care – capital and intangible assets

	Cost \$	Accumulated amortization \$	2024 Net book value \$	2023 Net book value \$
Building on leased land	70,354,382	47,634,763	22,719,619	22,546,568
Furniture and equipment	12,354,814	8,356,926	3,997,888	3,929,269
Computer equipment	5,682,416	4,075,060	1,607,356	1,405,709
Software	676,227	609,608	66,619	83,607
Leasehold improvements	4,166,892	1,306,322	2,860,570	1,797,857
Energy retrofit equipment under capital lease	4,994,356	2,332,332	2,662,024	2,802,130
Solar panels	1,784,339	1,217,964	566,375	629,305
	100,013,426	65,532,976	34,480,450	33,194,445

5. Seniors' housing – capital assets

	Cost \$	Accumulated amortization \$	2024 Net book value \$	2023 Net book value \$
Building on leased land	43,197,926	15,684,106	27,513,821	28,582,884
Furniture and equipment	1,453,356	915,290	538,067	601,808
	44,651,283	16,599,396	28,051,887	29,184,692

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.

	Fair value \$	2024 Cost \$	Fair value \$	2023 Cost \$
Canadian equity	307,254	229,716	261,791	217,982
Canadian mutual funds	1,989,289	1,993,720	1,764,241	1,835,839
Canadian cash and equivalents	317,176	317,176	255,382	255,382
	2,613,719	2,540,612	2,281,414	2,309,203

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

	2024 \$	2023 \$
Accounts payable - general	5,888,628	8,559,113
Ontario Ministry of Long-Term Care	10,260,069	8,049,978
Veterans Affairs Canada	1,270,553	692,486
Payroll remittances	881,436	771,909
	18,300,686	18,073,486

8. Long-term debt

	2024	2023
	\$	\$
Debenture A, bearing interest at 4.96%, semi-annual, monthly payments commenced September 1, 2014, maturing August 1, 2034	9,627,779	9,768,195
Debenture B, bearing interest at 5.08%, semi-annual, monthly payments commenced September 1, 2014, maturing August 1, 2034	19,204,754	19,479,123
Long-term portion	28,832,533	29,247,318
Less: Current portion	435,931	414,785
Long-term portion	28,396,602	28,832,533

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:

	\$
2025	435,931
2026	458,156
2027	481,514
2028	506,062
2029 and thereafter	26,950,870
	28,832,533

9. Energy retrofit lease

	2024	2023
	\$	\$
Energy retrofit lease, bearing interest at 2.61% quarterly payments commenced August 1, 2020, and maturing	2,360,913	2,628,434
Less: Current portion	267,521	247,020
Long-term portion	2,093,392	2,381,414

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.

9. Energy retrofit lease (continued)

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 five years are as follows:

	\$
2025	267,521
2026	245,497
2027	263,311
2028	1,584,585
	<u>2,360,913</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, 2024.

	2024 \$	2023 \$
Accrued benefit obligation, beginning balance	7,750,400	7,363,200
Net benefit cost	798,400	783,500
Past service cost	—	14,700
Re-measurements due to actuarial (gain) loss	(839,200)	269,300
Funding contributions	(614,400)	(680,300)
Accrued benefit obligations, ending balance	7,095,200	7,750,400

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

	2024 %	2023 %
Discount rate for expenses	4.60	5.20
Discount rate for accrued benefit obligation	4.50	4.60
Salary increase	3.00	3.00
Dental benefit cost escalation	2.00	3.00
Medical benefit cost escalation - extended health care	6.30	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:

	2024	2023
	\$	\$
Balance, beginning of year	25,393,653	26,331,806
Capital funding received	1,631,690	573,198
Amounts amortized to revenue	(1,529,229)	(1,511,351)
Balance, end of year	25,496,115	25,393,653

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:

	2024	2023
	\$	\$
Balance, beginning of year	4,754,729	5,128,430
Amounts amortized to revenue	(370,374)	(373,701)
Balance, end of year	4,384,355	4,754,729

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, 2024, are \$2,970,055 (\$2,970,055 in 2023).

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 \$4,123,559 (\$3,298,399 in 2023).

14. Additional information relating to the statement of cash flows

Changes in non-cash operating working capital items

	2024 \$	2023 \$
Accounts receivable	(2,403,238)	(5,428,257)
Prepaid expenses	(582)	47,449
Accounts payable and accrued liabilities	227,200	5,854,615
Accrued vacation pay	186,066	173,177
	(1,990,554)	646,984

15. Internally restricted net assets

	Balance as at December 31, 2023 \$	Transfer to unrestricted net assets \$	Balance as at December 31, 2024 \$
Capital reserve - seniors' housing	2,281,414	332,305	2,613,719

Transfer from unrestricted net assets to the capital reserve – seniors' housing in 2024 is comprised of a net contribution of \$190,500 (\$172,000 in 2023) and change in unrealized gains on the restricted investments (Note 6) of \$100,896 (\$51,789 in 2023) plus the investment income of \$40,909 (\$31,143 in 2023).

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, 2024, the Foundation distributed \$2,675,358 (\$1,330,909 in 2023) 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, 2024, Perley Health has a balance owing from the Foundation of \$575,137, which is included in accounts receivable (\$468,277 in 2023).

	2024 \$	2023 \$
Programs and capital expenditures		
Gifts-in-kind	4,581	23,991
Cash donations	2,670,777	1,306,918
	2,675,358	1,330,909

(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.

16. Related party transactions (continued)

(b) *Ottawa Regional Hospital Linen Services Incorporated (continued)*

For the year ended December 31, 2024, Perley Health paid \$601,134 (\$546,708 in 2023) 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 2019, 2020, 2021, 2022, 2023 and the current year. The VAC reconciliations are outstanding for 2023/24 and the current year. The MoH reconciliations outstanding are for 2023/24 and the current year.

Funding adjustments recorded during the year are summarized below.

	Fiscal year funding adjustments relate to	2024 \$	2023 \$
VAC	2022/23	18,513	—

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 \$90 thousand, and management believes the claim is wholly defensible. Consequently, Perley Health has not recorded any liability with respect to this matter.

Perley Health has also been named as a defendant as part of a class action lawsuit filed in Ontario Superior Court in September 2020. In 2024, Perley Health was not certified as class actions and the motion against it was dismissed. The Plaintiffs are at liberty should they choose to re-issue claims on a disaggregated basis. As at year end, the outcome or potential liability cannot be reasonably determined. 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:

	2024	2023
	\$	\$
Operating revenue		
Rental revenue	4,074,448	3,905,442
Amortization of deferred contributions	370,374	373,701
Other revenue	357,975	400,837
	4,802,797	4,679,980
Operating expenses		
General supplies	228,954	168,154
Interest	1,446,360	1,466,564
Maintenance and repairs	312,568	223,555
Property taxes	243,292	237,508
Salaries and benefits	654,882	643,971
Utilities	308,732	308,947
Amortization	1,209,206	1,200,994
	4,403,994	4,249,693
Deficiency of revenue over expenses	398,803	430,287

19. Ancillary operations

Ancillary revenue and expenses consist of the following:

	2024	2023
	\$	\$
Operating revenue		
Non-resident food services	678,250	517,214
Parking	624,907	609,598
Telecommunications, rental, investment income and other	1,621,496	1,685,876
Solar panels	126,634	240,723
	3,051,287	3,053,411
Operating expenses		
Non-resident food services	1,129,930	857,977
Parking	514,933	376,922
Telecommunications services and other	144,283	125,087
Solar panels	1,087	1,062
Amortization of capital assets - solar panels	62,931	69,923
	1,853,164	1,430,971
Excess of revenue over expenses	1,198,123	1,622,440