Lakeridge Health

Financial Statements
March 31, 2022

Lakeridge Health
Financial Statements
For the year ended March 31, 2022

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Independent Auditor's Report

To the Members of the Board of Lakeridge Health

Opinion

We have audited the financial statements of Lakeridge Health (the "Hospital"), which comprise the statement of financial position as at March 31, 2022, and the statements of operations, remeasurement gains, and changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Hospital as at March 31, 2022, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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.

Other Matter

The financial statements for the year ended March 31, 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on June 21, 2021.

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.

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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 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 the Hospital'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 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 control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Oakville, Ontario
June 23, 2022

Lakeridge Health

Statement of Financial Position

As at March 31, 2022

(in thousands of dollars)

	2022 $	2021 $
Assets		
Current assets		
Cash	181,129	194,167
Accounts and other receivables (note 3)	67,080	57,557
Inventories (note 4)	18,613	19,718
Prepaid expenses	11,816	8,264
	278,638	279,706
Other long-term assets	6,370	5,708
Capital assets (note 5)	824,010	625,899
	1,109,018	911,313
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	172,154	135,577
Deferred contributions - unspent (note 10)	69,689	68,893
Deferred research contributions	4,445	4,314
Deferred contributions – other	5,952	5,714
Current portion of long-term debt (note 6)	2,845	2,605
	255,085	217,103
Long-term debt (note 6)	27,457	30,302
Debentures (note 7)	99,850	99,844
Employee future benefit liability (note 8)	26,271	24,589
Other long-term liabilities (notes 9 and 16)	4,351	5,176
Deferred contributions – capital assets (note 10)	540,625	378,642
	953,639	755,656
Net Assets	151,706	152,600
Accumulated remeasurement gains	3,673	3,057
	155,379	155,657
	1,109,018	911,313

On Behalf of the Board of Directors:

Tom McCulloch, Treasurer — Director

Sharon Cochran, Board Chair — Director

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

Lakeridge Health

Statement of Operations

For the year ended March 31, 2022

(in thousands of dollars)

	2022 $	2021 $
Revenue		
Ministry of Health and Ministry of Long-Term Care (note 19)	664,566	630,282
Patient services	39,021	37,433
Other ancillary revenue and recoveries	46,788	45,339
Specifically funded programs	56,971	34,659
Amortization of deferred capital contributions – equipment	6,484	5,694
	813,830	753,407
Expenses		
Compensation and benefits	529,095	498,977
Supplies and other	106,818	110,573
Drugs	58,641	52,702
Medical and surgical supplies	35,348	31,596
Specifically funded programs	58,525	34,820
Amortization of equipment	17,489	13,880
	805,916	742,548
Excess of revenue over expenses before building amortization and interest expense	7,914	10,859
Net building amortization and interest		
Amortization of deferred capital contributions – buildings	16,408	16,754
Amortization of buildings	(23,290)	(23,043)
Interest on long-term debt	(1,926)	(1,216)
Excess (deficiency) of revenue over expenses before integration	(894)	3,354
Net effect of integration	-	2,159
Excess (deficiency) of revenue over expenses for the year	(894)	5,513

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

Lakeridge Health

Statement of Remeasurement Gains

For the year ended March 31, 2022

(in thousands of dollars)

	2022 $	2021 $
Accumulated remeasurement gains– Beginning of year	3,057	2,580
Change in unrealized gains attributable to derivative liability	616	477
Accumulated remeasurement gains – End of year	3,673	3,057

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

Lakeridge Health

Statement of Changes in Net Assets

For the year ended March 31, 2022

(in thousands of dollars)

	Invested in capital assets $ (note 11)	Internally restricted $ (note 12)	Unrestricted $	2022 Total $	2021 Total $
Net assets (liability) – Beginning of year	167,234	2,326	(16,960)	152,600	147,087
Net effect of integration	-	-	-	-	2,159
Excess (deficiency) of revenue over expenses before amortization	-	-	16,993	16,993	17,829
Amortization of capital assets	(40,779)	-	-	(40,779)	(36,923)
Amortization of deferred capital contributions	22,892	-	-	22,892	22,448
Purchase of capital assets	238,890	-	(238,890)	-	-
Purchase of capital assets, funded by debenture, less repayments of long-term debt (note 11)	(44,232)	-	44,232	-	-
Amounts funded from deferred contributions and restricted funds	(184,875)	2,106	182,769	-	-
Net assets (liability) – End of year	159,130	4,432	(11,856)	151,706	152,600

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

Lakeridge Health

Statement of Cash Flows

For the year ended March 31, 2022

(in thousands of dollars)

	2022 $	2021 $
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses for the year	(894)	5,513
Add (deduct): Non-cash items		
Net effect of integration, net of cash	-	1,693
Amortization of capital assets (note 5)	40,779	36,923
Amortization of deferred capital contributions (note 10)	(22,892)	(22,448)
Employee future benefits (note 8)	1,682	1,591
	18,675	23,272
Net change in non-cash operating items (note 13)	24,314	(8,828)
	42,989	14,444
Capital activities		
Purchase of capital assets (note 5)	(238,890)	(84,051)
Financing activities		
Repayment of long-term debt and equipment financing	(2,605)	(3,058)
Other long-term liabilities	(209)	(1,269)
Amortization of debenture issue costs	6	-
Capital contributions (note 10)	185,671	73,994
	182,863	69,667
Investing activities		
Maturity of short-term investments	-	50,000
Increase (decrease) in cash during the year	(13,038)	50,060
Cash – Beginning of year	194,167	144,107
Cash – End of year	181,129	194,167
Supplemental information		
Interest paid	4,282	4,214

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

1 The Corporation

Lakeridge Health (the Hospital) was formed on July 31, 1998 by amalgamation under subsection 113(3) of the Corporations Act of Ontario and is a registered charity under the Income Tax Act (Canada). The Hospital is an amalgamation of Oshawa General Hospital, Memorial Hospital Bowmanville, North Durham Hospital Corporation and Whitby General Hospital. Additionally, at the direction of the Ministry of Health, the Hospital integrated the Ajax-Pickering Hospital, formerly of the Rouge Valley Health System, on December 1, 2016. On October 1, 2020, the Hospital entered into an amalgamation agreement with Durham Mental Health Services (DMHS), recording an acquisition of the assets, liabilities and employees of the community service provider. The Hospital is a registered charity under the Income Tax Act (Canada) and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) are met.

In April 2021 the Hospital has expanded its role of supporting resident care and assumed management of the Sunnycrest Nursing Home under temporary emergency management license. Since early December 2020 when the Hospital assumed an active role in response to the Covid-19 outbreak, through to the planned closure of the home announced in February 2022, the Hospital continues to focus on the care and safety of residents. The Hospital has expanded its role in long-term care with the March 2022 opening of its new 320-bed home, Lakeridge Gardens, located next to the Ajax-Pickering Hospital. Results of both long-term care operations have been included in the revenue and expense sections of specifically funded programs.

Under the Health Insurance Act and the regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health (MOH) and Ministry of Long-Term Care (MOLTC). The board of trustees recognizes the Hospital’s ongoing dependency on the MOH and MOLTC as the primary funding sources for the Hospital’s operating activities.

As provided under the Local Health System Integration Act, 2006, effective April 1, 2007, the MOH and MOLTC assigned to Ontario Health (OH, previously the Central East Local Health Integration Network) all of its rights, duties and obligations under its 2007/08 Hospital Accountability Agreement with the Hospital. This assignment is aligned with the MOH and MOLTC’s transformation agenda and will enable OH to take on full responsibility for planning, funding and integrating health services in the OH area, which includes the Hospital.

2 Summary of significant accounting policies

Management has prepared these financial statements in accordance with Canadian Public Sector Accounting Standards (PSAS) for government not-for-profit organizations, using the deferral method of reporting restricted contribution. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. Accounts requiring significant estimates include accounts receivable, capital assets, accrued liabilities, deferred revenue and employee future benefits.

Revenue recognition

Under the Health Insurance Act and Regulations thereto, the Hospital is primarily funded by the Province of Ontario. Operating grants are recorded as revenue in the year to which they relate.

(in thousands of dollars)

2 Summary of significant accounting policies (continued)

To the extent that the MOH, MOLTC or OH funding has been received with the stipulated requirement that the Hospital provides specific services, and these services have not yet been provided, the funding is deferred until such time as the services are performed and the monies spent. In the event that the services are not performed in accordance with the funding requirements, the funds received in excess of monies spent could be recovered by the MOH, MOLTC or by OH.

Operating contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Capital contributions externally restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate of the related capital assets.

Revenue from other agencies, patients, special programs and other sources is recognized when the service is provided.

Classification of financial instruments

All financial instruments reported on the statement of financial position of the Hospital are measured as follows:

Financial instrument	Measurement
Cash	amortized cost
Accounts receivable	amortized cost
Accounts payable and accrued liabilities	amortized cost
Long-term debt	amortized cost
Debenture	amortized cost
Derivative liability	fair value

The Hospital initially recognizes financial instruments at fair value and subsequently measures them at amortized cost using the effective interest rate method, less any impairment losses on financial assets, except for the derivative liability, which is measured at fair value.

Inventories

Inventories are valued at the lower of cost and net realizable value, with cost being determined on a first-in, first-out basis.

Capital assets

Capital assets are recorded at acquisition cost. Amortization is provided on a straight-line basis and is based on the estimated useful service lives of the assets as follows:

Land improvements	10 – 20 years
Buildings and building service equipment	5 – 50 years
Furniture and equipment	3 – 15 years

2 Summary of significant accounting policies (continued)

On completion, costs in construction-in-progress are reclassified to the appropriate capital asset account and amortization is commenced when the asset is operational.

Employee future benefits

The Hospital accrues its obligations for employee benefit plans. The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of retirement ages of employees and expected health-care costs.

Adjustments arising from plan amendments are recognized in the year that the plan amendments occur. Actuarial gains or losses are amortized over the average remaining service period of the active employees.

The Hospital is an employer member of the Healthcare of Ontario Pension Plan (the plan), which is a multi-employer, defined benefit pension plan. The Hospital has adopted defined contribution plan accounting principles for the plan because insufficient information is available to apply defined benefit plan accounting principles.

Use of estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Accounts involving significant estimates include accrued liabilities and employee future benefits liability.

COVID-19 has added to the Hospital's measurement uncertainty in the current and prior year primarily due to judgment required by management to make significant assumptions related to estimates as they relate to funding received from the MOH and MOLTC for incremental costs related to COVID-19. Calculating the amount of the incremental funding requires judgment in interpreting the related guidelines published by the MOH and MOLTC as at the date of these financial statements. Consequently, there is uncertainty with respect to the amounts reported as revenue and receivables from the MOH and MOLTC in the financial statements for the year ended March 31, 2022 as there is a risk the funding provided to the Hospital may be clawed back or the funding receivable at year-end may be reduced if additional clarifying guidance is published by the MOH and MOLTC or if a different interpretation with respect to the application of the guidance to the Hospital's submission is taken by the MOH and MOLTC.

(in thousands of dollars)

3 Accounts and other receivables

	2022 $	2021 $
MOH and MOLTC (note 19)	50,774	33,321
Insurers and patients	9,994	13,771
Foundations (note 18)	709	419
Other	7,989	10,994
	69,466	58,505
Provision for uncollectible accounts	(2,386)	(948)
	67,080	57,557

4 Inventories

During the year, $211,219 (2021 – $180,289) of inventory was recognized as an expense. These amounts are included as supplies and other, drugs and medical and surgical supplies in the statement of operations. In 2022, there was a writedown of inventories of $2,087 (2021 – $3,414) recognized as an expense.

5 Capital assets

	2022		2021	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
	$	$	$	$
Land and Land Improvements	11,191	4,454	11,191	4,405
Buildings and Building service equipment	967,362	358,565	786,483	335,275
Furniture and Equipment	301,495	135,247	195,591	117,807
Construction in Progress	42,228	-	90,121	-
	1,322,276	498,266	1,083,386	457,487
Net Book Value		824,010		625,899

Land and land improvements amortization of $49 (2021 – $48) is included in amortization of buildings on the statement of operations.

Included in Furniture and Equipment is capitalized interest of $4,566 (2021 – $2,688) related to the design and development of a clinical information system that was completed in fiscal 2022.

(in thousands of dollars)

6 Long-term debt

	2022 $	2021 $
Loan of $17,500 due March 2027 for the purpose of financing the construction of a Central Utilities Plant at one of the Hospital's facilities, interest fixed at 5.99% through an interest rate swap contract (note 9)	6,666	7,735
Loan of $959 originally, renewed in May 2021 at $245, due May 2026 for a mental health supportive housing residence, bearing interest at 1.72% with monthly payments of principal and interest	206	253
Loan of $12,500 due December 2032 bearing interest at 5.58%, acquired for expansion of the north parking garage at the Oshawa site, repayable based on a 25-year amortization with interest only payments for the first five years; principal payments commenced in January 2013	8,381	8,935
Loan of $17,710 due April 2031 bearing interest at 5.25%, acquired for the retrofit of energy systems at the Hospital, repayable based on a 19-year term with the payments commenced in January 2015	15,049	15,984
	30,302	32,907
Less: Amounts due within one year	2,845	2,605
	27,457	30,302

Interest expense on long-term debt in the current year was $1,314 (2021 – $1,216).

Principal repayments due in each of the next five years and thereafter on long-term debt are as follows:

	$
2023	2,845
2024	3,084
2025	3,341
2026	3,614
2027	3,864
Thereafter	13,554
	30,302

7 Debentures

On March 2, 2020, the Hospital issued $100 million of senior unsecured debentures at par with a 40-year term and an annual interest rate of 2.484%. Coupon interest payments are payable in equal semi-annual installments in September and March of each year. The amount owing as at March 31, 2022 is $99,850 (2021 - $99,844), inclusive of accrued interest of $211 and net of unamortized bond issue cost of $354 (2021 - $360). The debentures are subject to certain covenants and redemption, principal repayment to occur at maturity. Proceeds funded capital investment to support the Hospital's new clinical information system.

(in thousands of dollars)

8 Employee future benefits

The Hospital provides certain post-employment benefits to some of its employees. The most recent actuarial valuation for the Hospital was performed on March 31, 2022.

Information about the Hospital's employee future benefits obligations, in aggregate, is as follows:

	2022 $	2021 $
Employee future benefit liability		
Balance – Beginning of year	24,589	22,998
Employer current service cost	1,837	1,715
Amortization of actuarial losses	463	392
Interest cost	824	834
Benefits paid	(1,442)	(1,350)
Balance – End of year	26,271	24,589
Unamortized actuarial (gains) / losses	(3,224)	4,810
Accrued benefit obligation, end of year	23,047	29,399

The significant actuarial assumptions adopted in estimating the Hospital's accrued benefit obligations are as follows:

	2022	2021
Discount rate to determine accrued benefit obligation	3.70%	2.70%
Dental cost increases	4.00%	4.00%
Extended health-care cost escalations, decreasing by 0.25% per annum to an ultimate rate of 4.50% in 2022 and thereafter	4.50%	6.00%
Expected average remaining service life of employees	12	14

(in thousands of dollars)

9 Other long-term liabilities

	2022 $	2021 $
Derivative liability	589	1,205
HIROC liability (note 16)	2,967	2,545
Other	795	1,426
	4,351	5,176

Derivative liability

The Hospital has a credit facility for the financing of construction of a central utilities plant at one of the Hospital's facilities in the amount of $17,500. The Hospital entered into an interest rate swap agreement to modify the floating rate of interest on the loan from a bankers' acceptance rate to a fixed rate of 5.99%. The start date of this interest rate swap was October 1, 2004, with a maturity date of May 1, 2027. The fair value of the interest rate swap as at March 31, 2022 is $589 (2021 – $1,205). The change in fair value during the year of $616 (2021 – $477) is recorded in the statement of remeasurement gains and losses.

10 Deferred capital contributions

Deferred capital contributions include the unamortized balance of funding received from MOH and MOLTC and other funding sources for approved capital acquisitions and development. The current portion of deferred contributions represents the unspent amount of externally restricted contributions received for specific purposes and interest earned on these funds. In fiscal 2022, the Hospital received $172,541 (2021 – $56,921) from the MOLTC specific to the construction of a new 320-bed long-term care home, Lakeridge Gardens, adjacent to the Ajax-Pickering hospital site. The home was built as part of an accelerated build process in collaboration with the government and opened in March 2022.

	2022 $	2021 $
Balance, beginning of the year	447,535	395,625
Contibutions received in the current year	185,671	74,358
Less: amounts amortized to revenue	(22,892)	(22,448)
	610,314	447,535
Deferred contributions - unspent	69,689	68,893
Deferred contributions - capital assets (note 11)	540,625	378,642
Balance, end of year	610,314	447,535

(in thousands of dollars)

11 Net assets invested in capital assets

	2022 $	2021 $
Capital assets (note 5)	824,010	625,899
Less: Amounts funded by		
Deferred contributions – capital assets (note 10)	540,625	378,642
Debenture	93,953	47,116
Long-term debt (note 6)	30,302	32,907
	159,130	167,234

12 Internally restricted

The Hospital has restricted $170 (2021 – $170) for major capital refurbishment of the parking garage and $68 (2021 – $68) for the replacement of specialized cancer related equipment at the McLaughlin Durham Regional Cancer Centre.

The Hospital has also restricted $4,194 (2021 – $2,088) as a sinking fund for repayment of its debenture.

13 Net change in non-cash operating items

	2022 $	2021 $
Decrease (increase) in assets		
Accounts receivable	(9,523)	(31,267)
Inventories	1,105	(14,582)
Prepaid expenses	(3,552)	996
Other long-term assets	(662)	600
	(12,632)	(44,253)
Increase (decrease) in liabilities		
Accounts payable and accrued liabilities	36,577	35,677
Deferred research contributions	131	(646)
Deferred contributions – other	238	394
	36,946	35,425
	24,314	(8,828)

(in thousands of dollars)

14 Lease commitments

The Hospital is committed under operating leases for various facilities until 2035. Minimum payments due in each of the next five remaining years and thereafter of the leases are as follows:

	$
2023	1,550
2024	844
2025	750
2026	783
2027	783
Thereafter	3,629
	8,339

15 Pension plan

Substantially all of the employees of the Hospital are members of the plan, which is a multi-employer best five consecutive year average pay defined benefit pension plan. Employer contributions made to the plan during the year by the Hospital amount to $29,967 (2021 – $28,961) and are reflected as compensation and benefits in the statement of operations. The most recent actuarial valuation of the plan as at December 31, 2021 indicated that plan is funded at 120%.

16 Contingent liabilities and guarantees

- Due to the nature of its operations, the Hospital is periodically subject to lawsuits in which the Hospital is a defendant, as well as grievances filed by its various unions. In the opinion of management, the resolution of any current lawsuits and/or grievances would not have a material effect on the financial position or results of operations.

- In the normal course of business, the Hospital enters into agreements that meet the definition of a guarantee. The Hospital's primary guarantees are as follows:

  - Indemnity has been provided to all directors and officers of the Hospital for various items including, but not limited to, all costs to settle suits or actions due to association with the Hospital, subject to certain restrictions. The Hospital has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a director or officer of the Hospital. The maximum amount of any potential future payment cannot be reasonably estimated.

  - In the normal course of business, the Hospital has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisers and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require the Hospital to compensate counterparties for losses incurred by the counterparties as a result of breaches

16 Contingent liabilities and guarantees (continued)

in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

The nature of these indemnification agreements prevents the Hospital from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability that stems from the unpredictability of future events and the coverage offered to counterparties. Historically, the Hospital has not made any significant payments under such or similar indemnification agreements and, therefore, no amount has been accrued in the statement of financial position with respect to these agreements.

- The Hospital is a member in Healthcare Insurance Reciprocal of Canada (HIROC) and therefore has an economic interest in HIROC. HIROC is a pooling of the public liability insurance risks of its members, which are Canadian not-for-profit health-care organizations. All members of the HIROC pool pay annual premiums, which are actuarially determined. All members are subjects to assessment for losses, if any, experienced by the pool for the years in which they were members. No assessments have been made for the years ended March 31, 2022 and March 31, 2021.

Since its inception in 1987, HIROC has accumulated an unappropriated surplus, which is the total of premiums paid by all subscribers plus investment income, less the obligations for claims reserves and expenses and operating expenses.

In 2015, the Hospital entered into an agreement with HIROC Management Limited (HML) whereby HIROC continues to provide indemnity insurance to the Hospital; however, the cost of investing and defending any litigation claims, previously included in the insurance premium, will be borne by the Hospital.

Under this agreement, the Hospital provides deposits to HML, which acts as an agent to pay legal expenses on behalf of the Hospital. For the year ended March 31, 2022, the Hospital has recorded legal expenses of $2,222 (2021 – $1,731) based on the assessment of the actuary engaged by HML, which have been included in the statement of operations. As at March 31, 2022, the deposit balance was $6,405 (2021 – $5,012), of which $5,620 (2021 – $4,282) is not expected to be used within one year and is therefore included in Other long-term assets in the Statement of Financial Position. The total liability was estimated to be $4,198 (2021 – $3,750), of which $2,967 (2021 – $2,545) is not expected to be paid within one year and is therefore included in Other Long-term liabilities in the Statement of Financial Position (note 9).

(in thousands of dollars)

17 Risk management

Credit risk

Credit risk relates to the potential that one party to a financial instrument will fail to discharge an obligation, thus resulting in the other party incurring a financial loss. The Hospital is exposed to credit risk on its accounts receivable. The amounts disclosed in the statement of financial position are net of an allowance for doubtful accounts, estimated by management of the Hospital based on previous experience and its assessment of the current economic environment, The Hospital does not have any significant past due accounts receivable that are not provided for. Within the insurers and patients accounts receivable balance, 73% (2021 – 68%) represents receivables that have been outstanding for less than 60 days.

Interest rate risk

Interest rate risk relates to the potential for financial loss caused by fluctuations in the fair value or future cash flows of financial instruments because of changes in market interest rates.

The long-term debt generally bears interest at fixed rates, except for the loan for the purpose of financing the construction of a central utilities plant. The Hospital mitigates interest rate risk on the loan through a derivative financial instrument that exchanges the variable rate inherent in the long-term debt for a fixed rate (note 7 and 9). Therefore, fluctuations in market interest rates would not impact future cash flows of the Hospital.

Liquidity risk

Liquidity risk is the possible risk of not being able to meet financial obligations when due. The Hospital manages its liquidity risk by forecasting cash flows from operations and anticipating capital, investing and financing requirements. The Hospital believes its current sources of liquidity are sufficient to cover known short and long-term cash obligations.

The maturity analysis of the Hospital's long-term debt is described in notes 6 and 7. The majority of the accounts payable and accrued liabilities are expected to be settled in the next fiscal year

					2022
	Up to 6 months	**More than 6 months and up to 1 year**	**More than 1 year and up to 5 years**	**More than 5 years**	**Total**
	$	**$**	**$**	**$**	**$**
Accounts payable and accrued liabilities	156,792	15,362	-	-	172,154
Long-term debt	1,390	1,455	13,903	13,554	30,302
Debentures	1,242	1,242	9,936	87,430	99,850
Other long-term liabilities	-	-	4,351	-	4,351
	160,242	18,836	32,763	197,338	409,179

(in thousands of dollars)

17 Risk management (continued)

	2021				
	Up to 6 months $	More than 6 months and up to 1 year $	More than 1 year and up to 5 years $	More than 5 years $	Total $
Accounts payable and accrued liabilities	121,133	14,444	-	-	135,577
Long-term debt	1,257	1,318	12,687	17,645	32,907
Debentures	1,242	1,242	9,936	87,424	99,844
Other long-term liabilities	-	-	5,176	-	5,176
	124,523	17,857	33,116	204,503	379,999

18 Related party transactions

Foundations

The Hospital is related to the Ajax-Pickering Hospital Foundation, the Lakeridge Health Foundation (formerly The Oshawa Hospital Foundation), The Memorial Hospital Foundation – Bowmanville, Port Perry Hospital Foundation and Lakeridge Health Whitby Foundation (the foundations). The foundations raise funds to support projects of the Hospital.

The Hospital does not exercise control or significant influence over the foundations; consequently, these financial statements do not include assets, liabilities and activities of the foundations.

Amounts receivable from the foundations recorded in accounts and other receivables in the statement of financial position include the following:

	2022 $	2021 $
Ajax-Pickering Hospital Foundation	13	13
Lakeridge Health Foundation	29	38
The Memorial Hospital Foundation – Bowmanville	349	358
Port Perry Hospital Foundation	318	10
	709	419

Shared services

The Hospital is a member of Plexxus, a not-for-profit shared service organization with 20 hospital owner/members and customers. Funded by the members (of which the Hospital is one) , the objective of Plexxus is to work collaboratively with stakeholders to deliver cost efficient services.

19 Impact of COVID-19

The outbreak of the novel strain of coronavirus, specifically identified as COVID-19, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption resulting in an economic slowdown. In response to the outbreak, the Hospital has incurred additional expenditures to provide COVID-19 related care since March 2020. Additionally, non-urgent exams and procedures were cancelled, resulting in a reduction of MOH, MOLTC and OH funding and ancillary revenue generating operations. The Hospital has claimed reimbursement from the MOH and MOLTC, under approved funding envelopes, in order to mitigate the financial impact. The revenue associated with these claims for fiscal 2022 amounts to $96,446 (2021 – $88,099) and is included in the statement of operations.

As at March 31, 2022, $39,824 (2021 – $32,923) of these claims is included in accounts receivable. These claims are subject to a future settlement process, which could result in an adjustment to the amount recoverable from the MOH, MOLTC and OH.

In addition, the Hospital received $4,742 (2021 – $5,540) of COVID-19 related funding from the MOH and MOLTC to purchase capital equipment (note 10).

20 Comparative figures

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.