

**Sunnybrook Health  
Sciences Centre**

Consolidated Financial Statements  
**March 31, 2012**  
(in thousands of dollars)



May 31, 2012

## **Independent Auditor's Report**

**To the Board of Directors of  
Sunnybrook Health Sciences Centre**

We have audited the accompanying consolidated financial statements of Sunnybrook Health Sciences Centre, which comprise the consolidated statement of financial position as at March 31, 2012 and the consolidated statements of operations, changes in fund balances and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, 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.

### **Auditor's responsibility**

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

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

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

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\*PwC\* refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sunnybrook Health Sciences Centre as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*PricewaterhouseCoopers LLP*

**Chartered Accountants, Licensed Public Accountants**

# Sunnybrook Health Sciences Centre

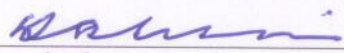
## Consolidated Statement of Financial Position

As at March 31, 2012

(in thousands of dollars)

	2012 \$	2011 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	132,141	76,583
Accounts receivable (note 3)	58,356	65,409
Inventories	8,779	8,954
Prepaid expenses	2,537	6,214
	<hr/>	<hr/>
	201,813	157,160
<b>Restricted investments</b> (note 4)	164,076	160,883
<b>Other receivable</b> (note 5)	-	12,617
<b>Property, plant and equipment</b> (note 6)	644,135	639,204
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	1,010,024	969,864
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 8)	181,848	177,924
Long-term debt (note 9)	19,265	4,249
Post-employment benefit liability (note 10(c))	1,566	1,598
	<hr/>	<hr/>
	202,679	183,771
<b>Long-term debt</b> (note 9)	76,713	88,238
<b>Post-employment benefit liability</b> (note 10(c))	20,731	20,122
	<hr/>	<hr/>
	300,123	292,131
<b>Deferred contributions</b> (note 11)	659,083	638,198
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	50,818	39,535
<b>Fund Balances</b>	1,010,024	969,864
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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, 2012

(in thousands of dollars)

	2012 \$	2011 \$
<b>Revenues</b>		
Toronto Central Local Health Integration Network/Ministry of Health and Long-Term Care	600,903	570,098
Cancer Care Ontario	67,749	60,234
Other agencies and patients	41,929	40,428
Ancillary services and other sources	109,971	105,704
Investment income	3,312	3,414
Grant and other revenue (note 11)	67,359	67,893
Amortization of deferred contributions for equipment	13,279	11,795
	<u>904,502</u>	<u>859,566</u>
<b>Expenses</b>		
Salaries, wages and employee benefits	579,167	552,015
Medical and surgical supplies	65,707	61,989
Drugs (retail - \$30,273; 2011 - \$27,652)	60,466	59,873
Other supplies and expenses	142,237	143,789
Bad debts	3,109	282
Interest	3,768	3,608
Amortization of equipment	25,457	23,182
	<u>879,911</u>	<u>844,738</u>
<b>Excess of revenues over expenses before net building amortization</b>	<u>24,591</u>	<u>14,828</u>
<b>Net building amortization</b>		
Amortization of deferred contributions for buildings	15,100	12,590
Amortization of buildings	<u>(21,013)</u>	<u>(16,830)</u>
	<u>(5,913)</u>	<u>(4,240)</u>
<b>Excess of revenues over expenses for the year</b>	<u>18,678</u>	<u>10,588</u>

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

**Sunnybrook Health Sciences Centre**  
Consolidated Statement of Changes in Fund Balances  
For the year ended March 31, 2012

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(in thousands of dollars)

	2012	2011
	\$	\$
<b>Fund balances - Beginning of year</b>	39,535	29,075
Excess of revenues over expenses for the year	18,678	10,588
Reclassification of effective portion of cash flow hedge	2,615	2,801
Change in unrealized loss of interest rate swaps (note 9(a))	(10,010)	(2,929)
<b>Fund balances - End of year</b>	<u>50,818</u>	<u>39,535</u>

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, 2012

(in thousands of dollars)

	2012 \$	2011 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenues over expenses for the year	18,678	10,588
Items not affecting cash		
Amortization of property, plant and equipment	46,470	40,012
Amortization of deferred contributions - property, plant and equipment	(28,379)	(24,385)
Change resulting from de-designation of interest rate swap (note 9(a))	345	972
Increase in non-pension post-employment benefit liability	577	1,197
Unrealized gain on restricted investments	(2,459)	(2,951)
	35,232	25,433
Decrease in build and finance receivable	-	112,054
Decrease (increase) in other receivable	12,617	(12,617)
Decrease in build and finance obligation	-	(133,425)
Settlement of interest rate swap (note 9(a))	-	(3,990)
Change in non-cash working capital items		
Accounts receivable	7,053	(28,332)
Other current assets	3,852	(2,787)
Accounts payable and accrued liabilities	3,924	26,777
	62,678	(16,887)
<b>Investing activities</b>		
Decrease (increase) in restricted investments	1,938	(3,033)
Purchase of property, plant and equipment	(51,471)	(122,942)
	(49,533)	(125,975)
<b>Financing activities</b>		
Deferred contributions received for property, plant and equipment	37,237	116,382
Increase (decrease) in deferred contributions received for research and other expenses of future periods	9,425	(8)
Repayment of long-term debt	(4,249)	(5,625)
Increase in long-term debt	-	9,700
	42,413	120,449
<b>Increase (decrease) in cash and cash equivalents during the year</b>	<b>55,558</b>	<b>(22,413)</b>
<b>Cash and cash equivalents - Beginning of year</b>	<b>76,583</b>	<b>98,996</b>
<b>Cash and cash equivalents - End of year</b>	<b>132,141</b>	<b>76,583</b>
<b>Supplementary disclosure</b>		
Interest paid	3,555	3,794

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

# Sunnybrook Health Sciences Centre

## Notes to Consolidated Financial Statements

March 31, 2012

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(in thousands of dollars)

### 1 Operations and reorganization

Sunnybrook Health Sciences Centre (the Hospital) is an academic health sciences centre involved in providing patient care, teaching health-care professionals and conducting research. The Hospital is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act 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 and Long-Term Care (MOHLTC) and the Toronto Central Local Health Integration Network (TC LHIN). Any excess of revenues over expenses incurred during a fiscal year is not required to be returned. To the extent that deficits are incurred and not funded, future operations may be impacted. Net building amortization expense (building amortization net of related amortization of deferred contributions) is not funded by the TC LHIN. These consolidated financial statements include net building amortization of \$5,913 (2011 - \$4,240).

On December 1, 2010, the Hospital transferred its research operations to Sunnybrook Research Institute (SRI), a charitable non-share capital corporation incorporated on April 27, 2010 under the Corporations Act of Ontario, where it is the sole voting member. This transfer has no significant impact on these consolidated financial statements.

The Hospital is the sole voting member of Sunnybrook Research Academy (SRA), a registered charity under the Income Tax Act, incorporated without share capital under the Canada Corporations Act on September 3, 2010. SRA began operations on June 1, 2011.

The Bayview Trust (the Trust) was created on January 10, 2012 as a commercial entity dedicated to development, operation and/or investment in commercial opportunities benefiting the community by supporting profitable business development in the health-care sector. The beneficiaries of the Trust are the Hospital and SRI. In March 2012, the Ambulatory Rehabilitation Services operations were transferred to the Trust. This transfer has no significant impact on these consolidated financial statements.

### 2 Summary of significant accounting policies

These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and include the assets, liabilities and activities of the Hospital, SRI and SRA and do not include the assets, liabilities and activities of the following non-controlled not-for-profit entities:

- Sunnybrook Health Sciences Centre Foundation (Sunnybrook Foundation); and
- Sunnybrook Volunteer Association.



# Sunnybrook Health Sciences Centre

## Notes to Consolidated Financial Statements

March 31, 2012

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(in thousands of dollars)

### **Revenue recognition**

The Hospital follows the deferral method of accounting for contributions, donations and government grants.

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. Grants that are approved but not received at the end of a period are accrued. Operating grants are recorded as revenue in the period to which they relate. Where a portion of a grant relates to a future period, it is deferred and recognized in the subsequent period.

Contributions and investment income 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.

Ancillary revenue is primarily derived from the Hospital pharmacies, the Working Conditions Program, leasing revenue from parking, commission revenue from catering services at the Estates of Sunnybrook, and various service level agreements with other institutions.

### **Contributed assets, 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 consolidated financial statement notes. Contributed assets, materials and services are recorded, when received, at their fair value.

### **Cash and cash equivalents**

Cash and cash equivalents include cash and short-term investments. Short-term investments are recorded at fair value. Interest is recorded on an accrual basis.

### **Inventories**

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

### **Restricted investments**

Investments are carried at fair value. Interest is recorded on an accrual basis.

# Sunnybrook Health Sciences Centre

## Notes to Consolidated Financial Statements

March 31, 2012

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(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 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 and equipment - pre 1980	2.5% - 6.7%
Buildings - post 1979	2.5% - 20.0%
Equipment - post 1979	3.3% - 33.3%
Building improvements	6.7%
Parking structure	5.0%

### Employee future benefits

The Hospital accrues its obligations under employee benefit plans and the related costs.

- Multi-employer plan

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

The Hospital's share of the approved surplus distribution of this plan was received during the current year.

## Sunnybrook Health Sciences Centre

### Notes to Consolidated Financial Statements

March 31, 2012

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(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 projected unit method, pro-rated on service, and management's best estimate of salary escalation (where applicable), retirement ages of employees and expected health-care costs.

#### Financial instruments

- Disclosure and presentation

The Hospital applies The Canadian Institute of Chartered Accountants (CICA) Handbook Section 3861, Financial Instruments - Disclosure and Presentation.

- Recognition and measurement

Financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on their classification. Except in very limited circumstances, the classification is not changed subsequent to initial recognition. The Hospital classifies all restricted investments as held-for-trading, where restricted investments are accounted for at fair value with the change in fair value recognized as an adjustment to deferred contributions. For its restricted research investments, these investments are accounted for at fair value, with the change in fair value recognized as investment income.

The carrying value of the Hospital's other financial instruments approximates their fair value.

- Hedge accounting - cash flow hedge

Interest rate swaps are recorded at fair value in the consolidated statement of financial position. The Hospital currently employs interest rate swaps to convert variable interest rates to fixed interest rates. Interest rate swaps are employed in order to eliminate variability in future interest cash flows and qualify as effective hedging instruments in cash flow hedging relationships. For interest rate swaps that qualify for cash flow hedges, the change in fair value of the interest rate swaps is recorded in the consolidated statement of changes in fund balances, to the extent they are highly effective. The ineffective portion, if any, is recorded immediately in the consolidated statement of operations.

The amount deferred in fund balances is reclassified to the consolidated statement of operations as part of interest expense when the hedged forecasted interest expenses occur.

# Sunnybrook Health Sciences Centre

## Notes to Consolidated Financial Statements

March 31, 2012

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(in thousands of dollars)

### Deferred contributions

Contributions for the purpose of acquiring property, plant and equipment are deferred and amortized on the same basis, and over the same periods, as the related asset.

Contributions for research and special purpose expenses are funded through various sources, including research grants and donations. They are recognized as revenue in the year in which the related expenses are incurred.

Changes in fair value and investment income earned on amounts received for special purpose funds and unspent capital grants are recognized as an increase in deferred contributions and restricted for these purposes.

### Use of estimates

The preparation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles requires Hospital management to make estimates and assumptions that affect revenues, sales, operating costs and expenses during the reporting period, in addition to the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the consolidated financial statements. In particular, the Hospital makes estimates for labour related grievances and retroactive union settlements. These estimates are subject to significant measurement uncertainty. For all estimates, actual results could differ from the estimated amounts.

### Public sector accounting standards

In December 2010, the Canadian Accounting Standards Board issued new accounting standards for not-for-profit organizations (NPOs).

Effective for years beginning on or after January 1, 2012, all government controlled NPOs must adopt Public Sector Accounting Standards (PSAS) and have the choice of adopting PS 4200 - Financial Statement Presentation by Not-for-Profit Organizations. The Hospital will be adopting PSAS, including PS 4200 effective for fiscal periods beginning on April 1, 2012. The standards require retrospective application, except for certain exemptions and exceptions contained within the standards.

Management is currently in the process of assessing the impact of the adoption of these standards on its consolidated financial statements for the year ending March 31, 2013.

## Sunnybrook Health Sciences Centre

### Notes to Consolidated Financial Statements

March 31, 2012

(in thousands of dollars)

#### 3 Accounts receivable

	2012 \$	2011 \$
Non-patient care	31,609	32,638
M Wing receivable - MOHLTC	13,400	12,645
Patient care		
Cancer Care Ontario	3,393	3,994
Veterans Affairs Canada	4,218	4,642
Other	3,911	4,237
MOHLTC/TC LHIN	1,825	7,253
	<u>58,356</u>	<u>65,409</u>

#### 4 Restricted investments

	2012		2011	
	Fair value \$	Cost \$	Fair value \$	Cost \$
Cash and cash equivalents	81	81	4,456	4,456
BMO Harris Canadian Money Market Fund	6,003	6,003	5,941	5,941
PH&N Canadian Money Market Fund	5,631	5,631	4,272	4,272
PH&N Short-term Bond and Mortgage Fund	52,143	50,453	49,792	48,487
PH&N Bond Fund	49,321	45,914	45,488	44,095
PH&N Canadian Equity	-	-	5,994	5,495
PH&N Global Equity	-	-	6,521	7,479
TD short-term investment	3,054	3,054	14,967	14,967
UBS Cash Management Fund	34,744	34,744	23,452	23,452
Burgundy Canadian Equity	3,650	3,324	-	-
Burgundy Global Equity	2,993	2,694	-	-
Bonavista Canadian Equity	3,211	2,975	-	-
Bonavista US Equity	1,554	1,353	-	-
Bonavista International Equity	1,293	1,237	-	-
Bonavista Money Market Fund	398	398	-	-
	<u>164,076</u>	<u>157,861</u>	<u>160,883</u>	<u>158,644</u>

Restricted investments are for capital construction, the purchase of equipment and other expenses of future periods. Specifically, the funds held in the BMO Harris Canadian Money Market Fund represent funds restricted in accordance with the Development Accountability Agreement. In addition, the funds held at TD as a short-term investment represent funds restricted for the Research Hospital Fund (RHF) award project.

# Sunnybrook Health Sciences Centre

## Notes to Consolidated Financial Statements

March 31, 2012

(in thousands of dollars)

### 5 Other receivable

The receivable of \$12,617 in 2011 arose from the approved superannuation surplus sharing agreement. The funds were received in April 2011 and have been restricted (see note 4) since the surplus sharing agreement requires that they be spent on future capital initiatives of the Hospital.

### 6 Property, plant and equipment

	2012		
	Cost \$	Accumulated amortization \$	Net \$
Land	945	-	945
Buildings and equipment - 1980	44,059	43,459	600
Buildings - post 1979	635,790	206,760	429,030
Equipment - post 1979	284,173	162,233	121,940
Parking structure	43,960	15,356	28,604
Construction-in-progress	63,016	-	63,016
	1,071,943	427,808	644,135
	2011		
	Cost \$	Accumulated amortization \$	Net \$
Land	945	-	945
Buildings and equipment - 1980	44,059	43,215	844
Buildings - post 1979	607,884	185,402	422,482
Equipment - post 1979	427,024	304,607	122,417
Parking structure	43,683	13,467	30,216
Construction-in-progress	62,300	-	62,300
	1,185,895	546,691	639,204

Property, plant and equipment include land and buildings, carried at \$nil cost, which are leased for nominal consideration to the Hospital by the University of Toronto. In addition, as the records of the Hospital do not detail the separate building and equipment components prior to 1980, these amounts are shown combined as buildings and equipment - pre 1980.

Construction-in-progress is principally related to the physical facilities expansion at the Bayview Campus relating to the RHF in 2012 and RHF and Schulich projects in 2011.

# Sunnybrook Health Sciences Centre

## Notes to Consolidated Financial Statements

March 31, 2012

(in thousands of dollars)

### 7 Operating line of credit

The Hospital has an unsecured operating line of credit to a maximum of \$30,000, which bears interest at prime (3% at March 31, 2012) less 0.75% and is due on demand. The credit facility is subject to the Hospital maintaining certain covenants. The Hospital is in compliance with such covenants as at March 31, 2012. As at March 31, 2012 and 2011, the Hospital had utilized \$nil of its credit facilities.

### 8 Accounts payable and accrued liabilities

	2012 \$	2011 \$
Accounts payable	27,585	34,377
Accrued liabilities		
Salaries, wages and employee benefits	75,832	68,349
Deferred revenue	56,269	45,376
Other	22,162	29,822
	<u>181,848</u>	<u>177,924</u>

Deferred revenue is subject to a settlement process and is either repayable to the TC LHIN or may be available for future use.

### 9 Long-term debt

The long-term debt is unsecured and consists of:

	2012 \$	2011 \$
Term loan with variable to fixed interest rate swap to 20 years resulting in an effective interest rate of 4.94%, monthly principal repayments vary over the term of this loan. For the portion of this loan that is currently being amortized, principal repayments are \$185 per month, due on the first working day of each month and will conclude on June 1, 2028 (see (b) below)	59,397	61,708
Term loan with variable interest rate of CAD BA CDOR plus 0.25%, to be fully paid in April 2012 (see (a) below)	15,906	16,961
Term loan with variable to fixed interest rate swap to eight years resulting in an effective interest rate of 4.88%, principal repayments of \$62 per month and concludes November 1, 2018 (see (b) below)	6,014	6,758
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)	688	727
Interest free loan with quarterly payments of \$25, quarterly principal payments commenced on January 1, 2010 and will conclude on October 1, 2019 (see (c) below)	750	850
	<u>82,755</u>	<u>87,004</u>

## Sunnybrook Health Sciences Centre

Notes to Consolidated Financial Statements

March 31, 2012

(in thousands of dollars)

	2012 \$	2011 \$
Fair value of interest rate swaps	13,223	5,483
Less: Current portion	(19,265)	(4,249)
	<u>76,713</u>	<u>88,238</u>

- a) In fiscal 2010, it was determined that the interest rate swap associated with this term loan no longer met the requirements of hedge accounting. The impact from the de-designation of the interest rate swap was a charge to the consolidated statement of operations of \$345 (2011 - \$972). The swap was terminated and cancelled in fiscal 2011.
- b) In June 2008, the Hospital entered into a credit facility for a maximum borrowing of \$100,000. In February 2010, the credit facility was increased to \$107,000. The amended credit facility includes both a construction loan facility and a term loan facility (to a maximum of \$83,000). The construction loan is a revolving facility at the banker's acceptance rate plus 22 basis points. As at March 31, 2012, no draws had been made against the construction loan. The term loan is currently primarily financing the physical facilities expansion at the Bayview campus in addition to the refinancing of prior existing loans and includes \$6,014 relating to the Schulich project.
- c) In September 2009, the Hospital obtained two loans from the City of Toronto's Sustainable Energy Funds loan program. The loans were provided interest free as the proceeds were spent on approved energy saving initiatives.

Any changes in the fair value of the swaps meeting the requirements of hedge accounting are recognized as a direct adjustment to fund balances.

The following is a schedule of the required principal payments due under the various debt agreements:

2013	19,265
2014	3,506
2015	3,702
2016	3,874
2017	4,061
Thereafter	<u>48,347</u>
	<u>82,755</u>



## Sunnybrook Health Sciences Centre

Notes to Consolidated Financial Statements

March 31, 2012

(in thousands of dollars)

As at March 31, the fair value of these liabilities is as follows:

	2012		2011	
	Cost \$	Fair value \$	Cost \$	Fair value \$
Variable interest loan	81,317	81,317	85,427	85,427
Interest free loans	1,438	1,115	1,577	1,198
	82,755	82,432	87,004	86,625

### 10 Employee future benefits

#### a) Multi-employer plan

Substantially all the employees of the Hospital are members of HOOPP, which is a multi-employer, defined benefit, final average earnings, contributory pension plan. Given that HOOPP is a multi-employer plan, it is accounted for as a defined contribution plan whereby the contributions are expensed as made. Employer contributions made to HOOPP during the year by the Hospital amounted to \$32,444 (2011 - \$31,263). These amounts are included in salaries, wages and employee benefits expense in the consolidated statement of operations. As at December 31, 2011, HOOPP was 103% funded.

#### b) Superannuation defined benefit plan

The surplus sharing agreement was approved by the Financial Services Commission of Ontario (FSCO) and the courts on March 3, 2009. The outstanding surplus distribution and the reimbursement of related costs were received during the current year.

As at December 31, 2011, the plan has assets, at fair value, of \$6,319 (2010 - \$24,514).

In the current year, there were no contributions made nor expenses incurred.

#### c) Other non-pension defined benefit plans

The Hospital provides extended health-care, dental and life insurance benefits to substantially all employees. The plan is unfunded and requires no contributions from employees. The Hospital's accrued benefit liability relating to employee future non-pension benefit plans has been calculated by the projected benefit method pro-rated on service. The average remaining service period of employees at the date of valuation was 16 years for Hospital employees and 11 years for SRI employees.

## Sunnybrook Health Sciences Centre

### Notes to Consolidated Financial Statements

March 31, 2012

(in thousands of dollars)

The accrued benefit liability, as calculated by the actuarial valuation at March 31, 2012, is as follows:

	2012 \$	2011 \$
Current portion of post-employment future benefit liability	1,566	1,598
Long-term portion of post-employment future benefit liability	20,731	20,122
	<u>22,297</u>	<u>21,720</u>

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:

Discount rate for accrued benefit obligation	4.0%
Discount rate for net benefit cost	5.25%
Dental benefits cost escalation	4.0%
Medical benefits cost escalation - extended health care	8.0% in 2012, decreasing by 0.5% per annum to an ultimate rate of 5.0% in 2018 and thereafter

Reconciliation of the accrued benefit obligation to the consolidated statement of financial position:

	2012 \$	2011 \$
Accrued benefit obligation	26,758	23,574
Fair value of plan assets	-	-
Current funded status - deficit	26,758	23,574
Unamortized experience losses	(4,841)	(1,264)
Unamortized prior services costs	380	(590)
Accrued benefit liability	<u>22,297</u>	<u>21,720</u>
Accrued benefit liability - Beginning of year	21,720	20,523
Benefits expense for the year	2,142	2,585
Employer funding contributions	(1,565)	(1,388)
Accrued benefit liability - End of year	<u>22,297</u>	<u>21,720</u>

# Sunnybrook Health Sciences Centre

## Notes to Consolidated Financial Statements

March 31, 2012

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(in thousands of dollars)

### 11 Deferred contributions

	2012 \$	2011 \$
Research and special purpose funds	137,682	125,585
Property, plant and equipment	521,401	512,613
	<u>659,083</u>	<u>638,198</u>

As at March 31, 2012, total deferred contributions for property, plant and equipment, include \$37,805 (2011 - \$38,547) held in restricted investments, which will be utilized to fund capital expenditures in future years and amounts that are subject to a settlement process with the MOHLTC.

During the year, the Hospital recognized \$67,359 (2011 - \$67,893) as grant and other revenue from deferred contributions. These revenues have been offset by research related expenses.

### 12 Capital management

In managing capital, the Hospital focuses on liquid resources available for operations. The Hospital's objective is to have sufficient liquid resources to continue operating despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to budget.

The Hospital has an available line of credit that is used when there is insufficient cash flow from operations to cover operating and capital expenditures. It also holds long-term debt to assist with the financing of capital assets.

### 13 Related party transactions

Related party transactions not separately disclosed in the consolidated financial statements include the following:

- During the year, the Hospital received donations of \$25,862 (2011 - \$38,114) from Sunnybrook Foundation and these amounts were used to fund operations, research and building and equipment purchases.
- On May 1, 2010, the Hospital entered into a ten-year sublease agreement for its parking facilities with Sunnybrook Foundation. During the year, the Hospital earned \$9,400 (2011 - \$8,617) in leasing revenue, \$3,456 (2011 - \$3,256) as service fee and additional surplus generated was gifted to the Hospital and included in donations. In addition, relating to the parking operations, as at March 31, 2012, the Hospital has an outstanding receivable from the Foundation of \$1,457 (2011 - \$1,346) and an outstanding liability with the Foundation of \$329 (2011 - \$25).

# Sunnybrook Health Sciences Centre

## Notes to Consolidated Financial Statements

March 31, 2012

(in thousands of dollars)

- At March 31, 2012, included in accounts receivable is \$1,068 (2011 - \$633) due from Sunnybrook Foundation relating to non-parking expenses paid on its behalf.

### 14 Contingencies and commitments

Contractual commitments amount to approximately \$9,099 (2011 - \$17,275) and primarily relate to capital projects.

A group of hospitals, including the Hospital, are members of the Health Care Insurance Reciprocal of Canada (HIROC). 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, 2012, no negative assessments have been received.

Since its inception in 1987, HIROC has accumulated an unappropriated surplus, which is the total of premiums paid by all subscribers plus investment income less the obligation for claims reserves and expenses and operating expenses. Each subscriber who has an excess of premium plus investment income over the obligation for their allocation of claims reserves and expenses and operating expenses may be entitled to receive distributions of their share of the unappropriated surplus at the time such distributions are declared by the Board of Directors of HIROC. There are no distributions receivable from HIROC as of March 31, 2012. From time to time, the Hospital is named in lawsuits related to its activities. These claims are at various stages and therefore it is not possible to determine the merits of these claims or to estimate the possible financial liability, if any, to the Hospital. Accordingly, no provision has been made for loss in these consolidated financial statements, but in management's view, these claims should not have a material adverse effect on the financial position of the Hospital.

On March 31, 2006 and amended on June 20, 2009, the Hospital entered into an agreement with Hospital Administrative Services (Plexxus) whose primary responsibility is to provide material management services to its members on a cost recovery basis and implement a back office technology solution, which is currently underway. The objective is to provide these services at a lower cost as compared to the members' cost prior to entering into the agreement. Based on the agreement, Plexxus has the right to charge membership fees to its members. A process is established in the agreement for Plexxus to obtain the approval of the members to charge additional fees.

The Hospital has outstanding letters of guarantee totalling \$2,155 (2011 - \$2,188) in support of performance guarantees in favour of the City of Toronto and the Toronto Transit Commission.

The Hospital has entered into various operating lease arrangements, which expire at various dates up to 2016. The minimum rental payments for the next four fiscal years are as follows:

	\$
2013	428
2014	392
2015	391
2016	172
	<hr/>
	1,383
	<hr/>

## **Sunnybrook Health Sciences Centre**

Notes to Consolidated Financial Statements

**March 31, 2012**

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(in thousands of dollars)

### **15 Subsequent event**

In April 2012, the Hospital paid \$4,277 to Plexxus as the first instalment of a \$5,460 refundable membership fee as per the terms of the agreement.

As of April 19, 2012, the Hospital's Board of Directors approved an agency agreement with HIROC Management Limited (HML) to pay service providers on its behalf for claims defence costs incurred in connection with eligible claims covered by the Composite Health Care Insurance Policy Master Policy agreement. HIROC will continue to provide indemnity insurance to the Hospital but the cost of investigating and defending any litigation claims would be borne by the Hospital.



May 31, 2012

### **Additional Comments of Independent Auditor**

The accompanying schedule of Hospital operations is presented as supplementary information only. In this respect, it does not form part of the consolidated financial statements of Sunnybrook Health Sciences Centre for the year ended March 31, 2012, and hence is excluded from the opinion expressed in our report dated May 31, 2012 to the Board of Directors on such consolidated financial statements. The information in this schedule of Hospital operations has been subject to audit procedures only to the extent necessary to express an opinion on the consolidated financial statements of the Hospital and, in our opinion, is fairly presented in all respects material to those consolidated financial statements.

*PricewaterhouseCoopers LLP*  
**Chartered Accountants, Licensed Public Accountants**

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\*PwC\* refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

## Sunnybrook Health Sciences Centre

### Schedule of Hospital Operations

For the year ended March 31, 2012

(in thousands of dollars)

	2012	2011
	\$	\$
<b>Revenues</b>		
Toronto Central Local Health Integration Network/Ministry of Health and Long-Term Care	600,903	570,098
Cancer Care Ontario	67,749	60,234
Other agencies and patients	41,929	40,428
Ancillary services and other sources	101,753	94,576
Investment income	846	490
Grant and other revenue	12,463	11,837
Amortization of deferred contributions for equipment	8,316	7,493
	<u>833,959</u>	<u>785,156</u>
<b>Expenses</b>		
Salaries, wages and employee benefits	531,346	502,257
Medical and surgical supplies	64,439	60,839
Drugs	60,288	59,647
Other supplies and expenses	126,027	125,054
Bad debts	3,109	282
Interest	3,768	3,608
Amortization of equipment	20,494	18,880
	<u>809,471</u>	<u>770,567</u>
<b>Excess of revenues over expenses before net building amortization</b>	<u>24,488</u>	<u>14,589</u>
<b>Net building amortization</b>		
Amortization of deferred contributions for buildings	15,100	12,590
Amortization of buildings	(21,013)	(16,830)
	<u>(5,913)</u>	<u>(4,240)</u>
<b>Excess of revenues over expenses for the year</b>	<u>18,575</u>	<u>10,349</u>

**Note:** The above non-consolidated schedule has been provided as supplemental information and represents the operating results of the Hospital.