

Baycrest Hospital

Financial statements

March 31, 2023



Independent auditor's report

To the Board of Directors of
Baycrest Hospital

Report on the audit of the financial statements

Opinion

We have audited the consolidated financial statements of **Baycrest Hospital** [the "Hospital"], which comprise the statement of financial position as at March 31, 2023 and the statement of operations, statement of changes in net deficit and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Hospital as at March 31, 2023 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 the 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.



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.

Report on other legal and regulatory requirements

As required by the *Corporations Act* (Ontario), we report that, in our opinion, Canadian public sector accounting standards have been applied on a basis consistent with that of the preceding year.

Ernst & Young LLP

Toronto, Canada
June 22, 2023

Chartered Professional Accountants
Licensed Public Accountants



Baycrest Hospital

Statement of financial position

[in thousands of dollars]

As at March 31

	2023	2022
	\$	\$
		<i>[restated – see note 2]</i>
Assets		
Current		
Cash	1,216	1,177
Funds held for others	1,655	1,610
Accounts receivable <i>[note 3]</i>	8,216	8,472
Due from related parties <i>[note 10]</i>	9,956	4,985
Inventories, deposits and prepaid expenses	1,964	1,091
Total current assets	23,007	17,335
Capital assets, net <i>[notes 2 and 4]</i>	59,655	47,108
	82,662	64,443
Liabilities and net deficit		
Current		
Accounts payable and accrued liabilities	38,485	26,679
Due to related parties <i>[note 10]</i>	3,355	—
Deferred program contributions <i>[note 5]</i>	715	926
Funds held for others	1,655	1,610
Total current liabilities	44,210	29,215
Deferred capital contributions <i>[note 6]</i>	41,826	32,980
Employee future benefits <i>[note 7]</i>	6,877	7,200
Asset retirement obligation <i>[notes 2 and 8]</i>	1,499	1,391
Total liabilities	94,412	70,786
Contingencies <i>[note 9]</i>		
Net deficit		
Deficit	(11,750)	(6,343)
Total net deficit	(11,750)	(6,343)
	82,662	64,443

See accompanying notes

On behalf of the Board:


Robert C. Kay, Board Chair


Barry Cracower, Board Vice Chair

Baycrest Hospital

Statement of operations

[in thousands of dollars]

Year ended March 31

	2023	2022
	\$	\$
		<i>[restated – see note 2]</i>
Revenue		
Ministry of Health, Ministry of Long-Term Care and Ontario Health	134,325	121,140
Charges for client services	14,739	14,259
The Baycrest Centre Foundation grants <i>[note 10]</i>	4,163	2,829
Other grants	345	261
Ancillary services and other <i>[note 10]</i>	7,728	6,052
Amortization of deferred capital contributions <i>[note 6]</i>	2,977	2,587
	164,277	147,128
Expenses		
Salaries and employee benefits <i>[notes 7 and 10]</i>	118,917	106,297
Other operating <i>[note 10]</i>	45,227	35,814
Amortization of capital assets	4,958	5,181
Interest <i>[notes 2 and 10]</i>	582	290
	169,684	147,582
Deficiency of revenue over expenses for the year	(5,407)	(454)

See accompanying notes

Baycrest Hospital

Statement of changes in net deficit

[in thousands of dollars]

Year ended March 31

	2023	2022
	\$	\$
		<i>[restated – see note 2]</i>
Net deficit, beginning of year – previously stated	(6,343)	(5,007)
Adjustment for opening balance of asset retirement obligation <i>[note 2]</i>	—	(882)
Net deficit, beginning of year – as restated	(6,343)	(5,889)
Deficiency of revenue over expenses for the year	(5,407)	(454)
Net deficit, end of year	(11,750)	(6,343)

See accompanying notes

Baycrest Hospital

Statement of cash flows

[in thousands of dollars]

Year ended March 31

	2023	2022
	\$	\$
		<i>[restated – see note 2]</i>
Operating activities		
Deficiency of revenue over expenses for the year	(5,407)	(454)
Add (deduct) items not affecting cash		
Amortization of capital assets	4,958	5,181
Amortization of deferred capital contributions	(2,977)	(2,587)
Decrease in employee future benefits	(323)	(253)
Net change in non-cash working capital balances related to operations	9,470	(807)
Cash provided by operating activities	5,721	1,080
Capital activities		
Purchase of capital assets	(17,505)	(5,302)
Cash used in capital activities	(17,505)	(5,302)
Financing activities		
Contributions for purchase of capital assets	11,823	5,399
Cash provided by financing activities	11,823	5,399
Net increase in cash during the year	39	1,177
Cash, beginning of year	1,177	—
Cash, end of year	1,216	1,177

See accompanying notes

Baycrest Hospital

Notes to financial statements

[in thousands of dollars]

March 31, 2023

1. Description of organization

Baycrest Hospital [the "Hospital"] operates complex continuing care, mental health and rehabilitation programs and a long-term care facility. The Hospital is incorporated under the laws of Ontario. 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.

Effective January 31, 2022, the Baycrest group of companies ["Baycrest"] were reorganized and consolidated under a newly created holding company, Baycrest Seniors Care ["BSC"]. BSC is the sole member of the Hospital.

Baycrest is recognized as a global leader in innovative care delivery and cutting-edge cognitive neuroscience. Fully affiliated with the University of Toronto, Baycrest is among the world's most respected academic health sciences centres focused on the needs of seniors and the aging population.

Baycrest is renowned for its state-of-the-art continuum of hospital, residential and community healthcare and wellness services focused on improving care and quality of life for frail, vulnerable older adults, educating, training and sharing knowledge in leading practices in geriatric care and aging solutions.

2. Summary of significant accounting policies

Basis of presentation

These financial statements have been prepared in accordance with the *CPA Canada Public Sector Handbook* ["PS"], which sets out generally accepted accounting principles for government not-for-profit organizations in Canada. The Hospital has chosen to use the standards for not-for-profit organizations that include Sections PS 4200 to 4270. The significant accounting policies are summarized below:

Revenue recognition

The Hospital follows the deferral method of accounting for contributions, which include government grants and donations. Contributions are recorded in the accounts when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Revenue from unrestricted operating grants is recognized as revenue when it is initially recorded in the accounts. Operating grants and other restricted contributions are deferred when initially recorded in the accounts and recognized as revenue in the year in which the related expenses are recorded.

Charges for client services are recognized as revenue when the service is provided.

Revenue from ancillary and other patient services is recognized when the goods have been sold or when the services are provided.

Financial instruments

Financial instruments, including cash, accounts receivable, accounts payable and accrued liabilities, are initially recorded at their fair value and are subsequently measured at cost, net of any provisions for impairment.

Baycrest Hospital

Notes to financial statements

[in thousands of dollars]

March 31, 2023

Related entities

The following entities are related to the Hospital as they are subject to common control by BSC. The entities, which are incorporated without share capital under the laws of Ontario, are registered charities under the *Income Tax Act* (Canada) and, accordingly, are exempt from income taxes:

- Baycrest Centre for Geriatric Care ["BCGC"], which provides strategic support to Baycrest, and includes research and education activities;
- The Jewish Home for the Aged ["JHA"], which operates a retirement home and owns most of the campus lands;
- The Baycrest Day Care Centre ["Day Care"], which operates day care services for seniors;
- Canadian Centre for Aging & Brain Health Innovation Advancement Inc. ["CABHI Advancement"], which helps innovators develop, disseminate, scale and promote the adoption of promising innovations in the aging and brain health sector;
- CABHI Advancement is the sole member of Canadian Centre for Aging & Brain Health Innovation Development Inc. ["CABHI – Development"], which is incorporated without share capital under the laws of Ontario as a not-for-profit entity and accordingly is exempt from income taxes; and
- The Baycrest Centre Foundation [the "Foundation"], a public foundation, which provides funding to Baycrest charitable entities through fundraising, to support clinical programs and services, research and education.

Inventories

Inventories are valued at the lower of cost and net realizable value, which is considered to be current replacement cost, on a first-in, first-out basis. Reviews for obsolete, damaged and expired items are done on a regular basis, and any items that are found to be obsolete, damaged or expired are written off when such determination is made.

Capital assets

Purchased capital assets are recorded at cost. Donated capital assets are recorded at fair value at the date of contribution. Amortization of capital assets is calculated using the straight-line method so as to charge operations with the cost of the assets over their estimated useful lives as follows:

Buildings and building improvements	20–40 years
Furniture and equipment	5–10 years
Computer hardware and software	5 years

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective assets. The Hospital allocates salary and benefit costs related to personnel who work directly on managing capital projects to capital assets. No amortization is recorded until construction is substantially complete and the assets are ready for productive use.

When a capital asset no longer has any long-term service potential to the Hospital, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations.

Baycrest Hospital

Notes to financial statements

[in thousands of dollars]

March 31, 2023

Employee benefit plans

Multi-employer plan

The multi-employer defined benefit plan is accounted for as a defined contribution plan, as there is not sufficient information to apply defined benefit plan accounting. Contributions to the multi-employer plan are expensed on an accrual basis.

Accrued post-retirement benefits

The Hospital accrues its obligations for non-pension post-retirement benefits as full-time employees render services. The cost of non-pension post-retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate assumptions.

The cumulative unamortized balance of net actuarial gains (losses) is amortized over the average remaining service period of active employees. The average remaining service period of active employees is 14 years. Prior service costs, if any, arising from a plan amendment are expensed when incurred. The accrued benefit obligation related to employee future benefits is discounted using a rate that represents the Hospital's cost of borrowing.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

In particular, the amount of revenue recognized from the Ministry of Health and Ministry of Long-Term Care [the "Ministry"] and Ontario Health ["OH"] is a significant estimate. The Hospital has entered into a number of accountability agreements with OH that set out the rights and obligations of the two parties in respect of funding provided to the Hospital by OH for the year ended March 31, 2023.

These accountability agreements set out certain performance standards and obligations that establish acceptable results for the Hospital's performance in a number of areas. If the Hospital does not meet its performance standards or obligations, the Ministry/OH has the right to adjust funding received by the Hospital. The Ministry/OH is not required to communicate certain funding adjustments until after the submission of year-end data. Since this data is not submitted until after the completion of the consolidated financial statements, the amount of funding received during the year from the Ministry/OH may be increased or decreased subsequent to year-end. The amount of revenue recognized in these financial statements represents management's best estimate of amounts that have been earned during the year.

Contributed materials and services

The Hospital is dependent on the voluntary services of many individuals. Since these services are not normally purchased by the Hospital and because of the difficulty in estimating their fair market value, these services are not recorded in these financial statements.

Baycrest Hospital

Notes to financial statements

[in thousands of dollars]

March 31, 2023

Asset retirement obligations

Asset retirement obligations are recorded in the period during which a legal obligation associated with the retirement of a capital asset is incurred and when a reasonable estimate of this amount can be made. The asset retirement obligation is initially measured at the best estimate of the amount required to retire a capital asset at the financial statement date. A corresponding amount is added to the carrying amount of the related capital asset and is then amortized over its remaining useful life. Changes in the liability due to the passage of time are recognized as interest expense in the statement of operations, with a corresponding increase in the liability.

The estimated amounts of future costs to retire the assets are reviewed annually and adjusted to reflect the then current best estimate of the liability. Adjustments may result from changes in the assumptions used to estimate the undiscounted cash flows required to settle the obligation, including changes in estimated probabilities, amounts and timing of settlement as well as changes in the legal requirements of the obligation, and in the discount rate. These changes are recognized as an increase or decrease in the carrying amount of the asset retirement obligation, with a corresponding adjustment to the carrying amount of the related asset. If the related capital asset is no longer in productive use, all subsequent changes in the estimate of the liability for asset retirement obligations are recognized as an expense in the period incurred.

A liability continues to be recognized until it is settled or otherwise extinguished.

Adoption of new accounting standard

Effective April 1, 2022, the Hospital adopted the new accounting standard PS 3280, *Asset Retirement Obligations*, issued by the Canadian Public Sector Accounting Board. This standard provides guidance over the reporting of legal obligations associated with the retirement of capital assets that are either currently in productive use or no longer in productive use and controlled by the entity, and the costs associated with the retirement of these assets.

The Hospital adopted the standard using the modified retroactive approach, which uses assumptions and discount rates as of April 1, 2022. The asset retirement obligation liabilities and the related increase to capital assets are measured as of the date the legal obligations were incurred, adjusted for the accumulated accretion and amortization as of that date. The comparative figures have been restated with the cumulative effect of applying the new standard recorded to the opening balance of unrestricted net deficit on April 1, 2021. As a result of the application of the new standard, the previously reported excess of revenue over expenses for the year ending March 31, 2022 was reduced by \$108 of accretion expense and \$17 of additional amortization expense for a total reduction of \$125. The opening balance of unrestricted net deficit as at April 1, 2021 was decreased by \$882. The statement of financial position as at March 31, 2022 reflects an increase in the previously reported capital assets of \$384 and the creation of an asset retirement obligation of \$1,391.

Baycrest Hospital

Notes to financial statements

[in thousands of dollars]

March 31, 2023

3. Accounts receivable

Accounts receivable consist of the following:

	2023 \$	2022 \$
Province of Ontario	4,663	5,178
Client accounts	2,052	2,076
Other	1,501	1,218
	8,216	8,472

There are no significant past due or impaired accounts as at March 31, 2023 and 2022.

4. Capital assets

Capital assets consist of the following:

	2023		
	Cost \$	Accumulated amortization \$	Net book value \$
Buildings and building improvements <i>[note 2]</i>	120,496	80,134	40,362
Furniture and equipment	66,389	47,942	18,447
Computer hardware and software	5,804	4,958	846
	192,689	133,034	59,655
	2022		
	Cost \$	Accumulated amortization \$	Net book value \$
	<i>[restated – note 2]</i>		
Buildings and building improvements <i>[note 2]</i>	106,067	77,827	28,240
Furniture and equipment	63,681	45,724	17,957
Computer hardware and software	5,436	4,525	911
	175,184	128,076	47,108

Included in equipment are capital leases with a cost of \$10 [2022 – \$10] and accumulated amortization of \$7 [2022 – \$5].

Baycrest Hospital

Notes to financial statements

[in thousands of dollars]

March 31, 2023

5. Deferred program contributions

Deferred program contributions represent unspent funds received for research and other purposes.

	2023	2022
	\$	\$
Balance, beginning of year	926	914
Amounts received	10,693	4,622
Amounts recognized as revenue	(10,904)	(4,610)
Balance, end of year	715	926

6. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations.

	2023	2022
	\$	\$
Balance, beginning of year	32,980	30,168
Amounts received	11,823	5,399
Amortization recognized as revenue	(2,977)	(2,587)
Balance, end of year	41,826	32,980

7. Employee benefit plans

Multi-employer plan

Certain employees of the Hospital as at March 9, 1998 and all employees joining the Hospital since that date are eligible to be members of the Healthcare of Ontario Pension Plan [the "Plan"], which is a multi-employer, defined benefit, highest consecutive average earnings, contributory pension plan. The Hospital's contributions to the Plan during the year amounted to \$6,183 [2022 – \$5,782] and are included in salaries and employee benefits expense in the statement of operations. The most recent actuarial valuation for financial reporting purposes completed by the Plan was as of December 31, 2022 and disclosed net assets available for benefits of \$103.7 billion with pension obligations of \$92.7 billion, resulting in a surplus of \$11.0 billion.

Accrued post-retirement benefits

The Hospital's non-pension post-retirement benefit plans comprise medical, dental and life insurance coverage for certain groups of full-time employees who have retired from the Hospital and are between the ages of 55 and 65. Spouses of eligible retirees are covered by the plans. The measurement date used to determine the accrued benefit obligation is March 31. The most recent actuarial valuation of the non-pension post-retirement benefit plans for funding purposes was as of March 31, 2023.

Baycrest Hospital

Notes to financial statements

[in thousands of dollars]

March 31, 2023

Information about the Hospital's non-pension post-retirement benefit plans, and reconciliation to the accrued benefit liability, is as follows:

	2023	2022
	\$	\$
Accrued benefit obligation		
Balance, beginning of year	5,102	5,542
Current service cost	214	250
Interest cost	189	167
Benefits paid	(427)	(420)
Actuarial gain	(410)	(437)
Balance, end of year	4,668	5,102
Unamortized net actuarial gain	2,209	2,098
Accrued benefit liability	6,877	7,200

The expense for the year related to these plans is \$214 [2022 – \$250], and employer contributions to these plans were \$427 [2022 – \$420].

The discount rate adopted in measuring the Hospital's accrued benefit obligation was 4.5% [2022 – 3.7%] and expense was 3.7% [2022 – 3.0%] for the non-pension post-retirement benefit plans.

Dental costs are assumed to increase by 5.0% per annum until 2026. Hospital and extended healthcare costs are assumed to increase by 5.27% per annum until 2026.

8. Asset retirement obligations

The asset retirement obligation relates to the Hospital's buildings and is based on third-party expert reports that estimate the costs of remediating asbestos in the Hospital's buildings. The buildings have no set retirement date; however, the remaining useful life is estimated at 22 years and the asset retirement obligation is amortized over that remaining period, on a straight line-basis.

The estimated total undiscounted expenditures of \$3,389 are expected to be incurred and settled at the end of the building's useful life. The liability is calculated using a discount rate of 4.13%. No amounts were paid during the year ended March 31, 2023 or 2022 towards the liability. The Hospital does not anticipate that it will be able to recover any asset retirement costs from a third party. In addition, it has no legal requirement to fund this obligation and, as such, has not set aside any assets designated for payment of this liability.

Baycrest Hospital

Notes to financial statements

[in thousands of dollars]

March 31, 2023

The changes in the asset retirement obligation are as follows:

	2023 \$	2022 \$ <i>[restated]</i>
Asset retirement obligation, beginning of year	1,391	1,283
Interest accretion expense	108	108
Asset retirement obligation, end of year	1,499	1,391

9. Contingencies

- [a] The Hospital is subject to various claims and potential claims related to operations. Where the potential liability is likely and able to be estimated, management has recorded its best estimate of the potential liability. In other cases, the ultimate outcome of the claims cannot be determined at this time. Any additional losses related to claims will be recorded in the year during which the liability is able to be estimated or adjustments to the amount recorded are determined to be required.
- [b] A group of healthcare institutions, including the Hospital, are members of the Healthcare Insurance Reciprocal of Canada ["HIROC"]. HIROC is a pooling of the liability insurance risks of its members. All members pay annual deposit premiums, which are actuarially determined and are subject to further assessment for losses, if any, experienced by the pool for the years in which they were members. As at March 31, 2023, no assessments have been received.

10. Related party transactions and balances

Due from (to) related parties consists of the following:

	2023 \$	2022 \$
Due from BCGC	9,671	4,709
Due from the Foundation	285	207
Due from Day Care	—	8
Due from JHA	—	61
	9,956	4,985
Due to Day Care	(1,743)	—
Due to JHA	(1,612)	—
	(3,355)	—

During the year, the Hospital conducted transactions with related entities. The transactions are in the normal course of operations, and consideration is established and agreed to by the related parties.

Baycrest Hospital

Notes to financial statements

[in thousands of dollars]

March 31, 2023

BCGC provided administrative services, utilities and education support and programs to the Hospital in the amount of \$15,419 [2022 – \$15,405]. The JHA provided community programs and donated parking revenues to the Hospital in the net amount of \$947 [2022 – \$1,115]. The JHA also provided the use of building facilities owned by the JHA, subject to the terms of the lease, at nominal consideration. The Day Care provided daycare programs to the Hospital in the amount of \$2,033 [2022 – \$2,136]. The Hospital received \$3,708 [2022 – \$2,589] in restricted and \$455 [2022 – \$240] in unrestricted grants from the Foundation.

11. Financial instruments and risk management

The Hospital is exposed to various financial risks through transactions in financial instruments.

Credit risk

The Hospital is exposed to credit risk in connection with its cash and accounts receivable because of the risk that one party to the financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Hospital holds its cash accounts with Canadian chartered banks that are insured by the Canadian Deposit Insurance Corporation.

Accounts receivable are primarily due from the MOH/OH and patients. Credit risk is mitigated by the financial solvency of the provincial government and the highly diversified nature of the patient population. The Hospital manages its credit risk by monitoring its outstanding accounts receivable on an ongoing basis.

Liquidity risk

The Hospital is exposed to the risk that it will encounter difficulties in meeting obligations associated with its financial liabilities. The Hospital derives a significant portion of its operating revenue from the Government of Ontario and other funders with no firm commitment of funding in future years. To manage liquidity risk, the Hospital maintains sufficient resources readily available to meet its obligations. In addition, through its affiliation with BCGC, the Hospital has access to credit facilities that are used when sufficient cash flow is not available from operations to cover operating and capital expenditures. BCGC, on behalf of entities under the BSC umbrella, will enter into long-term debt to assist with the financing of capital assets when other sources of funding are not available. Accounts payable mature within six months.

Interest rate risk

The Hospital is exposed to interest rate risk through its affiliation with BCGC. In support of the Hospital and related organizations, BCGC holds credit facilities for capital and operating requirements in the form of floating rate debt. Cash flows on the debt will fluctuate since the interest rate is linked to the bank's prime rate, which changes from time to time. BCGC has entered into interest rate swap contracts to manage the interest rate cash flow risk with respect to its floating rate debt.