Financial statements of

# Sinai Health System

March 31, 2015 and March 31, 2014

# Sinai Health System

For the periods ending March 31, 2015 and March 31, 2014

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June 16, 2015

## Independent Auditor's Report

**To the Board of Directors of Sinai Health System**

We have audited the accompanying financial statements of Sinai Health System, which comprise the statements of financial position as at March 31, 2015 and March 31, 2014 and the statements of operations, statements of changes in net assets (deficit), remeasurement gains and losses and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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**Opinion**
In our opinion, the financial statements present fairly, in all material respects, the financial position of Sinai Health System as at March 31, 2015 and March 31, 2014 and the results of its operations, its remeasurement gains and losses and its cash flows for the years then ended in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

**Chartered Professional Accountants, Licensed Public Accountants**

# Sinai Health System

## Statements of financial position

as at March 31, 2015 and March 31, 2014
(in thousands of dollars)

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| | | (Note 1) |
| **Assets** | | |
| Current assets | | |
| Cash (Note 3) | 102,769 | 80,015 |
| Restricted cash (Note 4) | 11,064 | 17,594 |
| Short-term investments (Note 5) | 20,750 | 24,686 |
| Accounts receivable (Notes 6 and 14) | 38,086 | 42,545 |
| Capital grants receivable (Note 7) | 4,946 | 5,994 |
| Inventories | 3,335 | 3,576 |
| Prepaid deposits and sundry assets (Notes 14 and 17) | 3,647 | 3,814 |
| | 184,597 | 178,224 |
| Restricted cash (Note 4) | 9,473 | 10,577 |
| Capital grants receivable (Note 7) | 3,705 | 2,724 |
| Due from related entities (Note 14) | 4,796 | 4,546 |
| Other long-term assets (Note 8) | 4,144 | 3,812 |
| Property and equipment (Note 9) | 1,090,879 | 1,082,714 |
| | 1,297,594 | 1,282,597 |
| **Liabilities** | | |
| Current liabilities | | |
| Bank indebtedness (Note 10) | - | 3,230 |
| Accounts payable and accrued liabilities (Note 17) | 92,162 | 103,960 |
| Administered funds | 10,603 | 10,824 |
| Current portion of long-term liabilities (Note 10) | 1,482 | 201 |
| Current portion of long-term redevelopment obligation (Note 11) | 6,415 | 6,103 |
| Deferred contributions (Note 13) | 76,048 | 74,451 |
| | 186,710 | 198,769 |
| Long-term liabilities (Note 10) | 103,787 | 74,606 |
| Long-term redevelopment obligation (Note 11) | 374,412 | 376,561 |
| Employee future benefits (Note 12) | 24,534 | 22,779 |
| Deferred contributions (Note 13) | 600,600 | 598,732 |
| | 1,290,043 | 1,271,447 |
| **Net assets consists of** | | |
| Unrestricted | 10,129 | 10,347 |
| Accumulated remeasurement gain and (loss) | (2,578) | 803 |
| | 7,551 | 11,150 |
| | 1,297,594 | 1,282,597 |

Commitments and contingencies (Note 17)

Approved by the Board

____________________________ Director

____________________________ Director

# Sinai Health System
## Statements of operations

For the years ended March 31, 2015 and March 31, 2014
(in thousands of dollars)

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| | | (Note 1) |
| **Income** | | |
| Ministry of Health and Long-term Care (MOHLTC) | 430,498 | 434,743 |
| Patient revenue | 15,900 | 13,554 |
| Preferred accommodation | 11,392 | 11,367 |
| Research funding (Note 15) | 78,735 | 79,329 |
| Commercial | 11,799 | 12,314 |
| Other revenue and recoveries | 44,071 | 43,729 |
| Amortization of deferred contributions for equipment | 7,487 | 6,076 |
| | 599,882 | 601,112 |
| **Expenses** | | |
| Salaries and wages | 301,306 | 300,847 |
| Employee benefits | 71,163 | 70,495 |
| General supplies and other | 95,727 | 96,890 |
| Medical and surgical supplies | 21,446 | 20,629 |
| Drugs | 13,462 | 12,834 |
| Research (Note 15) | 78,735 | 79,329 |
| Amortization of equipment | 13,987 | 12,228 |
| Interest | 1,702 | 1,793 |
| | 597,528 | 595,045 |
| Excess of income over expenses before the undernoted | 2,354 | 6,067 |
| Amortization of deferred capital contributions | 37,778 | 36,451 |
| Less: amortization of building and research equipment | (43,373) | (41,810) |
| | (5,595) | (5,359) |
| Funding of interest - building | 20,495 | 22,319 |
| Interest cost on building (MOHLTC share) | (20,495) | (22,319) |
| | - | - |
| Excess (deficiency) of income over expenses before the following | (3,241) | 708 |
| MOHLTC working capital funding received | - | 12,609 |
| **Excess (deficiency) of income over expenses for the year** | (3,241) | 13,317 |

# Sinai Health System

## Statements of changes in net assets (deficit)

For the years ended March 31, 2015 and March 31, 2014
(in thousands of dollars)

| | Investment in capital assets | Unrestricted | 2015 |
|---|---|---|---|
| | $ | $ | $ |
| **Balance, beginning of year** | - | 10,347 | 10,347 |
| Deficiency of revenue over expenses | - | (3,241) | (3,241) |
| Donated artwork (Note 9) | 3,023 | - | 3,023 |
| **Balance, end of year** | 3,023 | 7,106 | 10,129 |

| | Investment in capital assets | Unrestricted | 2014 |
|---|---|---|---|
| | $ | $ | $ |
| | | (Note 1) | (Note 1) |
| **Balance, beginning of year** | - | (2,970) | (2,970) |
| Excess of revenue over expenses | - | 13,317 | 13,317 |
| **Balance, end of year** | - | 10,347 | 10,347 |

# Sinai Health System

## Statements of remeasurement gains and losses

For the years ended March 31, 2015 and March 31, 2014
(in thousands of dollars)

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| | | (Note 1) |
| **Accumulated remeasurement gains and (losses), beginning of year** | 803 | (1,445) |
| Unrealized gains (losses) attributable to interest rate swaps (Note 10) | (3,381) | 2,248 |
| **Accumulated remeasurement gains and (losses), end of year** | (2,578) | 803 |

# Sinai Health System
## Statements of cash flows

For the years ended March 31, 2015 and March 31, 2014
(in thousands of dollars)

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| | | (Note 1) |
| **Cash provided by (used in)** | | |
| | | |
| **Operating activities** | | |
| Excess (deficiency) of income over expenses for the year | (3,241) | 13,317 |
| Items not affecting cash | | |
| Amortization of equipment | 13,987 | 12,228 |
| Amortization of building and research equipment | 43,373 | 41,810 |
| Recognition of deferred capital contributions | (45,265) | (42,527) |
| Recognition of deferred contributions | (81,348) | (79,316) |
| Decrease (increase) in due from related entities | (250) | 100 |
| Employee future benefits | 2,246 | 2,182 |
| Payment for employee future benefits | (491) | (734) |
| Increase in other long term assets | (634) | (927) |
| Increase in other long term liabilities | 27,584 | 706 |
| Decrease in capital grants receivable | 67 | 1,096 |
| | (43,972) | (52,065) |
| | | |
| Net change in non-cash working capital (Note 16) | (6,931) | (3,194) |
| | (50,903) | (55,259) |
| | | |
| **Financing activities** | | |
| Repayment of long-term debt | (201) | (1,529) |
| Repayment of long-term redevelopment obligation | (6,103) | (5,805) |
| Deferred capital contributions received (excluding donated capital asset of $nil (2014 - $713)) | 49,060 | 42,175 |
| Deferred contributions received | 81,018 | 85,678 |
| Decrease in bank indebtedness | (3,230) | (19,770) |
| Decrease in restricted cash | 7,413 | 16,064 |
| | 127,957 | 116,813 |
| | | |
| **Investing activities** | | |
| Purchase of investments | (4,285) | (2,303) |
| Sale of investments | 8,221 | 283 |
| | 3,936 | (2,020) |
| | | |
| **Capital activity** | | |
| Purchase of property and equipment | (58,236) | (73,185) |
| | (58,236) | (73,185) |
| | | |
| Increase (decrease) in cash during the year | 22,754 | (13,651) |
| Cash, beginning of year | 80,015 | 93,666 |
| **Cash, end of year** | 102,769 | 80,015 |

## 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 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). During the fiscal year, the Hospital operated under two separate Hospital Service Accountability Agreements (HSAAs), from the predecessor hospitals, which set out the rights and obligations of the parties to the HSAAs in respect of funding provided to the Hospital by the MOHLTC/TCLHIN. These HSAAs set out the performance standards and obligations of the Hospital.

The amalgamation has been accounted for using the continuity of interest method. Under the continuity of interest method, the carrying value of assets and liabilities of each of the predecessor entities have been carried forward at their book values and the financial statements are presented as if MSH and BH had been combined since their inception. MSH and BH's accounting policies were compared for consistency upon amalgamation and no adjustments resulted to the MSH and BH financial statements as previously presented.

These statements and accompanying notes reflect the operations of the amalgamated entity.

## 2. 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 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 the subsequent period. These financial statements reflect management's best estimates of funding arrangements with the MOHLTC and TCLHIN.

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

## 2. Significant accounting policies (continued)

### *Revenue recognition (continued)*

Amortization of building and research equipment is not included in the financial measures that are defined as part of the HSAA and accordingly has been reflected as an undernoted item in the statements of operations with the corresponding realization of revenue for deferred contributions and grants.

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.

### *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 life 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 | 10 to 40 years |
| Equipment | 3 to 20 years |
| Software | 3 to 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.

### *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. 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 statements of operations. Since these funds are held under administration, they are recorded as restricted cash on the statements 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. The Hospital has adopted defined contribution plan accounting for the Plan because insufficient information is available to apply defined benefit plan accounting.

*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 regards to retirement age of employees and expected healthcare costs.
- 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 these estimates.

In addition, a portion of the revenue recognized from the MOHLTC and 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 which 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 and Toronto Centre for Phenogenomics are accounted for using the modified equity method, whereby the investment is initially recorded at cost and adjusted thereafter to recognize the Hospital's share of the entity's net surplus or deficit. Any distributions received are accounted for as a reduction in the investment.

## 2. Significant accounting policies (continued)

***Financial instruments***

Financial instruments are recorded at fair value on initial recognition. Financial instruments, such as investments quoted in an active market and all derivative financial instruments are reported at fair value.

All other financial instruments, including fixed income investments, are recorded at amortized cost. Unrealized changes in fair value are recognized in the statements of remeasurement gains and losses until they are realized, when they are transferred to the statements of operations.

All financial assets 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 statements of operations and any unrealized gain or loss is removed from the statements of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statements of remeasurement gains and losses are reversed and recognized in the statements of operations.

Long-term debt is recorded at cost. The related long-term forward interest rate swap is recorded at fair value.

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.

The Hospital's investments are classified as Level 1. In management's opinion, the Hospital is not exposed to any significant credit, liquidity or market risk.

***Foreign currency translation***

Investments denominated in foreign currencies have been translated into Canadian dollars at exchange rates prevailing at the statement date. Investment income has been translated using exchange rates prevailing on the transaction date.

## 3. Cash

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| Operating funds | 27,182 | 12,384 |
| Restricted capital, research and designated funds | 75,587 | 67,631 |
| | 102,769 | 80,015 |

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

(In thousands of dollars)

## 4. Restricted cash

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| Restricted cash held for redevelopment | 461 | 6,770 |
| Restricted funds under administration | 10,603 | 10,824 |
| Restricted cash - current | 11,064 | 17,594 |
| Restricted cash - long-term | 9,473 | 10,577 |
| Total restricted cash | 20,537 | 28,171 |

a) Under the terms of the Development Accountability Agreement with the MOHLTC, the Hospital has received funds from the MOHLTC related to the Bridgepoint redevelopment project that are restricted in use. The unspent portion of these funds as of March 31, 2015 is $9,934 (2014 - $17,347), which is held in a sinking fund trust account. The current portion of $461 (2014 - $6,770) relates to redevelopment obligations for fiscal 2016.

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

## 5. Short-term investments

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | Cost | Fair value | Cost | Fair value |
| | $ | $ | $ | $ |
| Short-term investments in money market funds | 18,250 | 18,250 | 14,686 | 14,686 |
| Short-term investments in Guaranteed Investment Certificates (GICs) | 2,500 | 2,500 | 10,000 | 10,000 |
| | 20,750 | 20,750 | 24,686 | 24,686 |

## 6. Accounts receivable

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| Research grants | 11,030 | 11,027 |
| MOHLTC | 3,334 | 6,380 |
| Commodity tax receivable | 3,658 | 4,640 |
| Patient services | 4,710 | 4,389 |
| Due from related entities (Note 14) | 3,653 | 4,593 |
| Other | 11,701 | 11,516 |
| | 38,086 | 42,545 |

Patient accounts receivable are shown net of an allowance for potentially uncollectible amounts of $1,345 (2014 - $778).

(In thousands of dollars)

## 7. Capital grants receivable

Capital grants receivable relate to grants restricted in use to property and equipment acquisitions, which are receivable by the Hospital at year-end.

These amounts have also been included in deferred contributions related to property and equipment.

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| MOHLTC | 3,617 | 2,512 |
| Other | 5,034 | 6,206 |
| | 8,651 | 8,718 |
| Less: current portion | 4,946 | 5,994 |
| Long-term capital grants receivable | 3,705 | 2,724 |

## 8. Other long-term assets

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| Interest rate swap (Note 10 (e)) | - | 302 |
| Healthcare Insurance Reciprocal of Canada (HIROC) deposits (Note 17 (c)) | 2,940 | 2,306 |
| Other | 1,204 | 1,204 |
| | 4,144 | 3,812 |

## 9. Property and equipment

| | | | 2015 |
|---|---|---|---|
| | Cost | Accumulated amortization | Net book value |
| | $ | $ | $ |
| Land | 7,166 | - | 7,166 |
| Artwork | 3,023 | - | 3,023 |
| Building | 1,217,035 | 255,362 | 961,673 |
| Equipment | 332,874 | 235,910 | 96,964 |
| Software | 6,188 | 5,093 | 1,095 |
| Construction-in-progress | 20,958 | - | 20,958 |
| | 1,587,244 | 496,365 | 1,090,879 |

(In thousands of dollars)

## 9. Property and equipment (continued)

| | | | 2014 |
|---|---|---|---|
| | Cost | Accumulated amortization | Net book value |
| | $ | $ | $ |
| Land | 7,166 | - | 7,166 |
| Building | 1,166,462 | 225,846 | 940,616 |
| Equipment | 329,159 | 243,352 | 85,807 |
| Software | 5,593 | 4,570 | 1,023 |
| Construction-in-progress | 48,102 | - | 48,102 |
| | 1,556,482 | 473,768 | 1,082,714 |

Construction-in-progress consists primarily of surgical suites, critical care, emergency room and Lobby Mall renovations.

During the year, the Hospital acquired property and equipment of $4,266 (2014 - $6,180) financed by long-term redevelopment obligation in Note 11, in relation to the BH redevelopment project under the terms of the Development Accountability Agreement with the MOHLTC.

In addition, the Hospital received donated assets of $3,023 (2014 - $713) and wrote off fully amortized assets of $34,763 (2014 - $131,445).

***Renew Sinai redevelopment project***

The Hospital, in conjunction with the MOHLTC, has undertaken a major multi-year capital redevelopment project to create, expand and modernize the Hospital space. Renew Sinai will enable the Hospital to leverage the best practices and advances in technology to deliver outstanding care to patients, and provide the best environment possible in which to work.

*a) Women's & Infants' Health Centre of Excellence (MSH site)*

This phase of Renew Sinai consists of adding six floors to the existing west wing and renovating three floors in the east wing primarily for the Women's and Infants' Health program. The total project cost is estimated to be $248,000. The MOHLTC's share of costs is $171,000 and $77,000 is to be provided by the Hospital, the Mount Sinai Hospital Foundation of Toronto (MSHF) and the community.

This phase was substantially completed in July 2014, Programs Occupancy in February 2015. As at March 31, 2015, the costs incurred to date amounted to $235,865 (2014 - $214,000) and were transferred from construction-in-progress to building once put into use.

*b) Surgical suites, critical care, emergency room (MSH site)*

In 2006, the Hospital began the planning and design of another phase of redevelopment involving the upgrade of the surgical suites, intensive care unit, medical and surgical inpatient units and the emergency room. The MOHLTC has approved a planning and design grant of $37,500. As at March 31, 2015, the costs incurred to date amounted to $13,151 (2014 - $8,800), which is 100% MOHLTC funded.

*c) Lobby Mall renovation project (MSH site)*

This project repurposes existing public space on the hospital's main floor to create a welcoming lobby, enhanced food hall and a Welcome Centre for patients and families. Initial planning began in 2014. The project cost is $18,000 with $5,870 spent in 2015 (2014 - $1,000). Completion is expected in August 2015. This project is funded entirely by the MSHF and the community.

(In thousands of dollars)

## 10. Bank indebtedness and long-term liabilities

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| Bank indebtedness | - | 3,230 |
| Capital loans | 39,799 | 38,000 |
| General purpose loan | 53,360 | 28,941 |
| Long-term accrued sick days | 4,618 | 4,043 |
| Other long-term liability (Note 17 (c)) | 2,511 | 1,921 |
| Capital equipment financing | 1,284 | 1,284 |
| Fair value adjustment in respect of interest rate swap agreements | 3,697 | 618 |
| | 105,269 | 78,037 |
| Current portion of long-term liabilities | 1,482 | 3,431 |
| | 103,787 | 74,606 |

a) An unsecured, non-revolving bridge facility of $10,000, which expired on February 26, 2015 of which $nil (2014 - $3,230) had been drawn.

b) The capital loans consist of two loans:

   i) An unsecured revolving term facility of $10,000, repayable on April 15, 2016 and available by way of advances at the bank's prime rate, of which $10,000 had been drawn as of March 31, 2015 (2014 - $8,000).

   ii) An unsecured non-revolving term facility of $30,000, maturing on December 1, 2039, with a fixed interest rate of 3.85%, of which $29,799 was drawn as of March 31, 2015 (2014 - $30,000).

c) A general purpose unsecured revolving credit facility of $36,500, repayable in full on April 15, 2016, and available by way of advances at the bank's prime lending rate and bankers' acceptances.

   In addition, the Hospital operates a cash management structure with its lender under which certain cash balances in the amount of $32,465 (2014 - $21,000) are netted against the general purpose loan to assess credit limit availability and to calculate interest expense.

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

(In thousands of dollars)

**10. Bank indebtedness and long-term liabilities (continued)**

e) The Hospital has entered into the following two interest rate swap contracts relating to its long-term debt, both of which are 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).

i) A notional principal of $9,000 on the general loan (Note 10(c)) maturing March 28, 2016. The interest rate swap is at a fixed interest rate of 5.68%. During the year, a gain of $262 (2014 - $299) was recorded in the statements of remeasurement gains and losses. As of March 31, 2015, the swap was in a net unfavourable position and a liability of $356 (2014 - net unfavorable of $618) was recorded in current portion of long-term liabilities on the statements of financial position.

ii) A notional principal of $30,000 (Note 10 (b)(ii)) maturing December 1, 2039. During the year, a loss of $3,643 (2014 - gain of $1,949) was recorded in the statements of remeasurement gains and losses. As of March 31, 2015, the swap was in a net unfavourable position and a liability of $3,341 (2014 - net favorable of $302 recorded in other long-term assets) was recorded in long-term liabilities on the statements of financial position.

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

Principal due within each of the next five years and thereafter on capital loan and capital equipment as of March 31, 2015 is as follows:

| | $ |
|---|---|
| 2016 | 1,126 |
| 2017 | 1,160 |
| 2018 | 1,197 |
| 2019 | 1,232 |
| 2020 | 925 |
| Thereafter | 25,443 |
| | 31,083 |

Principal due within each of the next five years and thereafter on capital loan and capital equipment as of March 31, 2014 is as follows:

| | $ |
|---|---|
| 2015 | 3,499 |
| 2016 | 821 |
| 2017 | 847 |
| 2018 | 873 |
| 2019 | 900 |
| Thereafter | 26,290 |
| | 33,230 |

(In thousands of dollars)

## 11. Long-term redevelopment obligation

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 Site is purpose built to serve those in need of rehabilitation services and those living with complex chronic disease.

The Hospital is committed to payments over 30 years for the capital and operating costs of the facility supported by the approval of the MOHLTC. The MOHLTC's share of the funding for the facility is supported by the Development Accountability Agreement. Annual funding from the MOHLTC is conditional upon an appropriation of funds by the legislature of Ontario in the fiscal year in which the payment becomes due.

The total project obligation within the Project Agreement is $1,230,308. This obligation will be satisfied by MOHLTC funding of $1,159,433 as per the Development Accountability Agreement. The balance of $70,875 represents the local share obligation of the Hospital which, with the exception of $10,578 in lifecycle payments due in future periods, was paid using a combination of restricted investments, foundation grants, and long-term bank debt. The obligations associated with the Project Agreement are recorded in these statements in today's dollars.

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| Long-term redevelopment obligation, due Feb 28, 2043 monthly payments of $2,112 including principal and interest at 7.46% | 380,827 | 382,664 |
| Current portion | 6,415 | 6,103 |
| | 374,412 | 376,561 |

Principal due within each of the next five years and thereafter, on the long-term redevelopment obligation to be fully funded by the MOHLTC, is as follows:

| | |
|---|---|
| | $ |
| 2016 | 6,415 |
| 2017 | 6,743 |
| 2018 | 7,088 |
| 2019 | 7,451 |
| 2020 | 7,832 |
| Thereafter | 345,298 |
| | 380,827 |

(In thousands of dollars)

## 11. Long-term redevelopment obligation (continued)

As of March 31, 2014, principal due within each of the next five years and thereafter, as described above, is as follows:

| | $ |
|---|---|
| 2015 | 6,103 |
| 2016 | 6,415 |
| 2017 | 6,743 |
| 2018 | 7,088 |
| 2019 | 7,451 |
| Thereafter | 348,864 |
| | 382,664 |

## 12. 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 the 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, 2014 indicates the Plan is 115% funded. During the year, the Hospital contributed $25,674 (2014 - $24,500) 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 dates of the last actuarial valuation for MSH and BH were March 31, 2013 and March 31, 2014, respectively.

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

| | | | 2015 |
|---|---|---|---|
| | SERP | Post-employment benefits | Total |
| | $ | $ | $ |
| Accrued benefit obligation | 9,271 | 21,577 | 30,848 |
| Unamortized actuarial losses | (2,224) | (3,590) | (5,814) |
| Employee future benefits liability recorded in the statement of financial position | 7,047 | 17,987 | 25,034 |
| Less: current portion | | | 500 |
| Long-term portion | | | 24,534 |

(In thousands of dollars)

## 12. Employee future benefits (continued)

***Other post-employment benefits (continued)***

| | | | 2014 |
|---|---|---|---|
| | SERP | Post-employment benefits | Total |
| | $ | $ | $ |
| Accrued benefit obligation | 8,610 | 17,446 | 26,056 |
| Unamortized actuarial losses | (1,691) | (806) | (2,497) |
| Employee future benefits liability recorded in the statement of financial position | 6,919 | 16,640 | 23,559 |
| Less: current portion | | | 780 |
| Long-term portion | | | 22,779 |

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

| | | | 2015 |
|---|---|---|---|
| | SERP | Post-employment benefits | Total |
| | $ | $ | $ |
| Employee future benefits liability - April 1, 2014 | 6,919 | 16,640 | 23,559 |
| Current service cost | 50 | 920 | 970 |
| Interest cost | 339 | 763 | 1,102 |
| Amortization of actuarial losses | 110 | 64 | 174 |
| Pension and post-employment benefits expense | 499 | 1,747 | 2,246 |
| Benefits paid | (371) | (400) | (771) |
| Employee future benefits liability - March 31, 2015 | 7,047 | 17,987 | 25,034 |

(In thousands of dollars)

## 12. Employee future benefits (continued)

***Other post-employment benefits (continued)***

| | | | 2014 |
|---|---|---|---|
| | SERP | Post-employment benefits | Total |
| | $ | $ | $ |
| Employee future benefits liability - April 1, 2013 | 6,949 | 15,235 | 22,184 |
| Current service cost | 7 | 985 | 992 |
| Interest cost | 281 | 718 | 999 |
| Amortization of actuarial losses | 46 | 145 | 191 |
| Pension and post-employment benefits expense | 334 | 1,848 | 2,182 |
| Benefits paid | (364) | (443) | (807) |
| Employee future benefits liability - March 31, 2014 | 6,919 | 16,640 | 23,559 |

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

| | | 2015 |
|---|---|---|
| | SERP | Post-employment benefits |
| | % | % |
| Discount rate | 3.50 | 3.00 - 3.25 |
| Expected benefit cost trend in health care * | - | 7.25 - 8.00 |
| Expected benefit cost trend in dental care | - | 4.00 |

| | | 2014 |
|---|---|---|
| | SERP | Post-employment benefits |
| | % | % |
| Discount rate | 4.00 | 4.00 - 4.25 |
| Expected benefit cost trend in health care * | - | 7.25 - 8.00 |
| Expected benefit cost trend in dental care | - | 4.00 |

The average remaining service period of active employees is 14 to 16 years (2014 - 14 to16 years).

* The rate is presumed to decline by 0.25 percentage points per annum to an ultimate rate of 5%.

(In thousands of dollars)

## 13. Deferred contributions

2015

| | Capital funds | Designated funds | Research funds | Other operating | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Balance, April 1, 2014 | 611,424 | 13,269 | 48,293 | 197 | 673,183 |
| Contributions received | 49,060 | 11,334 | 69,684 | - | 130,078 |
| Amortization/recognition | (45,265) | (11,055) | (70,293) | - | (126,613) |
| Balance, March 31, 2015 | 615,219 | 13,548 | 47,684 | 197 | 676,648 |
| Less: current portion | 14,816 | 13,548 | 47,684 | - | 76,048 |
| Long-term portion | 600,403 | - | - | 197 | 600,600 |

2014

| | Capital funds | Designated funds | Research funds | Other operating | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Balance, April 1, 2013 | 611,063 | 12,444 | 42,691 | 262 | 666,460 |
| Contributions received | 42,888 | 8,911 | 76,756 | 11 | 128,566 |
| Amortization/recognition | (42,527) | (8,086) | (71,154) | (76) | (121,843) |
| Balance, March 31, 2014 | 611,424 | 13,269 | 48,293 | 197 | 673,183 |
| Less: current portion | 12,889 | 13,269 | 48,293 | - | 74,451 |
| Long-term portion | 598,535 | - | - | 197 | 598,732 |

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.

## 14. Related entities

***Bridgepoint Collaboratory for Research and Innovation (BCRI)***

BCRI is a non-share capital corporation incorporated pursuant to the laws of Canada. BCRI continued under the Canada Not-for-profit Corporations Act and is a registered charity (charitable organization) under the Income Tax Act (Canada). It conducts clinical research supporting the care of clients served by the BH site of the Hospital. During the year, BH provided grants in the amount of $79 (2014 - $215) on behalf of the MOHLTC for MOHLTC funded projects.

***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). The Hospital and BF share an executive and have a limited number of common directors. BF supports the Hospital in its charitable mission and BF grants funds to the Hospital as approved by the Board of Directors of BF. During the year, BF provided operating grants in the amount of $404 (2014 - $84) and capital grants in the amount of $291 (2014 - $2,064).

(In thousands of dollars)

## 14. Related entities (continued)

***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 (private foundation) under the Income Tax Act (Canada). Health generates ancillary revenue to support the activities of the Hospital and BCRI.

Effective January 1, 2015, the members of Health are the directors of the Hospital. Health has not been consolidated in Hospital's financial statements.

The Hospital provides space and administrative services to Health. During the year, Health granted $170 (2014 - $250) to the Hospital for the purpose of funding the redevelopment project. The Hospital has credit facilities arranged related to its capital redevelopment project. Health has provided a guarantee to the Hospital's credit facilities for its capital redevelopment project. As at March 31, 2015, there were no significant restrictions on the resources of Health and the accounting policies followed by Health substantially conform with those of the Hospital. A financial summary of this non-consolidated entity as at March 31, 2015 and March 31, 2014 is as follows:

| | 2015 | 2014 | | 2015 | 2014 |
|---|---|---|---|---|---|
| | $ | $ | | $ | $ |
| Financial position | | | Results of operations | | |
| Total assets | 5,685 | 5,840 | Total revenue | 968 | 1,166 |
| Total liabilities | 249 | 485 | Total expenses | (887) | (1,090) |
| Net assets | 5,436 | 5,355 | Excess of revenue over expenses | 81 | 76 |

There was a cash outflow of $141 (2014 - inflow $382) from operating activities and a cash outflow of $331 (2014 - $15) from capital activities.

The Hospital provides banking services to Health, BCRI and BF. The Hospital makes payments and receives funds on behalf of these entities, and settles the outstanding balances at regular intervals throughout the year. No financing charges are levied on these interim balances. As at March 31, 2015, Health owed the Hospital $167 (2014 - $409), the BCRI owed the Hospital $59 (2014 - $nil), and BF owed the Hospital $306 (2014 - $8). 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.

***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 separate corporation with its own Board of Directors. The Hospital's Board of Directors is responsible for appointing 50% of the CoC Board of Directors. CoC is a registered charity (charitable organization) under the Income Tax Act (Canada). There were no transactions between the Hospital and CoC for the year ended March 31, 2015.

## 14. Related entities (continued)

***Mount Sinai Hospital Foundation of Toronto (MSHF)***

MSHF is a non-share capital corporation incorporated pursuant to the laws of the Province of Ontario. MSHF is a charitable organization (public foundation) registered under the Income Tax Act (Canada). The Hospital and MSHF share an executive and have a limited number of common directors.

MSHF supports the Hospital in its charitable mission and provides donations to the Hospital for capital, clinical programs and research activities of the Lunenfeld-Tanenbaum Research Institute (LTRI), a division of the Hospital. During the current year, the Hospital received $35,063 (2014 - $33,687) in donations from MSHF. In addition, MSHF has contributed funding for a portion of the current year's bank interest expense in the amount of $58 (2014 - $361).

The total amount receivable from MSHF as at March 31, 2015 is $6,909 (2014 - $7,053), of which an estimated amount of $2,113 (2014 - $2,507) will be received within one year and is included in accounts receivable. The remaining balance of $4,796 (2014 - $4,546) is accordingly classified as a long-term receivable.

***The Sinai Trust (Trust)***

Trust, a for-profit entity, established to develop commercial opportunities for the benefit of the Hospital and MSHF, has a December 31 year-end. Sinai Trustee Corporation (Trustee), a non-share capital corporation incorporated pursuant to the laws of Canada, serves as the trustee of the Trust.

The Hospital accounts for its interest in the Trust based on the modified equity method. The Hospital recorded an operating profit of $3 (2014 - $111) in the statements of operations and the investment is recorded in prepaid deposits and sundry assets.

***Toronto Centre for Phenogenomics (TCP)***

TCP is an unincorporated joint venture between the Hospital and the Hospital for Sick Children, comprising a 120,000 square foot of state-of-the-art mouse research facility. 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.

The Hospital's interest in TCP is 50%. The Hospital uses the modified equity method to record its share of TCP's operating loss of $nil (2014 - loss of $11) in the statements 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 $425 (2014 - $323) and TCP provided research facilities and services to LTRI, on a cost recovery basis, amounting to $533 (2014 - $1,136).

As at March 31, 2015, the Hospital has a net payable from TCP amounting to $213 (2014 - net receivable of $1,021), which has been included in accounts receivable.

## 15. Lunenfeld-Tanenbaum Research Institute (LTRI)

The Hospital carries on its research mission through LRTI, a division of the Hospital. The purpose of the research is to improve health outcomes. Funding for LTRI is provided by a variety of external sources, including governments, charitable organizations, private industry, and MSHF.

(In thousands of dollars)

## 16. Statements of cash flows

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

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| Accounts receivable | 4,459 | 9,662 |
| Inventories | 241 | 336 |
| Prepaid deposits and sundry assets | 167 | (133) |
| Accounts payable and accrued liabilities | (11,798) | (13,059) |
| | (6,931) | (3,194) |

## 17. 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 (for the BH site), leases, and contracts for facility operating and maintenance as at March 31, 2015 are as follows:

| | |
|---|---|
| | $ |
| 2016 | 10,768 |
| 2017 | 9,270 |
| 2018 | 8,731 |
| 2019 | 9,432 |
| 2020 | 9,492 |
| Thereafter | 171,924 |
| | 219,617 |

Future operating commitments as described above as at March 31, 2014 are as follows:

| | |
|---|---|
| | $ |
| 2015 | 8,929 |
| 2016 | 8,673 |
| 2017 | 8,839 |
| 2018 | 8,344 |
| 2019 | 9,039 |
| Thereafter | 179,914 |
| | 223,738 |

**17. Commitments and contingencies (continued)**

c) The Hospital is a member in 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 the HIROC pool pay annual premiums, which are actuarially determined. All members are subject to assessment for losses, if any, experienced by the pool for the years in which they were members. No assessments have been made for the years ended March 31, 2015 and March 31, 2014.

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, 2015, the Hospital has recorded legal expenses of $1,138 (2014 - $1,101) based on the assessment of the actuary engaged by HML, which have been included in the statements of operations. As at March 31, 2015, the deposit balance was $3,453 (2014 - $2,656), of which $2,940 (2014 - $2,306) is not expected to be used within one year and is therefore disclosed as a long-term asset (Note 8), and the total liability was estimated to be $3,023 (2014 - $2,270), of which $2,511 (2014 - $1,921) is not expected to be paid within one year and is therefore disclosed as a long-term liability (Note 10).

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, 2015 and March 31, 2014, 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, 2015 are estimated to be $25,852 (2014 - 21,700).

## 18. Financial instruments and risk management

***Financial instruments***
The Hospital's financial instruments are generally classified and measured as follows:

| Assets/liabilities | Measurement category |
|---|---|
| Cash and cash equivalents | Fair value |
| Short-term investments | Fair value |
| Account receivable | Amortized cost |
| Capital grants receivable | Amortized cost |
| Due from related party | Amortized cost |
| Accounts payable and accrued liabilities | Amortized cost |
| Short-term financing | Amortized cost |
| Long-term liabilities | Amortized cost |
| Interest rate swaps | Fair value |

All financial assets, except the interest rate swaps, are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statements of operations.

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

***Derivatives***
The Hospital currently employs interest rate swaps to convert the variable interest rate on $39,000 (Note 10(e)) of its bank loans to a fixed interest rate. The interest rate swaps are employed in order to eliminate variability in future interest cash flows. The swaps are measured at fair value until settled. The change in fair value of the swap is recorded in the statements of remeasurement gains and losses.

***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***
As at March 31, 2015 and March 31, 2014, the Hospital's exposure to credit risk in the event of non-payment by patients for non-insured services and for services provided to non-resident patients is not material.

***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)

## 18. Financial instruments and risk management (continued)

### *Liquidity risk (continued)*

The table below is a maturity analysis of the Hospital's financial liabilities as at March 31, 2015:

| | Up to 6 months | More than 6 months up to 1 year | More than 1 year up to 5 years | More than 5 years | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Accounts payable and accrued liabilities | 84,284 | 7,878 | - | - | 92,162 |
| Bank indebtedness and long-term liabilities | - | 1,482 | 70,385 | 33,402 | 105,269 |
| | 84,284 | 9,360 | 70,385 | 33,402 | 197,431 |

The table below is a maturity analysis of the Hospital's financial liabilities as at March 31, 2014:

| | 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 | 95,584 | 8,376 | - | - | 103,960 |
| Bank indebtedness and long-term liabilities | - | 3,431 | 44,273 | 30,333 | 78,037 |
| | 95,584 | 11,807 | 44,273 | 30,333 | 181,997 |

### *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 these rates. The Hospital is exposed to interest rate risk on its long-term debt (Note 10). The Hospital has mitigated this risk by way of interest rate swaps, which effectively fix the interest rates of a portion of the long-term debt, and utilizes mirror netting with a significant portion of the cash balance, which effectively reduces the interest on the floating rate portion of the debt.

As at March 31, 2015 and March 31, 2014, the Hospital's estimate of the exposure to interest rate risk and the effect on net assets is not material.