# Sunnybrook Health Sciences Centre

Consolidated Financial Statements
**March 31, 2022**

# 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, 2022 and the results of its operations, its remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

**What we have audited**
The Hospital's consolidated financial statements comprise:

- the consolidated statement of financial position as at March 31, 2022;
- 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 and losses 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.

## 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 21, 2022

# Sunnybrook Health Sciences Centre

Consolidated Statement of Financial Position

**As at March 31, 2022**

(in thousands of dollars)

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents | 151,648 | 151,596 |
| Accounts receivable (notes 3, 12 and 16) | 86,536 | 103,946 |
| Inventories | 16,973 | 18,703 |
| Prepaid expenses | 15,737 | 11,479 |
| | 270,894 | 285,724 |
| **Cash and investments** (note 4) | 441,922 | 276,358 |
| **Other non-current assets** | 9,327 | 8,740 |
| **Property, plant and equipment** (note 5) | 866,126 | 847,845 |
| | 1,588,269 | 1,418,667 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities (notes 7 and 12) | 292,273 | 252,027 |
| Current portion of long-term debt (note 8) | 7,940 | 4,876 |
| Current portion of employee future benefits liability (note 9(c)) | 3,456 | 3,352 |
| | 303,669 | 260,255 |
| **Deferred contributions for research and special purposes** (note 10) | 169,370 | 164,217 |
| **Long-term debt** (note 8) | 94,663 | 40,328 |
| **Employee future benefits liability** (note 9(c)) | 38,280 | 35,316 |
| **Other long-term liabilities** | 7,845 | 7,620 |
| **Deferred capital contributions** (note 11) | 675,478 | 631,927 |
| | 1,289,305 | 1,139,663 |
| **Net Assets** | | |
| **Internally restricted** (note 15) | 290,782 | 275,232 |
| **Accumulated remeasurement gains** | 8,182 | 3,772 |
| | 298,964 | 279,004 |
| | 1,588,269 | 1,418,667 |

**Contingencies and commitments** (note 13)

**Approved by the Board of Directors**

Maurice Tory 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, 2022**

(in thousands of dollars)

| | 2022 $ | 2021 $ |
|---|---|---|
| **Revenues** | | |
| Ontario Health / Ministry of Health (note 16) | 943,576 | 944,407 |
| Ancillary services and other sources (note 12(c)) | 179,332 | 151,239 |
| Contributions for research and special purposes (notes 10 and 12(b)) | 99,143 | 91,024 |
| Other patient services | 54,204 | 51,659 |
| Amortization of deferred capital contributions (note 11) | 46,045 | 44,071 |
| Investment income | 4,468 | 4,010 |
| | 1,326,768 | 1,286,410 |
| **Expenses** | | |
| Salaries, wages and employee benefits (note 9) | 776,509 | 772,234 |
| Drugs | 162,706 | 140,298 |
| Clinical supplies | 101,856 | 87,127 |
| Amortization of property, plant and equipment | 73,416 | 69,992 |
| Other supplies and expenses (notes 8 and 12(b)) | 65,560 | 65,414 |
| Purchased services | 62,427 | 60,281 |
| Plant operations and maintenance | 34,076 | 36,270 |
| Equipment and software maintenance | 34,668 | 34,584 |
| | 1,311,218 | 1,266,200 |
| **Excess of revenues over expenses for the year** | 15,550 | 20,210 |

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, 2022**

(in thousands of dollars)

| | | | 2022 |
|---|---|---|---|
| | Internally restricted $ | Unrestricted $ | Total $ |
| **Balance – Beginning of year** | 275,232 | - | 275,232 |
| Excess of revenues over expenses for the year | - | 15,550 | 15,550 |
| Interfund transfers (note 15) | 15,550 | (15,550) | - |
| **Balance – End of year** | 290,782 | - | 290,782 |

| | | | 2021 |
|---|---|---|---|
| | Internally restricted $ | Unrestricted $ | Total $ |
| **Balance – Beginning of year** | 255,022 | - | 255,022 |
| Excess of revenues over expenses for the year | - | 20,210 | 20,210 |
| Interfund transfers (note 15) | 20,210 | (20,210) | - |
| **Balance – End of year** | 275,232 | - | 275,232 |

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

# Sunnybrook Health Sciences Centre

Consolidated Statement of Remeasurement Gains and Losses

**For the year ended March 31, 2022**

(in thousands of dollars)

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| **Accumulated remeasurement gains (losses) – Beginning of year** | 3,772 | (8,211) |
| Change in fair value attributable to | | |
| Derivatives | 7,402 | 3,920 |
| Investments | (2,960) | 8,074 |
| Amount reclassified to the consolidated statement of operations | | |
| Gain on sale of investments | (32) | (11) |
| Net remeasurement gains for the year | 4,410 | 11,983 |
| **Accumulated remeasurement gains – End of year** | 8,182 | 3,772 |

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, 2022**

(in thousands of dollars)

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| **Cash provided by (used in)** | | |
| **Operating activities** | | |
| Excess of revenues over expenses for the year | 15,550 | 20,210 |
| Items not affecting cash | | |
| Amortization of property, plant and equipment | 73,416 | 69,992 |
| Amortization of deferred capital contributions (note 11) | (46,045) | (44,071) |
| Employee future benefits expense | 6,420 | 6,205 |
| Loss on disposal of property, plant and equipment | 482 | 929 |
| Interest income reinvested | (2,107) | (1,956) |
| Fair value changes in investments | (678) | (6,808) |
| | 47,038 | 44,501 |
| Change in other non-current assets | (587) | (375) |
| Net change in deferred contributions for research and special purposes | 8,748 | 34,923 |
| Change in other long-term liabilities | 225 | 635 |
| Employee future benefits paid | (3,352) | (3,323) |
| Changes in non-cash working capital items | | |
| Accounts receivable | 14,624 | (38,723) |
| Inventories | 1,730 | (1,972) |
| Prepaid expenses | (4,258) | 32 |
| Accounts payable and accrued liabilities | 41,946 | 43,699 |
| | 106,114 | 79,397 |
| **Investing activities** | | |
| (Increase) decrease in cash held for future capital, research and special purposes | (166,638) | 11,569 |
| Purchases of investments | (8,921) | (598) |
| Proceeds from sale of investments | 9,788 | 516 |
| | (165,771) | 11,487 |
| **Capital activities** | | |
| Purchases of property, plant and equipment | (89,967) | (98,636) |
| **Financing activities** | | |
| Deferred capital contributions received (note 11) | 84,875 | 27,136 |
| Issuance of long-term debt | 71,760 | - |
| Repayment of long-term debt | (6,959) | (4,649) |
| | 149,676 | 22,487 |
| **Increase in cash and cash equivalents during the year** | 52 | 14,735 |
| **Cash and cash equivalents – Beginning of year** | 151,596 | 136,861 |
| **Cash and cash equivalents – End of year** | 151,648 | 151,596 |
| **Other information related to cash flows** | | |
| Changes in capital related accounts receivable included in deferred capital contribution | (2,786) | 2,982 |
| Contributed property, plant and equipment and associated deferred capital contribution (notes 11 and 13) | 4,419 | - |
| Purchase of property, plant and equipment included in accounts payable and accrued liabilities | 21,125 | 22,825 |
| Transfer from deferred contributions for research and special purposes to deferred capital contributions (notes 10 and 11) | (3,595) | 4,756 |

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 (PS) 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 sections PS 4200 to 4270. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 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 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 and losses. Changes in the fair value of derivatives are also recorded in the consolidated statement of remeasurement gains and losses.

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. 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 |

**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.

(in thousands of dollars)

- 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) cost or amortized cost. The Hospital determines the classification of its financial instruments at initial recognition.

Cash and investments reported at fair value consist of equity instruments that are quoted in an active market as well as investments in pooled funds. 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. Investments are remeasured at their fair value at the end of each reporting period. Any revaluation gains and losses are recognized in the consolidated statement of remeasurement gains and losses 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 or amortized cost using the effective interest rate method, 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 remeasured at amortized cost using the effective interest rate method. Transaction costs related to the issuance of long-term debt are capitalized and amortized over the term of the 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 cost, net of any provisions for impairment.

(in thousands of dollars)

**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. Accounts 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; 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, 2022. 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. In addition, in fiscal 2022 and 2021, the Hospital was eligible for funding to mitigate the impact of COVID-19. That funding is also subject to adjustment (note 16). 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.

## 3 Accounts receivable

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Patient care | 19,747 | 18,467 |
| Non-patient care | 18,761 | 27,431 |
| MOH – capital funding | 8,828 | 11,614 |
| MOH – operating funding | 24,414 | 35,269 |
| Research | 14,786 | 11,165 |
| | 86,536 | 103,946 |

Patient care and non-patient care accounts receivable are shown net of an allowance for doubtful accounts of $4,424 (2021 – $2,991).

(in thousands of dollars)

## 4 Cash and investments

Cash and investments have an asset mix as follows:

| | 2022 $ | 2021 $ |
|---|---|---|
| Cash | 303,129 | 136,491 |
| Investments | | |
| Canadian bonds | 87,868 | 85,841 |
| Canadian equities | 19,319 | 17,702 |
| Other fixed income | 13,164 | 13,283 |
| International equities | 11,856 | 10,990 |
| Money market | 6,586 | 11,008 |
| Other investment | - | 1,043 |
| | 138,793 | 139,867 |
| | 441,922 | 276,358 |

Investments in pooled funds have been allocated among the asset classes based on the underlying investments held in the pooled funds.

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

| | 2022 $ | 2021 $ |
|---|---|---|
| Research and special purposes (note 10) | 169,370 | 164,217 |
| Capital construction (note 11) | 49,956 | 29,216 |
| Restricted for future capital expenditures | 216,009 | 75,404 |
| Other | 6,587 | 7,521 |
| | 441,922 | 276,358 |

(in thousands of dollars)

## 5 Property, plant and equipment

| | | | 2022 |
|---|---|---|---|
| | Cost<br>$ | Accumulated amortization<br>$ | Net<br>$ |
| Land | 10,395 | - | 10,395 |
| Buildings | 1,104,926 | 550,911 | 554,015 |
| Equipment | 614,744 | 453,540 | 161,204 |
| Parking structure | 46,995 | 34,232 | 12,763 |
| Leasehold improvements | 6,407 | 3,152 | 3,255 |
| Construction-in-progress | 124,494 | - | 124,494 |
| | 1,907,961 | 1,041,835 | 866,126 |

| | | | 2021 |
|---|---|---|---|
| | Cost<br>$ | Accumulated amortization<br>$ | Net<br>$ |
| Land | 10,395 | - | 10,395 |
| Buildings | 1,074,131 | 511,577 | 562,554 |
| Equipment | 584,759 | 422,263 | 162,496 |
| Parking structure | 46,995 | 32,846 | 14,149 |
| Leasehold improvements | 6,500 | 2,385 | 4,115 |
| Construction-in-progress | 94,136 | - | 94,136 |
| | 1,816,916 | 969,071 | 847,845 |

During the year, the Hospital disposed of assets with a carrying amount of $989 (2021 – $2,877) that resulted in a loss of $482 (2021 – $929). The Hospital leases certain land and buildings for nominal consideration from the University of Toronto.

## 6 Operating line of credit

The Hospital has an unsecured operating line of credit to a maximum of $30,000, which bears interest at the prime rate less 0.75% and is due on demand. The credit facility is subject to the Hospital maintaining certain covenants, which the Hospital is in compliance with. As at March 31, 2022 and 2021, the Hospital had not drawn against any of this facility.

(in thousands of dollars)

## 7 Accounts payable and accrued liabilities

| | 2022 $ | 2021 $ |
|---|---|---|
| Accounts payable | 67,886 | 66,616 |
| Deferred revenue | 3,011 | 2,631 |
| Due to MOH and Ontario Health | 93,005 | 54,427 |
| Accrued liabilities | | |
| Salaries, wages and employee benefits | 114,435 | 110,828 |
| Other | 13,936 | 17,525 |
| | 292,273 | 252,027 |

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 (2021 – $375) and approved the carry forward of $153 (2021 – $nil) in funding to fiscal 2023 due to COVID-19-related pressures. These funds are included in deferred revenue in the consolidated statement of financial position at year-end.

## 8 Long-term debt

The long-term debt is unsecured and consists of:

| | 2022 $ | 2021 $ |
|---|---|---|
| Term loan with variable to fixed interest rate swap to 20 years resulting in an effective interest rate of 4.94% (see (a) below) | 36,372 | 41,209 |
| Term loan with variable to fixed interest rate swap to ten years resulting in an effective interest rate of 1.78% (see (b)(i) below) | 27,917 | - |
| Term loan with variable to fixed interest rate swap to nine years resulting in an effective interest rate of 1.86%, (see (b)(iii) below) | 3,460 | - |
| Term loan with variable to fixed interest rate swap to 15 years resulting in an effective interest rate of 2.41%, (see (b)(ii) below) | 38,300 | - |
| Interest free loan with quarterly payments of $10; quarterly principal payments commenced on January 1, 2010 and will conclude on October 1, 2029 (see (c) below) | 295 | 334 |
| | 106,344 | 41,543 |
| Fair value of interest rate swaps (notional value of $106,049; 2021 – $87,469) | (3,741) | 3,661 |
| Less: Current portion | 7,940 | 4,876 |
| | 94,663 | 40,328 |

(in thousands of dollars)

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 for $81,000 is a revolving interim facility that will be refinanced with the third and fourth facilities on January 3, 2023.

   iii) The third facility is for $18,000. Refinancing from the second facility will occur on January 3, 2023. Quarterly principal repayments will start 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 for $63,000 has a variable to fixed interest rate swap to 15 years resulting in an effective interest rate of 2.41%. Refinancing from the second facility will occur on January 3, 2023. Quarterly principal repayments will start 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.

   The maximum aggregate principal amount outstanding for the second, 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.

d) On February 19, 2021, the Hospital entered into an unsecured revolving facility of $5,000 for general corporate purposes with an interest rate of CDOR plus 25 bps and a maturity date of February 19, 2026. The Hospital currently has no plans on drawing from this revolving facility.

(in thousands of dollars)

During the year, interest expense of $2,881 (2021 – $2,142) was recorded in other supplies and expenses in the consolidated statement of operations. The following is a schedule of the required principal payments due under the debt agreements drawn on as at March 31, 2022:

| | $ |
|---|---|
| 2023 | 7,940 |
| 2024 | 14,986 |
| 2025 | 13,919 |
| 2026 | 13,358 |
| 2027 | 13,795 |
| Thereafter | 42,346 |
| | 106,344 |

## 9 Employee future benefits

### a) Multi-employer plan

Employer contributions made to HOOPP during the year by the Hospital amounted to $46,373 (2021 – $45,495). These amounts are included in salaries, wages and employee benefits expense in the consolidated statement of operations. As at December 31, 2021, HOOPP was 120% funded (2020 – 119% funded).

### b) Superannuation defined benefit plan

As at December 31, 2021, the plan had assets, at fair value, of $3,644 (2020 – $3,791) and liabilities of $243 (2020 – $203). In the current year, $94 (2020 – $92) in contributions were made. These amounts are included in salaries, wages and employee benefits expense in the consolidated statement of operations.

### 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 of Hospital employees at the date of valuation was 12 to 15 years.

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

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Accrued benefit obligation | 50,311 | 52,630 |
| Unamortized actuarial losses | (8,575) | (13,962) |
| Employee future benefits liability | 41,736 | 38,668 |
| Less: Current portion | 3,456 | 3,352 |
| Long-term portion | 38,280 | 35,316 |

(in thousands of dollars)

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

| | 2022 $ | 2021 $ |
|---|---|---|
| Employee future benefits liability – Beginning of year | 38,668 | 35,786 |
| Current service cost | 3,471 | 3,316 |
| Interest cost | 1,633 | 1,614 |
| Amortization of actuarial losses – net | 1,316 | 1,275 |
| | 45,088 | 41,991 |
| Less: Benefits paid | 3,352 | 3,323 |
| Employee future benefits liability – End of year | 41,736 | 38,668 |

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:

| | 2022 | 2021 |
|---|---|---|
| Discount rate for accrued benefit obligation | 3.70% | 3.00% |
| Discount rate for net benefit cost | 3.00% | 3.10% |

Other economic factors are considered and trend rates developed for the Hospital from 2022 to 2024 are as follows:

| | |
|---|---|
| Semi-private hospital and extended health-care | 5.37% |
| Dental | 3.00% |

## 10 Deferred contributions for research and special purposes

| | | 2022 | |
|---|---|---|---|
| | Research $ | Special purposes $ | Net $ |
| Balance – Beginning of year | 107,753 | 56,464 | 164,217 |
| Externally restricted contributions | 100,370 | 7,521 | 107,891 |
| Transferred to deferred capital contributions (note 11) | (3,388) | (207) | (3,595) |
| Amounts recognized as revenue | (93,628) | (5,515) | (99,143) |
| Balance – End of year | 111,107 | 58,263 | 169,370 |

(in thousands of dollars)

| | | | 2021 |
|---|---|---|---|
| | Research $ | Special purposes $ | Net $ |
| Balance – Beginning of year | 83,338 | 50,712 | 134,050 |
| Externally restricted contributions | 113,687 | 12,260 | 125,947 |
| Transferred to deferred capital contributions (note 11) | (4,333) | (423) | (4,756) |
| Amounts recognized as revenue | (84,939) | (6,085) | (91,024) |
| Balance – End of year | 107,753 | 56,464 | 164,217 |

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

| | 2022 $ | 2021 $ |
|---|---|---|
| Balance – Beginning of year | 631,927 | 643,072 |
| Externally restricted contributions | 86,508 | 30,118 |
| Transferred from deferred contributions for research and special purposes (note 10) | 3,595 | 4,756 |
| Amounts recognized as revenue | (46,045) | (44,071) |
| Recognition of contribution related to asset disposal | (507) | (1,948) |
| Balance – End of year | 675,478 | 631,927 |

As at March 31, 2022, deferred capital contributions included $49,956 (2021 – $29,216) in unspent funds held in cash classified as cash and investments (note 4), which will be utilized to fund capital expenditures in future years; the amounts are subject to a settlement process.

## 12 Sunnybrook Foundation

a) The Sunnybrook 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, 2022, the Foundation holds $10,578 (2021 – $8,850) in unrestricted, $205,828 (2021 – $199,854) in restricted and $119,342 (2021 – $118,158) 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 Hospital are recorded as revenue by the Foundation and may be donated to the Hospital on approval by its governing body.

(in thousands of dollars)

b) During the year, the Hospital received contributions of $54,870 (2021 – $35,761) from the Foundation; these amounts were primarily used to fund research and capital investments. During the year, the Hospital contributed $1,438 to the Foundation in connection with research-related commercialization revenue that 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 $8,985 (2021 – $6,089) in leasing revenue and $4,098 (2021 – $3,858) as service fees included in ancillary services and other sources in the consolidated statement of operations.

As at March 31, 2022, the Hospital had an outstanding receivable from the Foundation of $963 (2021 – $778) related to parking operations.

d) As at March 31, 2022, $1,215 (2021 – $921) was included in accounts receivable related to expenses paid on behalf of the Foundation and $1,438 (2021 – $276) was included in accounts payable and accrued liabilities primarily related to the transfer of research related commercialization revenue. This balance is non-interest bearing and has no fixed terms of repayment.

## 13 Contingencies and commitments

a) The Hospital has contractual commitments to various parties amounting to $88,703 (2021 – $120,121). These commitments primarily relate to capital projects with the following expected completion dates up to 2024:

| | $ |
|---|---|
| 2023 | 14,781 |
| 2024 | 73,922 |
| | 88,703 |

(in thousands of dollars)

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, 2022, no negative assessments have 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) Effective March 31, 2006, the Hospital has 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. Written notice of 24 months must be given in order to terminate the agreement. Plexxus 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.

e) 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. This agreement expires on March 31, 2024. 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. During the year, the Hospital earned $276 (2021 – $245) in leasing revenue included in ancillary and other sources in the consolidated statement of operations.

   Since the existing leased space was not sufficient to meet testing demands, including the volume growth relating to COVID-19, SHL funded construction of a two story addition adjacent to the ground floor leased space at the Hospital. During the year, this addition was completed and contributed to the Hospital at a fair market value of $4,419.

f) The Hospital has outstanding letters of guarantee totalling $13,505 (2021 – $10,617) in support of performance guarantees in favour of the City of Toronto and Toronto Hydro.

g) 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.

(in thousands of dollars)

h) 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 - $4.29 per gigajoule plus the cost of associated transportation.

i) The Hospital has entered into various operating lease arrangements, which expire at various dates up to 2026. The minimum annual rental payments are as follows:

| | $ |
|---|---|
| 2023 | 1,428 |
| 2024 | 549 |
| 2025 | 323 |
| 2026 | 301 |
| 2027 | 49 |
| | 2,650 |

## 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.

Within the fair value hierarchy, as at March 31, 2022 and 2021, the derivatives (note 8) and the investments (note 4), with the exception of the other investment, were classified as Level 2. The other investment (note 4) was classified as Level 1.

During the years ended March 31, 2022 and 2021, there were no transfers of assets 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.

(in thousands of dollars)

- 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, 2021, a 1% change on the yields of fixed income securities, with all other variables held constant, would have a $965 impact on deferred contributions held for research and special purposes and a $1,346 impact on accumulated remeasurement gains and losses.

     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 that effectively hedge against interest rate changes. 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. A 1% change in the foreign exchange rates, with all other variables held constant, would have a $21 impact on deferred contributions held for research and special purposes and a $106 impact on the consolidated statement of operations. Exposure to foreign currency risk is not considered significant to the consolidated financial statements.

  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). A 1% change in the market price of these investments, with all other variables held constant, would have a $110 impact on deferred contributions held for research and special purposes and a $187 impact on accumulated remeasurement gains and losses.

(in thousands of dollars)

- 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 receivables are due from the MOH or other recognized, creditworthy third parties. As at March 31, 2022, 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 $15,550 (2021 – $20,210) from unrestricted to internally restricted net assets. Internally restricted net assets represent own funds invested in property, plant and equipment of $187,251 (2021 – $199,828) and unspent funds set aside for future capital expenditures of $103,531 (2021 – $75,404).

## 16 Impact of COVID-19

The outbreak of the novel strain of coronavirus, specifically identified as COVID-19, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. In response to the outbreak, the Hospital has incurred additional expenditures to provide COVID-19 related care since March 2020 and to keep its staff and patients protected consistent with the guidance provided by the MOH. Additionally, non-urgent exams and procedures were cancelled, resulting in a reduction of Ontario Health/MOH revenue for volume funded activity and ancillary revenue-generating opportunities.

COVID-19 has added to the Hospital's measurement uncertainty primarily due to judgment required by management to make significant assumptions concerning estimates as they relate to funding recorded from the MOH for incremental costs related to COVID-19. Calculating the amount of the incremental funding requires judgment in interpreting the related guidelines published by the MOH as at the date of these consolidated financial statements. Management believes the amounts recognized are reasonably assured of being received.

(in thousands of dollars)

## 17 Comparative figures

Certain comparative figures in the consolidated statement of cash flows have been adjusted to conform to the current period presentation.