Financial statements of
Headwaters Health Care Centre

March 31, 2022

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Independent Auditor's Report

To the Board of Directors
of the Headwaters Health Care Centre

Opinion

We have audited the financial statements of the Headwaters Health Care Centre (the "Hospital"), which comprise the statement of financial position as at March 31, 2022, and the statements of operations, changes in net assets, and of 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 the Hospital as at March 31, 2022, and the results of its operations, changes in net assets, and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards ("PSAS").

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 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 the financial statements in accordance with PSAS, 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 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 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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
May 31, 2022

Headwaters Health Care Centre

Statement of financial position

As at March 31, 2022

	Notes	2022 $	2021 $ (Note 19)
Assets			
Current assets			
Cash		**5,179,001**	5,267,292
Accounts receivable	3 and 13	**9,487,030**	5,754,673
Inventories		**695,773**	1,094,744
Prepaid expenses		**1,149,336**	602,024
		16,511,140	12,718,733
Restricted investments		**130,336**	130,141
Capital assets	4	**55,611,157**	54,279,028
		72,252,633	67,127,902
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	6	**15,369,104**	13,260,303
Capital lease obligation	7	**275,895**	279,416
Deferred revenue	8	**1,073,338**	1,194,381
		16,718,337	14,734,100
Long-term			
Capital lease obligation	7	**436,330**	746,000
Employee future benefits	9	**4,917,701**	4,716,700
Deferred capital contributions	10	**46,880,070**	45,263,337
		52,234,101	50,726,037
Commitments, contingencies and guarantees	16		
Net assets (deficiency)			
Invested in capital assets		**8,018,864**	7,990,275
Endowment fund		**105,579**	105,579
Unrestricted		**(4,824,248)**	(6,428,089)
		3,300,195	1,667,765
		72,252,633	67,127,902

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

On behalf of the Board

Hugh Sbrodovich

_______________________________, Chair

_______________________________, Treasurer

Headwaters Health Care Centre
Statement of operations
Year ended March 31, 2022

	Notes	2022 $	2021 $ (Note 19)
Revenues			
Ministry of Health	11	**71,962,948**	67,398,511
Patient revenue		**7,347,766**	6,531,803
Other sources	13	**3,573,080**	1,904,356
Other programs	12	**7,303,929**	6,956,310
Amortization of deferred capital contributions - equipment		**1,755,880**	1,622,674
		91,943,603	84,413,654
Expenses			
Salaries and benefits	14	**51,439,724**	49,195,415
Medical staff remuneration	11	**7,293,050**	6,220,681
Supplies and other		**16,132,309**	12,691,509
Medical and surgical supplies		**3,524,660**	3,127,705
Drugs		**3,527,012**	3,866,984
Bad debts		**313,130**	73,095
Loss on disposal of capital assets		**—**	1,390
Other programs	12	**7,303,929**	6,799,465
Amortization - equipment		**2,005,020**	1,677,656
		91,538,834	83,653,900
Excess of revenues over expenses before the undernoted		**404,769**	759,754
Other revenue (expenses)			
Amortization of buildings and land improvements			
Deferred capital contributions		**2,098,724**	2,011,188
Amortization		**(2,225,563)**	(2,146,942)
		(126,839)	(135,754)
Excess of revenues over expenses before the undernoted		**277,930**	624,000
Working Funds Initiative	15	**1,354,500**	—
Excess of revenue over expenses		**1,632,430**	624,000

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

Headwaters Health Care Centre

Statement of changes in net assets

Year ended March 31, 2022

	Invested in capital assets $	Endowment fund $	Unrestricted fund $	2022 Total $	2021 Total $
Balance, beginning of year	**7,990,275**	**105,579**	**(6,428,089)**	**1,667,765**	1,043,765
Excess (deficiency) of revenue over expenses	**(375,979)**	**—**	**2,008,409**	**1,632,430**	624,000
Additions to capital assets	**5,562,712**	**—**	**(5,562,712)**	**—**	—
Capital grants and donations	**(5,471,335)**	**—**	**5,471,335**	**—**	—
Capital lease obligations (net)	**313,191**	**—**	**(313,191)**	**—**	—
Balance, end of year	**8,018,864**	**105,579**	**(4,824,248)**	**3,300,195**	1,667,765

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

Headwaters Health Care Centre

Statement of cash flows

Year ended March 31, 2022

	2022	2021
	$	$
Operating activities		
Excess of revenues over expenses	**1,632,430**	624,000
Items not affecting cash		
Recognition of deferred contributions	**(3,854,602)**	(3,633,862)
Amortization of capital assets	**4,230,583**	3,824,598
Loss on disposal of capital assets	**—**	1,390
Employee future benefit expense	**480,700**	386,000
Employee future benefit paid	**(279,699)**	(242,101)
	2,209,412	960,025
Change in non-cash working capital		
Accounts receivable	**(3,732,357)**	(2,690,155)
Inventories	**398,971**	(310,848)
Prepaid expenses	**(547,312)**	287,373
Accounts payable and accrued liabilities	**2,108,801**	857,909
Deferred revenues	**(121,043)**	(73,206)
	316,472	(968,902)
Capital activity		
Additions to capital assets	**(5,562,712)**	(5,032,767)
Investing activity		
Increase in restricted investments	**(195)**	(3,693)
Financing activities		
Capital lease payments	**(313,191)**	(212,740)
Deferred capital contributions	**5,471,335**	4,673,038
	5,158,144	4,460,298
Decrease in cash	**(88,291)**	(1,545,064)
Cash, beginning of year	**5,267,292**	6,812,356
Cash, end of year	**5,179,001**	5,267,292

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

1. Nature of the Organization

Headwaters Health Care Centre (the "Hospital") was incorporated under the laws of the Province of Ontario as a corporation without share capital and is a Registered Charity under the *Income Tax Act* (Canada). The Hospital provides health care services to the residents of Dufferin County and Caledon regions.

2. Significant accounting policies

Basis of presentation

These financial statements have been prepared in accordance with Canadian public sector accounting standards, using the deferral method of reporting restricted contributions and include the following significant accounting policies:

Revenue recognition

Under the *Health Insurance Act* and Regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health ("MOH") and Ontario Health ("OH"). OH is a Crown Agency of the Government of Ontario and was established on June 6, 2019. Effective April 1, 2021, OH assumed responsibilities, previously delegated to the Local Health Integration Networks, in regard to planning, funding and negotiations of annual Service Accountability Agreements, including assuming responsibility for Cancer Care Ontario ("OH-CCO").

The Hospital has a Service Accountability Agreement ("SAA") with OH that sets out the rights and obligations of the two parties with respect to funding provided to the Hospital from OH. The SAA sets out certain financial and non-financial performance standards and obligations for the Hospital's performance. If the Hospital does not meet its performance standards or obligations, OH has the right to adjust funding received. Funding received in a year may be increased or decreased subsequent to the date of these financial statements. The amount of revenue recognized in these financial statements represents management's best estimates of the funding arrangements with the MOH and OH.

Grants and funding authorized by the MOH and OH as of the end of the fiscal year, and for which a specific purpose or use has been identified, are recognized as revenue when there is reasonable assurance that the Hospital has complied with, and will continue to comply with, the conditions necessary for recognition. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. Grants and funding for which revenue has been earned but not received as at the end of the fiscal year is recorded as accounts receivable. The recognition of revenue associated with MOH and OH grants and funding requires management to make estimates and assumptions based on the best information available at the time of the preparation of these financial statements. Final grants approved are subject to the funders' reconciliation process and could differ from these estimates.

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

Externally-restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Contributions and grants 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 for the related capital assets.

Revenue from patients and other services are recognized when the services are provided.

2. Significant accounting policies (continued)

Contributed services

The Hospital is dependent on the voluntary services of many individuals. As the fair market values of these services cannot be reasonably estimated, these contributed services are not recognized or disclosed in these financial statements.

Net assets

Invested in capital assets represents the Hospital's capital assets less amounts financed by deferred capital contributions and capital leases.

The endowment fund is subject to externally-imposed restrictions stipulating that principal of $105,579 be retained intact. The accumulated investment income is intended to be spent by the Hospital on a restricted basis.

The unrestricted fund represents the accumulated deficiency of revenue over expenses from the ongoing operational activity of the Hospital since its inception, less amounts invested in capital assets and endowment funds.

Financial instruments

The Hospital initially measures its financial assets and liabilities at fair value and subsequently measures all its financial assets and liabilities at amortized cost.

Cash	Amortized cost
Accounts receivable	Amortized cost
Restricted investments	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined on an average cost basis.

Capital assets

Capital assets are recorded at acquisition cost. Contributed capital assets are recorded at fair value at the date of acquisition. Expenditures that substantially increase the useful lives of existing capital assets are capitalized. When a capital asset no longer contributes to the Hospital's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following rates:

Land improvements	5 to 15 years
Buildings	5 to 40 years
Building service equipment	5 to 40 years
Equipment and software	3 to 20 years

Projects in progress consist of direct construction, development costs and financing costs. Amortization is recorded only when the capital asset is available for its intended use.

Capital leases are those that transfer substantially all of the benefits and risks of ownership to the Hospital. Capital leases are accounted for as though the asset was purchased and liability incurred. All other items of equipment held on lease are accounted for as operating leases.

2. Significant accounting policies (continued)

Employee future benefits

The Hospital offers non-pension post-employment benefits to most employees, the cost of which is accrued under 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 future benefit plan 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 also an employer member of the Healthcare of Ontario Pension Plan, which is a multi-employer defined benefit pension plan. The Hospital has adopted defined contribution plan accounting principles for this Plan as 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, liabilities and disclosure of contingent 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 management's estimates as additional information becomes available at a future date. Accounts involving significant estimates include revenue recognition, accounts receivable, capital assets, accrued liabilities, employee future benefits, deferred revenues and amortization.

3. Accounts receivable

	2022	2021
	$	$
MOH, OH, OH-CCO and MOH Redevelopment	**4,242,866**	3,768,247
Insurers and patients	**1,523,056**	1,241,115
Headwaters Health Care Foundation (Note 13(i))	**1,532,120**	324,510
Other programs	**1,165,124**	115,214
HST Receivable	**335,696**	357,349
Miscellaneous	**1,146,172**	127,582
	9,945,034	5,934,017
Less: allowance for doubtful accounts	**(458,004)**	(179,344)
	9,487,030	5,754,673

4. Capital assets

	Cost $	Accumulated amortization $	2022 Net book value $	2021 Net book value $
Land	**1,457,180**	**—**	**1,457,180**	1,457,180
Land improvements	**2,389,920**	**1,567,312**	**822,608**	501,194
Buildings	**62,537,809**	**26,053,348**	**36,484,461**	37,098,344
Building service equipment	**8,165,830**	**3,182,064**	**4,983,766**	4,690,179
Equipment and software	**39,197,632**	**27,705,158**	**11,492,474**	6,038,623
Projects in progress	**370,668**	**—**	**370,668**	4,493,508
	114,119,039	**58,507,882**	**55,611,157**	54,279,028

During the year, the Hospital wrote-off fully amortized capital assets that were no longer in use with an original cost of $246,869 (2021 - $52,191).

5. Credit facilities

The Hospital has available the following credit facilities:

(a) Facility 1 – a revolving credit facility for $6,000,000 to support general operating requirements of the Hospital. This facility bears interest at the bank's prime rate minus 0.5%. As at March 31, 2022 and March 31, 2021, this facility remains unused.

(b) Facility 2 – letters of credit for $1,000,000. As at March 31, 2022 and March 31, 2021, this facility remains unused.

(c) Facility 3 – a non-revolving term facility for $6,500,000 for the purpose of financing a HIS upgrade. This facility bears interest at the bank's BA rate plus an acceptance fee. As at March 31, 2022 and March 31, 2021, this facility remains unused.

6. Accounts payable and accrued liabilities

	2022 $	2021 $
MOH and OH	**4,701,768**	2,594,257
Payroll related liabilities	**4,844,119**	4,845,049
Other accounts payable and accrued liabilities	**5,823,217**	5,820,997
	15,369,104	13,260,303

7. Capital lease obligations

The Hospital has undertaken capital leases for certain operating equipment. The effective interest rate of these capital leases ranges from 2.45% to 6.08%.

Future minimum payments under the capital leases are as follows:

	$
2023	296,300
2024	251,638
2025	106,505
2026	97,639
	752,082
Less: amounts representing interest	39,857
Present value of minimum lease payments	712,225
Current portion	275,895
Long-term portion	436,330
	712,225

Interest recorded in the Statement of operations related to the capital lease obligations is $22,770 (2021 - $15,580).

8. Deferred revenues

Included in deferred revenues is $244,416 (2021 - $191,130) of unspent funding received from the MOH for Ontario Health Teams Implementation Support funding. These funds were required to be spent by March 31, 2022 (March 31, 2021); however, the Ministry has granted a one-time exception to carry over unspent funding into the following fiscal year.

9. Employee future benefits

The Hospital provides health, dental, accidental death and dismemberment and life insurance benefits to its employees. The Hospital participates in an unfunded benefit plan and accrues its obligations under employee benefit plans and related costs as they are earned. For all active employees, the accrued benefit obligation was calculated using the projected benefit method pro-rated on service.

The measurement date for the accrued benefit obligation, as calculated in the Hospital's last actuarial valuation for post-retirement benefits, was performed as at March 31, 2022.

9. Employee future benefits (continued)

	2022 $	2021 $
Accrued benefit obligation, end of year	**4,004,100**	4,055,400
Unamortized actuarial losses	**913,601**	661,300
Accrued benefit liability	**4,917,701**	4,716,700
Net benefits recognized		
Current service cost	**398,200**	270,700
Interest cost	**120,800**	133,000
Amortization of actuarial experience losses	**(38,300)**	(17,700)
	480,700	386,000
Accrued benefit liability, beginning of year	**4,716,700**	4,572,801
Expense for the year	**480,700**	386,000
Benefits paid during the year	**(279,699)**	(242,101)
Accrued benefit liability	**4,917,701**	4,716,700

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

	2022	2021
Discount rate (%)	**3.60%**	2.80%
Average remaining service period of active employees to retirement who are expected to receive benefits under the benefit plan (years)	**12**	12
Dental cost trend rate (yearly %)	**3.00%**	3.00%
Medical benefits cost escalation - external health care (yearly %)	**5.37%**	5.37%

10. Deferred capital contributions

	Capital grants $	Capital donations $ (Note 13 (i))	2022 Total $	2021 Total $
Balance, beginning of year	**25,301,183**	**19,962,154**	**45,263,337**	44,224,161
Contributions received	**1,470,926**	**4,058,241**	**5,529,167**	4,673,038
Amounts amortized to revenue	**(1,597,573)**	**(2,314,861)**	**(3,912,434)**	(3,633,862)
Balance, end of year	**25,174,536**	**21,705,534**	**46,880,070**	45,263,337

11. Physician programs

The Hospital has agreements with the MOH for Physician on-call coverage, Paediatrician Alternative Funding and Laboratory Medicine. The revenue and expenses associated with these agreements are included in the Statement of Operations as follows:

	2022	2021
	$	$
Funding from MOH		
Physician on-call coverage	**1,666,980**	1,666,980
Alternative Funding Agreement - Paediatrician Group	**609,294**	—
Hospital Laboratory Medicine Physician Funding Agreement	**70,140**	81,497
	2,346,414	1,748,477
Medical staff remuneration		
Physician on-call coverage	**1,666,980**	1,666,980
Paediatrician Group	**655,336**	—
Hospital Laboratory Medicine Physicians	**452,269**	381,162
	2,774,585	2,048,142
	(428,171)	(299,665)

12. Other programs – revenue

	2022	2021
	$	$
County of Dufferin - Ambulance	**7,295,829**	6,948,210
Municipal tax assistance	**8,100**	8,100
	7,303,929	6,956,310

13. Related party entities

(i) Headwaters Health Care Foundation

The Hospital has an economic interest in the Foundation. The Foundation was established to raise funds for the use of the Hospital. The Foundation is incorporated under the Canada Hospitals Act and is a Registered Charity under the Income Tax Act (Canada).

The Hospital does not exercise control or significant influence over the Foundation and therefore the net assets and results of operations of the Foundation are not included in the financial statements of the Hospital.

Included in accounts receivable is $1,532,120 (2021 - $324,510) receivable from the Foundation: $169,734 (2021 - $133,118) related to operating costs and of $1,362,386 (2021 - $191,392) for capital donations.

During the year, $4,058,241 (2021 - $2,182,991) was received and recognized as deferred capital donations from the Foundation and $67,805 (2021 - $106,812) was recognized as revenue from other sources.

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount established and agreed to by the related parties.

13. Related party entities (continued)

(ii) Headwaters Health Care - Orangeville Auxiliary

The Auxiliary is a volunteer organization and is a Registered Charity under the Income Tax Act (Canada). The Auxiliary undertakes a wide range of fundraising and volunteer activities for the benefit of the Hospital. Amounts raised by the Auxiliary are flowed to the Hospital through the Foundation. The Hospital does not exercise control or significant influence over the Auxiliary and therefore the net assets and results of operations of the Auxiliary are not included in the financial statements of the Hospital.

14. Pension plan

The Hospital is a member of the Healthcare of Ontario Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the five consecutive years prior to retirement, termination or death, which provide the highest earnings.

The Plan's assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 6.9% of annualized earnings contributed by employees (9.2% of annualized earnings above the respective year's maximum pensionable earnings), required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employee's contributions. The employer currently contributes 126% of the employee's contribution.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2021 indicates the plan is fully funded. Contributions to the Plan made during the year by the Hospital on behalf of its employees amounted to $3,119,589 (2021 - $3,064,433) and are included in salaries and benefits expenses in the Statement of operations.

15. Working Funds Initiative funding

On September 20, 2021 the Hospital received notification of eligibility for $1,354,500 of one-time funding to improve the working capital of the Hospital in a fiscally-neutral manner. This unrestricted funding has been recognized on the statement of operations.

16. Commitments, contingencies and guarantees

(a) The Hospital is party to a Shared Services Alliance Agreement with Collingwood General & Marine Hospital, Georgian Bay General Hospital and Royal Victoria Regional Health Centre ("RVH") for shared access to the Meditech Expanse Health Care Information System. Under the terms of this agreement, the Hospital has contractually committed to remain in alliance and share costs until November 2035. Annual support fees for the upcoming year are estimated at $1.5M.

16. Commitments, contingencies and guarantees (continued)

(b) The Hospital is a member of the Healthcare Insurance Reciprocal of Canada (“HIROC”) and therefore, has an economic interest in HIROC. HIROC is a provider of healthcare liability insurance which provides for the pooling of liability insurance risks of its members. All members of the pool pay annual premiums, which are actuarially determined. All members are subject to reassessment for losses, if any, experienced by the pool for the years in which they are members. Members are also entitled to a refund, should a surplus exist. No negative reassessments have been made to March 31, 2022.

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 obligation for claims reserves and expenses and operating expenses. Each subscriber who has an excess of premium plus investment income over the obligation for their allocation of claims reserves and expenses may be entitled to receive distributions of their share of the unappropriated surplus at the time such distributions are declared by the Board of Directors at HIROC.

(c) 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 advisors 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 which stems from the unpredictability of future events and the unlimited 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.

17. Financial instruments and risk management

The Hospital is exposed to risks through its financial instruments. The following analysis provides a measure of these risks.

Credit risk

Credit risk relates to the potential that one party to a financial instrument will fail to discharge an obligation and incur a financial loss. The Hospital is exposed to credit risk on its accounts receivable. Accounts receivable are primarily due from MOH and OH, other Municipal sources, and the Foundation. Credit risk is mitigated by the financial solvency of these organizations.

Liquidity risk

Liquidity risk relates to the potential that the Hospital will not be able to meet a demand for cash or fund its obligations as they come due as a result of the Hospital’s inability to liquidate assets in a timely manner and at a reasonable price. The Hospital is exposed to liquidity risk on its accounts payable and accrued liabilities and expects to meet these obligations as they come due through operating funding. There has been an increase in liquidity risk from the previous year as a result of increased accounts payable and accrued liabilities.

18. Pandemic response

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel corona virus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put into place to combat the spread of the virus.

As a result of the COVID-19 pandemic, the Hospital has continued to experience a change in the demand for its services and continues to incur unbudgeted pandemic response expenditures. The MOH and OH have provided funding to the Hospital to support the COVID-19 expenditures. The Hospital has tracked eligible expenditures related to its pandemic response and has received reimbursement for certain incremental expenses. Any recoveries that may be received in the future will be recognized in the period in which approval is obtained.

The duration and longer-term impact of the COVID-19 pandemic is unknown at this time and it is not possible to reliably estimate the impact that the severity and length of the pandemic will have on the financial results and condition of the Hospital in future periods.

19. Comparative figures

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

The reclassifications related to the presentation of revenues on the Statement of operations is as follows:

	As amended	As previously presented
	$	$
Revenue		
Ministry of Health	**67,398,511**	—
Ministry of Health and Long-Term Care		
Patient Care	**—**	50,050,124
One-time	**—**	12,495,878
Physician programs	**—**	1,666,980
Patient revenue	**6,531,803**	—
Other sources	**1,904,356**	11,621,688
	75,834,670	75,834,670

19. Comparative figures (continued)

The reclassifications related to the presentation of expenses on the Statement of operations is as follows:

	As amended **$**	As previously presented $
Expenses		
Salaries and benefits	**49,195,415**	—
Salaries	**—**	37,450,741
Benefits	**—**	11,744,674
Medical staff remuneration	**6,220,681**	—
Patient Care	**—**	4,553,701
Physician programs	**—**	1,666,980
	55,416,096	55,416,096

In addition, sick leave benefits payable of $19,796 were reclassified and presented in accounts payable and accrued liabilities.