Financial statements of

Sinai Health System

March 31, 2018

Sinai Health System

For the year ended March 31, 2018

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June 14, 2018

Independent Auditor's Report

To the Board of Directors of
Sinai Health System

We have audited the accompanying financial statements of Sinai Health System, which comprise the statement of financial position as at March 31, 2018 and the statements of operations, changes in net (deficit) assets, remeasurement gains and losses and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sinai Health System as at March 31, 2018 and the results of its operations, remeasurement gains and losses and cash flow for the year then ended in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Sinai Health System
Statement of financial position
As at March 31, 2018
(in thousands of dollars)

	2018	2017
	$	$
Assets		
Current assets		
Cash (Note 3)	127,598	110,519
Restricted cash (Note 4)	12,897	11,298
Accounts receivable (Notes 5 and 13)	43,886	37,578
Capital grants receivable	575	2,578
Inventories	2,723	3,113
Prepaid deposits and sundry assets	7,788	14,400
Current portion of other long-term assets (Notes 6 and 13)	400	-
	195,867	179,486
Restricted cash (Note 4)	87,983	178,204
Other long-term assets (Notes 6 and 13)	28,402	17,428
Long-term redevelopment receivable (Note 10)	40,756	3,620
Due from related entities (Note 13)	4,721	4,771
Property and equipment (Note 7)	1,138,233	1,049,496
	1,495,962	1,433,005
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 13)	101,255	96,490
Administered funds	11,310	10,151
Current portion of long-term debt (Note 8)	1,270	1,224
Current portion of long-term redevelopment obligation (Note 10)	7,451	7,088
Deferred contributions (Note 12)	88,712	81,952
	209,998	196,905
Other long-term liabilities (Note 9)	9,046	8,938
Long-term debt (Note 8)	267,573	268,741
Long-term redevelopment obligation (Note 10)	394,924	361,350
Employee future benefits (Note 11)	29,829	28,120
Deferred contributions (Note 12)	586,906	572,415
	1,498,276	1,436,469
Net (deficit) assets consist of		
Unrestricted and invested in capital assets	(834)	(626)
Accumulated remeasurement losses	(1,480)	(2,838)
	(2,314)	(3,464)
	1,495,962	1,433,005

Commitments and contingencies (Note 15)

See accompanying notes to financial statements.

Approved by the Board

_______________ Director

_______________ Director

Sinai Health System
Statement of operations

For the year ended March 31, 2018
(in thousands of dollars)

	2018	2017
	$	$
Income		
Ministry of Health and Long-Term Care (MOHLTC)	446,795	433,879
Patient revenue	10,807	17,785
Preferred accommodation	12,182	11,991
Research funding	64,685	68,908
Gain on sale of ancillary business (Note 13)	9,721	8,600
Commercial	9,094	7,343
Other revenue and recoveries	41,417	44,652
Amortization of deferred contributions for equipment	7,840	7,751
	602,541	600,909
Expenses		
Salaries and wages	336,356	338,546
Employee benefits	77,164	78,773
General supplies and other	125,161	130,344
Medical and surgical supplies	21,828	21,116
Drugs	11,251	11,994
Amortization of equipment	15,379	14,814
Interest	6,191	4,902
	593,330	600,489
Excess of income over expenses before the undernoted	9,211	420
Amortization of deferred capital contributions	40,971	40,566
Amortization of building and research equipment	(50,396)	(46,898)
	(9,425)	(6,332)
Funding of interest - building	19,659	20,360
Interest cost on building (MOHLTC share)	(19,659)	(20,360)
	-	-
Deficiency of income over expenses for the year	(214)	(5,912)

See accompanying notes to financial statements.

Sinai Health System
Statement of changes in net (deficit) assets

For the year ended March 31, 2018
(in thousands of dollars)

	Internally restricted investment in capital assets	Unrestricted	2018 Total	2017 Total
	$	$	$	$
Balance, beginning of year	4,042	(4,668)	(626)	5,216
Deficiency of income over expenses for the year	-	(214)	(214)	(5,912)
Donated artwork (Note 7)	6	-	6	70
Balance, end of year	4,048	(4,882)	(834)	(626)

See accompanying notes to financial statements.

Sinai Health System
Statement of remeasurement gains and losses

For the year ended March 31, 2018
(in thousands of dollars)

	2018	2017
	$	$
Accumulated remeasurement losses, beginning of year	(2,838)	(3,250)
Unrealized gain attributable to interest rate swap (Note 8 (e))	1,358	1,531
Realized gain on interest rate swap recognized in the statement of operations	-	(1,119)
Accumulated remeasurement losses, end of year	(1,480)	(2,838)

See accompanying notes to financial statements.

Sinai Health System

Statement of cash flows

For the year ended March 31, 2018
(in thousands of dollars)

	2018	2017
	$	$
Cash provided by (used in)		
Operating activities		
Deficiency of income over expenses for the year	(214)	(5,912)
Items not affecting cash		
Amortization of equipment	15,379	14,814
Amortization of building and research equipment	50,396	46,898
Recognition of deferred capital contributions	(68,004)	(46,384)
Recognition of deferred contributions	(68,669)	(73,045)
Employee future benefits	2,965	2,798
Recognition of gain on swap maturity	-	(1,119)
Loss on capital asset write-off	-	520
Gain on sale of ancillary business	(9,721)	(8,600)
Due from related parties	50	-
Deferred contributions received	71,188	82,587
Payment for employee future benefits	(1,256)	(588)
Increase in other long-term assets	(1,653)	(62)
Increase in other long-term liabilities	108	1,157
	(9,431)	13,064
Net change in non-cash working capital (Note 14)	5,459	4,957
	(3,972)	18,021
Financing activities		
Repayment of long-term debt	(1,224)	(26,348)
Proceeds from long-term debt	1,460	-
Repayment of long-term redevelopment obligation	(7,088)	(6,743)
Deferred capital contributions received	51,603	30,491
Proceeds from issuance of debenture net of transaction costs of $nil (2017 - $1,732)	-	198,268
Decrease (increase) in restricted cash	89,781	(174,017)
	134,532	21,651
Investing activities		
Purchase of investments	-	(134)
Proceeds on sale of Mount Sinai Fertility	-	860
Sale of investments	-	23,468
	-	24,194
Capital activities		
Purchase of property and equipment, excluding donated capital asset of $6 (2017 - $70)	(113,481)	(35,844)
	(113,481)	(35,844)
Increase in cash during the year	17,079	28,022
Cash, beginning of year	110,519	82,497
Cash, end of year	127,598	110,519
Non-cash transactions		
Facility addition related to Renew Sinai 3A redevelopment project	41,025	-
Increase in receivables and deferred capital contributions related to Renew Sinai 3A redevelopment project	37,136	-

See accompanying notes to 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 was formed as a result of the amalgamation of Mount Sinai Hospital (MSH) and Bridgepoint Hospital (BH) effective January 1, 2015.

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 MOHLTC 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:

Change in accounting policy
The Hospital has adopted the new standard as issued by PSAS on Inter-Entity Transactions, PS 3420. It establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. This standard covers recognition and measurement and references disclosure of information about Inter-Entity Transactions, in accordance with the Related Party Disclosure, PS 2200. This standard is applied prospectively and will impact any future transactions that fall within its scope.

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 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 MOHLTC 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 MOHLTC 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 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.

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.

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. Since these funds are held under administration, they are recorded as restricted cash on the statement of financial position with a corresponding liability.

2. Summary of significant accounting policies (continued)

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. The Hospital has adopted defined contribution plan accounting for the 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 MOHLTC 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 MOHLTC. 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 MOHLTC have the right to adjust funding received by the Hospital.

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 Toronto Centre for Phenogenomics are accounted for using the modified equity method, whereby the investment is 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.

2. Summary of significant accounting policies (continued)

Financial instruments

The Hospital's financial assets consist of cash, restricted cash, accounts receivable, capital grants receivable, redevelopment receivable, due from related parties, and financial liabilities consist of accounts payable and accrued liabilities, long-term debt, 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
Capital grants receivable	Amortized cost
Redevelopment receivable	Amortized cost
Due from related party	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Long-term debt	Amortized cost
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 gains and losses until they are realized, when they are transferred to the statement of operations. When a financial asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

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 any unrealized gain or loss is removed from the statement of remeasurement gains and 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.

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 are 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

(In thousands of dollars)

2. Summary of significant accounting policies (continued)

- 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. Cash

	2018	2017
	$	$
Operating funds	39,267	28,914
Restricted capital, research and designated funds	88,331	81,605
	127,598	110,519

Restricted capital, research and designated funds include externally restricted contributions received for specific purposes within the Hospital's operation.

4. Restricted cash

	2018	2017
	$	$
Restricted cash held for redevelopment	1,587	1,147
Restricted funds under administration	11,310	10,151
Restricted cash - current	12,897	11,298
Restricted cash - long-term	87,983	178,204
Total restricted cash	100,880	189,502

a) Restricted cash held for redevelopment consists of funds received from the MOHLTC, under the terms of the Development Accountability Agreement with the MOHLTC related to the Bridgepoint redevelopment project that are restricted in use. The unspent portion of these funds as at March 31, 2018 is $5,570 (2017 - $5,351), which is held in a sinking fund trust account. The current portion of $1,587 (2017 - $1,147) relates to redevelopment obligations for fiscal 2019.

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

c) Restricted cash (long-term) includes $84,000 (2017 - $174,000) as unspent debenture proceeds that are restricted in use for capital expenditures.

(In thousands of dollars)

5. Accounts receivable

	2018	2017
	$	$
Research grants	8,507	13,293
MOHLTC	3,226	2,003
Commodity tax receivable	5,369	2,967
Patient services	4,902	4,723
Due from related entities (Note 13)	14,891	5,741
Other	6,991	8,851
	43,886	37,578

Patient accounts receivable are shown net of an allowance for potentially uncollectible amounts of $1,065 (2017 - $1,179). There are no significant balances that are past due.

6. Other long-term assets

	2018	2017
	$	$
Healthcare Insurance Reciprocal of Canada (HIROC) deposits (Note 15(c))	4,973	3,764
Promissory notes (Note 13)	21,774	11,740
Other	2,055	1,924
	28,802	17,428
Less: Current portion	400	-
Long-term portion	28,402	17,428

7. Property and equipment

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
Land	64,386	-	64,386	7,166
Artwork	4,101	-	4,101	4,095
Building	1,265,879	375,900	889,979	907,270
Equipment	368,178	284,101	84,077	89,662
Equipment under capital lease	310	28	282	303
Software	5,786	4,513	1,273	1,113
Construction-in-progress	94,135	-	94,135	39,887
	1,802,775	664,542	1,138,233	1,049,496

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

The Hospital received donated assets of $6 (2017 - $70) and wrote off fully amortized assets of $5,513 (2017 - $12,077).

(In thousands of dollars)

8. Long-term debt

	2018	2017
	$	$
Capital loan (Note 8 (a))	27,265	28,136
General purpose loan (Note 8 (b))	41,192	39,752
Capital equipment financing (Note 8 (c))	617	971
Series A Senior Unsecured Debentures (Note 8 (d))	198,289	198,268
Fair value adjustment in respect of interest rate swap agreements (Note 8 (e))	1,480	2,838
	268,843	269,965
Less: Current portion of long-term debt	1,270	1,224
Long-term portion	267,573	268,741

a) The capital loans consist of two loans:

i) An unsecured revolving term facility of $10,000 repayable on April 15, 2019 and available by way of advances at the bank's prime rate, of which $nil had been drawn as at March 31, 2018 (2017 - $nil).

ii) An unsecured non-revolving term facility of $30,000, maturing on December 1, 2039, with a fixed interest rate of 3.85%, of which $27,265 was drawn as at March 31, 2018 (2017 - $28,136).

b) The general purpose loan is an unsecured revolving credit facility of $36,500, repayable in full on April 15, 2019, and available by way of advances at the bank's prime lending rate and bankers' acceptances. The Hospital operates a cash management structure with its lender under which certain cash balances in the amount of $18,355 (2017 - $14,515) are netted against the general purpose loan to assess credit limit availability and to calculate interest expense.

c) The capital equipment financing consists of the following:

i) The Hospital entered into an agreement with a vendor to purchase capital equipment. The Hospital negotiated an interest free loan of $1,727 effective March 30, 2014. It is repayable in five equal installments of $345 each April 30, ending on April 30, 2018.

ii) The Hospital entered into a capital lease agreement with a vendor. The total cost of the equipment is $310 effective March 31, 2016. The lease is repayable in monthly installments of $3 over a period of 98 months.

(In thousands of dollars)

8. Long-term debt (continued)

d) 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 $7,054 (2017 - $3,527) and interest expense recorded in the statement of operations amounted to $5,172 (2017 - $3,792).

Unspent debenture proceeds of $84,000 (2017 - $174,000) are invested in an interest bearing restricted account (Note 4(c)).

e) 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 (Note 8 (a)(ii)) maturing on December 1, 2039. During the year, an unrealized gain of $1,358 (2017 - $1,531) was recorded in the statement of remeasurement gains and losses. As at March 31, 2018, the swap was in a net unfavourable position and a liability of $1,480 (2017 - $2,838) was recorded in long-term liabilities on the statement of financial position.

f) An unsecured, revolving credit facility of $10,000 to facilitate ongoing operations; no funds have been drawn on the revolving line of credit.

Principal due within each of the next five years and thereafter on the capital loan, general purpose loan, capital equipment financing and debenture as at March 31, 2018 is as follows:

	$
2019	1,270
2020	42,155
2021	991
2022	1,021
2023	1,052
Thereafter	220,874
	267,363

9. Other long-term liabilities

	2018	2017
	$	$
Long-term accrued sick days	5,207	4,977
Other long-term liabilities (Note 15 (c))	3,839	3,961
	9,046	8,938

(In thousands of dollars)

10. Long-term redevelopment receivable & obligation

a) Bridgepoint Redevelopment Project

In July 2009, the MOHLTC 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 MOHLTC, which is matched to the long-term capital 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 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 Phase 3A Renew Sinai Redevelopment Project. This project is being funded by the MOHLTC, Sinai Health System Foundation (SHSF) and the Hospital, through a combination of internally generated funds and debenture financing (Note 8 (d)).

As at March 31, 2018, building construction and financing costs incurred are $41,025 (2017 - $nil) for which the Hospital has recorded a corresponding long-term obligation. The construction obligation is payable in fiscal 2020. In addition, the Hospital has incurred ancillary and other project related costs pertaining to the redevelopment project of $11,842 (2017 - $44,712). An amount of $41,446 has been received from MOHLTC in prior years representing a portion of their funding share in accordance with the funding agreement. The Hospital has recognized the unpaid MOHLTC funding commitment for construction and ancillary costs in the amount of $37,310 (2017 - $nil) as a long-term receivable. A corresponding amount of $78,756 has been recorded in long-term deferred capital contributions.

	2018	2017
	$	$
Bridgepoint long-term redevelopment obligation, due on February 28, 2043, monthly payments of $2,112 including principal and interest at 7.46%	361,350	368,438
Renew Sinai long-term redevelopment obligation	41,025	-
	402,375	368,438
Less: Current portion	7,451	7,088
Long-term portion	394,924	361,350

(In thousands of dollars)

10. Long-term redevelopment receivable & obligation (continued)

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

	$
2019	7,451
2020	48,857
2021	8,233
2022	8,654
2023	9,097
Thereafter	320,083
	402,375

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, 2017 indicates the Plan is 122% funded. During the year, the Hospital contributed $26,991 (2017 - $26,401) 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 was March 31, 2016 and March 31, 2018 for SERP.

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

			2018	2017
	SERP	Post-employment benefits	Total	Total
	$	$	$	$
Accrued benefit obligation	8,016	28,065	36,081	34,256
Unamortized actuarial losses	(909)	(4,453)	(5,362)	(5,396)
Employee future benefits liability recorded in the statement of financial position	7,107	23,612	30,719	28,860
Less: Current portion	442	448	890	740
Long-term portion	6,665	23,164	29,829	28,120

(In thousands of dollars)

11. Employee future benefits (continued)

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

			2018	2017
	SERP	Post-employment benefits	Total	Total
	$	$	$	$
Employee future benefits liability - April 1, 2017	7,207	21,653	28,860	26,964
Current service cost	-	1,330	1,330	1,211
Interest cost	254	916	1,170	1,100
Amortization of actuarial losses	88	377	465	487
Pension and post-employment benefits expense	342	2,623	2,965	2,798
Benefits paid	(442)	(664)	(1,106)	(902)
Employee future benefits liability - March 31, 2018	7,107	23,612	30,719	28,860

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

		2018		2017
	SERP	Post-employment benefits	SERP	Post-employment benefits
	%	%	%	%
Discount rate	3.20	3.20-3.30	3.20	3.30-3.40
Expected benefit cost trend in health care *	-	6.25	-	6.25
Expected benefit cost trend in dental care	-	3.00	-	3.00

The average remaining service period of active employees is 14 to 15 years (2017 - 14 to 15 years).
* The rate is presumed to decline by .25 percentage points per annum to an ultimate rate of 4.5%.

12. Deferred contributions

					2018	2017
	Capital funds	Designated funds	Research funds	Other operating	Total	Total
	$	$	$	$	$	$
Balance - Beginning of the year	579,404	15,894	58,872	197	654,367	664,110
Contributions received	86,736	7,485	63,703	-	157,924	109,756
Amortization/recognition	(68,004)	(7,261)	(61,408)	-	(136,673)	(119,499)
Balance - End of the year	598,136	16,118	61,167	197	675,618	654,367
Less: current portion	11,427	16,118	61,167	-	88,712	81,952
Long-term portion	586,709	-	-	197	586,906	572,415

The current portion of deferred contributions represents the unspent amount of externally restricted contributions received for specific purposes. The long-term portion of deferred contributions represents the unamortized amount of contributions, which has been used for the purchase of property and equipment.

(In thousands of dollars)

13. Related entities

Amounts due from and due to related entities are summarized as follows:

Related entity	2018 Due from	2018 Due to	2017 Due from	2017 Due to
	$	$	$	$
Bridgepoint Health	485	-	267	-
The Sinai Trust	1,790	503	1,752	-
The Sinai Trust 2016	-	-	638	-
Toronto Centre for Phenogenomics	2,264	1,124	612	847
Sinai Health System Foundation	7,039	-	7,231	-
The Sinai Trust 2017	8,033	-	-	-
Bridgepoint Foundation	1	-	12	-
Total	19,612	1,627	10,512	847
Less: Long-term portion due from/to related entities	4,721	-	4,771	-
Total current amounts due from/to related entities	14,891	1,627	5,741	847

Promissory notes due from related entities are as follows:

Related entity	2018 Due from	2017 Due from
	$	$
The Sinai Trust 2016	-	11,740
The Sinai Trust 2017	21,774	-
Total	21,774	11,740

The Bridgepoint Collaboratory for Research and Innovation (The BRCI)

The BCRI is a non-share capital corporation incorporated pursuant to the laws of Canada. The BCRI continued under the Canada Not-for-profit Corporations Act and is a registered charity under the Income Tax Act (Canada).

Effective March 30, 2017, the BCRI was dissolved pursuant to section 220 of the Canada Not-for-profit Corporations Act and all of its assets and operations have been transferred to Lunenfeld-Tanenbaum Research Institute (LTRI), a division of the Hospital.

The BCRI transferred $nil (2017 - $91) to the Hospital related to deferred capital contributions and $nil (2017 - $105) related to capital assets. As of March 31, 2018, the BCRI owed the Hospital $nil (2017 - $nil).

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 (re-designated to a public foundation effective April 1, 2017) 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.

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 $550 (2017 - $700) in capital grants to the Hospital. The Hospital has credit facilities arranged related to its capital redevelopment project. Health has provided a guarantee to the Hospital's credit facilities for its capital redevelopment project. As at March 31, 2018, there were no significant restrictions on the resources of Health and the accounting policies followed by Health substantially conform with those of the Hospital.

(In thousands of dollars)

13. Related entities (continued)

As at March 31, 2018, Health owed the Hospital $485 (2017 - $267) which is included in accounts receivable. 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, 2018 is as follows:

	2018	2017		2018	2017
	$	$		$	$
Financial position			Results of operations		
Total assets	6,359	5,942	Total revenue	1,082	1,318
Total liabilities	559	294	Total expenses	(930)	(1,207)
Net assets	5,800	5,648	Excess of revenue over expenses	152	111

There were cash inflows of $477 (2017 - $443) from operating activities, cash outflows of $43 (2017 - $nil) from capital activities and $nil (2017 - $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.

As at March 31, 2018, the Hospital recorded an operating loss of $206 (2017 - $253) in the statement of operations and the investment is recorded in prepaid deposits and sundry assets. A receivable balance of $1,790 (2017 - $1,752) is included in accounts receivable and $503 (2017 - $nil) is included in accounts payable related to rent and expenses paid by the Hospital on behalf of the Trust.

A financial summary of this non-consolidated entity as at December 31, 2017 is as follows:

	2017	2016		2017	2016
	$	$		$	$
Financial position			Results of operations		
Total assets	2,991	2,469	Total revenue	4,031	4,355
Total liabilities	3,228	2,416	Total expenses	(4,228)	(4,016)
Net (deficit) assets	(237)	53	Excess (deficiency) of revenue over expenses	(197)	339

(In thousands of dollars)

13. Related entities (continued)

The Sinai Trust 2016 (Trust 2016)
Trust 2016, of which the Hospital and SHSF are beneficiaries, is a for-profit entity, established to develop commercial opportunities. Trust 2016 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 2016. Trust 2016 is controlled by the Hospital, as the Hospital Board of Directors is entitled to appoint trustees pursuant to the Trust Deed establishing Trust 2016.

As at March 31, 2018 the Hospital recorded an operating profit of $197 (2017 - $54) in the statement of operations and the investment of $250 (2017 - $54) is recorded in prepaid deposits and sundry assets. A receivable balance of $nil (2017 - $638) is included in accounts receivable. The total due in promissory notes from Trust 2016 to the Hospital of $nil (2017 - $11,740) is recorded in other long-term assets.

A financial summary of this non-consolidated entity as at December 31, 2017 is as follows:

	2017	2016		2017	2016
	$	$		$	$
Financial position			Results of operations		
Total assets	256	5,110	Total revenue	3,078	2,015
Total liabilities	-	5,157	Total expenses	(1,726)	(1,595)
Net (deficit) assets	256	(47)	Excess of revenue over expenses	1,352	420

In prior years, the Hospital has transferred certain commercial assets and businesses to Trust 2016 and has received promissory notes as consideration. Three of the promissory notes totalling $4,000 were issued on March 31, 2016 and bear interest of prime plus 1% accruing on the date of issuance which is paid annually on the last day each year beginning March 31, 2017. Principal is repaid in ten equal installments beginning March 31, 2019.

On March 31, 2017 the Hospital transferred Mount Sinai Fertility (MSF) to Mount Sinai Fertility Corp. (MSFC), a subsidiary of Trust 2016, at fair value of $8,600. The Hospital received $860 in cash and the $7,740 promissory note. The gain on sale of $8,600 is recorded in the statement of operations as a gain on sale of ancillary business. One of the promissory notes for $7,740 was issued on March 31, 2017 and bears interest of prime plus 1% accruing on the date of issuance which is paid annually on the last day each year beginning March 31, 2020. Principal is repaid in ten equal installments beginning March 31, 2020.

On September 29, 2017, Trust 2016 transferred all of its assets, including its shares in the capital of MSFC to The Sinai Trust 2017, at a fair value of $5,099. In consideration, Trust 2016 received an adjustable promissory note from Trust 2017 in the principal amount of $899 and Trust 2017 assumed obligations of Trust 2016 under pre-existing promissory notes the aggregate principal amount of $4,000. The promissory notes are all interest bearing at the rate of prime plus 1%. Principal is payable in 10 annual instalments commencing on either March 31, 2019 or March 31, 2020.

Toronto 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.

13. Related entities (continued)

The Hospital's share of TCP's operating results of $nil (2017 - $nil) is in the statement of operations and the investment is recorded in prepaid deposits and sundry assets.

During the year, the Hospital provided support services to TCP, on a cost recovery basis, amounting to $421 (2017 - $445), and TCP provided research facilities and services to LTRI, on a cost recovery basis, amounting to $523 (2017 - $537).

As at March 31, 2018, the Hospital has a receivable balance of $2,264 (2017 - $612) included in accounts receivable and $1,124 (2017 - $847) is included in accounts payable.

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 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 $18,963 (2017 - $27,963) in donations from SHSF. SHSF has contributed funding for a portion of the current year's bank interest expense in the amount of $32 (2017 - $32).

The total amount receivable from SHSF as at March 31, 2018 is $7,039 (2017 - $7,231), of which an estimated amount of $2,318 (2017 - $2,460) will be received within one year and is included in accounts receivable. The remaining balance of $4,721 (2017 - $4,771) is accordingly classified as a long-term receivable.

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.

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

On September 29, 2017, Trust 2016 transferred all of its assets to Trust 2017 at fair value for consideration as described above.

During the year, the Hospital purchased supplies on behalf of Trust 2017, related to its commercial activities. A receivable balance of $8,033 (2017 - $nil) is included in accounts receivable.

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. The Hospital received a $9,721 promissory note bearing interest of prime plus 1% accruing on the date of issuance which is paid annually on the last day each year beginning March 30, 2020. Principal is repaid in ten equal installments beginning March 30, 2020. As a result of this transaction, Trust 2017 has a ten year and five month lease agreement with the Hospital commencing on April 1, 2018 for annual rent of $301.

The gain on sale of $9,721 is recorded in the statement of operations as a gain on sale of ancillary business.

(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 share an executive and have a limited number of common directors.

During the year, BF provided operating grants in the amount of $109 (2017 - $1,025) and capital grants in the amount of $896 (2017 - $933). As of March 31, 2018, BF owed the Hospital $1 (2017 - $12) which is included in accounts receivable.

Circle of Care (CoC)
On October 28, 2014, the TCLHIN approved the voluntary affiliation of the Hospital with CoC, a community based not-for-profit agency whose objectives include providing home care services to individuals across Metropolitan Toronto. 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 material transactions between the Hospital and CoC for the year ended March 31, 2018.

14. Statement of cash flows

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

	2018	2017
	$	$
Accounts receivable	(6,308)	2,851
Inventories	390	123
Prepaid deposits and sundry assets	6,612	(9,989)
Accounts payable and accrued liabilities	4,765	11,972
	5,459	4,957

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, 2018 are as follows:

	$
2019	11,490
2020	10,843
2021	9,245
2022	7,250
2023	7,399
Thereafter	151,953
	198,180

c) The Hospital is a member of Healthcare Insurance Reciprocal of Canada (HIROC) and therefore has an economic interest in HIROC. HIROC is a pooling of the public liability insurance risks of its members which are Canadian not-for-profit 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, 2018.

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.

In 2012, the Hospital entered into an agreement with HIROC 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.

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, 2018, the Hospital has recorded legal expenses of $1,151 (2017 - $1,180) based on the assessment of the actuary engaged by HML, which have been included in the statement of operations. As at March 31, 2018, the deposit balance was $5,733 (2017 - $4,456), of which $4,973 (2017 - $3,764) is not expected to be used within one year and is therefore disclosed as a long-term asset (Note 6), and the total liability was estimated to be $4,373 (2017 - $4,227), of which $3,613 (2017 - $3,535) is not expected to be paid within one year and is therefore disclosed as part of long-term liability (Note 9).

d) Effective March 31, 2006, the Hospital entered into an agreement with Plexxus, 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, 2018, no member was in default.

(In thousands of dollars)

15. Commitments and contingencies (continued)

e) The Hospital has entered into various contracts for construction and purchase of capital equipment. The commitments outstanding as at March 31, 2018 are estimated to be $269,748 (2017 - $13,390).

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, 2018, the following accounts receivable were past due but not impaired:

	30 days	60 days	90 days	Over 120 days	Total
	$	$	$	$	$
Accounts receivable	3,320	975	440	167	4,902

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.

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.

(In thousands of dollars)

16. Risk management (continued)

The table below is a maturity analysis of the Hospital's financial liabilities as at March 31, 2018:

	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	91,916	9,339	-	-	101,255
Long-term debt	-	1,270	45,219	222,354	268,843
Redevelopment obligation	-	7,451	74,841	320,083	402,375
	91,916	18,060	120,060	542,437	772,473

Interest payable related to the Hospital's financial liabilities as at March 31, 2018 is as follows:

	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
	$	$	$	$	$
Long-term debt	3,951	3,944	31,300	241,989	281,184
Redevelopment obligation	8,996	8,903	67,581	186,895	272,375
	12,947	12,847	98,881	428,884	553,559

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, and utilizes mirror netting with a significant portion of the cash balance, which effectively reduces the interest on the floating rate portion of the debt.

As at March 31, 2018, the Hospital's estimate of the exposure to interest rate risk and the effect on net assets is not material.

17. Prior year comparative information

Certain comparative information has been reclassified to conform to the financial statement presentation adopted in the current year.