

Lakeridge Health

Financial Statements
March 31, 2024

Lakeridge Health
Financial Statements
For the year ended March 31, 2024

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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, 2024, 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, 2024, 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.

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 14, 2024

Lakeridge Health

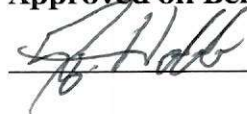
Statement of Financial Position

As at March 31, 2024

(in thousands of dollars)

	2024 \$	2023 \$
Assets		
Current assets		
Cash	125,126	133,986
Short-term investments	-	6,000
Accounts and other receivables (note 3)	57,295	63,316
Inventories	10,333	16,941
Prepaid expenses	13,977	14,787
	<u>206,731</u>	<u>235,030</u>
Other long-term assets	7,213	6,394
Capital assets (note 4)	815,319	828,386
	<u>1,029,263</u>	<u>1,069,810</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	177,290	171,989
Deferred research contributions	3,248	4,400
Deferred donations	6,174	6,409
Current portion - obligation under capital lease (note 12)	368	-
Current portion - long-term debt (note 5)	3,821	3,564
	<u>190,901</u>	<u>186,362</u>
Obligation under capital lease (note 12)	3,017	-
Long-term debt (note 5)	32,090	35,911
Debenture (note 6)	99,870	99,860
Employee future benefit liability (note 7)	28,612	27,648
Other long-term liabilities	20,024	22,609
Asset Retirement Obligations (note 17)	5,192	5,192
Deferred contributions related to capital assets (note 8)	591,116	597,040
	<u>970,822</u>	<u>974,622</u>
Net Assets	54,284	91,166
Accumulated remeasurement gains	4,157	4,022
	<u>1,029,263</u>	<u>1,069,810</u>

Approved on Behalf of the Board of Trustees



Director



Director

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

Lakeridge Health
Statement of Operations
For the year ended March 31, 2024

(in thousands of dollars)

	2024	2023
	\$	\$
Revenue		
Ministry of Health and Ministry of Long-Term Care	844,705	751,956
Patient services	59,123	52,533
Other ancillary revenue and recoveries	63,491	47,896
Amortization of deferred capital contributions – equipment	9,451	7,305
	<u>976,770</u>	<u>859,690</u>
Expenses		
Compensation and benefits	672,783	629,483
Supplies and other	170,990	143,943
Drugs	89,136	69,164
Medical and surgical supplies	44,655	41,737
Amortization of equipment	25,421	22,953
	<u>1,002,985</u>	<u>907,280</u>
Deficiency of revenue over expenses before building amortization and interest expense	(26,215)	(47,590)
Net building amortization and interest		
Amortization of deferred capital contributions – buildings	20,692	22,500
Amortization of buildings	(29,403)	(29,748)
Interest on long-term debt	(1,956)	(1,186)
	<u>(36,882)</u>	<u>(56,024)</u>
Loss for the year	<u>(36,882)</u>	<u>(56,024)</u>

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

Lakeridge Health

Statement of Remeasurement Gains

For the year ended March 31, 2024

(in thousands of dollars)

	2024	2023
	\$	\$
Accumulated remeasurement gains – Beginning of year	4,022	3,673
Change in unrealized gains attributable to derivative liability (note 5)	135	349
Accumulated remeasurement gains – End of year	4,157	4,022

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, 2024

(in thousands of dollars)

				2024	2023
	Invested in capital assets \$ (note 9)	Internally restricted \$ (note 10)	Unrestricted \$	Total \$	Total \$
Net assets (liability) – Beginning of year	131,812	6,673	(47,319)	91,166	147,190
Deficiency of revenue over expenses	(24,681)	-	(12,201)	(36,882)	(56,024)
Net change in investment in property and equipment	21,828	2,196	(24,024)	-	-
Net assets (liability) – End of year	128,959	8,869	(83,544)	54,284	91,166

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

Lakeridge Health
Statement of Cash Flows
For the year ended March 31, 2024

(in thousands of dollars)

	2024	2023
	\$	\$
Cash provided by (used in)		
Operating activities		
Loss for the year	(36,882)	(56,024)
Add (deduct): Non-cash items		
Amortization of capital assets (note 4)	54,824	52,701
Amortization of deferred capital contributions (note 8)	(30,143)	(29,805)
Employee future benefits (note 7)	964	1,377
	<u>(11,237)</u>	<u>(31,751)</u>
Net change in non-cash operating items (note 11)	16,534	13,008
	<u>5,297</u>	<u>(18,743)</u>
Capital activities		
Purchase of capital assets (note 4)	<u>(41,757)</u>	<u>(56,401)</u>
Financing activities		
Additions (repayment) of long-term debt and equipment financing	(3,564)	9,173
Other long-term liabilities	(2,450)	8,267
Obligation under capital lease (note 12)	3,385	-
Amortization of debenture issue costs	10	10
Capital contributions (note 8)	24,219	16,531
	<u>21,600</u>	<u>34,001</u>
Investing activities		
Maturity (purchase) of short-term investments	<u>6,000</u>	<u>(6,000)</u>
Decrease in cash during the year	(8,860)	(47,143)
Cash – Beginning of year	<u>133,986</u>	<u>181,129</u>
Cash – End of year	<u>125,126</u>	<u>133,986</u>
Supplemental information		
Interest paid	4,868	4,123

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

Lakeridge Health

Notes to Financial Statements

March 31, 2024

(in thousands of dollars)

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 March 2023 the Hospital opened a new 320-bed long-term care home, Lakeridge Gardens, located next to the Ajax-Pickering Hospital. More recently, in February 2024 the Hospital opened a new state-of-the-art outpatient surgical centre, the Jerry Coughlan Health and Wellness Centre, in north Pickering. Results of both, Lakeridge Gardens and the Jerry Coughlan Health and Wellness Centre, are included in the Statement of Operations under respective revenue and expense lines.

Under the Health Insurance Act and the regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with 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 enables 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.

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.

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.

Lakeridge Health

Notes to Financial Statements

March 31, 2024

(in thousands of dollars)

2 Summary of significant accounting policies (continued)

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
Obligation under capital lease	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 an average cost 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
Asset under capital lease	20 years
Asset retirement obligation	40 – 50 years

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

Lakeridge Health

Notes to Financial Statements

March 31, 2024

(in thousands of dollars)

2 Summary of significant accounting policies (continued)

Capital lease

Leasehold improvements and building service equipment under lease, which effectively transfers substantially all of the benefits and risks of ownership to the Hospital as lessee, are recorded as capital assets at the present value of the minimum lease payments under the lease, with a corresponding liability for the related lease obligation. The asset under capital lease is amortized over the estimated useful life at the same rate as similar assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

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 prorated 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, employee future benefit liability, other long-term liabilities and asset retirement obligations.

Asset Retirement Obligation

A liability for an asset retirement obligation is recognized when there is a legal obligation to incur retirement costs in relation to a tangible capital asset; the past transaction or event giving rise to the liability has occurred; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability is recorded at an amount that is the best estimate of the expenditure required to retire a tangible capital asset at the financial statement date. This liability is subsequently reviewed at each financial reporting date and adjusted for the passage of time and for any revisions to the timing and amount required to settle the obligation or the discount rate. Upon the initial measurement of an asset retirement obligation, a corresponding asset retirement cost is added to the carrying value of the related tangible capital asset if it is still in productive use.

Lakeridge Health

Notes to Financial Statements

March 31, 2024

(in thousands of dollars)

2 Summary of significant accounting policies (continued)

This cost is amortized over the useful life of the tangible capital asset. If the related tangible capital asset is unrecognized or no longer in productive use, the asset retirement costs are expensed.

3 Accounts and other receivables

	2024 \$	2023 \$
MOH and MOLTC	35,781	49,069
Insurers and patients	21,932	14,338
Foundations (note 16)	445	1,041
Other	8,876	4,945
	<hr/>	<hr/>
	67,034	69,393
Provision for uncollectible accounts	(9,739)	(6,077)
	<hr/>	<hr/>
	57,295	63,316

4 Capital assets

	2024		2023	
	Cost \$	Accumulated Amortization \$	Cost \$	Accumulated Amortization \$
Land and land improvements	12,378	4,636	11,364	4,560
Buildings and building service equipment	1,017,338	416,351	1,012,852	394,598
Furniture and equipment	346,222	184,565	313,286	151,755
Construction in progress	40,991	-	41,175	-
Capital lease	3,505	131	-	-
Asset retirement obligation	5,192	4,624	5,192	4,570
	<hr/>	<hr/>	<hr/>	<hr/>
	1,425,626	610,307	1,383,869	555,483
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value (NBV)		815,319		828,386

Land and land improvements amortization of \$76 (2023 – \$106) is included in amortization of buildings on the statement of operations.

Included in Furniture and Equipment is capitalized interest, the net book value of which is \$3,882 (2023 - \$4,186) related to the design and development of a clinical information system that was completed in fiscal 2023.

The capital lease asset recorded at present value of minimum lease payments is being amortized over the estimated useful life of similar leasehold improvements and building service equipment. During the year amortization of \$131 (2023 - \$0) was included in building amortization on the statement of operations.

Lakeridge Health

Notes to Financial Statements

March 31, 2024

(in thousands of dollars)

5 Long-term debt

	2024 \$	2023 \$
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	4,326	5,531
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	109	157
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	7,177	7,795
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	12,779	13,992
Loan to finance the construction of a new parking garage on the Ajax Pickering hospital site. This is a demand multi-draw unsecured credit facility up to \$25M by way of Canadian \$ Prime (minus 0.20%) and the Canadian Overnight Repo Rate Average (CORRA, plus 0.90%) loans, repayable in monthly payments of principal and interest over a 25-year term.	11,520	12,000
	<u>35,911</u>	<u>39,475</u>
Less: Amounts due within one year	3,821	3,564
	<u>32,090</u>	<u>35,911</u>

The Hospital entered into an interest rate swap agreement on the loan of \$17,500 for construction of a central utilities plant to modify the floating rate of interest 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, 2024 is \$105 (2023 – \$240) and recorded under Other long-term liabilities in the Statement of Financial Position. The change in fair value during the year of \$135 (2023 – \$349) is recorded in the Statement of Remeasurement Gains and Losses.

Interest expense on long-term debt in the current year was \$1,956 (2023 – \$1,186).

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

	\$
2025	3,821
2026	4,094
2027	4,344
2028	3,075
2029	3,309
Thereafter	17,268
	<u>35,911</u>

Lakeridge Health

Notes to Financial Statements

March 31, 2024

(in thousands of dollars)

6 Debenture

On March 2, 2020, the Hospital issued a \$100 million senior unsecured debenture 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, 2024 is \$99,870 (2023 - \$99,860), inclusive of accrued interest of \$211 and net of unamortized bond issue cost of \$341 (2023 - \$351). The debenture is 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.

7 Employee future benefits

The Hospital provides certain post-employment benefits to some of its employees. The most recent full 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:

	2024	2023
	\$	\$
Employee future benefit liability		
Balance – Beginning of year	27,648	26,271
Employer current service cost	1,581	1,736
Amortization of actuarial gains	(371)	(168)
Interest cost	1,051	897
Benefits paid	(1,297)	(1,088)
	<hr/>	<hr/>
Balance – End of year	28,612	27,648
	<hr/>	<hr/>
Unamortized actuarial gains	(4,324)	(5,494)
	<hr/>	<hr/>
Accrued benefit obligation, end of year	24,288	22,154

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

	2024	2023
Discount rate to determine accrued benefit obligation	4.65%	4.55%
Dental cost increases	4.40%	4.40%
Extended health-care cost increases	4.80%	4.80%
Expected average remaining service life of employees	12	12

8 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.

Lakeridge Health

Notes to Financial Statements

March 31, 2024

(in thousands of dollars)

8 Deferred capital contributions (continued)

	2024	2023
	\$	\$
Balance, beginning of the year	597,040	610,314
Contributions received in the current year	24,219	16,531
Less: amounts amortized to revenue	(30,143)	(29,805)
	<u>591,116</u>	<u>597,040</u>
Deferred contributions unspent	47,443	43,234
Deferred contributions – capital assets (note 9)	543,673	553,806
Balance, end of year	<u>591,116</u>	<u>597,040</u>

9 Net assets invested in capital assets

	2024	2023
	\$	\$
Capital assets (note 4)	815,319	828,386
Less: amounts funded by		
Capital leases (note 12)	3,017	-
Deferred contributions – capital assets (note 8)	543,673	553,806
Debenture	98,567	98,101
Long-term debt (note 5)	35,911	39,475
NBV of capitalized asset retirement obligations	(5,192)	(5,192)
	<u>128,959</u>	<u>131,812</u>

	2024	2023
	\$	\$
Balance, beginning of the year	131,812	154,614
Amortization of deferred capital contributions		
Equipment	9,451	7,305
Building	20,692	22,500
	<u>30,143</u>	<u>29,805</u>
Amortization of capital assets		
Equipment	(25,421)	(22,953)
Building	(29,403)	(29,748)
	<u>(54,824)</u>	<u>(52,701)</u>
Purchase of capital assets	41,757	56,401
Amounts funded by		
Capital leases	(3,017)	-
Deferred contributions	(20,010)	(42,986)
Long term loan	3,564	(9,173)
Debenture	(466)	(4,148)
	<u>21,828</u>	<u>94</u>
Balance, end of year	<u>128,959</u>	<u>131,812</u>

Lakeridge Health

Notes to Financial Statements

March 31, 2024

(in thousands of dollars)

10 Internally restricted

The Hospital has restricted \$0 (2023 – \$170) for major capital refurbishment of the parking garage and \$0 (2023 – \$68) for the replacement of specialized cancer related equipment at the McLaughlin Durham Regional Cancer Centre. The Hospital has also restricted \$8,869 (2023 – \$6,435) as a sinking fund for repayment of its debenture.

11 Net change in non-cash operating items

	2024 \$	2023 \$
Decrease (increase) in assets		
Accounts receivable	6,021	3,764
Inventories	6,608	1,672
Prepaid expenses	810	(2,971)
Other long-term assets	(819)	(24)
	<u>12,620</u>	<u>2,441</u>
Increase (decrease) in liabilities		
Accounts payable and accrued liabilities	5,301	10,155
Deferred research contributions	(1,152)	(45)
Deferred donations	(235)	457
	<u>3,914</u>	<u>10,567</u>
	<u>16,534</u>	<u>13,008</u>

12 Lease commitments

The future minimum annual lease payments under capital lease for leasehold improvements and building service equipment and minimum future annual operating leases for property are as follows:

	Capital leases \$	Operating leases \$
2025	380	2,990
2026	380	2,966
2027	380	2,699
2028	380	2,605
2029	380	2,409
Thereafter	3,522	24,136
Total minimum lease payments	<u>5,422</u>	<u>37,805</u>
Less: amount representing interest at 7.2%	<u>(2,037)</u>	
Total obligations under capital lease	3,385	
Less: current portion of obligations under capital lease	<u>(368)</u>	
	<u>3,017</u>	

In December 2022 the Hospital entered into a capital lease for a portion of its space at the Jerry Coughlan Health and Wellness Centre that requires monthly payments, commencing in June 2023, for the cost of tenant improvements. The applicable interest rate is 7.2%

Lakeridge Health

Notes to Financial Statements

March 31, 2024

(in thousands of dollars)

13 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 \$39,178 (2023 – \$31,248) and are reflected as compensation and benefits in the Statement of Operations. The most recent actuarial valuation of the plan as at December 31, 2023 indicated that plan is funded at 115%.

14 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.

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 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.

Lakeridge Health

Notes to Financial Statements

March 31, 2024

(in thousands of dollars)

14 Contingent liabilities and guarantees (continued)

- 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 subject to assessment for losses, if any, experienced by the pool for the years in which they were members. 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, 2024, the Hospital has recorded legal expenses of \$3,438 (2023 – \$2,819) based on the assessment of the actuary engaged by HML, which have been included in the Statement of Operations. As at March 31, 2024, the deposit balance was \$7,955 (2023 – \$7,120), of which \$7,091 (2023 – \$6,320) 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 \$4,366 (2023 – \$4,377), of which \$3,031 (2023 – \$3,128) is not expected to be paid within one year and is therefore included in Other Long-term liabilities in the Statement of Financial Position.

15 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, 46% (2023 – 60%) 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. Some of the Hospital's long-term debt bears fixed interest rates, and fluctuations in market rates have no impact, whereas some is variable, and therefore subject to risk. The interest rate risk on the loan for the central utilities plant is mitigated through a derivative financial instrument that exchanges the variable rate for a fixed rate (note 5). The hospital will monitor interest rate risk on its new parking garage loan and consider further mitigation strategies as necessary.

Lakeridge Health

Notes to Financial Statements

March 31, 2024

(in thousands of dollars)

15 Risk management (continued)

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 5 and 6. The majority of the accounts payable and accrued liabilities are expected to be settled in the next fiscal year.

16 Related party transactions

Foundations

The Hospital is related to the Ajax-Pickering Hospital Foundation, the Lakeridge Health Foundation, The Memorial Hospital Foundation – Bowmanville and Port Perry Hospital 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:

	2024	2023
	\$	\$
Ajax-Pickering Hospital Foundation	7	12
Lakeridge Health Foundation	48	51
The Memorial Hospital Foundation – Bowmanville	383	446
Port Perry Hospital Foundation	7	532
	<hr/>	<hr/>
	445	1,041
	<hr/>	<hr/>

Shared services

The Hospital is a member of Mohawk Medbuy Corporation (MMC), a not-for-profit shared service organization. Funded by the members (of which the Hospital is one), the objective of MMC is to work collaboratively with stakeholders to deliver cost efficient services.

Lakeridge Health

Notes to Financial Statements

March 31, 2024

(in thousands of dollars)

17 Asset Retirement Obligations

The Hospital's financial statements include an asset retirement obligation for legal liabilities associated with the removal or disposal of asbestos in buildings that will undergo major renovations or demolition and for disposal of fuel storage tanks. The related asset retirement costs are being amortized on a straight-line basis. The estimated undiscounted future expenditures are \$5,192, which are to be incurred over the next 28 years. The liability has not changed from the prior year.

18 Comparative figures

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