Ornge

Consolidated Financial Statements

For the year ended March 31, 2022
(Expressed in thousands of Canadian dollars)

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For the year ended March 31, 2022

Management’s Responsibility

To the Board of Directors of Ornge:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting policies and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Board of Directors and the Finance and Audit Committee are composed entirely of Directors who are neither management nor employees of the Organization. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Finance and Audit Committee has the responsibility of meeting with management and auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Organization’s external auditors.

BDO Canada LLP is appointed by the Board of Directors to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.

June 28, 2022

Chief Executive Officer

Chief Financial Officer

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BDO Canada LLP
360 Oakville Place Drive, Suite 500
Oakville ON L6H 6K8 Canada

Independent Auditor's Report

To the Board of Directors of Ornge

Opinion

We have audited the consolidated financial statements of Ornge and its subsidiaries (the "Organization"), which comprise the consolidated statement of financial position as at March 31, 2022, and the consolidated statements of operations and changes in net deficiency, remeasurement gains and losses and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as at March 31, 2022, and the results of its consolidated operations and changes in net deficiency, remeasurement gains and losses and cash flows for 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 Consolidated Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Organization'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 Organization'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 consolidated 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 Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Organization to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 28, 2022

Ornge
Consolidated Statement of Financial Position
As at March 31, 2022
(In thousands of Canadian dollars)

	2022	**2021**
Assets		
Cash	**12,429**	5,234
Accounts receivable	**7,263**	11,565
Prepaid expenses and deposits	**2,977**	2,334
Inventory *(Note 4)*	**10,258**	8,533
Current portion of maintenance contract *(Note 6)*	**2,318**	3,558
	35,245	31,224
Restricted cash *(Note 3)*	**473**	400
Capital assets *(Note 5)*	**169,345**	172,296
Maintenance contract and other *(Note 6)*	**12,040**	14,358
	217,103	218,278
Liabilities		
Current		
Accounts payable and accrued liabilities *(Note 9)*	**25,769**	23,518
Employee future benefits *(Note 8)*	**1,709**	1,636
Current portion of long-term debt *(Note 9)*	**11,852**	11,202
Current portion of maintenance contract obligation *(Note 10)*	**-**	4,514
	39,330	40,870
Long-term debt *(Note 9)*	**203,336**	215,030
	242,666	255,900
Commitments and contingencies *(Note 14), (Note 15)*		
Net deficiency		
Net deficiency	**(26,513)**	(37,979)
Accumulated remeasurement gains	**950**	357
	(25,563)	(37,622)
	217,103	218,278

Approved on behalf of the Board

Director

Patricia Vallee

Director

The accompanying notes form part of the consolidated financial statements

Ornge

Consolidated Statement of Operations and Changes in Net Deficiency

For the year ended March 31, 2022

(In thousands of Canadian dollars)

	2022	*2021*
Revenue		
Ontario Ministry of Health Air Transport Medicine program	**204,982**	200,353
Critical Care Land Ambulance program *(Note 12)*	**14,815**	13,801
COVID-19 response funding *(Note 13)*	**9,808**	19,430
Other income	**5,315**	3,123
	234,920	236,707
Expenses		
Salaries, employee benefits and other labour-related *(Note 8), (Note 16)*	**80,201**	77,784
Carrier and fleet-related	**78,594**	67,251
Supplies, facilities and other	**15,092**	12,482
Critical Care Land Ambulance program *(Note 12)*	**14,815**	13,801
COVID-19 response expenditures *(Note 13)*	**9,808**	18,806
Interest	**12,892**	13,719
Amortization of capital assets	**11,742**	11,579
	223,144	215,422
Excess of revenue over expenses before other income	**11,776**	21,285
Other income		
(Loss) gain on capital asset disposal - net	**(310)**	40
Excess of revenue over expenses	**11,466**	21,325
Net deficiency, beginning of the year	**(37,979)**	(59,304)
Net deficiency, end of the year	**(26,513)**	(37,979)

The accompanying notes form part of the consolidated financial statements

Ornge

Consolidated Statement of Remeasurement Gains and Losses

For the year ended March 31, 2022
(In thousands of Canadian dollars)

	2022	*2021*
Accumulated remeasurement gains (losses), beginning of year	**357**	(623)
Unrealized remeasurement gains for the year		
Foreign exchange	**593**	980
Accumulated remeasurement gains, end of year	**950**	357

The accompanying notes form part of the consolidated financial statements

Ornge
Consolidated Statement of Cash Flows
For the year ended March 31, 2022
(In thousands of Canadian dollars)

	2022	2021
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	**11,466**	21,325
Amortization of capital assets and COVID-19 response amortization	**12,057**	11,697
Amortization of maintenance contract and other	**3,715**	3,690
Loss (gain) on capital asset disposal - net	**310**	(40)
	27,548	36,672
Changes in working capital accounts		
Accounts receivable	**4,302**	(5,239)
Prepaid expenses and deposits	**(716)**	(122)
Inventory	**(1,725)**	(719)
Accounts payable and accrued liabilities	**2,251**	3,023
Maintenance contract and other	**581**	293
Employee future benefits	**73**	51
	32,314	33,959
Financing		
Repayment of short-term loan	**-**	(8,000)
Principal repayment of long-term debt	**(11,201)**	(10,360)
Principal payments of maintenance contract obligation	**(4,502)**	(4,481)
	(15,703)	(22,841)
Capital activities		
Purchases of capital assets	**(9,461)**	(7,453)
Proceeds from sale of capital assets	**45**	40
	(9,416)	(7,413)
Increase in cash	**7,195**	3,705
Cash, beginning of year	**5,234**	1,529
Cash, end of year	**12,429**	5,234

The accompanying notes form part of the consolidated financial statements

1. Purpose of the organization

Ornge operates from a number of bases across the province coordinating all aspects of Ontario's air medical transport system, critical care land transport program, and the screening of inter-facility transfers of patients within the province. The consolidated financial statements include the activities of the Ornge group of entities (the "Organization"). These include Ornge, Ornge Issuer Trust, and wholly owned subsidiaries: Ornge Foundation, Ornge Global Air Inc. and 7506406 Canada Inc.

Ornge is a corporation continued under the Canada Not-for-profit Corporations Act. Ornge is a registered charity under the Income Tax Act (Canada) (the "Act") and, as such, is exempt from income taxes pursuant to Section 149 of the Act.

Ornge Global Air Inc. ("Ornge Air") and its wholly-owned subsidiary 7506406 Canada Inc. (“7506406”) are for-profit entities incorporated under the Canada Business Corporations Act. The entities provide rotary wing and fixed wing transport services on behalf of the Organization. Pursuant to the Act and Income Tax Regulations, Ornge Air and 7506406 are subject to income taxes.

Ornge Foundation is a registered charity and is currently inactive.

The Organization is funded primarily by the Province of Ontario in accordance with a Performance Agreement (the “Agreement”) established by the Ministry of Health (the "Ministry"). This Agreement sets out the rights and obligations of the two parties in respect of funding provided by the Ministry. It also sets out certain performance standards and obligations that establish acceptable results for the Organization's performance in a number of areas.

2. Significant accounting policies

These consolidated financial statements are prepared in accordance with the Chartered Professional Accountants of Canada Public Sector Accounting Handbook, which sets out generally accepted accounting principles for government not-for-profit organizations in Canada. The Organization has chosen to use the standards for not-for-profit organizations that include PS 4200 to PS 4270. The consolidated financial statements include the following significant accounting policies:

Basis of consolidation

All controlled not-for-profit and for-profit entities are consolidated into the Organization. The consolidated financial statements include the assets, liabilities and activities of such entities as defined in Note 1. Transactions and balances between the entities have been eliminated in arriving at the consolidated financial statements.

Financial instruments

The Organization recognizes its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, and are subsequently measured at either fair value or amortized cost.

Fair value is determined by the amount that would be exchanged in an arm's length transaction between willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. Transactions to purchase or sell these items are recorded on the trade date. Net gains and losses arising from changes in fair value are recognized in the statement of remeasurement gains and losses. With the exception of those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost using the effective interest rate method.

Financial assets subsequently measured at fair value include cash and restricted cash. Financial assets subsequently measured at amortized cost include accounts receivable.

Financial liabilities subsequently measured at amortized cost include short-term loan, accounts payable and accrued liabilities, long-term debt and maintenance contract obligation.

2. Significant accounting policies (Continued from previous page)

Financial instruments (Continued from previous page)

Transaction costs directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the consolidated statement of operations and changes in net deficiency. Conversely, transaction costs are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

All financial assets are tested annually for impairment. Any impairment which is not considered temporary is recorded in the consolidated statement of operations and changes in net deficiency. Write-downs of financial assets measured at cost and/or amortized cost to reflect losses in value may be reversed for subsequent increases in value, up to their original cost. Reversals of any net remeasurements of financial assets measured at fair value are reported in the statement of remeasurement gains and losses.

Cash

Cash includes balances with banks. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Inventory

The Organization's inventory includes aviation parts, medical supplies and uniforms which are valued at the lower of cost and replacement cost. This inventory is consumed in the normal course of operations and is not intended for sale.

Capital assets

Capital assets are recorded at cost less accumulated amortization.

Assets under construction are assets being built on behalf of the Organization. Amortization is not recorded until construction is substantially complete and the assets are ready for their intended use.

When an asset is retired, the book value and accumulated amortization of the asset are removed from the asset accounts. Any losses incurred on retirement or abandonment are recorded as an expense in the year of retirement or abandonment.

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

Assets are classified as held for sale when all criteria in PS 1201.055 are met. The Organization measures the assets held for sale at the lower of their carrying amount and fair value less costs to sell. The gains or losses are recorded in the consolidated statement of operations and changes in net deficiency.

Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives as follows:

	Method	**Rate**
Building	straight-line	10 – 40 years
Equipment and vehicles	straight-line	3 – 5 years
Computer equipment and software	straight-line	3 years
Aircraft airframes	straight-line	20 – 30 years
Aircraft engines	straight-line	20 years
Avionics and rotables	straight-line	5 – 30 years
Leasehold improvements	straight-line	over term of lease

2. Significant accounting policies (Continued from previous page)

Maintenance and repairs

The Organization has entered into long-term maintenance ("LTM") contracts for the maintenance of fixed wing and rotary wing engines, rotary wing airframes, and fixed and rotary wing avionics. The costs are based on a contractual hourly rate multiplied by the number of flight hours (subject to a minimum required hours) or an annual fixed amount. Maintenance costs that are not covered by the LTM contracts are expensed as incurred.

Certain LTM contracts that the Organization entered into contain buy-in provisions, which represent the hours flown by the aircraft prior to when they were placed in the LTM program. Buy-in provision payments are initially capitalized and subsequently recognized as an expense on a straight-line basis over the term of the contract or service life.

Revenue recognition

The Organization follows the deferral method of accounting for contributions. Most of the Organization's revenue, which includes all revenue streams excluding other income, is received from the Ministry under the terms of its Agreement with the Organization. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. 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.

Unrestricted donations are recognized as revenue when received, and restricted donations are recognized as revenue in the year in which the related expenses are incurred.

Other income includes organ transfers and billings for non-OHIP covered services, which are recognized as revenue when services are provided and when amounts can be reasonably estimated, and collection is reasonably assured.

Foreign currency translation

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at the prevailing exchange rate at the date of the transaction. Carrying values of monetary assets and liabilities and non-monetary items included in the fair value category reflect the exchange rates at the consolidated statement of financial position date.

Unrealized foreign exchange gains and losses are recognized in the consolidated statement of remeasurement gains and losses. In the period of settlement, the cumulative amount of remeasurement gains and losses is reversed in the consolidated statement of remeasurement gains and losses, and foreign exchange gains and losses are reclassified to the consolidated statement of operations and changes in net deficiency.

Employee future benefits

The Organization's employee future benefit programs consist of a multi-employer defined benefit plan, a defined contribution plan, and a non-vested sick-leave program.

Certain full-time employees of the Organization participate in the Hospitals of Ontario Pension Plan ("HOOPP" or the "Plan"), which is a defined benefit multi-employer plan. Defined contribution accounting is used to recognize the Organization’s share of a defined benefit multi-employer plan. As such, no pension liability is included in the Organization’s consolidated financial statements and contributions are recognized in expense in the year to which they relate.

In conjunction with the defined benefit plan, the Organization maintains a defined contribution pension plan in which the Organization pays fixed contributions for eligible employees into a registered plan and has no further significant obligations to pay any further amounts. The employee future benefit balance includes the Organization’s accumulated contributions, employee contributions and investment gains and losses. The cost of benefits for the defined contribution plan is expensed as incurred.

The Organization provides non-vested sick leave programs to unionized rotary wing, fixed wing, paramedics and operations control centre employees. The Organization recognizes a liability and an expense for these sick-leave programs that accumulate in the period in which employees render services to the Organization in return for the benefits. The service period is the period from the date the employee is first eligible for benefits (generally the date of hire) to the expected date of the payment of the benefits.

(In thousands of Canadian dollars)

2. Significant accounting policies (Continued from previous page)

In addition, there is a sick leave program for non-union employees, however, benefits earned do not vest or accumulate beyond 12 months after they are earned. As such, the Organization recognizes an expense when the event (the sick leave) that obligates the Organization occurs.

Allocation of expenses

The Organization operates a Critical Care Land Ambulance ("CCLA") program. Program costs include personnel, premises and other expenses directly related to providing this program. The Organization also incurs a number of general support expenses that are common to the administration of the Organization and of the CCLA program.

The Organization allocates certain of its general support expenses by identifying the appropriate basis of allocating each component expense and applies that basis consistently each year up to the amount of funding available.

Measurement uncertainty (use of estimates)

The preparation of consolidated 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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates are required to determine the useful lives of capital assets, the appropriate method of amortization of capital assets, the assessment of impairment of assets, and the assessment of actuarial assumptions for the non-vesting sick-leave benefit plan.

Non-vesting sick-leave benefit plan valuation is based on actuarial assumptions. Actuarial assumptions for the non-vesting sick-leave benefit plan are based on details of the membership and actuarial models. The valuation of assets held for sale is based on the expected proceeds from the sale.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in the consolidated statement of operations and changes in net deficiency in the periods in which they become known.

The amount of revenue recognized from the Ministry requires a number of estimates. Based on the Performance Agreement established between Ornge and the Ministry, if the Organization does not meet its performance standards or obligations, the Ministry has the right to adjust funding received by the Organization. The Ministry 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 Ministry funding received during the year may be increased or decreased subsequent to year end. The amount of revenue recognized in these consolidated financial statements represents management's best estimate of amounts that have been earned during the year.

3. Restricted cash

Restricted cash consists of the following:

	2022	***2021***
Deposit with BNY Trust Company of Canada ("Trustee") for First Mortgage Series A Bond (representing 3 months' debt service) (Note 9)	**473**	400

4. Inventory

Inventory consists of the following:

	2022	***2021***
Aviation parts	**7,440**	7,178
Medical supplies and other	**2,818**	1,355
	10,258	8,533

(In thousands of Canadian dollars)

5. Capital assets

Capital assets consist of the following:

	Cost	Accumulated amortization	2022 Net book value
Land	**3,243**	**-**	**3,243**
Buildings	**23,186**	**13,457**	**9,729**
Equipment and vehicles	**34,450**	**21,491**	**12,959**
Computer equipment and software	**11,613**	**10,425**	**1,188**
Aircraft airframes	**157,016**	**43,843**	**113,173**
Aircraft engines	**38,299**	**16,748**	**21,551**
Avionics and rotables	**13,698**	**8,750**	**4,948**
Leasehold improvements	**4,603**	**3,618**	**985**
Assets under construction	**1,569**	**-**	**1,569**
	287,677	**118,332**	**169,345**

	Cost	Accumulated amortization	2021 Net book value
Land	3,243	-	3,243
Buildings	22,857	12,552	10,305
Equipment and vehicles	27,758	18,528	9,230
Computer equipment and software	10,782	9,478	1,304
Aircraft airframes	157,337	39,448	117,889
Aircraft engines	38,299	15,216	23,083
Avionics and rotables	13,418	8,261	5,157
Leasehold improvements	4,323	3,026	1,297
Assets under construction	788	-	788
	278,805	106,509	172,296

The Organization disposed of capital assets that resulted in a net loss of $310 (2021 - $40 gain). Included in capital assets are COVID-19 response capital assets at cost of $1,701 and net book value of $1,268.

6. Maintenance contract and other

In fiscal 2018, the Organization entered into a maintenance program for its rotary wing engines for twenty years or until the second engine overhaul is completed, whichever is earlier. Similarly, a six-year maintenance program for its rotary wing airframes was entered into in fiscal 2017. Under these agreements, the respective buy-in provisions are capitalized and amortized on a straight-line basis over the life of the contract or service potential.

	2022	2021
Balance, beginning of year	**17,916**	21,487
Less: amortization and other	**(3,558)**	(3,571)
	14,358	17,916
Less: Current portion	**(2,318)**	(3,558)
	12,040	14,358

(In thousands of Canadian dollars)

7. Short-term loan

On December 15, 2021, the Organization entered into a short term, unsecured credit facility for general corporate purposes with borrowing of up to $40,000.

Borrowing within the facility can be utilized through three types of vehicles:
1) Prime rate loans that bear interest at the bank's prime rate +/- margin.
2) CDOR loans that bear interest at the CDOR rate +/- CDOR margin.
3) Letters of Credit that bear interest at the bank's market rate.

The facility is unsecured and matures on December 15, 2024. As at March 31, 2022, $nil (2021 - $nil) was outstanding on this facility.

8. Employee future benefits

The Organization allocates to unionized employees a specified number of days each year for use as paid absences in the event of illness or injury. These employees are permitted to accumulate their unused allocation each year up to the allowable maximum provided in their employment agreements. Accumulated days may be used in future years to the extent that employees' illness or injury exceeds the current year's allocation of sick days. Sick days are paid out at the salary in effect at the time of usage. All computations and disclosures are determined using a measurement date of accounting purposes as at March 31, 2022.

	2022	*2021*
Employee future benefit liabilities		
Accrued employee future benefit obligations	**1,387**	1,288
Unamortized actuarial gain, end of year	**322**	348
	1,709	1,636
Employee future benefit expenses		
Current year benefit cost	**649**	616
Interest on accrued benefit obligation	**23**	28
	672	644

The significant actuarial assumptions adopted in measuring the Organization's accrued benefit obligations for the non-vesting sick leave were: a discount rate of 2.60% (2021 - 2.60%).

The significant actuarial assumptions adopted in measuring the Organization's expense for the non-vesting sick leave were: a discount rate of 2.60% (2021 - 2.60%), and salary cost escalation of 2.00% (2021 - 2.00%).

(In thousands of Canadian dollars)

9. Long-term debt

	2022	*2021*
Series A unsecured debenture (a)	**195,753**	206,232
First Mortgage Series A bond (b)	**20,756**	21,478
	216,509	227,710
Less: Unamortized transaction costs	**(1,321)**	(1,478)
	215,188	226,232
Less: Current portion	**(11,852)**	(11,202)
	203,336	215,030

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

2023	11,852
2024	12,539
2025	13,266
2026	14,083
2027	15,140
Thereafter	149,629
Total	**216,509**

Accrued interest included in accounts payable and accrued liabilities amounted to $3,388 (2021 - $3,569).

(a) On June 11, 2009, the Organization issued a Series A unsecured debenture (the "Debenture") in the amount of $275,000 to finance the acquisition of certain fixed wing and rotary wing aircraft and related infrastructure, and for general corporate purposes. The debenture bears interest at 5.727% per annum, calculated annually and payable semi-annually in blended payments of principal and interest of $11,071. The maturity date of the debenture is June 11, 2034.

Transaction costs related to the issuance of the debenture, including professional fees, were $2,549. These costs were recorded against the debenture amount and are being amortized over the life of the debenture using the effective interest rate method.

The fair market value of the debenture as at March 31, 2022 is $215,834 (2021 - $247,812). The yield on a similar private placement would be 4.03% (2021 – 2.78%). Given that there is no active secondary market for this issue, the price quoted represents the theoretical value of the debenture.

The Organization is subject to certain covenants associated with the debenture. During the reporting period, the Organization met all of its covenants.

(b) On January 31, 2011, the Organization issued a First Mortgage Series A bond (the "Bond") in the amount of $23,877 for the purpose of financing the head office building. The Bond bears interest at 5.60% per annum, calculated semi-annually, and is repayable in blended payments of principal and interest monthly of $158. The maturity date of the Bond is January 31, 2036. A mortgage and security interest in the Organization's corporate building, the related land and fixtures with a carrying value of $12,639, and all benefits to be derived from these assets, including the lease of these assets, has been provided as collateral for the bond.

Transaction costs related to the issuance of the Bond, including professional fees, were $684. These costs were recorded against the Bond amount and are being amortized over the life of the Bond using the effective interest rate method.

(In thousands of Canadian dollars)

9. Long-term debt (Continued from previous page)

The Organization may redeem a portion of or the entire Bond at any time prior to its maturity at a price based on the principal amount then outstanding plus a "make-whole" premium, and accrued and unpaid interest.

Given that there is no active secondary market for this issue, the bond will always be priced at par, yielding its original issue yield of 5.60%.

The Organization is subject to certain covenants associated with the Bond. During the reporting period, the Organization met all its covenants.

10. Maintenance contract obligation

	2022	***2021***
Engine maintenance program	**4,514**	9,722
Foreign exchange remeasurement and other	**(12)**	(727)
Less: payments made during the year	**(4,502)**	(4,481)
	-	4,514
Less: Current portion	**-**	(4,514)
	-	-

Contractual payments on the principal balance of the buy-in have ended in 2022.

11. Financial instruments

The Organization, as part of its operations, carries a number of financial instruments and is exposed to interest, currency, credit, liquidity price risks arising from these financial instruments. The risk exposure and management's objectives, policies and processes for measuring and managing the risks have not changed significantly during the year.

Credit risk

Credit risk is the risk of financial loss because a counter party to a financial instrument fails to discharge its contractual obligations.

The carrying amount of the Organization's financial instruments best represents the maximum exposure to credit risk.

The maximum credit risk exposure at year-end is:

	2022	*2021*
Cash	**12,429**	5,234
Restricted cash	**473**	400
Accounts receivable	**7,263**	11,565
	20,165	17,199

11. Financial instruments (Continued from previous page)

Liquidity risk

The Organization derives most of its operating revenue from the Ministry. The Organization is bound by a Performance Agreement with the Ministry, which provides funds to the Organization for the purposes of delivering the services as described in the Performance Agreement. The Organization is exposed to the risk related to availability of cash resources in order to continue to provide services expected by the Organization's mandate under the Performance Agreement.

To manage liquidity risk, the Organization ensures sound management of available cash resources. The Organization has access to short-term, unsecured credit facility that is used when sufficient cash flow is not available from the Ministry funding to cover operating expenditures (see Note 7).

The Organization monitors its cash requirements based on its financial forecast.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. In seeking to manage the risks from foreign exchange rate fluctuations, the Organization monitors current exchange rates and fluctuations to manage its accounts payable and accrued liabilities.

The Organization enters into transactions for purchases and warranty claims that are denominated in U.S. dollars for which the related accounts payable balances are subject to exchange rate fluctuations. As at March 31, 2022, the following items are denominated in U.S. dollars:

	2022	***2021***
	U.S.$	U.S.$
	(in thousands)	*(in thousands)*
Accounts payable and accrued liabilities	**2,321**	2,225
Maintenance contract obligation	**-**	3,590

A 1% change in the U.S. dollar foreign exchange rates would change accounts payable and accrued liabilities and maintenance contract obligations by approximately $29, resulting in a change to unrestricted net deficiency and accumulated remeasurement gains and losses of approximately $29.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Organization is exposed to interest rate risk with respect to its long-term debt. A change in the interest rate of the long-term debt would have an impact on the fair value of the debt but no impact on the consolidated financial statements since the debt is measured at amortized cost and has a fixed rate of interest.

Commodity risk

The Organization requires significant quantities of aviation fuel for its aircraft operations. As a result, the Organization is exposed to commodity price risks associated with the variations in the market price for aviation fuel. The price of aviation fuel is sensitive to, among other things, the price of crude oil, refining, and delivery costs.

Fair value of financial instruments

Financial instruments measured at fair value are classified according to a fair value hierarchy that reflects the importance of the data used to perform each valuation. The fair value hierarchy is made up of the following levels:

Level 1: Quoted prices (unadjusted) are available in active markets for identical assets or liabilities;

(In thousands of Canadian dollars)

11. Financial instruments (Continued from previous page)

Level 2: Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly; and

Level 3: Unobservable inputs in which there is little or no market data, which require the Organization to develop its own assumptions.

The fair value hierarchy requires the use of observable data on the market each time such data exists. A financial instrument is classified at the lowest level of hierarchy for which significant input has been considered in measuring fair value.

Cash and restricted cash that the Organization held as at March 31, 2022 fall within Level 1 of the fair value hierarchy and fair market values of long-term debt disclosed fall within Level 2.

12. Critical Care Land Ambulance program expenses

The Critical Care Land Ambulance program expenses consist of direct program costs and allocation of general support expenses as follows:

	2022	*2021*
Direct program costs - CCLA	**14,815**	13,801

13. COVID-19 Response

During the year, the Organization received one-time funding to cover incremental expenditures associated with COVID-19 response in the emergency health services sector. This funding is included in COVID-19 response funding. The COVID-19 response expenditures consist of:

	Total funding and expenditures	***2022***	*2021*	*2020*
Salaries, employee benefits and other labour-rela	**10,455**	**4,048**	6,120	287
Carrier and fleet-related	**12,915**	**4,050**	8,865	-
Supplies, facilities and other	**5,435**	**1,395**	3,703	337
Amortization of capital assets	**433**	**315**	118	-
	29,238	**9,808**	18,806	624

14. Commitments

The Organization has entered into various operating agreements to receive services in support of the Organization's transport medicine operation. The Organization is also committed under long-term leases for premises in various bases across Ontario. The estimated minimum annual payments are as follows:

	2022
Within one year	21,329
Between one and five years	21,404
Beyond five years	5,819
	48,552

15. Contingencies

The Organization is subject to various claims and potential claims. Where the potential liability is determinable, management believes that the ultimate disposition of the matters will not materially exceed the amounts recorded in the accounts. In other cases, the ultimate outcome of the claims cannot be determined at this time. Any additional losses related to the claims will be recorded in the year during which the liability is determined or adjustments to the amount recorded are determined to be required.

The Organization participates in the Healthcare Insurance Reciprocal of Canada (“HIROC”). HIROC is a pooling of the public liability insurance risks of its members. 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. There are other claims covered by HIROC. Management believes that their coverage is adequate to cover any amounts payable in connection with these claims.

16. Pension plans

Certain full-time employees of the Organization are eligible to be members of HOOPP (the "Plan"), which is a multi-employer, defined benefit, final average earnings, and contributory pension. The Plan is accounted for as a defined contribution plan following the standards for multi-employer plans. The Organization's contribution to the Plan during the year amounted to $3,565 (2021 - $3,528) and is included in salaries and employee benefits expense and specifically funded programs in the consolidated statement of operations and changes in net deficiency. Contributions made by the Organization are in accordance with the funding requirements under the Plan. The most recent valuation for financial reporting purposes completed by HOOPP as of December 31, 2021 disclosed net assets available for benefits of $114,414 million with pension obligations of $85,902 million, resulting in a surplus of $28,512 million.

The Organization also maintains a defined contribution pension plan for certain groups of its employees. During the year ended March 31, 2022, the Organization contributed and expensed an aggregate of $2,254 (2021 - $2,169) to this plan.

17. COVID-19

As of March 2020, there was a global outbreak of COVID-19, which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. The Organization was deemed an essential business and continued to operate throughout the pandemic. The Organization also received additional funding and incurred additional expenses for COVID-19 response in the emergency health services sector, as disclosed in Note 13.

At this time, it is unknown the extent of the future impact the COVID-19 outbreak may have on the Organization as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the effects of the administered vaccinations and its direct impact to the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put in place by Ontario and Canada and other countries to fight the virus.