

Lakeridge Health

Financial Statements
March 31, 2026

Lakeridge Health
Financial Statements
For the year ended March 31, 2026

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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, 2026, 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, 2026, and its results of operations, remeasurement gains 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 22, 2026

Lakeridge Health

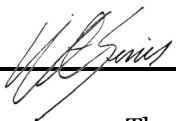
Statement of Financial Position

As at March 31, 2026

(in thousands of dollars)

	2026 \$	2025 \$
Assets		
Current assets		
Cash	43,539	80,586
Accounts and other receivables (note 3)	46,972	56,183
Inventories	8,801	8,215
Prepaid expenses	9,835	13,748
	<u>109,147</u>	<u>158,732</u>
Long-term investment (note 6)	15,067	11,300
Restricted funds for redevelopment (note 8)	14,054	2,234
Other long-term assets	7,043	7,725
Capital assets (note 4)	<u>779,091</u>	<u>797,342</u>
	<u>924,402</u>	<u>977,333</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	158,027	166,990
Deferred research contributions	1,030	2,009
Deferred donations	6,578	6,394
Current portion - obligation under capital lease (note 11)	380	380
Current portion - long-term debt (note 5)	4,307	4,094
	<u>170,322</u>	<u>179,867</u>
Long-term liabilities		
Obligation under capital lease (note 11)	2,729	2,882
Long-term debt (note 5)	23,772	28,047
Debentures (note 6)	99,873	99,864
Employee future benefit liability (note 7)	31,897	29,968
Other long-term liabilities	25,554	23,621
Asset Retirement Obligations (note 16)	6,563	6,299
	<u>360,710</u>	<u>370,548</u>
Deferred contributions related to capital assets (note 8)	<u>577,242</u>	<u>580,331</u>
Net Assets	(18,967)	22,305
Accumulated remeasurement gains	5,417	4,149
	<u>(13,550)</u>	<u>26,454</u>
	<u>924,402</u>	<u>977,333</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, 2026

(in thousands of dollars)

	2026 \$	2025 \$
Revenue		
Ministry of Health and Ministry of Long-Term Care	941,467	887,928
Patient services	63,837	64,613
Other ancillary revenue and recoveries	79,212	73,744
Amortization of deferred capital contributions – equipment	10,820	10,776
	<u>1,095,336</u>	<u>1,037,061</u>
Expenses		
Compensation and benefits	745,925	703,139
Supplies and other	187,209	174,056
Drugs	109,174	101,690
Medical and surgical supplies	57,723	52,995
Amortization of equipment	26,420	25,819
	<u>1,126,451</u>	<u>1,057,699</u>
Deficiency of revenue over expenses before building amortization and interest expense	(31,115)	(20,638)
Net building amortization and interest		
Amortization of deferred capital contributions – buildings	21,099	20,879
Amortization of buildings	(29,889)	(30,474)
Interest on long-term debt	(1,367)	(1,746)
	<u>(41,272)</u>	<u>(31,979)</u>
Deficiency of Revenue over Expenses		

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

Lakeridge Health

Statement of Remeasurement Gains

For the year ended March 31, 2026

(in thousands of dollars)

	2026 \$	2025 \$
Accumulated remeasurement gains – Beginning of year	4,149	4,157
Change in unrealized (losses)/gains attributable to derivative liability	1,268	(8)
Accumulated remeasurement gains – End of year	<u>5,417</u>	<u>4,149</u>

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, 2026

(in thousands of dollars)

				2026	2025
	Invested in capital assets (note 9) \$	Internally restricted (note 6) \$	Unrestricted \$	Total \$	Total \$
Net assets (liability) – Beginning of year	125,921	11,300	(114,916)	22,305	54,284
Deficiency of revenue over expenses	(24,392)	-	(16,880)	(41,272)	(31,979)
Net change in investment in property and equipment	29,927	3,767	(33,964)	-	-
Net assets (liability) – End of year	131,456	15,067	(165,491)	(18,967)	22,305

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

Lakeridge Health

Statement of Cash Flows

For the year ended March 31, 2026

(in thousands of dollars)

	2026 \$	2025 \$
Cash provided by (used in)		
Operating activities		
Deficiency of revenue over expenses for the year	(41,272)	(31,979)
Add (deduct): Non-cash items		
Amortization of capital assets (note 4)	56,311	56,293
Amortization of deferred capital contributions (note 8)	(31,919)	(31,655)
Employee future benefits (note 7)	1,929	1,356
	<u>(14,951)</u>	<u>(5,985)</u>
Net change in non-cash operating items (note 10)	<u>2,985</u>	<u>(8,045)</u>
	<u>(11,966)</u>	<u>(14,030)</u>
Capital activities		
Purchase of capital assets (note 4)	<u>(38,060)</u>	<u>(38,680)</u>
Financing activities		
Restricted funds for redevelopment	(11,820)	3,861
Additions (repayment) of long-term debt and equipment financing	(4,062)	(3,770)
Other long-term liabilities	2,275	4,704
Obligation under capital lease (note 11)	(153)	(123)
Amortization of debenture issue costs	9	10
Capital contributions (note 8)	<u>28,830</u>	<u>20,883</u>
	<u>15,079</u>	<u>25,565</u>
Investing activities		
Maturity (purchase) of investments	<u>(2,100)</u>	<u>(11,300)</u>
Decrease in cash during the year	(37,047)	(38,445)
Cash – Beginning of year	<u>80,586</u>	<u>119,031</u>
Cash – End of year	<u>43,539</u>	<u>80,586</u>
Supplemental information		
Interest paid	4,197	4,614

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

Lakeridge Health

Notes to Financial Statements

March 31, 2026

(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, 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. 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.

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.

In March 2022 the Hospital opened a new 320-bed long-term care home, Lakeridge Gardens, located next to the Ajax-Pickering Hospital.

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 the Lakeridge Gardens, the Jerry Coughlan Health and Wellness Centre, DMHS as well as other specifically funded community programs, 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) all of its rights, duties and obligations under its service accountability agreements 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

Lakeridge Health

Notes to Financial Statements

March 31, 2026

(in thousands of dollars)

2 Summary of significant accounting policies (continued)

such time the performance obligations are met through provision of services 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.

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	fair value
Accounts receivable	amortized cost
Restricted cash – redevelopment	fair value
Long-term investment	fair value
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

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value.

Fair value hierarchy

The following provides analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

Level 1 – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - fair value measurements are those derived from inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data

Lakeridge Health

Notes to Financial Statements

March 31, 2026

(in thousands of dollars)

2 Summary of significant accounting policies (continued)

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring value.

Financial assets, which include cash, restricted cash and the long-term investment in equity and fixed income securities, are grouped into Level 1. The derivative liability (interest rate swap) is grouped into Level 2.

Inventories

Inventories are valued at the lower of cost and net realizable value, with cost being determined on an average cost basis.

Restricted funds for redevelopment

The Lakeridge Health Foundation, Ministry of Health and Region of Durham provide contributions for the Lakeridge Health redevelopment projects, which is recognized as Restricted funds for redevelopment.

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

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

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.

Lakeridge Health

Notes to Financial Statements

March 31, 2026

(in thousands of dollars)

2 Summary of significant accounting policies (continued)

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. Upon the 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.

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.

Contributed Services

Volunteers contribute many hours per year to assist the Hospital in carrying out its activities. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements. Contributed materials are also not recognized in these financial statements.

Joint Venture in Enabling Healthcare Across Central East (ENHANCE) Ontario

The Hospital holds a 35.56% interest in ENHANCE Ontario, a joint venture with 6 other Ontario Hospital Organizations which is engaged in operating and maintaining its Clinical Information System. This investment is accounted for using the proportionate consolidation method.

Lakeridge Health

Notes to Financial Statements

March 31, 2026

(in thousands of dollars)

2 Summary of significant accounting policies (continued)

Under this method, the Hospital records its pro-rata share of ENHANCE Ontario's assets, liabilities, revenues, and expenses on a line-by-line basis in the consolidated financial statements. All inter-entity transactions and balances have been eliminated to the extent of the Hospital's interest. The joint venture's accounting policies are conformed to those of the Hospital.

3 Accounts and other Receivables

	2026 \$	2025 \$
MOH and MOLTC	22,504	23,194
Insurers and patients	30,721	30,203
Foundations (note 15)	175	246
Other	7,602	13,824
	<u>61,002</u>	<u>67,467</u>
Provision for uncollectible accounts	(14,029)	(11,284)
	<u>46,973</u>	<u>56,183</u>

4 Capital assets

	2026		2025	
	Cost \$	Accumulated Amortization \$	Cost \$	Accumulated Amortization \$
Land and land improvements	14,845	5,016	13,219	4,759
Buildings and building service equipment	1,037,010	474,684	1,034,487	445,478
Furniture and equipment	385,132	236,803	372,256	210,383
Construction in progress:				
Bowmanville Hospital redevelopment	19,787	-	14,285	-
Other work-in-progress	35,213	-	19,891	-
Capital lease	3,505	482	3,505	306
Asset retirement obligation	6,563	5,979	6,299	5,674
	<u>1,502,055</u>	<u>722,964</u>	<u>1,463,942</u>	<u>666,600</u>
Net book value		<u>779,091</u>		<u>797,342</u>

Land and land improvements amortization of \$257 (2025 - \$123) 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 \$3,273 (2025 - \$3,577) 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 \$175 (2025 - \$175) was included in building amortization on the statement of operations.

The Hospital has undertaken a major capital project to redevelop the Bowmanville Hospital. To date, the Hospital has received \$21,318 (2025 - \$16,519) from the MOH for the purpose of planning and early work. As at March 31, 2026 \$19,786 (2025 - \$14,285) has been spent on the project.

Lakeridge Health

Notes to Financial Statements

March 31, 2026

(in thousands of dollars)

5 Long-term debt

	2026 \$	2025 \$
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	1,690	3,047
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	9	59
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	5,830	6,522
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	9,990	11,473
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 Cdn\$ 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.	10,560	11,040
	28,079	32,141
Less: Amounts due within one year	4,307	4,094
	23,772	28,047

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, 2026 is \$35 (2025 – \$113) and recorded under Other long-term liabilities in the Statement of Financial Position. The change in fair value during the year of \$1,268 (2025 – \$8) is recorded in the Statement of Remeasurement Gains and Losses.

Interest expense on long-term debt in the current year was \$1,367 (2025 – \$1,746).

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

	\$
2027	4,307
2028	3,325
2029	3,309
2030	3,558
2031	3,692
Thereafter	9,888
	28,079

Lakeridge Health

Notes to Financial Statements

March 31, 2026

(in thousands of dollars)

6 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, 2026 is \$99,873 (2025 - \$99,864), inclusive of accrued interest of \$211 and net of unamortized bond issue cost of \$345 (2025 - \$354). 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.

The Hospital has invested \$15,067 (2025 - \$11,300) in a sinking fund of equity and fixed income securities. These funds are included in the Statement of Changes in Net Assets as internally restricted funds for repayment of the debenture and have been classified as a long-term investment accordingly in the Statement of Financial Position.

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, 2026.

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

	2026 \$	2025 \$
Employee future benefit liability		
Balance – Beginning of year	29,968	28,612
Employer current service cost	2,354	1,894
Amortization of actuarial gains	(71)	(221)
Interest cost	1,151	1,182
Benefits paid	(1,505)	(1,499)
Balance – End of year	31,897	29,968
Unamortized actuarial gains	(5,636)	(2,050)
Accrued benefit obligation, end of year	26,261	27,918

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

	2026	2025
Discount rate to determine accrued benefit obligation	3.90%	3.90%
Dental cost increases	4.17%	4.40%
Extended health-care cost increases	5.30%	5.20%
Expected average remaining service life of employees	12	12

Lakeridge Health

Notes to Financial Statements

March 31, 2026

(in thousands of dollars)

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.

	2026	2025
	\$	\$
Balance, beginning of the year	580,331	591,103
Contributions received in the current year	28,830	20,883
Less: amounts amortized to revenue	(31,919)	(31,655)
	577,242	580,331
Deferred contributions unspent	66,852	49,732
Deferred contributions – capital assets (note 9)	510,390	530,599
Balance, end of year	577,242	580,331
	2026	2025
	\$	\$
Restricted funds for redevelopment	14,054	2,234
Unamortized contributions used for the purchase of capital assets	563,188	578,097
	577,242	580,331

9 Net assets invested in capital assets

Invested in capital assets

	2026	2025
	\$	\$
Capital assets (note 4)	779,091	797,342
Less: amounts funded by		
Capital leases (note 11)	2,729	2,882
Deferred contributions – capital assets (note 8)	510,390	530,599
Debenture (note 6)	99,873	99,500
Long-term debt (note 5)	28,079	32,141
Asset retirement obligations (note 16)	6,563	6,299
	131,456	125,921

Changes in investment in capital assets

	2026	2026
	\$	\$
Balance, beginning of the year	125,921	128,984
Amortization of deferred capital contributions		
Property and equipment	10,820	10,776
Building	21,099	20,879
	31,919	31,655

Lakeridge Health

Notes to Financial Statements

March 31, 2026

(in thousands of dollars)

9 Net assets invested in capital assets (continued)

Amortization of capital assets		
Property and equipment	(26,422)	(25,819)
Building	(29,889)	(30,474)
	<u>(56,311)</u>	<u>(56,293)</u>
 Purchase of capital assets	 38,060	 38,680
Amounts funded by		
Capital leases	153	123
Deferred contributions	(23,531)	(14,733)
Long term loan net of repayments	4,062	3,770
Debenture	(373)	(1,297)
Asset Retirement Obligation	(264)	(1,107)
Redevelopment funds	11,820	(3,861)
	<u>(8,133)</u>	<u>17,105</u>
Balance, end of year	<u>131,456</u>	<u>125,921</u>

10 Net change in non-cash operating items

	2026	2025
	\$	\$
Decrease (increase) in assets		
Accounts receivable	9,211	1,112
Inventories	(586)	2,118
Prepaid expenses	3,913	229
Other long-term assets	682	(512)
	<u>13,220</u>	<u>2,947</u>
 Increase (decrease) in liabilities		
Accounts payable and accrued liabilities	(8,963)	(9,965)
Deferred research contributions	(979)	(1,239)
Deferred donations	184	220
Unrealized gains (losses)	(477)	(8)
	<u>(10,235)</u>	<u>(10,992)</u>
	<u>2,985</u>	<u>(8,045)</u>

Lakeridge Health

Notes to Financial Statements

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(in thousands of dollars)

11 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 \$
2027	380	2,612
2028	380	2,426
2029	380	2,230
2030	380	1,773
2031	380	1,545
Thereafter	2,760	17,497
Total minimum lease payments	4,660	28,083
Less: amount representing interest at 7.2%	(1,551)	
Total obligations under capital lease	3,109	
Less: current portion of obligations under capital lease	(380)	
	2,729	

The Hospital entered into a 15-year capital lease in 2022 for a portion of its space at the Jerry Coughlan Health and Wellness Centre that requires monthly payments, which commenced in June 2023, for the cost of tenant improvements. The applicable interest rate is 7.2%

12 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 \$43,709 (2025 – \$40,941) and are reflected as compensation and benefits in the Statement of Operations. The most recent actuarial valuation of the plan as at December 31, 2025 disclosed net assets available for benefits of \$131,936 with pension obligations of \$120,833, resulting in a surplus of \$11,103.

13 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.

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Notes to Financial Statements

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(in thousands of dollars)

13 Contingent liabilities and guarantees (continued)

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.

- 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, 2026, the Hospital has recorded legal expenses of \$5,034 (2025 – \$4,105) based on the assessment of the actuary engaged by HML, which have been included in the Statement of Operations. As at March 31, 2026, the deposit balance was \$7,945 (2025 – \$8,485), of which \$6,978 (2025 – \$7,570) 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 \$5,277 (2025 – \$4,949), of which \$4,195 (2025 – \$3,555) is not expected to be paid within one year and is therefore included in Other Long-term liabilities in the Statement of Financial Position.

14 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.

As at March 31, 2026 the following accounts receivable were past due but not impaired:

	30 days	60 days	90 days	Over 120 days
	\$	\$	\$	\$
Accounts receivable	11,837	1,021	906	17,054

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 Hospital is exposed to interest rate risk on its fixed and floating interest rate financial instruments. 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 monitors interest rate risk on its loans and consider further mitigation strategies as necessary.

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. Other long-term liabilities have varying maturities over the next 5 years.

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15 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. During the year, the Hospital recognized contributions from the Foundations of \$6,888 (2025 - \$9,958), of which \$6,554 (2025 - \$9,745) related to capital assets and \$334 (2025 - \$213) related to operating and other program support

Amounts receivable from the foundations recorded in accounts and other receivables in the Statement of Financial Position include the following:

	2026 \$	2025 \$
Ajax-Pickering Hospital Foundation	-	19
Lakeridge Health Foundation	156	56
The Memorial Hospital Foundation – Bowmanville	14	153
Port Perry Hospital Foundation	5	18
	175	246

Amounts are recorded at cost and are due upon issuance of invoice to the Foundations.

Shared services

The Hospital is a member of Mohawk Medbuy Corporation (MMC), a not-for-profit shared service organization the mandate of which is to provide supply chain services to member organizations. 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 and to maximize supply chain savings.

16 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 \$6,563 (2025 - \$6,299), which are to be incurred over the next 27 years.

Changes to the asset retirement obligations in the year are as follows:

Lakeridge Health

Notes to Financial Statements

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(in thousands of dollars)

16 Asset Retirement Obligations (continued)

	2026 \$	2025 \$
Balance, beginning of the year	6,299	5,192
Change in carrying value during the year	264	1,107
Balance, end of the year	6,563	6,299

17 Joint Venture Information

On December 1, 2021, a new regional Clinical Information System (CIS) was implemented for seven Central East hospitals - Campbellford Memorial Hospital, Haliburton Highlands Health Services, Lakeridge Health, Northumberland Hills Hospital, Peterborough Health Centre, and Scarborough Health Network.

On April 1st, 2025 - ENHANCE Ontario was created by 6 hospitals, each having contributed 100% of their regional asset for their proportionate interest in the entity. Enhance Ontario is a not-for-profit corporation that will own and operate the Central East CIS. The following is a summary of the Hospital's proportional interest in ENHANCE Ontario as at March 31, 2026, and for the year then ended:

	2026 \$
Statement of Financial Position	
Current assets	5,198
Current liabilities	4,503
Non-current liabilities	695
Accumulated Surplus	-

	2026 \$
Statement of Operations	
Revenue	16,591
Expenses	(16,591)
Excess of revenue over expenses	-

18 Comparative figures

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