
Financial statements of Unity Health Toronto

March 31, 2022

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Management's Report

To the Board of Directors of
Unity Health Toronto

The accompanying financial statements of Unity Health Toronto ("Unity Health") have been prepared by, and are the responsibility of management. The financial statements have been prepared in accordance with Canadian public sector accounting standards. The accounting policies selected by management are considered to be the most appropriate to fairly represent Unity Health's financial affairs. The preparation of financial statements necessarily involves management judgement and estimates of expected outcomes of current events and transactions with appropriate consideration to materiality.

Unity Health maintains a system of internal accounting and financial controls designed to provide reasonable assurance about the reliability of financial data, to ensure adequate control over transactions, and to safeguard the assets of Unity Health. This system of internal controls includes formal written accounting and administrative policies and procedures and an organizational structure that provides an appropriate division of responsibilities and authority. Management recognizes the inherent risk in any system and believes the overall systems and controls provide reasonable assurance as to the integrity of the financial statements.

The members of Unity Health and the Board of Directors have appointed Deloitte LLP as Unity Health's external auditors. Their accompanying report is based on an examination conducted in accordance with Canadian generally accepted auditing standards.



Dr. Tim Rutledge
President and CEO



Dean Martin
Executive Vice President, Corporate Services
and CFO

Independent Auditor's Report

To the Board of Directors of
Unity Health Toronto

Opinion

We have audited the financial statements of Unity Health Toronto ("Unity Health"), which comprise the statement of financial position as at March 31, 2022, and the statements of operations, changes in net assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Unity Health as at March 31, 2022, and the results of its operations, changes in net assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Unity Health in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing Unity Health'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 Unity Health or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Unity Health's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Unity Health'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 Unity Health's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Unity Health to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 21, 2022


Unity Health Toronto
Statement of financial position


As at March 31, 2022
(In thousands of dollars)

	Notes	2022 \$	2021 \$
Assets			
Current assets			
Cash and cash equivalents		136,839	160,165
Accounts receivable	4	155,160	99,999
Inventories		13,774	13,654
Prepaid expenses and other assets		6,825	5,743
Restricted cash and investments	3	28,674	17,832
		341,272	297,393
Long-term assets			
Restricted cash and investments	3	457,027	311,194
3.0 redevelopment project – long term funding receivable	6	28,452	43,751
Property, plant and equipment	5	1,006,845	980,143
		1,833,596	1,632,481
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		265,653	239,955
Current portion of long-term debt	8	2,450	2,364
Deferred revenue		46,933	30,536
3.0 redevelopment project	6	173,274	173,274
		488,310	446,129
Long-term liabilities			
Long-term debt	8	193,044	95,494
3.0 redevelopment project	6	16,206	23,707
Pension benefits – supplemental plan	10	22,352	21,183
Other post-employment benefits	10	33,088	30,962
Deferred capital contributions	11	795,091	753,857
Deferred research and trust contributions	7	154,674	133,515
Other long-term liabilities	15	6,753	8,330
		1,709,518	1,513,177
Contingencies and commitments	15		
Net assets		124,078	119,304
		1,833,596	1,632,481

The accompanying notes are an integral part of the financial statements.

On behalf of the Board of Directors


_____, Chair, Board of Directors
Colleen Johnston


_____, Vice Chair, Board of Directors
Nora Aufreiter

Unity Health Toronto
Statement of operations

Year ended March 31, 2022
(In thousands of dollars)

	Notes	2022	2021
		\$	\$
Revenues			
Ministry of Health and Ontario Health	18	1,097,925	1,084,869
Patient revenue		48,577	41,659
Other income		95,586	75,575
Interest income		2,555	2,529
Grants and donations for research and other purposes	7	106,109	91,464
Amortization of deferred capital contributions	11	34,134	27,932
		1,384,886	1,324,028
Expenses			
Salaries, wages and employee benefits		848,488	832,173
Medical and surgical supplies		94,826	83,920
Drugs and medical gases		83,120	59,609
Other supplies and expenses		178,993	185,652
Bad debts		1,002	4,090
Interest accretion	8	5,728	3,058
Amortization of property, plant and equipment		62,164	55,111
Research expenses		105,791	91,426
		1,380,112	1,315,039
Surplus for the year		4,774	8,989

The accompanying notes are an integral part of the financial statements.

Unity Health Toronto**Statement of changes in net assets**

As at March 31, 2022

(In thousands of dollars)

	Invested in property, plant and equipment	Internally restricted	Unrestricted	2022	2021
Notes	\$	\$	\$	\$	\$
Net assets, beginning of year	231,507	6,200	(118,403)	119,304	110,315
Excess of revenue over expenses	(28,030)	3	32,801	4,774	8,989
Invested in property, plant and equipment	14,780	—	(14,780)	—	—
Net assets, end of year	218,257	6,203	(100,382)	124,078	119,304

The accompanying notes are an integral part of the financial statements.

Unity Health Toronto
Statement of cash flows

As at March 31, 2022
(In thousands of dollars)

	Notes	2022 \$	2021 \$
Operating activities			
Excess of revenue over expenses		4,774	8,989
Items not affecting cash			
Amortization of property, plant, and equipment		62,164	55,111
Amortization of deferred capital contributions	11	(34,134)	(27,932)
Employee future benefits expense	10	5,086	5,178
Recognition of deferred research and trust contributions	7	(106,109)	(91,464)
Interest on deferred and research contributions received	7	122	168
Interest accretion	8	5,728	3,058
Decrease in net payable for 3.0 redevelopment project	6	(7,501)	(64,417)
Net change in non-cash working capital balances	13	(14,268)	27,975
		(84,138)	(83,334)
Capital activity			
Purchase of property, plant and equipment	12(b)	(88,866)	(62,252)
Financing activities			
Contributions received for capital purposes	11	75,368	72,783
Contributions received for 3.0 redevelopment project	6	15,299	19,467
Contributions received/(receivable) for deferred research and trust	7	127,146	121,819
Proceeds from long-term debt for Electronic Patient Record (EPR)	8	100,000	—
Repayment of mortgage, loan and obligations under capital lease	8	(8,092)	(6,526)
Contributions to employee future benefits	10	(1,791)	(4,162)
Net change in restricted cash and investments		(156,675)	(2,395)
Net change in other long-term liabilities		(1,577)	2,670
		149,678	203,656
Net (decrease) increase in cash and cash equivalents		(23,326)	58,070
Cash and cash equivalents, beginning of year		160,165	102,095
Cash and cash equivalents, end of year		136,839	160,165
Cash and cash equivalents are comprised of			
Cash		129,592	152,937
Cash equivalents		7,247	7,228
		136,839	160,165

The accompanying notes are an integral part of the financial statements.

Unity Health Toronto

Notes to the financial statements

March 31, 2022

(In thousands of dollars)

1. Nature of Unity Health

Unity Health Toronto ("Unity Health") was incorporated, without share capital under the Corporations Act (Ontario) on August 1, 2017, as a charitable organization and is a registered charity within the meaning of the Income Tax Act (Canada). Unity Health was formed through the integration of three legacy hospitals, Providence Healthcare, St. Joseph's Health Centre, and St. Michael's Hospital on August 1, 2017. On January 1, 2019, Unity Health changed its name from Providence, St. Joseph's and St. Michael's Healthcare to Unity Health Toronto.

Unity Health is a multi-site network that spans across Toronto with three hospitals, one long term care home, seven family health team locations, two withdrawal management centres, two community-based dialysis sites, one ambulatory care building, one large research and education facility and other satellite academic offices. Together, they operate 1,438 beds and annually welcome more than 360,000 patients. The services cover the full spectrum of care, from pre-hospital through its primary providers to post-acute to rehabilitation, palliative and long-term care. Through its academic mission, Unity Health is a hub of educational and research excellence. As responsible care providers, Unity Health strives to make the most efficient use of its resources while ensuring the delivery of the highest quality care.

The Catholic Health Corporation of Ontario (CHCO) is the sponsoring organization of Unity Health as a Catholic institution. The members of the Board of Directors of CHCO are also the members of Unity Health.

With each of the three legacy hospitals in Unity Health founded by the Sisters of St. Joseph of Toronto (the Sisters), Unity Health comprises Canada's largest Catholic health care provider. Today, Unity Health continues the legacy of the Sisters by ensuring that care is available to all in need.

2. Summary of significant accounting policies

The financial statements are prepared in accordance with Canadian public sector accounting standards including sections PS 4200 to PS 4270 pertaining to government not-for-profit organizations. The significant accounting policies are summarized below.

Revenue recognition

Unity Health follows the deferral method of accounting for contributions, which includes donations and government grants. Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Under the Health Insurance Act (Ontario) and the regulations thereunder, Unity Health is funded primarily by the Province of Ontario in accordance with funding arrangements established by the Ministry of Health (the "MOH") through the Hospital Service Accountability Agreement, the Long-Term Care Service Accountability Agreement, and the Multi-Sector Service Accountability Agreement with the Toronto Region/Ministry of Health. Ontario Health ("OH"), a Crown agency of the Government of Ontario, was established on June 6, 2019. Effective April 1, 2021, OH assumed all responsibilities of the Toronto Central Local Health Integration Network ("Toronto Central LHIN") as it relates to Unity Health. In addition, all agreements between Unity Health and the Toronto Central LHIN were transferred to OH.

Unity Health Toronto
Notes to the financial statements

March 31, 2022

(In thousands of dollars)

2. Summary of significant accounting policies (continued)

Revenue recognition (continued)

Grants and funding authorized by the MOH/OH as of the end of the fiscal year, and for which a specific purpose or use has been identified, are recognized as revenue when there is reasonable assurance that Unity Health has complied with, and will continue to comply with, all conditions necessary to earn the grant. The recognition of revenue associated with such grants requires management to make estimates and assumptions based on the best information available at the time of preparation of these financial statements. Final funding approved is subject to the funders' reconciliation process, and could differ from these estimates. Refer to Note 18 for further discussion on funding related to COVID-19 pandemic response.

Grants for which revenue has been earned but not received at the end of the fiscal year are accrued as receivable. Where a portion of a grant received relates to a future period, it is deferred and recognized in that subsequent fiscal year unless the MOH/OH makes a request for funds to be repaid, at which time the amounts are reclassified as amounts due to the MOH/OH.

Restricted contributions are recognized as revenue in the period in which the related expenses are recognized.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding to the amortization rate for the related capital asset.

To the extent that MOH/OH funding has been received with the stipulated requirement that Unity Health provides specific services, and these services have not yet been provided, the funding is deferred until such time as the services are performed, or is recorded as payable back to MOH/OH.

Investment income earned on grants received for research and trust and unspent MOH/OH capital grants are recognized as an increase in deferred capital contributions and are considered restricted to these purposes. Unrestricted investment income, which consists of interest and realized gains and losses, is recognized as revenue when earned.

Revenue from patient and resident revenue, from other payers, preferred accommodation and co-payment revenues, and marketed services is recognized when the goods are sold or the service is provided.

Cash and cash equivalents and restricted cash and investments

Cash and cash equivalents and restricted cash and investments include deposits held with Canadian chartered banks and liquid short-term investments that have a maturity date of 3 months or less at the time of purchase, such as guaranteed investment certificates. Cash equivalents and restricted investments are recorded at amortized cost. Interest is recorded on an accrual basis.

Inventories

Inventories consist primarily of hospital supplies held for patient care and are recorded at the lower of cost and current replacement cost. Cost per unit is determined by the weighted average costing method.

Unity Health Toronto
Notes to the financial statements

March 31, 2022

(In thousands of dollars)

2. Summary of significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are initially recorded at cost. Contributed property, plant and equipment are recorded at fair value at the date of contribution. Expenditures for new facilities or those expenditures that substantially increase the useful lives of existing property, plant and equipment are capitalized. Repair costs to maintain normal operating efficiency are expensed as incurred. Maintenance, repairs and minor replacements are also expensed as incurred. Amortization is recorded on a straight-line basis over the estimated useful lives of the assets at the following rates:

Land improvements	10 to 20 years
Buildings	10 to 50 years
Building equipment	5 to 25 years
Equipment	3 to 20 years
Leasehold improvements	term of lease

Construction-in-progress consists of direct construction and development costs, as well as borrowing costs on debt that are capitalized when the activities necessary to prepare an asset for development or redevelopment begins, and continues until construction is substantially complete and the asset is ready for its intended use. For borrowing associated with specific developments, the amount of interest capitalized is the gross interest incurred on borrowing less any investment income arising on temporary investment of such borrowings.

No amortization is recorded until construction is substantially complete and the assets are brought into service.

Gains or losses on disposals of capital assets are included in the statement of operations in the year of disposal.

Employee benefit plans

Unity Health administers three Supplementary Retirement Plans (SRP) for some employees, which provide for the benefits that cannot be paid from the HOOPP. Active SRP members who have joined HOOPP (on January 1, 2019 or July 1, 2019 respectively) will also have their SRP benefits paid by HOOPP.

In addition to the pension plans, Unity Health administers post-employment benefit plans for full-time employees who retire from active service.

Except for its participation in HOOPP, Unity Health accrues its obligations for the various employee future benefit plans. The cost of non-pension post-retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of the retirement ages of employees and expected health-care costs.

Actuarial gains and losses on the accrued benefit obligation arise from changes in actuarial assumptions used to determine the accrued benefit obligation and are amortized over the average remaining service period of the active employees. Past service costs arising from plan amendments are recognized in the period the plan amendments occur.

Unity Health records its contributions made to HOOPP using defined contribution plan accounting, as it does not have sufficient information available to apply defined benefit plan accounting. Contributions made to HOOPP are expensed when due.

Unity Health Toronto
Notes to the financial statements

March 31, 2022

(In thousands of dollars)

2. Summary of significant accounting policies (continued)

Internally restricted net assets

Internally restricted net assets include certain fund surpluses designated for specific purposes by the Board of Directors. As at March 31, 2022, \$6,203 (\$6,200 in 2021) of internally restricted net assets have been set aside for the repayment of future debt by the Board of Directors.

Contributed services and materials

A substantial number of volunteers contribute a significant amount of their time each year. Due to the difficulty of determining the fair value, these contributed services are not recognized or disclosed in the financial statements and related notes. Contributed materials are recorded, when received, at fair value.

Financial instruments

Financial instruments reported on the Statement of financial position are measured as follows:

Financial instrument	Measurement
Cash and cash equivalents	Amortized cost
Restricted cash and investments	Amortized cost
Accounts receivable	Amortized cost
3.0 redevelopment project – funding receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
3.0 redevelopment project – liability	Amortized cost

Financial instruments measured at amortized cost are carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets. Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument. Financial instruments measured at fair value are recorded based on prices quoted in an active market.

Write downs on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to recoverable value with the write down being recognized in the Statement of operations.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards for government not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are subject to significant measurement uncertainty. For all estimates, actual results could differ from those estimates.

Estimates and assumptions are used primarily in the determination of: the useful lives of capital assets, and the related amortization policies; percentage of completion of capital redevelopment; recognition of externally restricted contributions; employee future benefits; accrued liabilities; deferred revenue, revenue, due to/from MOH, provisions for accounts receivable that may be doubtful, and provisions for inventory obsolescence. Actual results could differ from management's estimates as additional information becomes available in the future.

Unity Health Toronto
Notes to the financial statements

March 31, 2022

(In thousands of dollars)

2. Summary of significant accounting policies (continued)

Use of estimates (continued)

In particular, the amount of revenue recognized from MOH and OH requires some estimation. Unity Health has entered into accountability agreements that set out the rights and obligations of the parties in respect of funding provided to Unity Health by MOH and OH. The accountability agreements set out certain performance standards and obligations that establish acceptable results for Unity Health's performance in a number of areas.

If Unity Health does not meet its performance standards or obligations, MOH and OH have the right to adjust funding received. Neither MOH nor the OH are required to communicate certain funding adjustments until after 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 OH funding recognized as revenue during a period may be increased or decreased subsequent to period end. The amount of revenue recognized in these financial statements represents management's best estimates of amounts that have been earned during the year.

3. Restricted cash and investments

Restricted cash and investments are comprised of \$149,127 (\$124,749 in 2021) that are restricted for research and trust activities. These amounts are held as long term restricted cash as the intended use spans greater than one year. The restricted cash and investments also include \$321,217 (\$189,442 in 2021) that are restricted to support capital and redevelopment projects. The Board of Directors has internally restricted funds of \$6,203 (\$6,200 in 2021) which are held as long term restricted cash for repayment of future debt obligations.

Amounts held at year end have been invested in:

	2022	2021
	\$	\$
Cash	365,306	307,682
Short-term investments	120,395	21,344
	485,701	329,026

Effective January 1, 2015, two of the legacy hospitals entered into an agreement with Healthcare Insurance Reciprocal of Canada (HIROC) whereby the costs of investigating and defending any litigation claims are borne by Unity Health. To fund the expected costs, Unity Health transfers funds to an operating account managed by HIROC Management Limited as Unity Health's appointed agent. The cash balance of \$7,144 and short-term investments balance of \$2,010 (cash balance of \$5,634 and short-term investments balance of \$2,000 in 2021) are restricted for these costs. The short-term investments are comprised of GIC's which have a maturity date of January 25, 2023 with an effective fixed interest rate of 2.82% (January 25, 2022 with an effective interest rate of 2.82% in 2021).

Unity Health Toronto
Notes to the financial statements

March 31, 2022

(In thousands of dollars)

4. Accounts receivable

Accounts receivable consist of the following:

	2022	2021
	\$	\$
Patients and other	45,117	34,823
Ministry of Health and Ontario Health	81,545	39,712
St. Joseph's Health Centre Foundation	197	461
St. Michael's Hospital Foundation	28,301	25,003
	155,160	99,999

Accounts receivable from St. Michael's Hospital Foundation includes a receivable of \$27,006 (\$24,218 in 2021) related to the SMH 3.0 redevelopment project.

5. Property, plant and equipment

Property, plant and equipment consist of the following:

	2022	2021
	\$	\$
Cost		
Land and land improvements	26,866	26,866
Buildings	1,121,223	1,090,337
Building equipment	71,036	69,871
Equipment	697,301	668,958
Leasehold improvements	64,636	64,615
Construction-in-progress	122,004	93,553
	2,103,066	2,014,200
Accumulated amortization		
Land improvements	2,009	1,955
Buildings	390,905	363,142
Building equipment	50,074	47,595
Equipment	615,532	586,939
Leasehold improvements	37,701	34,426
	1,096,221	1,034,057
	1,006,845	980,143

6. SMH 3.0 redevelopment project

In 2015, the St. Michael's Hospital site entered into a guaranteed price Project Agreement with the special purpose entity, 2442931 Ontario Inc. (Project Co), to design, build and finance the St. Michael's 3.0 redevelopment project (Project). The Project includes the construction of a new 17-storey patient care tower, a renovated Emergency Department, and significant upgrades to improve the existing hospital space including the replacement of the Shuter Wing. The sole shareholder of Project Co is the third-party construction company, Bondfield Construction Company Ltd. (BCCL).

Unity Health Toronto
Notes to the financial statements

March 31, 2022

(In thousands of dollars)

6. SMH 3.0 redevelopment project (continued)

The complete MOH project cost of the SMH 3.0 redevelopment project along with ancillary costs and additional scope is estimated to be \$420,960 (\$420,960 in 2021), inclusive of the fixed guaranteed price contract cost of the Project of \$301M. The MOH's share of construction and renovation project costs, including construction financing is expected to be \$350,550 (\$350,550 in 2021). No payment has been made to Project Co pursuant to the guaranteed price contract due to non-completion of the renovation and construction covered by the Project Agreement, and ongoing litigation commenced by Zurich (see Contingent liabilities subheader within note 6 below).

Significant delays were experienced on the Project, and BCCL was granted court protection from its creditors in April 2019. The Project Agreement required that Project Co secure two bonds to be available in the event that Project Co defaulted on its obligations under the Project Agreement. These two bonds are: a Performance Bond, to complete the work under the Project Agreement, and a Labour and Material Payment Bond, to pay subcontractors to Project Co for work performed prior to the default. Zurich Insurance Company Ltd. (Zurich) provided these surety bonds.

Following Project Co's 2018 default of its obligations under the Project Agreement, a call on the Performance Bond was made. Zurich paid amounts under the Bonds in an effort to move the Project towards completion. In August 2019, Zurich notified Unity Health that it was electing to end its involvement in the Project, and that it would pay out the balance of the remaining amount owing under the Performance Bond. Unity Health obtained a court order in December 2019 permitting it to exercise its remedial rights under the Project Agreement which included hiring EllisDon as its construction manager.

In 2020, Unity issued an RFP for a construction manager for the remaining phases of the Project. EllisDon was selected as the successful proponent in summer 2021 and the contract was awarded in February 2022.

During construction, Unity Health had and continues to have title to the building and has accounted for this redevelopment at the value of construction-in-progress, which corresponds to the obligation owing to the construction manager. Unity Health has also accounted for the proportionate share of MOH and St. Michael's Hospital Foundation funding as a receivable and the corresponding deferred capital contributions.

The value of work completed as at March 31, 2022, including through the exercise of remedial rights by Unity Health, is \$316,776 (\$306,959 in 2021) and has been recognized as construction-in-progress and capitalized assets within property, plant and equipment, with a corresponding redevelopment obligation of \$233,341 (\$173,274 current and \$16,206 long-term liabilities) (\$227,126 in 2021, \$173,274 current and \$23,707 long-term liabilities). Costs incurred through the exercise of remedial rights to complete the work covered by the Project Agreement (of \$43,860 in 2020 and \$30,145 in 2021), are being recorded as an offset against the amount payable to Project Co.

Unity Health has recorded a long-term receivable owing from the MOH in the amount of \$21,282 (\$37,014 in 2021) and a corresponding deferred capital contribution of \$266,009 (\$257,874 in 2021) in relation to the project. The MOH has transferred \$244,727 (\$220,861 as of 2021) for the redevelopment project. Receipts from MOH are in excess of amounts paid out by \$149,561 (\$172,541 in 2021). This amount is held as restricted cash by Unity Health at year end.

Unity Health has also recorded a receivable owing from the St. Michael's Foundation in the amount of \$34,176 (\$27,006 current and \$7,170 long-term receivable) (\$30,955 as of 2021; \$24,218 current and \$6,737 long-term receivable) and a corresponding deferred capital contribution of \$71,477 (\$68,256 in 2021) in relation to the project. The St. Michael's Hospital Foundation has transferred \$37,301 (\$37,301 in 2021) for the redevelopment project.

Unity Health Toronto
Notes to the financial statements

March 31, 2022

(In thousands of dollars)

6. SMH 3.0 redevelopment project (continued)

Contingent assets

During 2020, Unity Health served an indebtedness notice on Project Co's lender's agent with respect to losses incurred for unperformed or underperformed obligations of Project Co. The recovery of these losses remains uncertain and is not considered measurable at this time. No asset has been recognized in the financial statements of Unity Health related to potential recoveries at this time.

Contingent liabilities

Unity Health may be exposed to legal claims as a result of the litigations. The nature, amount, and likely outcome of any such claims is uncertain and is not considered estimable at this time.

Accordingly, no provision for loss has been made in these financial statements.

In April 2020, Zurich commenced litigation against Project Co, BCCL, Unity Health, a former executive of Unity Health, and BCCL's former President, declaring that due to allegations of collusion between the individual defendants during the procurement of the Project, the Performance Bond and the Labour and Material Bond are null and void (Zurich Action). In management's view, the outcome of this claim is not determinable at this time.

Several of BCCL's subtrades have named Unity Health in their actions against Zurich for amounts owing under the Labour and Material Bond. The claims assert that if that bond is found to be void as a result of Unity Health's conduct, which is to be determined in the Zurich Action, the amounts otherwise owing to these trades under the bond should be recoverable from Unity Health. In management's view, the outcome of these claims is not determinable at this time.

In addition to the Zurich Action, in April 2022 the Lenders to Project Co brought an application seeking remedies including payments related to the disputed completion status of the patient care tower under the Project Agreement. In management's view, the outcome of this claim is not determinable at this time. The Lenders also commenced an action in April 2022 against Unity Health, Project Co, Infrastructure Ontario, BCCL, its former President and a former executive of Unity Health to recover the amounts paid by the Lenders to Project Co. The Lenders' allegations in this action mirror the allegations of misconduct in the procurement process as alleged in the Zurich Action.

7. Deferred research and trust contributions

	2022	2021
	\$	\$
Balance, beginning of year	133,515	102,992
Contributions received/accrued	127,146	121,819
Interest income	122	168
Revenue recognized	(106,109)	(91,464)
Balance, end of year	154,674	133,515

Unity Health Toronto
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8. Long term debt

	2022	2021
	\$	\$
Obligations under capital lease (Note 15(d))	855	1,026
Less: Current portion of obligations under capital lease	191	171
Long-term portion of obligations under capital lease	664	855
Mortgage payable for land	1	1
Less: Current portion of mortgage payable for land	—	—
Long-term portion of mortgage payable for land	1	1
Obligation under OFA loan	94,638	96,831
Less: Current portion of OFA loan	2,259	2,193
Long-term portion of OFA loan	92,379	94,638
Obligation under EPR loan	100,000	—
Less: Current portion of EPR loan	—	—
Long-term portion of EPR loan	100,000	—
Total current portion of long-term debt	2,450	2,364
Total long-term portion of long-term debt	193,044	95,494
	195,494	97,858

Future principal payments required are as follows:

	\$
2023	2,450
2024	2,545
2025	2,642
2026	2,669
2027	2,544
Thereafter	182,644
	<u>195,494</u>

Accreted interest expense on capital leases for the period was \$116 (\$138 in 2021).

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Notes to the financial statements

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8. Long term debt (continued)

In 2006, the St Michael's Hospital site purchased certain land and buildings from the Sisters for \$20,000. An initial payment of \$6,000 was made for the acquisition and the remaining \$14,000 is being financed by a vendor take-back (VTB) mortgage, interest free over a term of 40 years. Remaining principal repayment is \$1 in February 2046. Unity Health determined the fair value of the VTB mortgage was \$10,080, using a discount rate of 4.5%. The carrying value will be accreted over the term of the mortgage and will be reflected as interest expense. Accreted interest expense for the year was \$nil (\$nil in 2021).

The mortgage is subject to the continued use of the land and buildings acquired from the vendor. In the event of a breach of Unity Health's undertaking, Unity Health may be required to pay, within 60 days, the remaining principal balance owing on the mortgage and \$21,000, which is the discount Unity Health received on the fair market value at the time of purchase. This is subject to the outcome of a dispute resolution process. As at March 31, 2022, Unity Health is not in breach of its undertaking.

Unity Health secured a \$100,000 loan from the Ontario Financing Authority, which was executed on May 10, 2019. The loan has a contractual interest rate of 2.991% and has a term of 30 years. The proceeds of this loan were used towards a one-time payment for the entry cost of St. Michael's Hospital Pension Plan into HOOPP. Accreted interest expense for the period was \$2,855 (\$2,920 in 2021).

On June 1, 2021, Unity Health issued \$100,000 of 3.308% Senior Unsecured Series A Debentures at par value with a maturity date of June 1, 2061. Interest is payable semi-annually on December and June of each year with the principal to be repaid on June 1, 2061. The proceeds from this issuance will be used to fund capital investments to support hospital operations, including an Electronic Patient Record (EPR) project. Accreted interest expense for the period was \$2,757 (\$nil in 2021).

9. Lines of credit

Unity Health has \$97,462 (\$97,462 in 2021) of unsecured, revolving demand lines of credit with Canadian banks. During the year, Unity Health utilized \$nil (\$42,498 in 2021) from the lines of credit. Interest incurred relating to the lines of credit totaled \$nil (\$4 in 2021). As at March 31, 2022, Unity Health has also issued letters of credit of \$245 (\$245 in 2021).

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10. Employee future benefits

Information about Unity Health's pension and other benefit plans is determined based on actuarial valuations for accounting purposes as at March 31, 2022, with measurement date of December 31, 2021. The details of Unity Health's pension plans and other post-employment benefits are as follows:

	Supplementary pension plan \$	Other post- employment plan \$	2022 Total \$	2021 Total \$
Reconciliation of funded status to accrued benefit liability				
Accrued benefit obligation	36,564	33,348	69,912	72,228
Fair value of plan assets	9,385	—	9,385	12,854
Funded status-deficit	27,179	33,348	60,527	59,374
Unamortized actuarial loss	(4,692)	151	(4,541)	(6,340)
Contributions made January 1, 2022 to March 31, 2022 (January 1, 2021 to March 31, 2021)	(135)	(411)	—	(889)
Employee future benefits liability	22,352	33,088	55,986	52,145
Change in employee future benefits				
Employee future benefits liability beginning of the year	21,183	30,962	52,145	51,129
Benefit expense for the year	1,346	3,740	5,086	5,178
Employer contributions	(177)	(1,614)	(1,791)	(4,162)
Employee future benefits liability, end of the year	22,352	33,088	55,440	52,145
Benefits paid to beneficiaries during the year	2,018	1,595	3,613	3,418
Components of benefit expense for the year				
Current service cost	—	1,290	1,290	997
Interest cost	942	691	1,633	1,774
Past service costs	—	1,207	1,207	—
Actual return on plan assets	1,990	—	1,990	50
Expected return on plan assets	(2,166)	—	(2,166)	(263)
Actuarial (gain) loss on obligation	(1,964)	(869)	(2,833)	6,355
Amortization of actuarial losses	—	(84)	(84)	(322)
Amortization of loss (gain) vs. period loss (gain) on obligation	2,544	1,505	4,049	(3,413)
Benefit expense for the year	1,346	3,740	5,086	5,178

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10. Employee future benefits (continued)

The significant actuarial assumptions adopted in measuring Unity Health's accrued benefit obligations for the defined benefit plans are as follows:

	2022	2021
	%	%
St. Joseph's Health Centre plans		
Discount rate – Supplementary pension plan	2.90	2.44
Discount rate – Other post-retirement benefits	2.90	2.44
Expected return on plan assets	—	—
Range for age related compensation increases	1.50	1.50
St. Michael's Hospital plans		
Discount rate – Supplementary pension plan	2.90	2.44
Discount rate – Other post-retirement benefits	2.90	2.44
Expected return on plan assets	2.90	2.44
Range for age related compensation increases	1.00	1.00
Providence Healthcare plans		
Discount rate – Supplementary pension plan	2.90	2.44
Discount rate – Other post-retirement benefits	2.90	2.44
Expected return on plan assets	—	—
Range for age related compensation increases	1.50	1.50

The expected annual increase in medical and dental costs applicable to the post-employment benefits plan was 5.57% at December 31, 2021 for medical costs and 3.00% for dental costs (5.57% for medical and 3.00% for dental costs in 2020), changing over twenty years to a final rate of 3.57% for the plans.

The last full actuarial valuations for accounting purposes for the supplementary pension plans and other post-retirement benefits plans were as of December 31, 2020. The information disclosed above is based on an extrapolation of the results of the full accounting valuations to March 31, 2022.

Contributions to HOOPP multi-employer plan

Employer contributions to HOOPP made during the year by Unity Health amounted to \$52,912 (\$50,107 in 2021) and are included in salaries, wages and employee benefits expenses. The most recent actuarial valuation of the plan as at December 31, 2021 indicates the plan is 120% (119% in 2020) funded. Because the plan is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of the participating members and employees in HOOPP and should be dealt with according to the rules of the plan. As a result, Unity Health does not recognize any share of the plan surplus or deficit. Unity Health records estimated liabilities for accrued employee benefits in the year they are earned.

11. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of contributions received, which were specified for the purchase of property, plant and equipment. The amortization of these contributions is recorded as revenue in the statement of operations.

	2022	2021
	\$	\$
Balance, beginning of year	753,857	709,006
Contributions received	75,368	72,783
Amounts amortized into revenue	(34,134)	(27,932)
Balance, end of year	795,091	753,857

12. Net assets invested in property, plant and equipment

(a) Net assets invested in property, plant and equipment is comprised of the following:

	2022	2021
	\$	\$
Property, plant and equipment	1,006,845	980,143
Less amounts funded by deferred capital contributions (net of capital funding received in advance of \$7,358 (\$6,247 in 2021))	(787,733)	(747,610)
Obligations from capital leases (Note 8)	(855)	(1,026)
	218,257	231,507

(b) The net investment in property, plant and equipment is calculated as follows:

	2022	2021
	\$	\$
Purchase of property, plant and equipment	88,866	62,252
Amounts funded by deferred capital contributions	(74,257)	(73,144)
Net change in capital lease obligations	171	340
	14,780	(10,552)

13. Net change in non-cash working capital balances

The changes in non-cash working capital items are as follows:

	2022	2021
	\$	\$
Accounts receivable	(55,161)	(52,311)
Inventories	(120)	(5,848)
Prepaid expenses and other assets	(1,082)	587
Accounts payable and accrued liabilities	25,698	79,616
Deferred revenue	16,397	5,931
	(14,268)	27,975

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14. Related party transactions

Related party transactions in the normal course of operations between Unity Health and various related parties measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties, were as follows:

	2022	2021
	\$	\$
Capital donations received from the Foundations	29,851	31,805
Non-capital donations received from the Foundations	20,200	24,649
Reimbursements received from the Foundations of operating expenditures paid by Unity Health on behalf of the Foundations	10,383	10,549
Funding received from St. Michael's Hospital Academic Family Health Team	8,115	8,131
Payments to Plexxus	15,961	14,801

(a) *Plexxus*

Unity Health has an economic interest in and is a member of Plexxus. The objectives of Plexxus are to improve service levels and maximize non-clinical efficiencies, resulting in savings for members that will be reinvested in direct patient care. On October 2, 2020 Unity Health provided a notice to Plexxus to terminate the agreement by April 1, 2022. The termination date has since moved to October 1, 2022 when Unity Health will transition to Mohawk Medbuy Corporation.

(b) *Foundations of Unity Health*

Unity Health has an economic interest in the Foundations which were established to raise and manage funds for the benefit of the legacy organizations. The Foundations are incorporated as public foundations under the Canada Corporations Act. The net assets and results of operations of the Foundations are not included in the financial statements of Unity Health.

At March 31, 2022, there is \$35,668 receivable (\$32,201 in 2021) from the Foundations representing the reimbursement of operating expenses paid by Unity Health on behalf of the Foundations, and donations from St. Michael's Hospital Foundation for SMH 3.0 redevelopment project. To date, St. Michael's Hospital Foundation has committed \$34,176 (\$27,006 current and \$7,170 long-term) (\$30,955 in 2021; \$24,218 current and \$6,737 long-term) receivable for the balance of the completed portion of SMH 3.0 redevelopment project.

Effective April 1, 2021, Providence Healthcare Foundation amalgamated with St Michael's Hospital Foundation.

	2022	2021
	\$	\$
Current receivable		
St Joseph's Health Centre Foundation	197	461
St Michael's Hospital Foundation	28,301	25,003
	28,498	25,464
Long-term receivable		
St Michael's Hospital Foundation	7,170	6,737
	35,668	32,201

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14. Related party transactions (continued)

(c) *Sisters of St Joseph of Toronto*

On incorporation of Unity Health, a lease agreement was established with the owners, the Sisters of St. Joseph of Toronto, for the land and buildings at the Providence Healthcare and St Joseph's Health Centre sites. The lease requires a monthly nominal payment of one dollar, and expires on December 29, 2036. Unity Health is responsible for all occupancy costs including leasehold improvements.

(d) *St. Michael's Hospital Academic Family Health Team*

Unity Health does not exercise significant influence or control over the St. Michael's Hospital Academic Family Health Team (FHT).

Unity Health received funding from the FHT, a separately incorporated organization that receives funding from the MOH. These revenues were recognized to offset certain operating expenses of Unity Health associated with the provision of clinical resources, administrative and support services to the FHT and are included in other income.

15. Contingencies and commitments

- (a) Unity Health is a member of the Healthcare 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 Unity Health was a member. No reassessments have been made to March 31, 2022.

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 premiums plus investment income over the obligation for their allocation of claims reserves and 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 at March 31, 2022.

- (b) From time to time, Unity Health is named in lawsuits related to its activities. It is not possible to determine the merits of these claims or to estimate the possible financial liability, if any, to Unity Health. Accordingly, no provision for loss has been made in these financial statements, but in management's view, these claims should not have a material adverse effect on the financial position of Unity Health.
- (c) Future minimum operating lease payments are as follows:

	<u>\$</u>
2023	6,986
2024	6,337
2025	5,712
2026	5,353
2027	5,362
Thereafter	<u>24,656</u>
	<u>54,406</u>

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15. Contingencies and commitments (continued)

(d) Future minimum annual lease payments required under capital lease arrangements are as follows:

	\$
2023	287
2024	287
2025	286
2026	209
Total lease payments	1,069
Less: amount representing interest	(214)
	855
Less: current portion	(191)
	664

(e) Unity Health has entered into agreements with its vendor, Mohawk Medbuy Corporation (MMC), to purchase \$928 of personal protective equipment (\$8,550 in 2021) within a year of the statement of financial position date.

16. Risk management

Risk management

Unity Health is exposed to a variety of financial risks, including market risk, credit risk and liquidity risk. Unity Health's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on Unity Health's financial performance.

Market risk

Market risk includes interest rate risk and other price risks. Unity Health is not subject to significant market risk as its cash equivalents, restricted investments and long-term debt have fixed interest rates and Unity Health intends to carry them until maturity. The cash equivalents and restricted investments are carried at amortized cost. As such their valuation does not change with changes in the fair value of the underlying cash equivalents and restricted investments unless the change in fair value is indicative of impairment. The long-term debt is carried at amortized cost. Unity Health could be exposed to market risk if it were required to liquidate its cash equivalents and restricted investments, or settle its long-term debt before they mature.

Credit risk

Credit risk is the risk a counterparty may default on its contractual obligations resulting in financial loss. Unity Health is exposed to credit risk with respect to its accounts receivable, cash equivalents and restricted investments.

Unity Health's investment policy operates within the constraints of the investment guidelines and is monitored by management on a monthly basis.

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16. Risk management (continued)

Credit risk (continued)

Unity Health is exposed to credit risk with respect to its accounts receivable in the event of non-payment by patients for non-insured services and services provided to non-resident patients. The risk is common to hospitals as they are required to provide care for patients regardless of their ability to pay for services. Unity Health assesses this risk on a continuous basis and provides for any amounts that are not collectible in the allowance for doubtful accounts. Unity Health expects to collect all accounts receivable within one year except those which have been provided for.

Liquidity risk

Liquidity risk results from Unity Health's potential inability to meet its obligations associated with financial liabilities as they come due. To manage liquidity risk, Unity Health monitors its operations and cash flows to ensure sufficient resources exist to meet its obligations. Unity Health's investments are restricted to include only those investments that are highly liquid and can easily be converted into cash.

The majority of trade accounts payable and accrued liabilities are generally paid within 45 days of receipt of an invoice.

There have been no significant changes from the previous year in Unity Health's exposure to risks or policies, procedures and methods used to measure risks, aside from the risk related to debentures described in Note 8. Unity Health believes its current sources of liquidity are sufficient to cover its known obligations.

17. Comparative figures

Certain comparative numbers have been reclassified to conform to the current year presentation.

18. Pandemic response

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel corona virus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put into place to combat the spread of the virus.

As a result of the COVID-19 pandemic response, Unity Health experienced a change in the demand for its services and incurred unbudgeted pandemic response expenditures during the year ended March 31, 2022. The MOH/OH have issued a series of funding announcements during the year to support the continued COVID-19 response across the hospital sector. The various funding envelopes are intended to support the continued provision of patient care during the pandemic and to reduce operating pressures resulting from surgical backlogs and delayed or cancelled procedures to offset the incremental operating and capital expenditures incurred to provide direct COVID-19 care, including assessments, vaccine administration, and critical care.

The various funding envelopes are subject to a broader funding reconciliation by the MOH and is subject to a high degree of uncertainty including the adjustment and claw back of funding already recognized. Unity Health has made its best estimates and has adhered to the guidance received from the MOH to recognize the amount of funding available. The outcomes of any funding reconciliations, which may be material to the financial statements, will be adjusted in the year of notification by MOH and OH.

The duration and long-term impact of the COVID-19 pandemic is unknown at this time and it is not possible to reliably estimate the impact that the severity and length of the pandemic will have on the financial results and condition of Unity Health in future periods.

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19. Subsequent event

On April 22, 2022, Unity Health signed a Master Collaboration Agreement to transfer Intellectual Property for Artificial Intelligence (AI) solutions developed by Unity Health's Data Science and Advanced Analytics (DSAA) team in exchange for a 5% equity in Signal 1. Signal 1 is a start-up for-profit private entity with the mission to transform patient care through responsibly deployed AI and commercialization of products to transform healthcare delivery and improve health outcomes for patients. Signal 1's depth of technological and entrepreneurial experience will help to drive the development and growth of Unity Health's AI solutions. Signal 1 plans to provide hospitals with an end-to-end solution for integrating AI-driven insights into existing hospital workflows.

A further 13% equity stake in Signal 1 will vest over a five-year period giving Signal 1 the opportunity to co-develop and own the commercial rights for future ideas developed by Unity Health's DSAA team. The DSAA program at Unity Health prioritizes ideas for development based on the project's ability to improve patient outcomes and decrease operational costs. Signal 1 will have the opportunity to opt-in and co-develop solutions where they see potential to share AI solutions more broadly. Due to the startup nature of Signal 1, the financial effect of this equity stake on Unity Health cannot be determined at this time.