Financial statements of

Sinai Health System

March 31, 2020

Sinai Health System

For the year ended March 31, 2020

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Independent auditor's report

To the Board of Directors of Sinai Health System

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Sinai Health System (the Hospital) as at March 31, 2020 and the results of its operations, its remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

What we have audited
The Hospital's financial statements comprise:

- the statement of financial position as at March 31, 2020;
- the statement of operations and changes in net deficit for the year then ended;
- the statement of remeasurement losses for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Hospital in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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.

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- 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
June 11, 2020

Sinai Health System

Statement of financial position

As at March 31, 2020

(in thousands of dollars)

	2020	2019
	$	$
Assets		
Current assets		
Cash	175,573	201,480
Restricted cash (note 4)	13,467	13,098
Accounts receivable (note 5)	28,925	26,278
Redevelopment receivable (note 6)	823	87,572
Due from related entities (note 13)	35,757	12,821
Inventories	3,139	2,622
Prepaid deposits and sundry assets	5,881	6,362
	263,565	350,233
Restricted cash (note 4)	4,184	4,875
Other long-term assets	7,875	7,341
Long-term redevelopment receivable (note 6)	69,457	4,450
Due from related entities (note 13)	21,440	23,611
Property and equipment (note 7)	1,229,316	1,169,521
	1,595,837	1,560,031
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	130,901	122,726
Due to related entities (note 13)	1,245	2,348
Administered funds	13,467	13,098
Current portion of long-term debt (note 8)	992	962
Current portion of long-term redevelopment obligation (note 10)	8,233	91,908
Deferred contributions (note 12)	78,755	83,834
	233,593	314,876
Other long-term liabilities (note 9)	14,301	12,316
Long-term debt (note 8)	227,598	226,235
Long-term redevelopment obligation (note 10)	414,536	356,828
Employee future benefits (note 11)	31,605	31,231
Deferred contributions (note 12)	692,629	627,489
	1,614,262	1,568,975
Net deficit consists of		
Unrestricted and invested in capital assets	(13,779)	(6,668)
Accumulated remeasurement losses	(4,646)	(2,276)
	(18,425)	(8,944)
	1,595,837	1,560,031

Commitments and contingencies (note 15)

See accompanying notes to the financial statements.

Approved by the Board

_______________ Director

_______________ Director

Sinai Health System

Statement of operations and changes in net deficit

For the year ended March 31, 2020

(in thousands of dollars)

	2020	2019
	$	$
Income		
Ministry of Health (MOH)	472,289	463,917
Patient revenue	14,914	10,128
Preferred accommodation	12,282	12,205
Research funding	80,740	78,552
Commercial	6,404	7,707
Other revenue and recoveries	45,063	42,783
Amortization of deferred contributions for equipment	5,057	7,609
	636,749	622,901
Expenses		
Salaries and wages	361,949	350,881
Employee benefits	84,204	82,711
General supplies and other	133,391	130,512
Medical and surgical supplies	23,033	21,860
Drugs	11,982	11,770
Amortization of equipment	13,804	15,271
Interest	6,602	6,751
	634,965	619,756
Excess of income over expenses before the undernoted	1,784	3,145
Amortization of deferred capital contributions	40,924	40,499
Amortization of building and research equipment	(49,819)	(49,478)
	(8,895)	(8,979)
MOH funding – interest on building	20,203	20,489
Interest cost on building (MOH share)	(20,203)	(20,489)
	-	-
Deficiency of income over expenses for the year	(7,111)	(5,834)
Net deficit – Beginning of year	(6,668)	(834)
Net deficit – End of year	(13,779)	(6,668)

See accompanying notes to the financial statements.

Sinai Health System
Statement of remeasurement losses

For the year ended March 31, 2020
(in thousands of dollars)

	2020	2019
	$	$
Accumulated remeasurement losses, beginning of year	(2,276)	(1,480)
Unrealized loss attributable to interest rate swap (note 8(d))	(2,370)	(796)
Accumulated remeasurement losses, end of year	(4,646)	(2,276)

See accompanying notes to the financial statements.

Sinai Health System
Statement of cash flows
For the year ended March 31, 2020
(in thousands of dollars)

	2020	2019
	$	$
Cash provided by (used in)		
Operating activities		
Deficiency of income over expenses for the year	(7,111)	(5,834)
Items not affecting cash		
Amortization of equipment	13,804	15,271
Amortization of building and research equipment	49,819	49,478
Amortization of deferred capital contributions (note 12)	(45,981)	(66,166)
Recognition of deferred designated and research contributions (note 12)	(74,787)	(73,275)
Employee future benefits (note 11)	1,871	3,084
Loss on disposal	350	-
Decrease (increase) in due from related entities	(20,765)	5,106
Increase (decrease) in due to related entities	(1,103)	569
Deferred contributions received	69,708	79,824
Payment for employee future benefits	(1,497)	(1,484)
Increase in other long-term assets	(534)	(313)
Increase in other long-term liabilities	1,985	881
	(14,241)	7,141
Net change in non-cash working capital (note 14)	5,861	31,896
	(8,380)	39,037
Financing activities		
Repayment of long-term debt	(999)	(1,270)
Proceeds from long-term debt	22	20
Repayment of long-term redevelopment obligation	(92,612)	(7,451)
Deferred capital contributions received (note 12)	31,530	44,056
Receipts from long-term redevelopment receivables	101,332	-
Decrease (increase) in restricted cash	323	(1,093)
	39,596	34,262
Capital activities		
Purchase of property and equipment	(57,123)	(42,225)
	(57,123)	(42,225)
Increase (decrease) in cash during the year	(25,907)	31,074
Cash, beginning of year	201,480	170,406
Cash, end of year	175,573	201,480
Non-cash transactions		
Financing of costs incurred on Renew Sinai Phase 3A redevelopment project	66,645	53,812
Due from the Ministry of Health related to Renew Sinai Phase 3A redevelopment project recorded as deferred capital contributions	79,591	51,266

See accompanying notes to the financial statements.

1. Organization

Sinai Health System (the Hospital) is a public teaching and research hospital affiliated with the University of Toronto. The Hospital provides patient care, teaches healthcare professionals, conducts research and provides chronic care and rehabilitation services.

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.

The Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by both the MOH and the Toronto Central Local Health Integration Network (TCLHIN).

2. Summary of significant accounting policies

Basis of presentation
These financial statements have been prepared by management in accordance with Canadian public sector accounting standards (PSAS), including standards that apply to government not-for-profit organizations. A summary of the significant accounting policies is as follows.

Revenue recognition
The Hospital follows the deferral method of accounting for contributions, which includes donations and government grants. Unrestricted contributions are recognized as revenue when received or receivable. Externally restricted contributions are recognized as revenue in the year in which the related expenses or activity are incurred.

Under the Health Insurance Act (Ontario) and the regulations thereunder, the Hospital is funded primarily by the Province of Ontario in accordance with funding arrangements established by the MOH and the TCLHIN.

Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of a period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in a subsequent period. These financial statements reflect management's best estimates of funding arrangements with the MOH and the TCLHIN.

All investment income is unrestricted and recognized as revenue when earned.

Amortization of building and research equipment is not included in the financial measures that are defined as part of the Hospital Service Accountability Agreement (HSAA) and accordingly has been reflected as an undernoted item in the statement of operations and changes in net deficit with the corresponding realization of revenue for deferred contributions and grants.

2. Summary of significant accounting policies (continued)

Contributions received in the form of donations and grants for specific capital expenditures are initially deferred and recorded as deferred capital contributions. These deferred contributions are realized into revenue on the same basis as the amortization of the cost of the related property and equipment. Funding for capital expenditures is recorded when there is an agreement with the ultimate donor and there is reasonable assurance the funding will be received in the near future.

Revenue generated from patient, preferred accommodation and commercial activities is recognized when the goods are sold or the service is provided, the amounts can be reasonably estimated and collection is reasonably assured.

Other revenue and recoveries are primarily derived from various service level agreements with other institutions and are recognized when the goods are sold or the service is provided, the amounts can be reasonably estimated and collection is reasonably assured.

Cash

Cash includes operating funds and cash held for research, capital and other designated purposes.

Inventories

Inventories consist primarily of hospital supplies held for patient care and are recorded at the lower of cost and replacement cost. Cost is determined by the first-in, first-out method.

Property and equipment

Property and equipment are stated at cost, less accumulated amortization. Assets acquired under capital leases are amortized over the estimated lives of the assets or over the lease term, as appropriate.

Contributed property and equipment are recorded at fair value at the date of contribution. When property and equipment no longer contribute to the Hospital's ability to provide services, their carrying amounts are written down to their residual value. Costs incurred for new facilities, or that substantially increase the useful lives of existing property and equipment, are capitalized.

Property and equipment are amortized on a straight-line basis over the estimated useful lives of the assets as follows:

Land	not amortized
Artwork	not amortized
Building	7 to 40 years
Equipment	3 to 20 years
Software	3 to 5 years
Equipment under capital lease	3 to 20 years
Construction-in-progress	not amortized

Construction-in-progress comprises direct construction, development costs and capitalized interest. Interest costs, net of related interest income, are capitalized during the construction period. No amortization is recorded until construction is substantially complete and the assets are put in use.

2. Summary of significant accounting policies (continued)

Contributed services
Certain ancillary services of the Hospital are voluntarily provided by the community. Since these services are not normally purchased by the Hospital and because of the difficulties in determining their fair value, these contributed services are not recognized in these financial statements.

Administered funds
Certain funds are administered by the Hospital on behalf of clinical groups. Transactions in the funds are not Hospital operating activities and do not flow through the statement of operations and changes in net deficit. Since these funds are held under administration, they are recorded as restricted cash on the statement of financial position and changes in net deficit with a corresponding liability.

Employee future benefit plans
a) Pension
Employees of the Hospital are eligible to be members of the Healthcare of Ontario Pension Plan (HOOPP or the Plan), which is a multi-employer, defined benefit pension plan. Contributions made to HOOPP are expensed as funded, as the plan is accounted for as a defined contribution plan.

b) Other than pension
Employees are also entitled to certain other non-pension, post-employment benefits. The Hospital accrues its obligations under non-pension employee benefit plans as employees render services and has adopted the following policies:

- The cost of non-pension post-employment benefits earned by employees is determined by an actuary using the projected benefit method pro-rated on length of service and management estimated assumptions with regard to retirement age of employees and expected healthcare costs.
- The accrued benefit obligation related to employee benefits is discounted using current interest rates based on the Hospital's cost of borrowing.
- Past service costs arising from plan amendments are expensed when incurred.
- Actuarial gains and losses on the accrued benefit obligation arise from changes in the actuarial assumptions used to determine the accrued benefit obligations. The net accumulated actuarial gains or losses are amortized over the average remaining service period of active employees.

Use of estimates
The preparation of financial statements in conformity with PSAS 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 income and expenses during the reporting period. Actual results could differ from those estimates.

In addition, a portion of the revenue recognized from the MOH and the TCLHIN is an estimate. The Hospital entered into various accountability agreements with the TCLHIN that set out the rights and obligations of both parties in respect to funding provided to the Hospital by the TCLHIN and the MOH. The 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 TCLHIN and/or the MOH have the right to adjust funding received by the Hospital.

2. Summary of significant accounting policies (continued)

Other amounts that use estimates include capital assets, valuation of accounts receivable, valuation of certain accrued liabilities and obligations related to employee future benefits.

Related entities
Investments in Sinai Trust, Sinai Trust 2016 and The Centre for Phenogenomics are accounted for using the modified equity method as the Hospital controls the entities and is recorded in other revenue and recoveries in the statement of operations and changes in net deficit. The investments are initially recorded at cost and adjusted thereafter to recognize the Hospital's share of the entity's net surplus or deficit. Any distributions received are accounted for as a reduction in the investment. All other related entities and transactions described in note 13 are disclosed.

Financial instruments
The Hospital's financial assets consist of cash, restricted cash, accounts receivable, redevelopment receivable and due from related entities, and financial liabilities consist of accounts payable and accrued liabilities, long-term debt, long-term redevelopment obligation and interest rate swap.

Financial instruments, except for long-term debt, are initially recorded at fair value. Long-term debt is initially recorded at cost. The Hospital's financial instruments are subsequently measured as follows:

Assets/liabilities	Measurement category
Cash	fair value
Restricted cash	fair value
Accounts receivable	amortized cost
Redevelopment receivable	amortized cost
Due from related entities	amortized cost
Accounts payable and accrued liabilities	amortized cost
Long-term debt	amortized cost
Long-term redevelopment obligation	amortized cost
Interest rate swap	fair value

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest income or expense.

Unrealized changes in fair value are recognized in the statement of remeasurement losses until they are realized, when they are transferred to the statement of operations and changes in net deficit. When a financial asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement losses are reversed and recognized in the statement of operations and changes in net deficit.

All financial assets, except interest rate swaps, are assessed for impairment on an annual basis. When a decline in value is determined to be other than temporary, the amount of the loss is reported in the statement of operations and changes in net deficit and any unrealized gain or loss is removed from the statement of remeasurement losses.

Other liabilities
Other liabilities are recognized when there is a present obligation due to a past transaction and there is a future expected outflow of economic benefits to settle it. Other liabilities are measured at the best estimate of the amount the liabilities will be settled.

(in thousands of dollars)

2. Summary of significant accounting policies (continued)

Derivatives
Interest rate swap agreements are used as part of the Hospital's program to eliminate variability in future interest cash flows. Interest to be paid or received under such swap agreements is recognized as adjustments to interest expense.

Fair value measurement
PSAS requires the Hospital to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 – unadjusted quoted market prices in active markets;
- Level 2 – observable or corroborated inputs, other than Level 1, such as quoted prices for similar assets or liabilities in inactive markets, or market data for substantially the full term of the assets or liabilities; and
- Level 3 – unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

Cash and restricted cash are measured as Level 1 fair value instruments and interest rate swaps are measured as Level 2 fair value instruments.

3. COVID-19 pandemic response

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

As a result of the COVID-19 pandemic, the Hospital experienced a change in the demand for its services and incurred unbudgeted pandemic response expenditures. The Hospital has tracked expenditures related to its pandemic response and will apply for reimbursement of hospital-incurred expenditures once provincial processes for such reimbursement are finalized. Any recoveries that may be received in the future will be recognized in the period in which approval is obtained.

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

4. Restricted cash

	2020	2019
	$	$
Restricted funds under administration	17,651	17,973
Less: Current portion	13,467	13,098
Restricted cash – long-term	4,184	4,875

(in thousands of dollars)

4. Restricted cash (continued)

a) Restricted cash held for redevelopment consists of funds received from the MOH, under the terms of the Development Accountability Agreement with the MOH related to the Bridgepoint Hospital (BH) redevelopment project that are restricted in use. The unspent portion of these funds as at March 31, 2020 is $4,184 (2019 – $4,875), which is held in a sinking fund trust account.

b) Restricted funds under administration consists of cash held and administered by the Hospital on behalf of the clinical groups and cannot be used for Hospital operations.

5. Accounts receivable

	2020	2019
	$	$
Research grants	10,456	9,211
MOH	1,611	1,323
Commodity tax receivable	5,188	3,736
Patient services	5,033	4,678
Other	6,637	7,330
	28,925	26,278

Patient accounts receivable are shown net of an allowance for potentially uncollectible amounts of $2,149 (2019 – $826). There are no significant balances that are past due.

6. Redevelopment receivable

The following are amounts due from the MOH related to the following capital projects:

	2020	2019
	$	$
Renew Sinai, Phase 2	3,620	3,620
Renew Sinai, Phase 3A (note 10(b))	66,660	88,402
	70,280	92,022
Less: Current portion	823	87,572
Long-term portion	69,457	4,450

(in thousands of dollars)

7. Property and equipment

			2020
	Cost	Accumulated amortization	Net book value
	$	$	$
Land	64,388	-	64,388
Artwork	4,101	-	4,101
Building	1,271,809	459,668	812,141
Equipment	386,316	305,401	80,915
Equipment under capital lease	310	69	241
Software	6,219	4,206	2,013
Construction-in-progress	265,517	-	265,517
	1,998,660	769,344	1,229,316

			2019
	Cost	Accumulated amortization	Net book value
	$	$	$
Land	64,388	-	64,388
Artwork	4,101	-	4,101
Building	1,267,733	417,802	849,931
Equipment	375,197	295,539	79,658
Equipment under capital lease	310	67	243
Software	4,959	3,932	1,027
Construction-in-progress	170,173	-	170,173
	1,886,861	717,340	1,169,521

Construction-in-progress reflects expenditures on assets not yet in use including Renew Sinai Phase 3A redevelopment and expansion project.

The Hospital wrote off fully amortized assets of $11,985 (2019 – $11,951).

8. Long-term debt

	2020	**2019**
	$	**$**
Series A senior unsecured debentures (c)	198,333	198,311
Capital loan (b)	25,443	26,367
Capital equipment financing	168	243
Fair value adjustment in respect of interest rate swap agreements (d)	4,646	2,276
	228,590	227,197
Less: Current portion of long-term debt	992	962
Long-term portion	227,598	226,235

(in thousands of dollars)

8. Long-term debt (continued)

a) The Hospital has the following operating credit facilities available to draw upon:

i) An unsecured revolving term credit facility of $36,500, available by way of advances at the bank's prime lending rate and bankers' acceptances fee; no funds have been drawn on the general purpose loan. The facility expires April 15, 2020.
ii) An unsecured, revolving credit facility of $10,000; no funds have been drawn on the revolving line of credit.

b) The Hospital has the following term facilities for capital available to draw upon:

i) An unsecured revolving term facility of $10,000, available by way of advances at the bank's prime lending rate and bankers' acceptance fee, of which $nil was drawn as at March 31, 2020 (2019 – $nil). The facility expires April 15, 2020.
ii) An unsecured non-revolving term facility of $30,000, maturing on December 1, 2039, with a fixed base rate of 3.05% plus a floating rate credit spread of 0.45% (2019 – 0.45%), of which $25,443 (2019 – $26,367) was drawn as at March 31, 2020.

c) On June 9, 2016, the Hospital issued $200,000 of 3.527% Series A senior unsecured debentures at par value with a maturity date of June 9, 2056. Interest is payable semi-annually on June 9 and December 9 with the principal to be repaid on June 9, 2056. During the year, interest paid amounted to $7,073 (2019 – $7,054). Interest expense recorded in the statement of operations and changes in net deficit amounted to $5,674 (2019 – $5,792) and interest capitalized in property and equipment amounted to $1,399 (2019 – $1,262).

d) The Hospital entered into an interest rate swap contract relating to its long-term debt and which is recorded at fair value. The fair value of the interest rate swap is based on current pricing for the same notional interest rate swap (Level 2 of the fair value hierarchy). The swap has a notional principal amount of $30,000 (c) maturing on December 1, 2039. During the year, an unrealized loss of $2,370 (2019 – loss of $796) was recorded in the statement of remeasurement losses. As at March 31, 2020, the swap was in a net unfavourable position and a liability of $4,646 (2019 – $2,276) was recorded on the statement of financial position.

Principal due within each of the next five years and thereafter on the capital loan, capital equipment financing and debenture as at March 31, 2020 is as follows:

	$
2021	992
2022	1,022
2023	1,053
2024	1,084
2025	1,093
Thereafter	218,700
	223,944

(in thousands of dollars)

9. Other long-term liabilities

	2020	2019
	$	$
Long-term accrued sick days	5,590	5,163
Construction holdbacks	4,315	2,920
HIROC legal defense liability (note 15(c))	4,396	4,233
	14,301	12,316

10. Long-term redevelopment obligation

	2020	2019
	$	$
Bridgepoint long-term redevelopment obligation, due on February 28, 2043, monthly payments of $2,112 including principal and interest at 7.46%	346,068	353,899
Renew Sinai long-term redevelopment obligation	76,701	94,837
	422,769	448,736
Less: Current portion	8,233	91,908
Long-term portion	414,536	356,828

a) Bridgepoint Redevelopment Project

In July 2009, the MOH provided approval for BH to enter into a Project Agreement with the successful bidder for the construction of BH's Capital Redevelopment Project as a Design, Build, Finance and Maintain Alternative Financing and Procurement Project. The Project Agreement includes a 30-year facility maintenance period. The redeveloped BH is purpose-built to serve those in need of rehabilitation services and those living with complex chronic disease.

The long-term redevelopment obligation relates to future capital payments associated with the Project Agreement. The Hospital has a long-term funding agreement with the MOH, which is 100% matched to the long-term redevelopment obligations.

b) Renew Sinai Redevelopment Project

The Hospital has undertaken a major multi-year capital redevelopment project (Renew Sinai) to expand and modernize multiple care environments within Mount Sinai Hospital (MSH). Renew Sinai involves the expansion and modernization of the emergency department surgical suites, intensive care unit, key ambulatory patient areas and a new inpatient unit.

In June 2017, the Hospital entered into a project agreement with a successful bidder for the build and finance of the Renew Sinai Phase 3A redevelopment project. As part of the Project Funding Agreement, the Ministry has committed to fund a portion of the capital and financing cost of the site. The local share of the costs of Renew Sinai Phase 3A will be funded through a combination of contributions from Sinai Health System Foundation (SHSF) and the Hospital, through a mixture of internally generated funds and debenture financing (note 8(c)).

(in thousands of dollars)

10. Long-term redevelopment obligation (continued)

As at March 31, 2020, work completed for building construction and financing costs totalled $76,701 (2019 – $94,837), for which the Hospital has recorded a corresponding redevelopment obligation. An amount of $143,056 (2019 – $41,446) has been received from MOH in prior years representing a portion of their funding share in accordance with the funding agreement. The Hospital has recognized as receivable amounts owing from the MOH for construction and ancillary costs in the amount of $66,660 (note 6) (2019 – $88,402). A corresponding amount of $209,931 (2019 – $129,848) has been recorded in long-term deferred capital contributions.

Principal due within each of the next five years and thereafter, on the long-term redevelopment obligation is as follows:

	$
2021	8,233
2022	85,355
2023	9,097
2024	9,562
2025	10,051
Thereafter	300,471
	422,769

11. Employee future benefits

Pension plan
Substantially all employees are eligible to be members of HOOPP, which is a multi-employer defined benefit pension plan. Plan members will receive benefits based on length of service and on the average of annualized earnings during the five consecutive years prior to retirement, termination or death which provide the highest earnings.

The most recent actuarial valuation of the Plan as at December 31, 2019 indicates the Plan is 128% funded. During the year, the Hospital contributed $29,047 (2019 – $27,897) to the Plan on behalf of employees.

Other post-employment benefits
The Hospital provides extended healthcare, dental and life benefits to certain of its employees and extends this coverage to the post-retirement period. In addition, a Supplemental Executive Retirement Plan (SERP) is available for a limited number of executive members. The related benefit liabilities were determined by actuarial valuation studies. The date of the last actuarial valuation for post-employment benefits and SERP was March 31, 2020.

(in thousands of dollars)

11. Employee future benefits (continued)

The employee future benefits as at March 31 include the following components:

			2020	2019
	SERP	Post-employment benefits	Total	Total
	$	$	$	$
Accrued benefit obligation	7,870	22,156	30,026	30,309
Unamortized actuarial gains (losses)	(983)	4,048	3,065	2,306
Employee future benefits liability	6,887	26,204	33,091	32,615
Less: Current portion included in accounts payable and accrued liabilities	458	1,028	1,486	1,384
Long-term portion	6,429	25,176	31,605	31,231

The movement in the employee future benefits liability during the year is as follows:

			2020	2019
	SERP	Post-employment benefits	Total	Total
	$	$	$	$
Employee future benefits liability – April 1, 2019	6,999	25,616	32,615	30,719
Current service cost	-	966	966	1,399
Interest cost	232	677	909	1,203
Amortization of actuarial gains (losses)	114	(118)	(4)	482
Pension and post-employment benefits expense	346	1,525	1,871	3,084
Benefits paid	(458)	(937)	(1,395)	(1,188)
Employee future benefits liability – March 31, 2020	6,887	26,204	33,091	32,615

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

		2020		2019
	SERP	Post-employment benefits	SERP	Post-employment benefits
	%	%	%	%
Discount rate	3.10	3.20	3.00	3.00
Expected benefit cost trend in health care*	-	5.25	-	6.00
Expected benefit cost trend in dental care	-	3.00	-	3.00

The average remaining service period of active employees is 13 to 15 years (2019 – 13 to 15 years).
*The rate is presumed to decline by 0.25 percentage points per annum to an ultimate rate of 4.5%.

(in thousands of dollars)

12. Deferred contributions

	Capital funds	Designated funds	Research funds	Other operating	2020 Total	2019 Total
	$	$	$	$	$	$
Balance – Beginning of year	627,292	15,065	68,769	197	711,323	675,618
Contributions received	31,530	8,272	61,436	-	101,238	175,146
Contributions accrued	79,591	-	-	-	79,591	-
Amortization/recognition	(45,981)	(7,379)	(67,408)	-	(120,768)	(139,441)
Balance – End of year	692,432	15,958	62,797	197	771,384	711,323
Less: Current portion	-	15,958	62,797	-	78,755	83,834
Long-term portion	692,432	-	-	197	692,629	627,489

Included in deferred contributions is $5,038 (2019 – $7,131) of unspent externally restricted contributions received for specific purposes. The remaining portion of deferred contributions represents the unamortized amount of contributions, which has been used for the purchase of property and equipment.

13. Related entities

Net amounts due from and due to related entities are summarized as follows:

	2020		2019	
Related entity	Due from	Due to	Due from	Due to
	$	$	$	$
Bridgepoint Health	776	184	748	175
The Sinai Trust	2,163	-	893	802
The Centre for Phenogenomics	1,520	1,060	1,132	1,287
Sinai Health System Foundation	18,945	-	8,760	83
The Sinai Trust 2017	33,735	-	24,887	-
Bridgepoint Foundation	58	1	12	1
Total	57,197	1,245	36,432	2,348
Less: Long-term portion				
Sinai Health System Foundation	4,671	-	4,696	-
The Sinai Trust 2017	16,769	-	18,915	-
Total current portion	35,757	1,245	12,821	2,348

Bridgepoint Health (Health)

Health is a non-share capital corporation incorporated pursuant to the laws of Canada. Health continued under the Canada Not-for-profit Corporations Act and is a registered charity and public foundation under the Income Tax Act (Canada). Health generates ancillary revenue to support the activities of the Hospital. Health is controlled by the Hospital given the members of Health are the elected Directors of the Hospital.

(in thousands of dollars)

13. Related entities (continued)

The Hospital provides space, banking and administrative services to Health. The Hospital makes payments and receives funds on behalf of Health and settles the outstanding balances at regular intervals throughout the year. No financing charges are levied on these interim balances. During the year, Health granted $700 (2019 – $550) in capital grants to the Hospital. The Hospital has credit facilities arranged related to its Bridgepoint capital redevelopment project. Health has provided a guarantee to the Hospital's credit facilities for its capital redevelopment project. As at March 31, 2020, there were no significant restrictions on the resources of Health and the accounting policies followed by Health substantially conform with those of the Hospital.

As at March 31, 2020, Health owed the Hospital $776 (2019 – $748), which is included in due from related entity and the Hospital owed Health $184 (2019 – $175), which is included in due to related entity. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related entities.

A financial summary of this non-consolidated entity as at March 31 is as follows:

	2020	2019		2020	2019
	$	$		$	$
Financial position			Results of operations		
Total assets	7,357	7,058	Total revenue	1,437	1,347
Total liabilities	844	820	Total expenses	(1,162)	(909)
Net assets	6,513	6,238	Excess of revenue over expenses	275	438

There were cash inflows of $460 (2019 – $482) from operating activities, cash outflows of $44 (2019 – $129) from capital activities and $nil (2019 – $nil) from financing activities.

The Sinai Trust (Trust)

The Trust, of which the Hospital and SHSF are beneficiaries, is a for-profit entity, established to develop commercial opportunities. The Trust has a December 31 year-end. Sinai Trustee Corporation, a non-share capital corporation incorporated pursuant to the laws of Canada, serves as the trustee of the Trust. The Trust is controlled by the Hospital, as the Hospital Board of Directors is entitled to appoint trustees pursuant to the Trust Deed establishing the Trust.

For the 12-month period ended March 31, 2020, the Hospital recorded an operating profit of $306 (2019 – $402) in the statement of operations and changes in net deficit and the investment is recorded in prepaid deposits and sundry assets. A net receivable balance of $2,163 (2019 – $91) is included in due from related entity for rent and expenses paid by the Hospital on behalf of the Trust.

A financial summary of this non-consolidated entity as at December 31 is as follows:

	2020	2019		2020	2019
	$	$		$	$
Financial position			Results of operations		
Total assets	2,254	4,192	Total revenue	5,610	5,448
Total liabilities	2,298	4,651	Total expenses	5,195	(5,670)
Net assets	(44)	(459)	Excess of revenue over expenses	415	(222)

13. Related entities (continued)

The Centre for Phenogenomics (TCP)

TCP is an unincorporated joint venture between the Hospital and the Hospital for Sick Children, comprising a 120,000 square foot state-of-the-art mouse research facility. TCP is jointly controlled by the Hospital given its 50% interest in TCP. On May 11, 2004, TCP entered into a lease with the Hospital to rent space in the research building for a term of 30 years at a basic rent of $10 per annum. The lease commenced on June 27, 2007.

As at March 31, 2020, the Hospital has a net receivable balance of $460 (2019 – net payable of $155).

Sinai Health System Foundation (SHSF)

SHSF is a non-share capital corporation incorporated pursuant to the laws of the Province of Ontario. SHSF is a charitable organization (public foundation) registered under the Income Tax Act (Canada). SHSF supports the Hospital in its charitable mission and provides donations to the Hospital for capital, clinical programs and research activities of Lunenfeld-Tanenbaum Research Institute (LTRI), a division of the Hospital. SHSF is significantly influenced by the Hospital given they have a limited number of common directors.

During the current year, the Hospital received $23,170 (2019 – $24,629) in donations from SHSF. SHSF has contributed funding for a portion of the current year's bank interest expense in the amount of $75 (2019 – $64).

As at March 31, 2020, the total net receivable from SHSF is $18,945 (2019 – $8,677), of which an estimated amount of $14,274 (2019 – $3,981) will be received within one year and is included in due from related entity. The remaining balance of $4,671 (2019 – $4,696) is accordingly classified as a long-term portion of due from related entities.

The Sinai Trust 2017 (Trust 2017)

Trust 2017, of which the Hospital and SHSF are beneficiaries, is a for-profit entity established to develop commercial opportunities. Trust 2017 has a December 31 year-end. Sinai Trustee Corporation, a non-share capital corporation incorporated pursuant to the laws of Canada, serves as the trustee of Trust 2017. Trust 2017 is controlled by SHSF, as SHSF is entitled to appoint trustees pursuant to the Trust Deed establishing Trust 2017.

Periodically, the Hospital transfers certain ancillary businesses to Trust 2017 to further develop commercial, partnership and growth opportunities.

(in thousands of dollars)

13. Related entities (continued)

As at March 31, 2020 Trust 2017 owes the Hospital the following amounts:

	$
March 2016 Promissory Notes (a)	
Principal	3,600
Accrued interest	178
March 2017 Promissory Notes (b)	
Principal	7,740
Accrued interest	1,061
March 2018 Promissory Notes (c)	
Principal	9,721
Accrued interest	940
Other (d)	10,495
	33,735
Less: Current portion	16,769
Long-term portion	16,966

a) Three promissory notes totalling $4,000, bearing interest at prime plus 1% and paid annually on the last day each year. Principal is repayable in ten equal annual installments of $400 beginning March 31, 2019.
b) Promissory note in the amount of $7,740, bearing interest at prime plus 1% accruing since issuance and paid annually on the last day each year beginning March 31, 2020. Principal is repaid in ten equal annual installments of $774 beginning March 31, 2020.
c) Promissory note in the amount of $9,721, bearing interest at prime plus 1% and paid annually on the last day each year beginning March 31, 2021. Principal is repaid in ten equal annual installments of $972 beginning March 31, 2021.
d) This balance relates to resources provided by the Hospital to Sinai Trust 2017 and includes salaries and wages, employee benefits, general supplies and medical supplies.

On March 31, 2018, the Hospital transferred to Trust 2017 certain rights and assets relating to its relationship with Pharmx Rexall Drug Stores Limited at fair value of $9,721. A gain on sale of $9,721 was recorded in the statement of operations and changes in net deficit of the Hospital for the year ended March 31, 2019 as a gain on sale of ancillary business. As a result of this transaction, Trust 2017 entered into a ten-year and five-month lease agreement with the Hospital commencing on April 1, 2018 for annual rent of $301.

On March 31, 2020, the Hospital issued a standstill letter to The Sinai Trust 2017 agreeing to forbear from exercising its right to demand payment of the amounts due under the Promissory Notes arising from the failure of the Trust to pay the amounts due on March 30, 2020. This forbearance is conditional on the Trust making payment of such amounts, or making a repayment plan acceptable to the Hospital by June 30, 2020.

(in thousands of dollars)

13. Related entities (continued)

Bridgepoint Foundation (BF)

BF is a non-share capital corporation incorporated pursuant to the laws of the Province of Ontario. BF is a registered charity (public foundation) under the Income Tax Act (Canada). BF supports the Hospital in its charitable mission and grants funds to the Hospital as approved by the Board of Directors of BF. BF is significantly influenced by the Hospital given they have a limited number of common directors.

During the year, BF provided operating grants in the amount of $54 (2019 – $1,017) and capital grants in the amount of $946 (2019 – $940).

Circle of Care (CoC)

CoC is a community-based not-for-profit agency whose objectives include providing home care services to individuals across Metropolitan Toronto that is affiliated with the Hospital. CoC is a registered charity (charitable organization) under the Income Tax Act (Canada). CoC is a separate corporation with its own Board of Directors. CoC is significantly influenced by the Hospital given the Hospital's Board of Directors is responsible for appointing 50% of the CoC Board of Directors.

There were no significant transactions between the Hospital and CoC for the year ended March 31, 2020.

14. Statement of cash flows

The net change in non-cash working capital balance relating to operations consists of the following:

	2020	2019
	$	$
Accounts receivable	(2,647)	3,292
Inventories	(517)	101
Prepaid deposits and sundry assets	481	1,426
Accounts payable and accrued liabilities	8,175	25,289
Administered funds	369	1,788
	5,861	31,896

15. Commitments and contingencies

a) From time to time, the Hospital is named in lawsuits related to its activities. These claims are at various stages and therefore it is not possible to determine the merits of these claims or to estimate the possible financial liability, if any, to the Hospital. Accordingly, no material provisions have been made for loss in these financial statements.

(in thousands of dollars)

15. Commitments and contingencies (continued)

b) Future operating commitments related to future lifecycle costs, leases and contracts for facility operating and maintenance as at March 31, 2020 are as follows:

	$
2021	11,699
2022	9,945
2023	10,220
2024	10,309
2025	10,493
Thereafter	156,728
	209,394

c) The Hospital is a member of 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 healthcare organizations. All members of HIROC 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. No assessment has been made for the year ended March 31, 2020.

Since its inception in 1987, HIROC has accumulated an unappropriated surplus, which is the total of premiums paid by all subscribers plus investment income, less the obligation for claims reserves and expenses and operating expenses.

The Hospital entered into an agreement with HIROC, dated January 1, 2012, whereby HIROC continues to provide indemnity insurance to the Hospital; however, the cost of investigating and defending any litigation claims, previously included in the insurance premium, will be borne by the Hospital. Costs associated with claims arising prior to January 1, 2012 will be borne by HIROC. Projected costs of defending claims that arise subsequent to January 1, 2012 are based on claims defence costs incurred by HIROC in the past.

Under the agreement, the Hospital provides deposits to HIROC Management Limited (HML), which acts as an agent to pay legal expenses on behalf of the Hospital. For the year ended March 31, 2020, the Hospital has recorded a credit on legal expenses of $282 (2019 – legal expenses of $379) based on the assessment of the actuary engaged by HML, which have been included in the statement of operations and changes in net deficit. As at March 31, 2020, the deposit balance was $6,870 (2019 – $6,255), of which $5,971 (2019 – $5,429) is not expected to be used within one year and is therefore disclosed as a long-term asset, and the total liability was estimated to be $4,910 (2019 – $4,675), of which $4,011 (2019 – $3,848) is not expected to be paid within one year and is therefore disclosed as part of long-term liability (Note 9).

(in thousands of dollars)

15. Commitments and contingencies (continued)

d) The Hospital entered into a 10-year agreement with Plexxus beginning April 1, 2006 which was subsequently renewed for five years to March 31, 2021, whose primary responsibility is to provide supply chain services in the areas of strategic sourcing, logistics, buying and certain information technology services. The objective is to provide these services at a lower cost as compared to the members' costs prior to entering into the agreement. Based on the agreement, Plexxus has the right to charge membership fees to its members. A process is established in the agreement for Plexxus to obtain the approval of the members to charge additional fees. If any member fails to pay their membership fees to Plexxus throughout the period covered by the agreement, the Hospital and the other members are responsible for lending an amount to Plexxus, based on a sharing formula, to cover these deficiencies. As at March 31, 2020, no member was in default.

e) The Hospital has entered into various contracts for construction and purchase of capital equipment. The commitments outstanding as at March 31, 2020 are estimated to be $148,531 (2019 – $224,315).

16. Risk management

The Hospital is exposed to a variety of financial risks, including credit risk, liquidity risk and market risk. The Hospital has adopted an integrated risk management framework. The framework provides a consistent methodology to manage risks across the Hospital.

Credit risk

The Hospital's credit risk is primarily attributable to its accounts receivable. The amounts disclosed in the statement of financial position are net of an allowance for doubtful accounts, estimated by the management of the Hospital based on previous experience and its assessment of the current economic environment. The Hospital is exposed to credit risk in the event of non-payment by patients for non-insured services and services provided to non-resident patients. The risk is common to hospitals as they are required to provide care for patients regardless of their ability to pay for services provided.

As at March 31, 2020, the following accounts receivable were past due but not impaired:

	30 days $	60 days $	90 days $	Over 90 days $	Total $
Patient services receivable	3,293	940	214	586	5,033

The credit risk on other financial assets such as cash and cash equivalents and due from related parties is limited because the counterparties are chartered banks with high credit ratings assigned by national credit rating agencies and the Hospital is assured of collection from related parties.

(in thousands of dollars)

16. Risk management (continued)

Liquidity risk

Liquidity risk is the possible risk of not being able to meet financial obligations when due. The Hospital manages its liquidity risk by forecasting cash flows from operations and anticipating capital, investing and financing activities and maintaining credit facilities to ensure it has sufficient funds available to meet current and foreseeable financial requirements.

The table below is a maturity analysis of the Hospital's financial liabilities as at March 31, 2020:

	Up to 6 months $	More than 6 months up to 1 year $	More than 1 year up to 5 years $	More than 5 years $	Total $
Accounts payable and accrued liabilities	84,996	45,905	-	-	130,901
Long-term debt	473	519	5,362	222,236	228,590
Long-term redevelopment obligation	4,065	4,168	114,065	300,471	422,769
	89,534	50,592	119,427	522,707	782,260

Market risk

The Hospital is exposed to market risk through the fluctuation of financial instrument fair values due to changes in market prices. Interest rate risk is the significant market risk, which arises from fluctuations in interest rates and the degree of volatility of those rates. The Hospital is exposed to interest rate risk on its long-term debt (note 8). The Hospital has mitigated this risk by way of interest rate swap, which effectively fixes the interest rates of a portion of the long-term debt.

As at March 31, 2020, the Hospital's estimate of the exposure to interest rate risk and the effect on net assets is not material.

17. Comparative figures

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

18. Subsequent event

On April 8, 2020, the Hospital issued $200,000 of 3.209% senior unsecured Series B debentures at par value with a maturity date of April 8, 2060. Interest is payable semi-annually on April 8 and October 8, with principal to be repaid on April 8, 2060.