Financial statements of

Sinai Health System

March 31, 2019

Sinai Health System

For the year ended March 31, 2019

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Independent auditor's report

To the Board of Directors of Sinai Health System

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Sinai Health System (the Organization) as at March 31, 2019 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 Organization's financial statements comprise:

- the statement of financial position as at March 31, 2019;
- the statement of operations for the year then ended;
- the statement of changes in net (deficit) assets for the year then ended;
- the statement of remeasurement gains and losses for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence
We are independent of the Organization 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.

Emphasis of matter – restatement of comparative information

We draw attention to note 17 of the financial statements, which explains that certain comparative information presented has been restated. Our opinion is not modified in respect of this matter.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215

Responsibilities of management and those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
June 5, 2019

Sinai Health System
Statement of financial position

As at March 31, 2019
(in thousands of dollars)

	2019	Restated 2018
	$	$
Assets		
Current assets		
Cash	201,480	170,406
Restricted cash (Note 3)	14,592	12,897
Accounts receivable (Note 4)	26,278	29,570
Redevelopment receivable (Note 5)	87,572	-
Due from related entities (Note 13)	8,327	13,264
Inventories	2,622	2,723
Prepaid deposits and sundry assets	6,362	7,788
Current portion of other long-term assets (Notes 6 and 13)	2,146	400
	349,379	237,048
Restricted cash (Note 3)	3,381	3,983
Other long-term assets (Notes 6 and 13)	26,256	28,402
Long-term redevelopment receivable (Note 5)	4,450	40,756
Due from related entities (Note 13)	4,696	4,721
Property and equipment (Note 7)	1,169,521	1,138,233
	1,557,683	1,453,143
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	122,528	97,239
Administered funds	13,098	11,310
Current portion of long-term debt (Note 8)	962	1,270
Current portion of long-term redevelopment obligation (Note 10)	91,908	7,451
Deferred contributions (Note 12)	90,965	88,712
	319,461	205,982
Other long-term liabilities (Note 9)	12,316	11,435
Long-term debt (Note 8)	226,235	226,381
Long-term redevelopment obligation (Note 10)	356,828	394,924
Employee future benefits (Note 11)	31,429	29,829
Deferred contributions (Note 12)	620,358	586,906
	1,566,627	1,455,457
Net (deficit) assets consist of		
Unrestricted and invested in capital assets	(6,668)	(834)
Accumulated remeasurement losses	(2,276)	(1,480)
	(8,944)	(2,314)
	1,557,683	1,453,143

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, 2019
(in thousands of dollars)

	2019	2018
	$	$
Income		
Ministry of Health and Long-Term Care (MOHLTC)	463,917	446,795
Patient revenue	10,128	10,807
Preferred accommodation	12,205	12,182
Research funding	78,552	64,685
Gain on sale of ancillary business (Note 13)	-	9,721
Commercial	7,707	9,094
Other revenue and recoveries	42,783	41,417
Amortization of deferred contributions for equipment	7,609	7,840
	622,901	602,541
Expenses		
Salaries and wages	350,881	336,356
Employee benefits	82,711	77,164
General supplies and other	130,512	125,161
Medical and surgical supplies	21,860	21,828
Drugs	11,770	11,251
Amortization of equipment	15,271	15,379
Interest	6,751	6,191
	619,756	593,330
Excess of income over expenses before the undernoted	3,145	9,211
Amortization of deferred capital contributions	40,499	40,971
Amortization of building and research equipment	(49,478)	(50,396)
	(8,979)	(9,425)
Funding of interest - building	20,489	19,659
Interest cost on building (MOHLTC share)	(20,489)	(19,659)
	-	-
Deficiency of income over expenses for the year	(5,834)	(214)

See accompanying notes to financial statements.

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

For the year ended March 31, 2019
(in thousands of dollars)

	Internally restricted investment in capital assets	Unrestricted	2019 Total	2018 Total
	$	$	$	$
Balance, beginning of year	4,048	(4,882)	(834)	(626)
Deficiency of income over expenses for the year	-	(5,834)	(5,834)	(214)
Donated artwork (Note 7)	-	-	-	6
Balance, end of year	4,048	(10,716)	(6,668)	(834)

See accompanying notes to financial statements.

Sinai Health System

Statement of remeasurement gains and losses

For the year ended March 31, 2019
(in thousands of dollars)

	2019	2018
	$	$
Accumulated remeasurement losses, beginning of year	(1,480)	(2,838)
Unrealized gain/(loss) attributable to interest rate swap (Note 8 (d))	(796)	1,358
Accumulated remeasurement losses, end of year	(2,276)	(1,480)

See accompanying notes to financial statements.

Sinai Health System
Statement of cash flows

For the year ended March 31, 2019
(in thousands of dollars)

	2019	Restated 2018
	$	$
Cash provided by (used in)		
Operating activities		
Deficiency of income over expenses for the year	(5,834)	(214)
Items not affecting cash		
Amortization of equipment	15,271	15,379
Amortization of building and research equipment	49,478	50,396
Recognition of deferred capital contributions	(66,166)	(68,004)
Recognition of deferred contributions	(73,275)	(68,669)
Employee future benefits	3,084	2,965
Gain on sale of ancillary business	-	(9,721)
Decrease (increase) in due from related entities	4,962	(8,320)
Deferred contributions received	79,824	71,188
Payment for employee future benefits	(1,484)	(1,256)
Decrease (increase) in other long-term assets	400	(1,653)
Increase in other long-term liabilities	881	329
	7,141	(17,580)
Net change in non-cash working capital (Note 14)	30,108	15,611
	37,249	(1,969)
Financing activities		
Repayment of long-term debt	(1,270)	(1,224)
Proceeds from long-term debt	20	20
Repayment of long-term redevelopment obligation	(7,451)	(7,088)
Deferred capital contributions received	44,056	49,600
Decrease (increase) in restricted cash	695	(219)
	36,050	41,089
Capital activities		
Purchase of property and equipment, excluding donated capital asset of $nil (2018 - $6)	(42,225)	(113,481)
	(42,225)	(113,481)
Increase (decrease) in cash during the year	31,074	(74,361)
Cash, beginning of year	170,406	244,767
Cash, end of year	201,480	170,406
Non-cash transactions		
Facility addition related to Renew Sinai Phase 3A redevelopment project	53,812	41,025
Increase in receivables and deferred capital contributions related to Renew Sinai Phase 3A redevelopment project	51,266	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:

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.

Cash

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

Inventories

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

Property and equipment

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

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

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

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

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

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.

2. Summary of significant accounting policies (continued)

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.

Employee future benefit plans

a) *Pension*

Employees of the Hospital are eligible to be members of the Healthcare of Ontario Pension Plan (HOOPP or the Plan), which is a multi-employer, defined benefit pension plan. Contributions made to HOOPP are expensed as funded, as the Hospital has adopted defined contribution plan accounting principles 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 The 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, redevelopment receivable, due from related entities, and financial liabilities consist of accounts payable and accrued liabilities, long-term debt, long-term redevelopment obligation and interest rate swap.

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

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

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

Unrealized changes in fair value are recognized in the statement of remeasurement 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. Restricted cash

	2019	2018
	$	$
Restricted cash held for redevelopment	1,494	1,587
Restricted funds under administration	13,098	11,310
Restricted cash - current	14,592	12,897
Restricted cash - long-term	3,381	3,983
Total restricted cash	17,973	16,880

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 BH redevelopment project that are restricted in use. The unspent portion of these funds as at March 31, 2019 is $4,875 (2018 - $5,570), which is held in a sinking fund trust account. The current portion of $1,494 (2018 - $1,587) relates to redevelopment obligations for fiscal 2020.

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

4. Accounts receivable

	2019	2018
	$	$
Research grants	9,211	8,507
MOHLTC	1,323	3,226
Commodity tax receivable	3,736	5,369
Patient services	4,678	4,902
Other	7,330	7,566
	26,278	29,570

Patient accounts receivable are shown net of an allowance for potentially uncollectible amounts of $826 (2018 - $1,065). There are no significant balances that are past due.

(In thousands of dollars)

5. Redevelopment receivable

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

	2019	2018
	$	$
Renew Sinai, Phase 2	3,620	3,620
Renew Sinai, Phase 3A (Note 10 (b))	88,402	37,136
	92,022	40,756
Less: Current portion	87,572	-
Long-term portion	4,450	40,756

6. Other long-term assets

	2019	2018
	$	$
Healthcare Insurance Reciprocal of Canada (HIROC) deposits (Note 15(c))	5,429	4,973
Promissory notes (Note 13)	21,061	21,774
Other	1,912	2,055
	28,402	28,802
Less: Current portion	2,146	400
Long-term portion	26,256	28,402

7. Property and equipment

			2019	2018
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
Land	64,388	-	64,388	64,386
Artwork	4,101	-	4,101	4,101
Building	1,267,733	417,802	849,931	889,979
Equipment	375,197	295,539	79,658	84,077
Equipment under capital lease	310	67	243	282
Software	4,959	3,932	1,027	1,273
Construction-in-progress	170,173	-	170,173	94,135
	1,886,861	717,340	1,169,521	1,138,233

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

The Hospital received donated assets of $nil (2018 - $6) and wrote off fully amortized assets of $11,951 (2018 - $5,513).

(In thousands of dollars)

8. Long-term debt

	2019	2018
	$	$
Capital loan (Note 8 (a))	26,367	27,265
Capital equipment financing (Note 8 (b))	243	617
Series A Senior Unsecured Debentures (Note 8 (c))	198,311	198,289
Fair value adjustment in respect of interest rate swap agreements (Note 8 (d))	2,276	1,480
	227,197	227,651
Less: Current portion of long-term debt	962	1,270
Long-term portion	226,235	226,381

a) The capital loans consist of two loans:

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, 2019 (2018 - $nil). The facility expires April 15, 2020.

ii) An unsecured non-revolving term facility of $30,000, maturing on December 1, 2039, with a fixed base rate of 3.05% plus a floating rate credit spread of 0.45% (2018 – 0.45%) of which $26,367 was drawn as at March 31, 2019 (2018 - $27,265).

b) The capital equipment financing is 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.

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 $7,054 (2018 - $7,054). Interest expense recorded in the statement of operations amounted to $5,792 (2018 - $5,172) and interest capitalized in property and equipment amounted to $1,262 (2018 - $1,882).

d) The Hospital entered into an interest rate swap contract relating to its long-term debt and which is recorded at fair value. The fair value of the interest rate swap is based on current pricing for the same notional interest rate swap (Level 2 of the fair value hierarchy). The swap has a notional principal amount of $30,000 (Note 8 (a)(ii)) maturing on December 1, 2039. During the year, an unrealized loss of $796 (2018 – gain of $1,358) was recorded in the statement of remeasurement gains and losses. As at March 31, 2019, the swap was in a net unfavourable position and a liability of $2,276 (2018 - $1,480) was recorded in long-term debt on the statement of financial position.

(In thousands of dollars)

8. Long-term debt (continued)

e) The Hospital has the following credit facilities to support general operating purposes:

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

ii) An unsecured, revolving credit facility of $10,000; no funds have been drawn on the revolving line of credit.

Principal due within each of the next five years and thereafter on the capital loan, capital equipment financing and debenture as at March 31, 2019 is as follows:

	$
2020	962
2021	991
2022	1,021
2023	1,052
2024	1,084
Thereafter	219,811
	224,921

9. Other long-term liabilities

	2019	2018
	$	$
Long-term accrued sick days	5,163	5,207
Construction holdbacks	2,920	2,389
Other long-term liabilities (Note 15 (c))	4,233	3,839
	12,316	11,435

10. Long-term redevelopment 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 redevelopment obligations.

(In thousands of dollars)

10. Long-term redevelopment obligation (continued)

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 Renew Sinai Phase 3A redevelopment project. As part of the Project Funding Agreement, the Ministry has committed to fund a portion of the capital and financing cost of the site. The local share of the costs of Renew Sinai Phase 3A will be funded through a combination of contributions from Sinai Health System Foundation (SHSF) and the Hospital, through a mixture of internally generated funds and debenture financing (Note 8 (c)).

As at March 31, 2019, work completed for building construction and financing costs totals $94,837 (2018 - $41,025) for which the Hospital has recorded a corresponding redevelopment obligation. An amount of $41,446 (2018 - $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 as receivable amounts owing from the MOHLTC for construction and ancillary costs in the amount of $88,402 (Note 5) (2018 - $37,136). A corresponding amount of $129,848 (2018 - $78,582) has been recorded in long-term deferred capital contributions.

	2019	2018
	$	$
Bridgepoint long-term redevelopment obligation, due on February 28, 2043, monthly payments of $2,112 including principal and interest at 7.46%	353,899	361,350
Renew Sinai long-term redevelopment obligation	94,837	41,025
	448,736	402,375
Less: Current portion	91,908	7,451
Long-term portion	356,828	394,924

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

	$
2020	91,908
2021	8,232
2022	19,415
2023	9,097
2024	9,562
Thereafter	310,522
	448,736

(In thousands of dollars)

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, 2018 indicates the Plan is 121% funded. During the year, the Hospital contributed $27,897 (2018 - $26,991) to the Plan on behalf of employees.

Other post-employment benefits

The Hospital provides extended healthcare, dental and life benefits to certain of its employees and extends this coverage to the post-retirement period. In addition, a Supplemental Executive Retirement Plan (SERP) is available for a limited number of executive members. The related benefit liabilities were determined by actuarial valuation studies. The date of the last actuarial valuation for post-employment benefits and SERP was March 31, 2019.

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

			2019	2018
	SERP	Post-employment benefits	Total	Total
	$	$	$	$
Accrued benefit obligation	8,205	22,104	30,309	36,081
Unamortized actuarial gains / (losses)	(1,206)	3,512	2,306	(5,362)
Employee future benefits liability recorded in the statement of financial position	6,999	25,616	32,615	30,719
Less: Current portion	447	739	1,186	890
Long-term portion	6,552	24,877	31,429	29,829

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

			2019	2018
	SERP	Post-employment benefits	Total	Total
	$	$	$	$
Employee future benefits liability - April 1, 2018	7,107	23,612	30,719	28,860
Current service cost	-	1,399	1,399	1,330
Interest cost	249	954	1,203	1,170
Amortization of actuarial losses	90	392	482	465
Pension and post-employment benefits expense	339	2,745	3,084	2,965
Benefits paid	(447)	(741)	(1,188)	(1,106)
Employee future benefits liability - March 31, 2019	6,999	25,616	32,615	30,719

(In thousands of dollars)

11. Employee future benefits (continued)

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

	2019 SERP	2019 Post-employment benefits	2018 SERP	2018 Post-employment benefits
	%	%	%	%
Discount rate	3%	3.00	3.20	3.20-3.30
Expected benefit cost trend in health care *	-	6.00	-	6.25
Expected benefit cost trend in dental care	-	3.00	-	3.00

The average remaining service period of active employees is 13 to 15 years (2018 - 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

	Capital funds	Designated funds	Research funds	Other operating	2019 Total	2018 Total
	$	$	$	$	$	$
Balance - Beginning of the year	598,136	16,118	61,167	197	675,618	654,367
Contributions received	95,322	6,863	72,961	-	175,146	157,924
Amortization/recognition	(66,166)	(7,916)	(65,359)	-	(139,441)	(136,673)
Balance - End of the year	627,292	15,065	68,769	197	711,323	675,618
Less: Current portion	7,131	15,065	68,769	-	90,965	88,712
Long-term portion	620,161	-	-	197	620,358	586,906

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.

13. Related entities

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

Related entity	2019 Due from	2019 Due to	2019 Net	2018 Due from	2018 Due to	2018 Net
	$	$		$	$	
Bridgepoint Health	573	-	573	485	-	485
The Sinai Trust	893	802	91	1,790	503	1,287
The Centre for Phenogenomics	1,132	1,287	(155)	2,264	1,124	1,140
Sinai Health System Foundation	8,760	83	8,677	7,039	-	7,039
The Sinai Trust 2017	3,826	-	3,826	8,033	-	8,033
Bridgepoint Foundation	11	-	11	1	-	1
Total	15,195	2,172	13,023	19,612	1,627	17,985
Less: Long-term portion	4,696	-	4,696	4,721	-	4,721
Total current amounts	10,499	2,172	8,327	14,891	1,627	13,264

(In thousands of dollars)

13. Related entities (continued)

Promissory notes due from related entities are as follows:

Related entity	2019 Due from	2018 Due from
	$	$
The Sinai Trust 2017	21,061	21,774
Total	21,061	21,774

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 (2018 - $550) in capital grants to the Hospital. The Hospital has credit facilities arranged related to its Bridgepoint capital redevelopment project. Health has provided a guarantee to the Hospital's credit facilities for its capital redevelopment project. As at March 31, 2019, 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, 2019, Health owed the Hospital $573 (2018 - $485) which is included in due from related entity. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related entities.

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

	2019	2018		2019	2018
	$	$		$	$
Financial position			Results of operations		
Total assets	6,883	6,359	Total revenue	1,347	1,082
Total liabilities	645	559	Total expenses	(909)	(930)
Net assets	6,238	5,800	Excess of revenue over expenses	438	152

There were cash inflows of $482 (2018 - $477) from operating activities, cash outflows of $129 (2018 - $43) from capital activities and $nil (2018 - $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.

(In thousands of dollars)

13. Related entities (continued)

As at March 31, 2019, the Hospital recorded an operating profit of $402 (2018 – loss of $206) in the statement of operations and the investment is recorded in prepaid deposits and sundry assets. A net receivable balance of $91 (2018 - $1,287) 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:

	2018	2017		2018	2017
	$	$		$	$
Financial position			Results of operations		
Total assets	4,192	2,991	Total revenue	5,448	4,031
Total liabilities	4,651	3,228	Total expenses	(5,670)	(4,228)
Net (deficit) assets	(459)	(237)	Deficiency of revenue over expenses	(222)	(197)

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, 2019 the Hospital recorded an operating profit of $nil (2018 - $197) in the statement of operations and the investment of $256 (2018 - $256) is recorded in prepaid deposits and sundry assets.

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

	2018	2017		2018	2017
	$	$		$	$
Financial position			Results of operations		
Total assets	256	256	Total revenue	-	3,078
Total liabilities	-	-	Total expenses	-	(1,726)
Net assets	256	256	Excess of revenue over expenses	-	1,352

In prior years, the Hospital has transferred certain commercial assets and businesses to Trust 2016 and has received promissory notes as consideration

On September 29, 2017, Trust 2016 transferred all of its assets, including its shares in the capital of Mount Sinai Fertility Corp. to The Sinai Trust 2017, at a fair value of $5,099 and Trust 2017 assumed obligations of Trust 2016 including promissory notes owing to the Hospital with an aggregate principal amounts of $11,740. In consideration, Trust 2016 received adjustable promissory note from Trust 2017 in the principal amount of $899.

The Centre for Phenogenomics (TCP)

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

13. Related entities (continued)

The Hospital's share of TCP's operating results of $nil (2018 - $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 $439 (2018 - $421), and TCP provided research facilities and services to LTRI, on a cost recovery basis, amounting to $566 (2018 - $523).

As at March 31, 2019, the Hospital has a net payable balance of $155 (2018 – receivable $1,140) included in due from related entity.

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 $24,629 (2018 - $18,963) in donations from SHSF. SHSF has contributed funding for a portion of the current year's bank interest expense in the amount of $64 (2018 - $32).

As at March 31, 2019, the total net receivable from SHSF is $8,677 (2018 - $7,039), of which an estimated amount of $3,981 (2018 - $2,318) will be received within one year and is included in due from related entity. The remaining balance of $4,696 (2018 - $4,721) is accordingly classified as a long-term portion of due from related entities.

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

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 and assumed the promissory note obligations of Trust 2016 totalling $11,740 as described above. The promissory notes assumed are as follows:

- Three promissory notes totalling $4,000, issued on March 31, 2016 bearing interest of prime plus 1% accruing on the date of issuance, paid annually on the last day each year beginning March 31, 2017. Principal is repayable in ten equal installments beginning March 31, 2019.
- One promissory notes totalling $7,740, issued on March 31, 2017 bearing interest of prime plus 1% accruing on the date of issuance, paid annually on the last day each year beginning March 31, 2020. Principal is repaid in ten equal installments beginning March 31, 2020.

(In thousands of dollars)

13. Related entities (continued)

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. A gain on sale of $9,721 was recorded in the statement of operations of the Hospital for the year ended March 31, 2018 as a gain on sale of ancillary business. As a result of this transaction, Trust 2017 entered into a ten year and five month lease agreement with the Hospital commencing on April 1, 2018 for annual rent of $301.

During the year, the Hospital purchased supplies on behalf of Trust 2017, related to its commercial activities. A net receivable balance of $3,826 (2018 - $8,033) is included in due from related entity.

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 $1,017 (2018 - $109) and capital grants in the amount of $940 (2018 - $896). As of March 31, 2019, BF owed the Hospital $11 (2018 - $1) which is included in due from related entity.

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, 2019.

14. Statement of cash flows

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

	2019	2018
	$	$
Accounts receivable	3,292	4,845
Inventories	101	390
Prepaid deposits and sundry assets	1,426	6,612
Accounts payable and accrued liabilities	25,289	3,764
	30,108	15,611

(In thousands of dollars)

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, 2019 are as follows:

	$
2020	12,916
2021	11,115
2022	9,032
2023	9,195
2024	8,862
Thereafter	146,975
	198,095

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, 2019.

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, 2019, the Hospital has recorded legal expenses of $379 (2018 - $1,151) based on the assessment of the actuary engaged by HML, which have been included in the statement of operations. As at March 31, 2019, the deposit balance was $6,255 (2018 - $5,733), of which $5,429 (2018 - $4,973) 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 $4,675 (2018 - $4,373), of which $3,848 (2018 - $3,613) is not expected to be paid within one year and is therefore disclosed as part of long-term liability (Note 9).

(In thousands of dollars)

15. Commitments and contingencies (continued)

d) 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, 2019, 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, 2019 are estimated to be $224,315 (2018 - $269,748).

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, 2019, the following accounts receivable were past due but not impaired:

	30 days	60 days	90 days	Over 120 days	Total
	$	$	$	$	$
Patient services receivable	3,398	752	280	248	4,678

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, 2019:

	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	76,874	45,654	-	-	122,528
Long-term debt	459	503	4,148	222,087	227,197
Long-term redevelopment obligation	3,867	88,041	46,306	310,522	448,736
	81,200	134,198	50,454	532,609	798,461

Interest payable related to the Hospital's financial liabilities as at March 31, 2019 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	3,916	3,929	31,744	234,369	273,958
Long-term redevelopment obligation	8,807	8,708	81,148	155,813	254,476
	12,723	12,637	112,892	390,182	528,434

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, 2019, the Hospital's estimate of the exposure to interest rate risk and the effect on net assets is not material.

17. Restated prior year figures

The Hospital has a cash mirror netting arrangement under which certain bank accounts are netted for the purpose of interest calculations. Management has determined that these accounts should be presented on a net basis in the statement of financial position in accordance with the arrangement and the Hospital's cash management strategy. Previously the accounts were presented on a gross basis. As a result, the prior year cash balance was decreased by $41,192 and the long-term debt balance decreased by $41,192 as at March 31, 2018 to present the net position in these accounts in cash in the statement of financial position. The end of year cash balance in the statement of cash flows for the year ended March 31, 2018 was correspondingly adjusted and the beginning of year cash balance at April 1, 2017 was decreased by $39,752 to also present the opening balance on a net basis.

17. Restated prior year figures (continued)

At March 31, 2018, the Hospital had unspent debenture proceeds in cash of $84,000 which was presented as a non-current asset. In the current year, management has reassessed this presentation as the debenture proceeds are in bank deposits and are available for capital investment and also for general corporate purposes under the terms of the debenture offering memorandum and believe that cash presentation on the statement of financial position is more appropriate. As a result, the non-current restricted cash balance was decreased and the cash balance increased by $84,000 as at March 31, 2018 in the statement of financial position, the end of year cash balance and decrease (increase) in restricted cash amounts on the statement of cash flows were correspondingly adjusted and the end of year cash balance at April 1, 2017 was increased by $174,000.

18. Prior year comparative information

Certain comparative information has been reclassified to conform to the financial statement presentation adopted in the current year. The reclassifications in the statement of financial position are as follows:

i) Capital grants receivable reclassified to accounts receivable
ii) Related entities' balances previously included as part of accounts receivable and accounts payable and accrued liabilities, reclassified to due from related entities
iii) Construction holdbacks have been reclassified to other long-term liabilities