Sinai Health System

Financial Statements
March 31, 2021

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, 2021 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, 2021;
- 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 significant accounting policies and other explanatory information.

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.

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In preparing the financial statements, management is responsible for assessing the Hospital's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Hospital or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Hospital to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
July 6, 2021

Sinai Health System

Statement of Financial Position

As at March 31, 2021

(in thousands of dollars)

	2021 $	2020 $
Assets		
Current assets		
Cash	214,078	175,573
Short-term investments	175,000	-
Restricted cash (note 4)	15,851	13,467
Accounts receivable (note 5)	62,963	28,925
Redevelopment receivable (note 6)	85,078	823
Due from related entities (note 13)	12,818	35,757
Inventories	3,922	3,139
Prepaid deposits and sundry assets	8,349	5,881
	578,059	263,565
Restricted cash (note 4)	5,870	4,184
Other long-term assets	7,729	7,875
Long-term redevelopment receivable (note 6)	37,534	69,457
Due from related entities (note 13)	10,064	21,440
Capital and intangible assets (note 7)	1,311,895	1,229,316
	1,951,151	1,595,837
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	164,129	130,901
Due to related entities (note 13)	3,102	1,245
Administered funds	15,851	13,467
Current portion of long-term debt (note 8)	1,021	992
Current portion of long-term redevelopment obligation (note 10)	92,730	8,233
Deferred contributions (note 12)	96,848	78,755
	373,681	233,593
Other long-term liabilities (note 9)	17,366	14,301
Long-term debt (note 8)	423,746	227,598
Long-term redevelopment obligation (note 10)	373,821	414,536
Employee future benefits (note 11)	31,921	31,605
Deferred contributions (note 12)	745,947	692,629
	1,966,482	1,614,262
Net deficit consists of		
Unrestricted and invested in capital assets	(13,363)	(13,779)
Accumulated remeasurement losses	(1,968)	(4,646)
	(15,331)	(18,425)
	1,951,151	1,595,837

Commitments and contingencies (note 15)

Approved by the Board

____________________ Director ____________________ Director

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

Sinai Health System

Statement of Operations and Changes in Net Deficit

For the year ended March 31, 2021

(in thousands of dollars)

	2021 $	2020 $
Income		
Ministry of Health (MOH)	473,025	472,289
COVID-19 funding (note 3)	107,911	-
Patient revenue	10,121	14,914
Preferred accommodation	8,819	12,282
Research funding	70,155	80,740
Commercial	6,546	6,404
Other revenue and recoveries	41,058	45,063
Amortization of deferred contributions for equipment	5,764	5,057
	723,399	636,749
Expenses		
Salaries and wages	380,945	361,949
Employee benefits	83,663	84,204
General supplies and other	184,172	133,391
Medical and surgical supplies	22,283	23,033
Drugs	12,529	11,982
Amortization of equipment	19,364	13,804
Interest	11,591	6,602
	714,547	634,965
Excess of income over expenses before the undernoted	8,852	1,784
Amortization of deferred capital contributions	41,526	40,924
Amortization of building and research equipment	(49,962)	(49,819)
	(8,436)	(8,895)
MOH funding – interest on building (note 10(b))	20,894	20,203
Interest cost on building (MOH share) (note 10(b))	(20,894)	(20,203)
	-	-
Excess (deficiency) of income over expenses for the year	416	(7,111)
Net deficit – Beginning of year	(13,779)	(6,668)
Net deficit – End of year	(13,363)	(13,779)

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

Sinai Health System

Statement of Remeasurement Losses

For the year ended March 31, 2021

(in thousands of dollars)

	2021 $	2020 $
Accumulated remeasurement losses – Beginning of year	(4,646)	(2,276)
Unrealized gain (loss) attributable to interest rate swap (note 8(e))	2,678	(2,370)
Accumulated remeasurement losses – End of year	(1,968)	(4,646)

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

Sinai Health System

Statement of Cash Flows

For the year ended March 31, 2021

(in thousands of dollars)

	2021 $	2020 $
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of income over expenses for the year	416	(7,111)
Items not affecting cash		
Amortization of equipment	19,364	13,804
Amortization of building and research equipment	49,962	49,819
Amortization of deferred capital contributions (note 12)	(39,176)	(45,981)
Recognition of deferred designated and research contributions (note 12)	(77,821)	(74,787)
Employee future benefits (note 11)	1,853	1,871
Loss on disposal	66	350
Decrease (increase) in due from related entities	34,315	(20,765)
Increase (decrease) in due to related entities	1,857	(1,103)
Deferred contributions received	95,914	69,708
Payment for employee future benefits	(1,537)	(1,497)
Decrease (increase) in other long-term assets	146	(534)
Increase in other long-term liabilities	3,065	1,985
	88,424	(14,241)
Net change in non-cash working capital (note 14)	(1,677)	5,861
	86,747	(8,380)
Financing activities		
Repayment of long-term debt	(993)	(999)
Proceeds from long-term debt	199,848	22
Repayment of long-term redevelopment obligation	(8,233)	(92,612)
Deferred capital contributions received (note 12)	26,422	31,530
Receipts from long-term redevelopment receivables	13,740	101,332
Decrease (increase) in restricted cash	(4,070)	323
	226,714	39,596
Investing activities		
Purchase of capital and intangible assets	(99,956)	(57,123)
Purchase of short-term investments	(175,000)	-
	(274,956)	(57,123)
Increase (decrease) in cash during the year	38,505	(25,907)
Cash – Beginning of year	175,573	201,480
Cash – End of year	214,078	175,573
Non-cash transactions		
Financing of costs incurred on Renew Sinai Phase 3A redevelopment project	52,015	66,645
Due from MOH related to Renew Sinai Phase 3A redevelopment project recorded as deferred capital contributions	66,072	79,591

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

(in thousands of dollars)

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 Ministry of Health (MOH or the Ministry) 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.

(in thousands of dollars)

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 capital and intangible assets. 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.

Short-term investments

Short-term investments include a guaranteed investment certificate (GIC) of $175,000 with a major financial institution, maturing on April 29, 2024. The interest on the GIC ranges from 0.75% to 2.00% based on the length of the period held. Short-term investments are recorded at cost.

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.

Capital and intangible assets

Capital and intangible assets 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.

Intangible assets are identifiable non-monetary assets without physical substance. Intangible assets acquired are initially recorded at cost and are amortized over their expected useful lives, unless the life is determined to be indefinite, in which case no amortization expense is recognized.

Contributed capital and intangible assets are recorded at fair value at the date of contribution. When capital and intangible assets 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 capital and intangible assets, are capitalized.

(in thousands of dollars)

Capital and intangible assets 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
Customer relationships	20 years
Lease agreement	7.5 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.

Impairment of long-lived assets

An impairment charge is recorded for long-lived assets when a capital asset no longer has any long-term service potential. The impairment loss is calculated as the difference between the net carrying value of the asset over any residual value.

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

- 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.

(in thousands of dollars)

- 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.

Related entities

Investments in The Sinai Trust, The Sinai Trust 2016 and The Centre for Phenogenomics are accounted for using the modified equity method and income 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, short-term investments, restricted cash, accounts receivable, redevelopment receivable and due from related entities, and financial liabilities consist of accounts payable and accrued liabilities, administered funds, long-term debt, long-term redevelopment obligation and interest rate swap.

(in thousands of dollars)

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	amortized cost
Short-term investments	cost
Restricted cash	amortized cost
Accounts receivable	amortized cost
Redevelopment receivable	amortized cost
Due from related entities	amortized cost
Accounts payable and accrued liabilities	amortized cost
Administered funds	amortized cost
Long-term debt	amortized cost
Long-term redevelopment obligation	amortized cost
Interest rate swap on long-term debt	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.

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.

(in thousands of dollars)

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

Measurement uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

A portion of the revenue recognized from the Ministry requires estimation. The Hospital has entered into accountability agreements that set out the rights and obligations of the parties in respect of funding provided to the Hospital by the Ministry for the year ended March 31, 2021. 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 as set out in the agreements or in specific funding letters, the Ministry has the right to adjust funding received by the Hospital. The Ministry is not required to communicate certain funding adjustments until after the submission of year-end data. Since this data is not submitted until after the completion of the financial statements, the amount of the Ministry funding received during a year may be increased or decreased subsequent to year-end. The amount of revenue recognized in these financial statements represents management's best estimates of amounts relating to funding that are reasonably assured of being received.

The coronavirus pandemic (COVID-19) has added to the Hospital's measurement uncertainty primarily due to judgment required by management to make significant assumptions related to critical estimates as they relate to funding received from the Ministry for incremental costs related to COVID-19. Calculating the amount of the incremental funding requires judgment in interpreting the related guidelines published by the Ministry as of the date of these financial statements. There is uncertainty as to the extent to which funding will be clawed back if additional clarifying guidance is published by the Ministry. While management believes the amounts recognized are reasonably assured of being received, given the likelihood of the Ministry issuing additional guidance, there is an increased risk that funding provided may be clawed back and that COVID-19 funding has not been appropriately recorded in the statement of operations.

Accounts requiring significant estimates include collectibility of accounts receivable, accrued and contingent liabilities, deferred revenue and employee future benefits. Employee future benefits liabilities (note 11) are subject to measurement uncertainty because actual results may differ significantly from the Hospital's best long-term estimate of expected results. For example, the difference between actual results and actuarial assumptions regarding health-care cost trend rates for retiree benefits may be significant. Actual results could differ from those estimates.

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.

(in thousands of dollars)

Since the beginning of the pandemic and up to March 31, 2021, the Hospital incurred pandemic-related incremental operating expenditures and experienced a reduction in non-MOH revenue that amounted to $107,911. Additionally, the Hospital incurred COVID-19 related capital expenditures that amounted to $6,486. These amounts were recognized respectively as COVID-19 funding in the statement of operations and deferred capital contributions in the statement of financial position for the year ended March 31, 2021 in accordance with the Ministry's COVID-19 Incremental Hospital Expenses Guidance document. Of the revenue and deferred capital contributions recognized, $38,524 (2020 – $nil) is included in accounts receivable in the statement of financial position.

In addition to the funding received during the year, the Hospital received a combined $11,873 (2020 – $nil) in temporary pandemic pay funding for eligible staff and temporary physician pay funding which have been offset against salaries and wages and employee benefits in the statement of operations and changes in net deficit, since the Hospital acted as an agent for the Ministry in respect of distributing the pay to staff and physicians.

The duration and impact of the COVID-19 pandemic are unknown at this time. Although it is not possible to reliably estimate the impact that the severity and length of the pandemic will have on the financial results of the Hospital in future periods, the Ministry has communicated continued financial support to hospitals during the pandemic by extending the COVID-19 incremental expense submission process to March 31, 2022.

4 Restricted cash

	2021 $	2020 $
Restricted cash held for redevelopment (a)	5,870	4,184
Restricted funds under administration (b)	15,851	13,467
Less: Current portion	15,851	13,467
Restricted cash – long-term	5,870	4,184

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, 2021 is $5,870 (2020 – $4,184), which is held in a sinking fund trust account.

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.

(in thousands of dollars)

5 Accounts receivable

	2021 $	2020 $
Research grants	7,647	10,456
MOH	38,393	1,611
Commodity tax receivable	4,930	5,188
Patient services	3,952	5,033
Other	8,041	6,637
	62,963	28,925

Patient accounts receivable are shown net of an allowance for potentially uncollectible amounts of $724 (2020 – $2,149). 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:

	2021 $	2020 $
Renew Sinai, Phase 2	3,620	3,620
Renew Sinai, Phase 3A (note 10(b))	118,992	66,660
	122,612	70,280
Less: Current portion	85,078	823
Long-term portion	37,534	69,457

7 Capital and intangible assets

			2021
	Cost $	Accumulated amortization $	Net $
Land	64,388	-	64,388
Artwork	4,101	-	4,101
Building	1,280,057	501,554	778,503
Equipment	420,294	318,405	101,889
Equipment under capital lease	310	90	220
Software	6,341	5,110	1,231
Customer relationships	8,922	-	8,922
Lease agreement	8,328	-	8,328
Construction-in-progress	344,313	-	344,313
	2,137,054	825,159	1,311,895

(in thousands of dollars)

			2020
	Cost $	Accumulated amortization $	Net $
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

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

8 Long-term debt

	2021 $	2020 $
Series A senior unsecured debentures (c)	198,356	198,333
Series B senior unsecured debentures (d)	199,825	-
Capital loan (b)	24,488	25,443
Capital equipment financing	130	168
Fair value adjustment in respect of interest rate swap agreements (e)	1,968	4,646
	424,767	228,590
Less: Current portion of long-term debt	1,021	992
Long-term portion	423,746	227,598

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 expired on April 15, 2021 and was renewed subsequent to year-end.

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, 2021 (2020 – $nil). The facility expired on April 15, 2021 and was renewed subsequent to year-end.

(in thousands of dollars)

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% (2020 – 0.45%), of which $24,488 (2020 – $25,443) was drawn as at March 31, 2021.

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 $7,057 (2020 – $7,073). Interest expense recorded in the statement of operations and changes in net deficit amounted to $4,423 (2020 – $5,674) and interest capitalized in capital and intangible assets amounted to $2,634 (2020 – $1,399).

d) On April 8, 2020, the Hospital issued $200,000 of 3.209% Series B senior unsecured debentures at par value with a maturity date of April 8, 2060. Interest is payable semi-annually on April 8 and October 8 with the principal to be repaid on April 8, 2060. During the year, interest paid amounted to $6,418 (2020 – $nil). Interest expense recorded in the statement of operations and changes in net deficit amounted to $6,277 (2020 – $nil) and interest prepaid in prepaid deposits and sundry assets amounted to $141 (2020 – $nil).

e) The Hospital has an interest rate swap contract relating to its unsecured non-revolving facility (8 b) ii)) 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 gain of $2,678 (2020 – loss of $2,370) was recorded in the statement of remeasurement losses. As at March 31, 2021, the swap was in a net unfavourable position and a liability of $1,968 (2020 – liability of $4,646) was recorded on the statement of financial position.

Principal due within each of the next five years and thereafter on the long-term debt as at March 31, 2021 is as follows:

	$
2022	1,021
2023	1,053
2024	1,084
2025	1,093
2026	1,111
Thereafter	417,437
	422,799

(in thousands of dollars)

9 Other long-term liabilities

	2021 $	2020 $
Long-term accrued sick days	5,939	5,590
Construction holdbacks	6,618	4,315
HIROC legal defense liability (note 15(c))	4,809	4,396
	17,366	14,301

10 Long-term redevelopment obligation

	2021 $	2020 $
Bridgepoint long-term redevelopment obligation, due on February 28, 2043, monthly payments of $2,112 including principal and interest at 7.46%	337,835	346,068
Renew Sinai long-term redevelopment obligation	128,716	76,701
	466,551	422,769
Less: Current portion	92,730	8,233
Long-term portion	373,821	414,536

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 an agreement with the MOH to fund 100% of the long-term redevelopment obligation on an annual basis.

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 thousands of dollars)

In June 2017, the Hospital entered into a project agreement 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. Accordingly, the Hospital has recorded a long-term receivable from the Ministry for its share (note 6). The local share of the costs of Renew Sinai Phase 3A will be funded by contributions from Sinai Health System Foundation and the Hospital, through internally generated funds and debenture financing (note 8(c)).

In the fiscal year ended March 31, 2021, work completed for building construction and financing costs totalled $52,014 (2020 – $65,940), for which the Hospital has recorded a corresponding redevelopment obligation of $128,716 (2020 – $76,701). An amount of $156,797 (2020 – $143,056) has been received from the MOH in prior years representing a portion of its 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 $118,992 (2020 – $66,660) (note 6). A corresponding amount of $275,789 (2020 – $209,716) has been recorded in deferred capital contributions.

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

	$
2022	92,730
2023	53,737
2024	9,562
2025	10,051
2026	10,565
Thereafter	289,906
	466,551

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, 2020 indicates the Plan is 119% funded. During the year, the Hospital contributed $30,175 (2020 – $29,047) to the Plan on behalf of employees.

(in thousands of dollars)

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, 2019.

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

			2021	2020
	SERP $	**Post-employment benefits** $	**Total** $	**Total** $
Accrued benefit obligation	7,723	22,861	30,584	30,026
Unamortized actuarial gains (losses)	(960)	3,825	2,865	3,065
Employee future benefits liability	6,763	26,686	33,449	33,091
Less: Current portion included in accounts payable and accrued liabilities	467	1,061	1,528	1,486
Long-term portion	6,296	25,625	31,921	31,605

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

			2021	2020
	SERP $	**Post-employment benefits** $	**Total** $	**Total** $
Employee future benefits liability – April 1, 2020	6,887	26,204	33,091	32,615
Current service cost	-	950	950	966
Interest cost	236	723	959	909
Amortization of actuarial gains (losses)	107	(163)	(56)	(4)
Pension and post-employment benefits expense	343	1,510	1,853	1,871
Benefits paid	(467)	(1,028)	(1,495)	(1,395)
Employee future benefits liability – March 31, 2021	6,763	26,686	33,449	33,091

(in thousands of dollars)

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

	2021		2020	
	SERP %	Post-employment benefits %	SERP %	Post-employment benefits %
Discount rate	3.00	3.10 – 3.20	3.10	3.20
Expected benefit cost trend in health care*	-	5.25	-	5.25
Expected benefit cost trend in dental care	-	3.00	-	3.00

The average remaining service period of active employees is 13 to 15 years.

*The rate is presumed to decline by 0.25 percentage points per annum to an ultimate rate of 4.5%.

12 Deferred contributions

					2021	2020
	Capital funds $	Designated fund $	Research funds $	Other operating $	Total $	Total $
Balance – Beginning of year	692,432	15,958	62,797	197	771,384	711,323
Additions to contributions	92,494	11,136	84,778	-	188,408	180,829
Amortization/recognition	(39,176)	(10,357)	(67,464)	-	(116,997)	(120,768)
Balance – End of year	745,750	16,737	80,111	197	842,795	771,384
Less: Current portion	-	16,737	80,111	-	96,848	78,755
Long-term portion	745,750	-	-	197	745,947	692,629

Included in deferred contributions is $6,565 (2020 – $5,038) 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 capital and intangible assets.

(in thousands of dollars)

13 Related entities

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

	2021		2020	
Related entity	**Due from $**	**Due to $**	**Due from $**	**Due to $**
Bridgepoint Health	622	183	776	184
The Sinai Trust	1,138	-	2,163	-
The Centre for Phenogenomics	1,044	569	1,520	1,060
Sinai Health System Foundation	7,914	-	18,945	-
The Sinai Trust 2017	3,082	2,350	24,934	-
Mount Sinai Fertility Corporation	9,068	-	8,801	-
Bridgepoint Foundation	14	-	58	1
Total	22,882	3,102	57,197	1,245
Less: Long-term portion				
Sinai Health System Foundation	4,646	-	4,671	-
The Sinai Trust 2017	-	-	10,577	
Mount Sinai Fertility Corporation	5,418	-	6,192	-
Total current portion	12,818	3,102	35,757	1,245

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.

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 (2020 – $700) 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, 2021, 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, 2021, Health owed the Hospital $622 (2020 – $776), which is included in due from related entity and the Hospital owed Health $183 (2020 – $184), 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.

(in thousands of dollars)

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

	2021 $	2020 $
Financial position		
Total assets	7,399	7,357
Total liabilities	775	878
Net assets	6,624	6,479
Results of operations		
Total revenue	1,031	1,437
Total expenses	886	1,168
Excess of revenue over expenses	145	269

There were cash inflows of $79 (2020 – $460) from operating activities, cash outflows of $124 (2020 – $44) from capital activities and $nil (2020 – $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, 2021, the Hospital recorded an operating loss of $292 (2020 – profit $306) 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 $1,138 (2020 – $2,163) 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:

	2021 $	2020 $
Financial position		
Total assets	2,558	2,254
Total liabilities	2,359	2,298
Net assets	199	(44)
Results of operations		
Total revenue	5,842	5,610
Total expenses	5,599	5,195
Excess of revenue over expenses	243	415

(in thousands of dollars)

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. TCP entered into a lease with the Hospital in 2007 to rent space in the research building for a term of 30 years at a basic rent of $10 per annum.

As at March 31, 2021, the Hospital has a net receivable balance of $475 (2020 – $460).

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

	2021 $	2020 $
Financial position		
Total assets	1,456	1,927
Total liabilities	1,456	1,927
Net assets	-	-
Results of operations		
Total revenue	9,036	9,629
Total expenses	9,036	9,629
Excess of revenue over expenses	-	-

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 $29,240 (2020 – $23,170) in cash from SHSF. SHSF has contributed funding for a portion of the current year's bank interest expense in the amount of $39 (2020 – $75).

As at March 31, 2021, the total net receivable from SHSF is $7,914 (2020 – $18,945), of which an estimated amount of $3,268 (2020 – $14,274) will be received within one year and is included in due from related entity. The remaining balance of $4,646 (2020 – $4,671) is accordingly classified as a long-term portion of due from related entities.

(in thousands of dollars)

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 provides resources to Sinai Trust 2017 that include salaries and wages, employee benefits, general supplies and medical supplies.

Refer to note 17 for additional disclosures.

Mount Sinai Fertility Corporation (MSF)

MSF is a for-profit corporation that provides a range of fertility services primarily through private contracts and, to a smaller extent, ministry supported programs.

As at March 31, MSF owes the Hospital the following amounts:

	2021 $	2020 $
March 2017 promissory notes		
Principal	7,740	7,740
Accrued interest	1,328	1,061
	9,068	8,801
Less: Current portion	3,650	2,609
Long-term portion	5,418	6,192

The promissory note is 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 payable in ten equal annual instalments of $774 beginning March 31, 2020.

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 $25 (2020 – $54) and capital grants in the amount of $967 (2020 – $946).

(in thousands of dollars)

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, 2021.

14 Statement of cash flows

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

	2021 $	2020 $
Accounts receivable	(34,038)	(2,647)
Inventories	(783)	(517)
Prepaid deposits and sundry assets	(2,468)	481
Accounts payable and accrued liabilities	33,228	8,175
Administered funds	2,384	369
	(1,677)	5,861

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.

b) Future operating commitments related to future lifecycle costs, leases and contracts for facility operating and maintenance as at March 31, 2021 are as follows:

	$
2022	13,431
2023	13,354
2024	12,985
2025	12,887
2026	12,255
Thereafter	149,463
	214,375

(in thousands of dollars)

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, 2021.

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, 2021, the Hospital has recorded legal expenses of $15 (2020 – credit on legal expenses of $282) 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, 2021, the deposit balance was $6,767 (2020 – $6,870), of which $5,825 (2020 – $5,971) 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 $5,366 (2020 – $4,910), of which $4,424 (2020 – $4,011) is not expected to be paid within one year and is therefore disclosed as part of long-term liability (note 9).

d) The Hospital has 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. The term of the agreement is to March 31, 2021, but it includes an evergreen clause with existing terms and conditions until formal notice to terminate is provided or the agreement is renegotiated. 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, 2021, 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, 2021 are estimated to be $93,946 (2020 – $148,531).

(in thousands of dollars)

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, 2021, the following accounts receivable were past due but not impaired:

	30 days $	60 days $	90 days $	Over 90 days $	Total $
Patient services receivable	2,866	766	233	87	3,952

The credit risk on other financial assets such as cash and due from related entities 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.

The table below is a maturity analysis of the Hospital's financial liabilities as at March 31, 2021:

	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	106,239	57,890	-	-	164,129
Long-term debt	488	533	4,341	419,405	424,767
Long-term redevelopment obligation	4,273	4,381	167,991	289,906	466,551
	111,000	62,804	172,332	709,311	1,055,447

(in thousands of dollars)

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, 2021, the Hospital's estimate of the exposure to interest rate risk and the effect on net assets is not material.

17 Repayment of promissory notes

The Sinai Trust 2017 (Trust 2017), of which the Hospital and SHSF are beneficiaries, is a for-profit entity established to develop commercial opportunities.

Trust 2017 held four promissory notes (Notes) payable to the Hospital with a combined principal amount outstanding of $13,321 at March 30, 2021. The Notes arose from historical transfers of certain ancillary business to Trust 2017 to further develop opportunities.

On March 31, 2020, the Hospital issued a standstill letter to Trust 2017 agreeing to forbear from exercising its right to demand payment of the amounts due under the Notes arising from the failure of the Trust to pay the amounts due. On March 30, 2021 the Hospital exercised demand payment of the Notes and accrued interest.

On March 31, 2021, in consideration for amounts due, Trust 2017 transferred ownership of the Rexall agreement and Clinical Management and Reappointment Services (CMaRS) operations to the Hospital. The operations were transferred at fair market value (FMV) as determined by the Hospital. As the FMV of the intangible assets exceeded amounts owing under the Notes, the Hospital provided Trust 2017 with a note payable for the difference of $2,350, which bears interest at prime + 1%. Working capital related to both operations was transferred to the Hospital at $nil additional cost as assets transferred ($2,500) equaled liabilities transferred ($2,500).

The Hospital has recorded the Rexall agreement and CMaRs operations as intangible assets on the Hospital's balance sheet at their cost of $17,250, the proceeds for which were satisfied by the Notes. For the Rexall agreement, the intangible asset is represented by the contract for share of Rexall profits, and for CMaRs the intangible asset is represented by the contracts it holds with its customers.

(in thousands of dollars)

18 Subsequent event

On April 30, 2021, the Trust, Trust 2016 and Trust 2017 elected to distribute their respective net assets to the Hospital, as a beneficiary, and wind up their operations.

The assets distributed by the Trust are the issued common shares of Mount Sinai Services Inc. (MSS) and the issued common shares of 2234995 Ontario Inc., both of which are medical clinics. Trust 2016 assets distributed consist of a minor cash balance. The distributions are related party transactions, and therefore the shares of MSS and 2234995 Ontario Inc. were transferred at their book values.

The assets distributed by Trust 2017 to the Hospital include a Second Cup franchise, cash on hand, other minor operations and the shares of MSF. The net tangible assets of Trust 2017 were transferred at book value to the Hospital.