Sunnybrook Health Sciences Centre

Consolidated Financial Statements
March 31, 2024

Independent auditor's report

To the Board of Directors of Sunnybrook Health Sciences Centre

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Sunnybrook Health Sciences Centre and its controlled entities (together, the Hospital) as at March 31, 2024 and the results of its operations, its remeasurement gains and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

What we have audited

The Hospital's consolidated financial statements comprise:

- the consolidated statement of financial position as at March 31, 2024;
- the consolidated statement of operations for the year then ended;
- the consolidated statement of changes in net assets for the year then ended;
- the consolidated statement of remeasurement gains for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

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

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to continue as a going concern. If

we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Hospital to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Hospital to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 20, 2024

Sunnybrook Health Sciences Centre

Consolidated Statement of Financial Position

As at March 31, 2024

(in thousands of dollars)

	2024 $	2023 $
Assets		
Current assets		
Cash and cash equivalents	174,105	168,259
Accounts receivable (notes 3 and 12)	95,201	100,809
Inventories	16,171	18,233
Prepaid expenses	17,211	16,450
	302,688	303,751
Cash and investments (note 4)	469,529	453,480
Other non-current assets	11,480	9,890
Property, plant and equipment (note 5)	914,889	889,229
	1,698,586	1,656,350
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (notes 7 and 12)	321,146	341,343
Current portion of long-term debt (note 8)	15,426	14,986
Current portion of employee future benefits liability (note 9(c))	3,950	3,832
	340,522	360,161
Deferred contributions for research and special purposes (note 10)	174,193	179,496
Long-term debt (note 8)	97,857	114,390
Employee future benefits liability (note 9(c))	44,151	40,663
Other long-term liabilities	7,808	6,839
Asset retirement obligations	25,959	25,959
Deferred capital contributions (note 11)	682,525	651,418
	1,373,015	1,378,926
Net Assets		
Internally restricted (note 15)	312,776	267,387
Accumulated remeasurement gains	12,795	10,037
	325,571	277,424
	1,698,586	1,656,350

Contingencies and commitments (note 13)

Approved by the Board of Directors

_______________ Director _______________ Director

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

Sunnybrook Health Sciences Centre

Consolidated Statement of Operations

For the year ended March 31, 2024

(in thousands of dollars)

	2024 $	2023 $
Revenues		
Ontario Health / Ministry of Health	1,054,359	1,019,760
Ancillary services and other sources (note 12(c))	197,777	177,827
Contributions for research and special purposes (notes 10 and 12(b))	130,594	108,507
Other patient services	60,326	54,425
Amortization of deferred capital contributions (note 11)	50,451	49,762
Investment income	28,269	17,911
	1,521,776	1,428,192
Expenses		
Salaries, wages and employee benefits (notes 9 and 13(d))	848,197	812,143
Drugs	186,211	169,126
Clinical supplies	124,214	110,920
Other supplies and expenses (notes 5, 8 and 12(b))	92,830	81,055
Amortization of property, plant and equipment	87,886	80,135
Purchased services	82,686	68,396
Plant operations and maintenance	41,063	34,612
Equipment and software maintenance	41,288	37,446
	1,504,375	1,393,833
Excess of revenues over expenses before Bill 124	17,401	34,359
Bill 124 revenue (note 13(d))	80,607	-
Less: Bill 124 expenses (note 13(d))	52,619	38,950
Excess (deficiency) of revenues over expenses from Bill 124	27,988	(38,950)
Excess (deficiency) of revenues over expenses for the year	45,389	(4,591)

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

Sunnybrook Health Sciences Centre

Consolidated Statement of Changes in Net Assets

For the year ended March 31, 2024

(in thousands of dollars)

			2024
	Internally restricted $	**Unrestricted $**	**Total $**
Balance – Beginning of year	267,387	-	267,387
Excess of revenues over expenses for the year	-	45,389	45,389
Interfund transfers (note 15)	45,389	(45,389)	-
Balance – End of year	312,776	-	312,776

			2023
	Internally restricted $	**Unrestricted $**	**Total $**
Balance – Beginning of year	290,782	-	290,782
Impact of adoption of Section PS 3280, Asset Retirement Obligations	-	(18,804)	(18,804)
Adjusted balance – Beginning of year	290,782	(18,804)	271,978
Deficiency of revenues over expenses for the year	-	(4,591)	(4,591)
Interfund transfers (note 15)	(23,395)	23,395	-
Balance – End of year	267,387	-	267,387

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

Sunnybrook Health Sciences Centre

Consolidated Statement of Remeasurement Gains

For the year ended March 31, 2024

(in thousands of dollars)

	2024 $	2023 $
Accumulated remeasurement gains – Beginning of year	10,037	8,182
Change in fair value attributable to		
Interest rate swaps (note 8)	1,107	4,527
Investments	3,895	(1,659)
Amount reclassified to the consolidated statement of operations		
Gain on sale of investments	(2,244)	(1,013)
Net remeasurement gains for the year	2,758	1,855
Accumulated remeasurement gains – End of year	12,795	10,037

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

Sunnybrook Health Sciences Centre

Consolidated Statement of Cash Flows

For the year ended March 31, 2024

(in thousands of dollars)

	2024 $	2023 $
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenues over expenses for the year	45,389	(4,591)
Items not affecting cash		
Amortization of property, plant and equipment	87,886	80,135
Amortization of deferred capital contributions (note 11)	(50,451)	(49,762)
Employee future benefits expense	5,950	6,215
Loss on disposal of property, plant and equipment (note 5)	301	6,454
Interest income reinvested	(2,768)	(2,251)
Fair value changes in investments	(6,546)	(1,240)
	79,761	34,960
Change in other non-current assets	(1,590)	(563)
Net change in deferred contributions for research and special purposes	7,752	16,611
Change in other long-term liabilities	969	(1,006)
Employee future benefits paid	(2,344)	(3,456)
Changes in non-cash working capital items		
Accounts receivable	5,828	(14,078)
Inventories	2,062	(1,260)
Prepaid expenses	(761)	(713)
Accounts payable and accrued liabilities	(20,197)	42,686
	71,480	73,181
Investing activities		
Decrease in cash held for future capital, research and special purposes	1,084	130,996
Purchases of investments	(166,812)	(184,344)
Proceeds from sale of investments	160,644	42,609
	(5,084)	(10,739)
Capital activities		
Purchases of property, plant and equipment	(113,847)	(100,450)
Financing activities		
Deferred capital contributions received	68,283	23,319
Issuance of long-term debt	-	39,240
Repayment of long-term debt	(14,986)	(7,940)
	53,297	54,619
Increase in cash and cash equivalents during the year	5,846	16,611
Cash and cash equivalents – Beginning of year	168,259	151,648
Cash and cash equivalents – End of year	174,105	168,259
Other information related to cash flows		
Changes in capital related accounts receivable included in deferred capital contributions	220	195
Purchase of property, plant and equipment included in accounts payable and accrued liabilities	26,519	27,509
Transfer from deferred contributions for research and special purposes to deferred capital contributions (notes 10 and 11)	(13,055)	(6,485)

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

(in thousands of dollars)

1 Nature of operations

Sunnybrook Health Sciences Centre (Sunnybrook or the Hospital) is a teaching and research hospital affiliated with the University of Toronto. Sunnybrook is focused on providing care that is tailored to the patient's unique needs, developing a system of care around the patient's journey and delivering the highest possible quality, which is provided by high performing teams. 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.

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 Ministry of Health (MOH) and Ontario Health. Any excess of revenues over expenses incurred during a fiscal year is not required to be returned and can be used in the reinvestment for capital needs of the Hospital. To the extent that deficits are incurred and not funded, future operations may be impacted.

2 Summary of significant accounting policies

These consolidated financial statements are prepared in accordance with the Chartered Professional Accountants of Canada Public Sector Accounting (PSA) Handbook, which sets out generally accepted accounting principles for government not-for-profit organizations in Canada. The Hospital has chosen to use the standards for not-for-profit organizations that include Section PS 4200 to 4270.

Basis of presentation

These consolidated financial statements include the assets, liabilities and operations of the following not-for-profit entities where the Hospital is the sole voting member:

- Sunnybrook Research Institute (SRI), a registered charity under the Income Tax Act (Canada), incorporated without share capital under the Corporations Act of Ontario; and

- Sunnybrook Research Academy (SRA), a registered charity under the Income Tax Act (Canada), incorporated without share capital under the Not-for-Profit Corporations Act (Canada).

These consolidated financial statements do not include the assets, liabilities and operations of the following non-controlled not-for-profit entities:

- Sunnybrook Health Sciences Centre Foundation (note 12); and

- St. John's Rehab Volunteer Association.

(in thousands of dollars)

Revenue recognition

The Hospital follows the deferral method of accounting for contributions.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized and the portion of the contributions attributable to future costs is deferred. Contributions that are approved but not received at the end of a period are accrued if expenses have been incurred.

Contributions externally restricted for the purchase of property, plant and equipment are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related property, plant and equipment.

Except for amounts restricted for capital and special purpose funds, which are recorded as deferred contributions, interest, dividends, income distributions from pooled funds and realized gains or losses attributable to investments are reported in the consolidated statement of operations and unrealized gains and losses are recorded in the consolidated statement of remeasurement gains. Changes in the fair value of interest rate swaps are also recorded in the consolidated statement of remeasurement gains.

Revenue from patient care and other ancillary services is recognized when services are performed or goods are delivered.

Contributed materials and services

Volunteers contribute a significant amount of time each year. Due to the difficulty of determining the fair value, these contributed services are not recognized or disclosed in the consolidated financial statements and related notes. Contributed materials are also not recognized.

Cash and cash equivalents and investments

Cash and cash equivalents include cash and short-term investments that have a short-term maturity less than 90 days. Cash and cash equivalents are classified as current assets, unless they are held for investment rather than liquidity purposes, externally restricted for research and special purposes or internally restricted for future capital expenditures, in which case they are classified as non-current assets.

Inventories

Inventories are valued at the lower of cost and net replacement value. Cost is determined by the average cost method.

(in thousands of dollars)

Property, plant and equipment

Purchased property, plant and equipment are recorded at cost. Contributed property, plant and equipment are recorded at fair value at the date of contribution. Betterments that extend the estimated life of an asset are capitalized. When property, plant and equipment no longer contribute to the Hospital's ability to provide services, their carrying amounts are written down to their residual value.

Equipment leased on terms that transfer substantially all of the benefits and risks of ownership to the Hospital are capital leases and are accounted for as though an asset had been purchased and a liability incurred. All other items of equipment held on lease are accounted for as operating leases.

Construction-in-progress consists of direct construction, development costs, an allocation of remuneration related to project management personnel and capitalized interest. No amortization is recorded until construction is substantially complete and the assets are brought into service.

Property, plant and equipment are amortized on a straight-line basis using the following annual rates:

Buildings	2.0% – 20.0%
Equipment	3.3% – 50.0%
Parking structure	5.0%
Leasehold improvements	over the term of the lease

Asset retirement obligations

The Hospital has legal obligations associated with the retirement of building and leased premises from service. An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

- there is a legal obligation to incur retirement costs in relation to a tangible asset;
- the past transaction or event giving rise to the liability has occurred;
- it is expected that future economic benefit will be given up; and
- a reasonable estimate of the amount can be made.

Asset retirement obligations are measured as the best estimate of directly attributable expenditures required to settle the obligation. The Hospital has not used a present value technique to measure the obligation due to uncertainty in the settlement term. The amount of the obligation is added to the carrying amount of the associated asset and amortized on a straight-line basis over the estimated remaining life of that asset, including when these obligations arise in connection with fully amortized tangible capital assets. Asset retirement obligations are reviewed at each consolidated statement of financial position date and adjusted based on the facts and circumstances available at the time. Changes to the estimated amount of future costs are recognized in the consolidated statement of financial position by adjusting the restoration asset and asset retirement obligation provision. Once the related tangible capital asset is no longer in productive use, all subsequent changes in the estimate of the liability for asset retirement obligations and any new obligation that arises in respect of the asset's disposal are recognized as an expense in the period in which those changes occur.

(in thousands of dollars)

Employee benefit plans

The Hospital accrues its obligations under employee benefit plans and the related costs. The following policies for defined benefit plans have been adopted:

- Multi-employer plan

  Substantially all of the employees of the Hospital are eligible to be members of the Healthcare of Ontario Pension Plan (HOOPP), which is a multi-employer, defined benefit, final average earnings, contributory pension plan. The plan has been accounted for on a defined contribution basis, whereby contributions are expensed when due.

- Superannuation defined benefit plan

  There are no active Hospital employees that are members of this superannuation defined benefit plan, and no new members can opt into this plan. The plan has been accounted for as if it were on a defined contribution basis, whereby contributions are expensed when due.

- Other non-pension defined benefit plans

  For other non-pension defined benefit plans, the cost of retirement benefits earned by employees is actuarially determined using the accrued benefit method, pro-rated on service, and management's best estimate of salary escalation (where applicable), retirement ages of employees and expected health-care costs. The discount rate used to determine the accrued benefit obligation was determined by reference to the rate of return on provincial government and corporate bonds for varying durations based on the cash flows expected for the employee future benefits obligations. Actuarial gains and losses are amortized over the remaining service lives of the employees. Past-service costs relating to plan amendments are expensed when incurred.

Sick days that accumulate, but do not vest, are recognized in the period in which employees have earned the related benefits in return for their services. The cost of sick leave benefits earned is actuarially determined using the projected benefits method pro-rated on service and using management's best estimate of assumptions.

Financial instruments

The Hospital's financial instruments are classified into one of the following categories: (i) fair value or (ii) amortized cost. The Hospital determines the classification of its financial instruments at initial recognition.

Investments in pooled funds include equities, bonds and other fixed income instruments that are measured at fair value. Investments in pooled funds have been allocated among the asset classes based on the underlying investments held in the pooled funds. The investments in certain money market investments, which include guaranteed investment certificates are held at amortized cost.

(in thousands of dollars)

Transaction costs related to financial instruments measured at fair value are recognized in the consolidated statement of operations in the period during which they are incurred. Any fair value gains and losses are recognized in the consolidated statement of remeasurement gains and are reclassified to the consolidated statement of operations upon disposal.

Portfolio investments in for-profit entities not quoted in an active market are initially recorded at fair value plus transaction costs. These investments are subsequently measured at cost, less any provision for impairment.

Investments are reviewed annually for impairment. A writedown is recognized in the consolidated statement of operations when there has been a loss in the value of the investment considered as an other than temporary loss. If the loss in value of an investment in the fair value category subsequently reverses, the writedown to the consolidated statement of operations is not reversed.

Long-term debt is initially recorded at fair value and subsequently measured at amortized cost using the effective interest rate method. Transaction costs related to the issuance of long-term debt are included in amortized cost of debt.

Other financial instruments, including cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities, are initially recorded at their fair value and are subsequently measured at amortized cost, net of any provisions for impairment of accounts receivable.

Use of estimates

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses during the reporting period and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Items requiring significant estimates include accounts receivable and the collectibility thereof; the useful lives, recoverable amounts and impairment of property, plant and equipment and associated deferred capital contributions; timing and estimated costs related to asset retirement obligations; and actuarial assumptions associated with employee future benefits. Actual results could differ from those estimates.

The Hospital has entered into accountability agreements that set out the rights and obligations of the parties in respect of funding provided to the Hospital by the MOH and Ontario Health for the year ended March 31, 2024. Included with the accountability agreements, or subsequent funding letters, is the base or one-time volume that, if not achieved, will result in an adjustment to the funding received. The MOH and Ontario Health are not required to communicate certain funding adjustments until after the submission of year-end data. Since this data is not submitted until after the completion of the consolidated financial statements, the amount of MOH and Ontario Health funding received during the year may be increased or decreased subsequent to year-end. The amount of revenues recognized in these consolidated financial statements represents management's best estimate of amounts relating to funding that are reasonably assured of being received.

(in thousands of dollars)

Adoption of new accounting standard

On April 1, 2023, the Hospital adopted PSA Handbook Section PS 3400, Revenue using the prospective approach. The section establishes standards on how to account for and report on revenue. It differentiates between revenue arising from transactions that include performance obligations and those that do not. The standard applies to the Hospital's revenue from other patient services, as well as revenue from ancillary services and other sources. As a result of applying the new accounting policy, no adjustments were required.

3 Accounts receivable

	2024 $	2023 $
Patient care	17,267	30,937
Non-patient care (notes 12(c) and (d))	29,586	26,900
MOH – capital funding	8,851	9,023
MOH – operating funding	11,532	17,661
Research	27,965	16,288
	95,201	100,809

Patient care and non-patient care accounts receivable are shown net of an allowance for doubtful accounts of $12,548 (2023 – $6,311).

4 Cash and investments

Cash and investments have an asset mix as follows:

	2024 $	2023 $
Cash	171,049	172,133
Investments		
Canadian bonds	118,542	100,046
Canadian equities	15,534	17,407
Other fixed income	-	13,479
International equities	19,976	13,630
Money market	144,428	136,785
	298,480	281,347
	469,529	453,480

During the year, the Hospital purchased guaranteed investment certificates of $7,299 and renewed matured certificates of $130,000, bringing total certificates to $137,299 (2023 – $130,000) with maturity dates of typically 12 months, and interest rates ranging from 5.94% to 6.53% (2023 – 5.07% to 5.80%), which are included in money market investments.

(in thousands of dollars)

Cash and investments classified as non-current assets represent funds received and unspent related to the following:

	2024 $	2023 $
Research and special purposes (note 10)	174,193	179,496
Capital construction (note 11)	18,006	18,476
Internally restricted for future capital expenditures	270,201	248,723
Other	7,129	6,785
	469,529	453,480

5 Property, plant and equipment

			2024
	Cost $	Accumulated amortization $	Net $
Land	10,395	-	10,395
Buildings	1,149,146	633,315	515,831
Equipment	708,575	543,074	165,501
Parking structure	46,995	37,005	9,990
Leasehold improvements	15,047	12,312	2,735
Construction-in-progress	210,437	-	210,437
	2,140,595	1,225,706	914,889

			2023
	Cost $	Accumulated amortization $	Net $
Land	10,395	-	10,395
Buildings	1,128,265	590,330	537,935
Equipment	655,787	500,242	155,545
Parking structure	46,995	35,618	11,377
Leasehold improvements	15,047	11,642	3,405
Construction-in-progress	170,572	-	170,572
	2,027,061	1,137,832	889,229

Construction-in-progress at March 31, 2024 comprised of buildings amounting $197,560 (2023 - $151,216) and equipment amounting $12,877 (2023 – $19,356). Construction-in-progress is not amortized, as the assets are not available for use.

(in thousands of dollars)

During the year, the Hospital recorded a loss on disposal property, plant and equipment with a carrying value of $301 (2023 – $10,751) and respective unamortized deferred capital contributions of $nil (2023 – $4,297) that resulted in a loss of $301 (2023 – loss of $6,454). The writedown includes construction-in-progress of $nil (2023 – $3,970) for which construction was halted and equipment of $301 (2023 – $6,781), which is no longer being utilized. The writedown was included in other supplies and expenses in the consolidated statement of operations.

The Hospital leases certain land and buildings for nominal consideration from the University of Toronto.

During the year, borrowing costs of $305 (2023 – $337) were capitalized to construction-in-progress.

6 Operating line of credit

The Hospital has an unsecured operating line of credit to a maximum of $50,000 (2023 – $50,000), which bears interest at the prime rate less 0.75% and is due on demand. The Hospital also has a secondary unsecured revolving line of credit up to $5,000 for general corporate purposes available until February 19, 2026, which bears interest at either prime rate less 0.75% or Canadian Dollar Offered Rate (CDOR) plus 0.25%. These credit facilities are subject to the Hospital maintaining certain covenants, which the Hospital is in compliance with as at March 31, 2024. As at March 31, 2024 and 2023, the Hospital had not drawn against either of these facilities.

7 Accounts payable and accrued liabilities

	2024 $	2023 $
Accounts payable	82,655	85,823
Deferred revenue	2,126	2,668
Due to MOH and Ontario Health	80,173	68,822
Accrued liabilities		
Salaries, wages and employee benefits (note 13(d))	140,971	168,546
Other	15,221	15,484
	321,146	341,343

Amounts due to MOH and Ontario Health are subject to a settlement process and are either repayable to the funder or the funder may approve the funds for future use.

Ontario Health Teams (OHTs) enable health service providers such as hospitals and community agencies to work as coordinated teams to support the health system. The Hospital is the fund holder for the North Toronto OHT. During the year, Ontario Health funded $750 (2023 – $750) that was fully spent.

(in thousands of dollars)

8 Long-term debt

The long-term debt is unsecured and consists of:

	2024 $	2023 $
Term loan with variable to fixed interest rate swap to 20 years resulting in an effective interest rate of 4.94% (a)	25,951	31,289
Term loan with variable to fixed interest rate swap to 10 years resulting in an effective interest rate of 1.78% (b)(i)	22,235	25,099
Term loan with variable to fixed interest rate swap to 9 years resulting in an effective interest rate of 1.86%, (b)(ii and iii)	15,534	18,000
Term loan with variable to fixed interest rate swap to 15 years resulting in an effective interest rate of 2.41%, (b)(ii and iv)	58,722	63,000
Interest free loan to October 1, 2029 (c)	216	256
	122,658	137,644
Less: Interest rate swaps asset (notional value of $122,441; 2023 – $137,388)	9,375	8,268
Less: Current portion	15,426	14,986
	97,857	114,390

a) The term loan financed physical facilities expansion at the Bayview campus in addition to refinancing prior existing loans. Monthly principal repayments vary over the term of this loan; average principal repayments are $342 per month, due on the first working day of each month, concluding on June 1, 2028.

b) The Hospital entered into a term loan agreement to finance the Garry Hurvitz Brain Sciences Centre, Cogeneration Plant and other capital projects through four unsecured facilities:

   i) The first facility is for $30,000. Quarterly principal repayments started on July 2, 2021. Quarterly principal repayments vary over the term of this loan; average principal repayments are $750 per quarter, concluding on April 1, 2031.

   ii) The second facility, with available funds of $81,000, was a revolving interim facility as at March 31, 2022. It was refinanced and converted into the third and fourth facilities on January 3, 2023.

   iii) The third facility is for $18,000. In 2023, remaining available funds were fully drawn. Refinancing from the second facility occurred on January 3, 2023. Quarterly principal repayments started on April 3, 2023. Quarterly principal repayments vary over the term of this loan; average principal repayments are $643 per quarter, concluding on January 2, 2030.

   iv) The fourth facility is for $63,000. In 2023, remaining available funds were fully drawn. Refinancing from the second facility occurred on January 3, 2023. Quarterly principal repayments started on April 3, 2023. Quarterly principal repayments vary over the term of this loan; average principal repayments are $1,211 per quarter, concluding on January 2, 2036.

(in thousands of dollars)

The maximum aggregate principal amount outstanding for the third and fourth facilities cannot exceed $81,000 at any time.

c) The loan was provided from the City of Toronto's Sustainable Energy Funds loan program and the proceeds were spent on approved energy saving initiatives. The loan has quarterly payments of $10, which commenced on January 1, 2010 and conclude on October 1, 2029.

During the year, interest expense of $3,264 (2023 – $3,442) was recorded in other supplies and expenses in the consolidated statement of operations, and $305 (2023 – $337) was capitalized in construction-in-progress in the consolidated statement of financial position. The following is a schedule of the required principal and interest payments due under the debt agreements drawn on as at March 31, 2024:

	Principal $	Interest $	Total $
2025	15,426	3,108	18,534
2026	15,893	2,617	18,510
2027	16,365	2,108	18,473
2028	16,859	1,591	18,450
2029	12,255	1,131	13,386
Thereafter	45,860	3,149	49,009
	122,658	13,704	136,362

9 Employee future benefits

a) Multi-employer plan

Employer contributions made to HOOPP during the year by the Hospital amounted to $53,687 (2023 – $47,055). These amounts are included in salaries, wages and employee benefits expense in the consolidated statement of operations. As at December 31, 2023, HOOPP was 115% funded (December 31, 2022 – 117% funded).

b) Superannuation defined benefit plan

As at December 31, 2023, the plan had assets, at fair value, of $3,295 (December 31, 2022 – $3,385) and liabilities of $283 (December 31, 2022 – $253). In the current year, $nil (2023 – $95) in contributions were made. These amounts are included in salaries, wages and employee benefits expense in the consolidated statement of operations. Based on the recent actuarial valuation completed as at December 31, 2021, the plan is in a surplus position of $701 and no continuous contributions are required until the next valuation.

c) Other employee future benefits

The Hospital provides extended health-care, dental and life insurance benefits to substantially all retired employees. The plan is unfunded and requires nominal contributions from employees. The average remaining service period until retirement of Hospital employees at the date of valuation was 12 to 15 years.

(in thousands of dollars)

Information about the Hospital's employee future benefits is as follows:

	2024 $	2023 $
Accrued benefit obligation	49,028	47,127
Unamortized actuarial losses	(927)	(2,632)
Employee future benefits liability	48,101	44,495
Less: Current portion	3,950	3,832
Long-term portion	44,151	40,663

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

	2024 $	2023 $
Employee future benefits liability – Beginning of year	44,495	41,736
Current service cost	2,998	3,255
Interest cost	2,236	1,918
Amortization of actuarial losses – net	716	1,042
	50,445	47,951
Past service cost	1,488	-
Less: Benefits paid	3,832	3,456
Employee future benefits liability – End of year	48,101	44,495

The significant actuarial assumptions adopted in estimating the Hospital's accrued benefit liability are of a long-term nature consistent with the nature of employee future benefits, as follows:

	2024 %	2023 %
Discount rate for accrued benefit obligation	4.70	4.50
Discount rate for net benefit cost	4.50	3.70

Other economic factors are considered and trend rates developed for the Hospital are as follows:

	%
Semi-private hospital and extended health-care	5.60
Dental	5.00

(in thousands of dollars)

10 Deferred contributions for research and special purposes

			2024
	Research $	Special purposes $	Net $
Balance – Beginning of year	122,655	56,841	179,496
Externally restricted contributions	126,210	12,136	138,346
Transferred to deferred capital contributions (note 11)	(11,962)	(1,093)	(13,055)
Amounts recognized as revenue	(124,254)	(6,340)	(130,594)
Balance – End of year	112,649	61,544	174,193

			2023
	Research $	Special purposes $	Net $
Balance – Beginning of year	111,107	58,263	169,370
Externally restricted contributions	119,044	6,074	125,118
Transferred to deferred capital contributions (note 11)	(6,079)	(406)	(6,485)
Amounts recognized as revenue	(101,417)	(7,090)	(108,507)
Balance – End of year	122,655	56,841	179,496

Research funds relate to externally restricted contributions held for research activities and special purpose funds are provided by third parties and held by the Hospital to be expended for specific purposes (note 4).

11 Deferred capital contributions

	2024 $	2023 $
Balance – Beginning of year	651,418	675,478
Externally restricted contributions	68,503	23,514
Transferred from deferred contributions for research and special purposes (note 10)	13,055	6,485
Amounts recognized as revenue	(50,451)	(49,762)
Recognition of contribution related to asset disposal (note 5)	-	(4,297)
Balance – End of year	682,525	651,418

As at March 31, 2024, deferred capital contributions included $18,006 (2023 – $18,476) in unspent funds held in cash classified as cash and investments (note 4), which will be utilized to fund capital constructions in future years; the amounts are subject to a settlement process.

(in thousands of dollars)

12 Sunnybrook Health Sciences Centre Foundation

a) The Sunnybrook Health Sciences Centre Foundation (the Foundation) is an independent corporation without share capital and has its own Board of Directors. The Hospital has an economic interest in the net assets of the Foundation. As at March 31, 2024, the Foundation holds $15,937 (2023 – $11,717) in unrestricted, $219,703 (2023 – $221,049) in restricted and $136,378 (2023 – $117,956) in endowment funds. These funds will be used primarily to support research, education and capital investments at the Hospital. The Foundation is responsible for fundraising activities carried out on behalf of the Hospital. Donations or bequests made to the Foundation for the Hospital's needs are recorded as revenue by the Foundation and may be transferred to the Hospital on approval by its governing body.

b) During the year, the Hospital recorded revenue received or receivable from contributions of $81,503 (2023 – $37,063) from the Foundation; these amounts were primarily used to fund research and capital investments. During the year, the Hospital contributed $7,595 (2023 – $1,058) to the Foundation, which is included in other supplies and expenses in the consolidated statement of operations.

c) On May 1, 2010, the Hospital entered into a ten-year agreement to lease its parking facilities to the Foundation. On December 2, 2019, the term of this agreement was extended until September 30, 2029. The monthly lease revenue is based on the adjusted net revenue from parking operations for the month. For the term of the lease, the Foundation is responsible for the management and direction of the parking operations. The Hospital and the Foundation have also entered into a service agreement for parking operations, whereby the Hospital is providing certain services as governed and directed by the Foundation. The fee for these services is equivalent to the direct costs associated with parking operations plus a percentage of parking operations.

   During the year, the Hospital earned $13,257 (2023 – $11,943) in leasing revenue and $4,384 (2023 – $3,751) as service fees included in ancillary services and other sources in the consolidated statement of operations.

   As at March 31, 2024, the Hospital had an outstanding receivable from the Foundation of $1,566 (2023 – $1,565) related to parking operations included in non-patient care accounts receivables on the consolidated statement of financial position.

d) As at March 31, 2024, $3,761 (2023 – $3,164) was included in non-patient care accounts receivable related to expenses paid on behalf of the Foundation and $479 (2023 – $1,458) was included in accounts payable and accrued liabilities on the consolidated statement of financial position. This balance is non-interest bearing and has no fixed terms of repayment.

(in thousands of dollars)

13 Contingencies and commitments

a) The Hospital has contractual commitments to various parties amounting to $77,933 (2023 – $71,160). These commitments primarily relate to capital projects with the following expected completion dates up to 2026:

	$
2025	75,385
2026	2,548
	77,933

b) Health Care Insurance Reciprocal of Canada (HIROC) is comprised of a number of Canadian healthcare organizations. HIROC is a pooling of the public liability insurance risks of its members. All members of the pool pay annual deposit premiums, which are actuarially determined and are expensed in the current year. These premiums are subject to further assessment for experience gains and losses, by the pool, for the years in which the Hospital was a member. As at March 31, 2024 and 2023, no negative assessments had been received.

c) The Hospital is subject to various claims and potential claims in connection with operations. Where the potential liability is able to be estimated, management believes the ultimate disposition of the matters will not materially exceed the amounts recorded. In other cases, the ultimate outcome of the claims cannot be determined at this time. Any additional losses related to claims will be recorded in the year during which the liability is able to be estimated or adjustments to the amount recorded are determined to be required.

d) On November 8, 2019, the Ontario legislature passed Bill 124. The legislation imposed measures to cap compensation increases at 1% per year subject to certain exceptions. Subsequently, in November 2022, the Ontario Superior Court of Justice ruled that Bill 124 was unconstitutional, enabling unions to trigger reopener provisions in collective agreements. With the triggering of the reopener clause by the Ontario Nurses Association (ONA), the Ontario Hospital Association (OHA) was required to resume negotiations with unions on compensation for the years that were previously capped by Bill 124. In April 2023, the arbitrators released decisions regarding the monetary award for ONA. As at March 31, 2024, the Hospital had estimated a remaining liability of $4,230 (2023 – $38,950) that was included in accounts payable and accrued liabilities for salaries, wages and employee benefits on the consolidated statement of financial position. In February 2024, the Ontario government repealed Bill 124 in its entirety. During the year, the Hospital recognized revenue of $80,607 (2023 – $nil) to support the additional costs incurred for arbitration and other awards from the MOH and recorded associated expenses of $52,619 (2023 – $38,950) within the consolidated statement of operations.

e) Effective March 31, 2006, the Hospital signed an agreement with Plexxus, a not-for-profit shared services organization whose primary responsibility is to provide material management services to the Hospital and its other members through a cost-saving model. The agreement with Plexxus was renewed on April 1, 2016 and became evergreen effective March 31, 2021. On April 1, 2023, Plexxus was amalgamated with Mohawk Medbuy Corporation (MMC). The evergreen agreement originally signed with Plexxus was assumed by MMC. Written notice of 24 months must be given in order to terminate the agreement. MMC also provides certain information technology services with the support of CGI Group Inc. and is paid a service fee by its members to pay for supply chain services and to support and maintain the financial reporting system.

(in thousands of dollars)

g) Effective January 1, 2020, the Hospital entered into an agreement with Shared Hospital Laboratory (SHL), a not-for-profit shared services organization whose primary responsibility is to provide certain laboratory services to the Hospital and its other members through a cost-recovery model. Members deciding to terminate their agreement early are responsible for paying a proportional share of all SHL liabilities and obligations in addition to any termination costs incurred by SHL.

   SHL has entered into operating lease agreements with the Hospital.

h) The Hospital has outstanding letters of guarantee totalling $1,953 (2023 – $7,729) in support of performance guarantees in favour of the City of Toronto and Toronto Hydro.

i) Due to the nature of its operations, the Hospital is periodically subject to grievances filed by its various unions. In the opinion of management, the resolution of any current grievances should not have a material effect on the financial position or results of operations.

j) In order to manage exposure in the natural gas market, the Hospital has entered into contracts to fix the price of gas supply required for its own use. Annual contracts averaging 2,160 gigajoules daily have been committed to out to 2028 with prices ranging from $3.03 – $3.24 per gigajoule plus the cost of associated transportation.

k) The Hospital has entered into various operating lease arrangements, which expire at various dates up to 2029. The minimum annual rental payments are as follows:

	$
2025	1,590
2026	1,655
2027	1,483
2028	1,454
2029	257
	6,439

14 Financial instruments and risk management

The following classification system is used to describe the basis of the inputs used to measure the fair values of financial instruments in the fair value measurement category:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – market based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate, based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm’s length transaction.

(in thousands of dollars)

Within the fair value hierarchy, as at March 31, 2024 and 2023, the interest rate swaps (note 8) and the investments (note 4) were classified as Level 2. During the years ended March 31, 2024 and 2023, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

Risk management

The Hospital's activities expose it to a range of financial risks. These risks include market risk (including interest rate risk, foreign currency risk and other price risk), credit risk and liquidity risk. The Hospital's overall risk management program focuses on managing risks across the Hospital.

- Market risk

  Market risk is the risk that the fair value or future cash flows of an investment will fluctuate as a result of changes in market conditions, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market.

  a) Interest rate risk

     Interest rate risk refers to the effect on the fair value or future cash flows of a financial instrument due to fluctuations in interest rates. The Hospital is exposed to interest rate risk on its cash and cash equivalent balances and fixed income securities held in pooled funds. The Statement of Investment Policies and Procedures includes guidelines designed to mitigate the impact of interest rate risk. As at March 31, 2024, a 1% change on the yields of fixed income securities, with all other variables held constant, would have a $736 (2023 – $817) impact on deferred contributions held for research and special purposes and a $1,202 (2023 – $1,318) impact on accumulated remeasurement gains.

     In addition, the Hospital is exposed to interest rate risk with respect to its long-term debt because the cash flow of the debt will fluctuate due to changes in the market interest rates. The Hospital has mitigated this risk on substantially all long-term debt by entering into interest rate swaps to fix the rate of interest on its long-term debt. The Hospital does not enter into derivative financial instruments for speculative purposes.

  b) Foreign currency risk

     Foreign currency exposure arises from holdings of foreign currency denominated cash and investments. Fluctuations in the relative value of foreign currencies against the Canadian dollar can result in a positive or negative effect on the fair value of investments. Risk arising from foreign currency investments in international equities is managed by the Hospital through its Statement of Investment Policies and Procedures that establishes criteria for foreign currency investments. As at March 31, 2024, a 1% change in the foreign exchange rates, with all other variables held constant, would have a $25 (2023 – $22) impact on deferred contributions held for research and special purposes, a $7 (2023 – $22) impact on accounts receivable and payable and a $156 (2023 – $150) impact on the consolidated statement of operations. Exposure to foreign currency risk is not considered significant to the consolidated financial statements.

(in thousands of dollars)

c) Other price risk

Other price risk is the risk that the fair value of equity or pooled fund investments will fluctuate because of changes in market prices (other than those arising from interest rate or foreign currency risk). As at March 31, 2024, a 1% change in the market price of these investments, with all other variables held constant, would have a $143 (2023 – $119) impact on deferred contributions held for research and special purposes and a $212 (2023 – $191) impact on accumulated remeasurement gains.

- Credit risk

  Credit risk on financial instruments is the risk of financial loss occurring as a result of default or insolvency of a counterparty on its obligations to the Hospital. The Hospital's investments in debt securities are exposed to credit risk. Risk arising from investment activities is managed by the Hospital through its Statement of Investment Policies and Procedures that establishes criteria for the selection of investments, including benchmarks for the creditworthiness of entities. Cash and cash equivalents are held in highly rated Canadian chartered banks. The Hospital considers the risk of non-performance of these instruments to be remote. The majority of the Hospital's accounts receivable are due from the MOH or other recognized, creditworthy third parties. As at March 31, 2024, the Hospital's exposure to credit risk in the event of non-payment by patients and other non-government parties was not material.

- Liquidity risk

  Liquidity risk is the risk the Hospital will encounter difficulty in meeting obligations associated with its financial liabilities. The Hospital derives a significant portion of its operating revenue from the Ontario government and other funders with no firm commitment of funding in future years. To manage liquidity risk, the Hospital monitors its operations and cash flows to ensure sufficient resources are readily available to meet its obligations.

  The maturity analysis of the Hospital's long-term debt is described in note 8. The majority of accounts payable and accrued liabilities are expected to be settled in the next fiscal year.

15 Internally restricted net assets

During the year, the Board of Directors approved a transfer of $45,389 from unrestricted to internally restricted net assets (2023 – $23,395 from internally restricted to unrestricted net assets). Internally restricted net assets represent own funds invested in property, plant and equipment of $194,948 (2023 – $210,313) and unspent net asset funds set aside for future capital expenditures of $117,828 (2023 – $57,074).

16 Comparative figures

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