
Financial Statements of Unity Health Toronto

March 31, 2023

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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, 2023, 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, 2023, 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 20, 2023

Unity Health Toronto
Statement of financial position

As at March 31, 2023
(In thousands of dollars)

	Notes	2023 \$	2022 \$ (Restated) (Note 2)
Assets			
Current assets			
Cash and cash equivalents		104,252	136,839
Accounts receivable	4	124,845	155,163
Inventories		12,493	13,774
Prepaid expenses and other assets		7,647	6,825
Restricted cash and investments	3	60,500	28,674
		309,737	341,275
Long-term assets			
Restricted cash and investments	3	410,878	457,024
3.0 redevelopment project – long term funding receivable	7	41,725	28,452
Property, plant and equipment	5	1,037,742	1,012,877
		1,800,082	1,839,628
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		270,464	265,653
Current portion of long-term debt	9	2,543	2,450
Deferred revenue		55,970	46,933
3.0 redevelopment project	7	145,325	173,274
		474,302	488,310
Long-term liabilities			
Long-term debt	9	190,501	193,044
3.0 redevelopment project	7	—	16,206
Pension benefits – supplemental plan	11	23,343	22,352
Other post-employment benefits	11	34,361	33,088
Deferred capital contributions	12	815,457	795,091
Deferred research and trust contributions	8	156,040	154,674
Other long-term liabilities	6 and 16	29,700	30,088
		1,723,704	1,732,853
Contingencies and commitments	16		
Net assets		76,378	106,775
		1,800,082	1,839,628

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, 2023
(In thousands of dollars)

	Notes	2023	2022
		\$	\$
			(Restated) (Note 2)
Revenues			
Ministry of Health and Ontario Health		1,084,712	1,097,925
Patient revenue		55,130	48,577
Other income		164,510	95,586
Interest income		12,947	2,555
Grants and donations for research and other purposes	8	120,639	106,109
Amortization of deferred capital contributions	12	38,097	34,134
		1,476,035	1,384,886
Expenses			
Salaries, wages and employee benefits		865,554	848,488
Medical and surgical supplies		103,128	94,826
Drugs and medical gases		142,419	83,120
Other supplies and expenses		162,484	178,993
Bad debts		2,053	1,002
Interest accretion	9	6,195	5,728
Amortization of property, plant and equipment		62,325	62,424
Research expenses		120,637	105,791
		1,464,795	1,380,372
Excess of revenue over expenses (before Bill 124)		11,240	4,514
Bill 124	19	41,637	—
(Deficiency) excess of revenue over expenses		(30,397)	4,514

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

Unity Health Toronto

Statement of changes in net assets

As at March 31, 2023

(In thousands of dollars)

	Notes	Invested in property, plant and equipment \$	Internally Restricted \$	Unrestricted \$	2023 \$	2022 \$
						(Restated) (Note 2)
Net assets, beginning of year, as previously stated		218,257	6,203	(100,382)	124,078	119,304
Asset retirement obligation	2	6,032	—	(23,335)	(17,303)	(17,043)
Net assets beginning of year, as restated		224,289	6,203	(123,717)	106,775	102,261
(Deficiency) excess of revenue over expenses		(24,228)	158	(6,327)	(30,397)	4,514
Invested in property, plant and equipment	13(b)	25,806	—	(25,806)	—	—
Net assets, end of year		225,867	6,361	(155,850)	76,378	106,775

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

Unity Health Toronto
Statement of cash flows

As at March 31, 2023
(In thousands of dollars)

	Notes	2023 \$	2022 \$ (Restated) (Note 2)
Operating activities			
(Deficiency) excess of revenue over expenses		(30,397)	4,514
Items not affecting cash			
Amortization of property, plant, and equipment		62,325	62,424
Amortization of deferred capital contributions	12	(38,097)	(34,134)
Employee future benefits expense	11	4,275	5,086
Recognition of deferred research and trust contributions	8	(120,639)	(106,109)
Interest on deferred and research contributions received	8	600	122
Interest accretion	9	6,195	5,728
Decrease in net payable for 3.0 redevelopment project	7	(44,155)	(7,501)
Net change in non-cash working capital balances	14	44,625	(14,271)
		(115,268)	(84,141)
Capital activity			
Purchase of property, plant and equipment	13(b)	(87,190)	(88,866)
Financing activities			
Contributions received for capital purposes	12	58,463	75,368
Contributions (receivable)/received for 3.0 redevelopment project	7	(13,273)	15,299
Contributions received/(receivable) for deferred research and trust	8	121,405	127,146
Proceeds from long-term debt for Electronic Patient Record (EPR)	9	—	100,000
Repayment of mortgage, loan and obligations under capital lease	9	(8,645)	(8,092)
Contributions to employee future benefits	11	(2,011)	(1,791)
Net change in restricted cash and investments		14,320	(156,672)
Net change in other long-term liabilities		(388)	(1,577)
		169,871	149,681
Net decrease in cash and cash equivalents		(32,587)	(23,326)
Cash and cash equivalents, beginning of year		136,839	160,165
Cash and cash equivalents, end of year		104,252	136,839
Cash and cash equivalents are comprised of			
Cash		76,852	129,592
Cash equivalents		27,400	7,247
		104,252	136,839

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

Unity Health Toronto

Notes to the financial statements

March 31, 2023

(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 1,513 beds and annually welcome more than 365,000 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.

Change in accounting policy

Effective April 1, 2022, Unity Health adopted Canadian Public Sector Accounting Standard PS 3280, Asset Retirement Obligations using the modified retroactive application method. Under this method, Unity Health recognized:

- A liability for any existing asset retirement obligations;
- An asset retirement cost capitalized as an increase to the carrying amount of the related tangible capital assets;
- Accumulated amortization on that capitalized cost; and
- An adjustment to the opening balance of the accumulated surplus/deficit

Unity Health Toronto
Notes to the financial statements

March 31, 2023

(In thousands of dollars)

2. Summary of significant accounting policies (continued)

Change in accounting policy (continued)

The change follows the effective implementation date for Asset Retirement Obligations in accordance with PS 3280 for fiscal years beginning on or after April 1, 2022. Comparative figures as at and for the year ended March 31, 2022 have been restated. The impact of restatement to comparative figures is as follows:

Statement of financial position

	2022 As previously reported \$	ARO adjustments \$	2022 \$ <u>Restated</u>
Property, plant and equipment	1,006,845	6,032	1,012,877
Other long-term liabilities	6,753	23,335	30,088
Net assets	<u>124,078</u>	<u>(17,303)</u>	<u>106,775</u>

Statement of operations

	2022 As previously reported \$	ARO adjustments \$	2022 \$ <u>Restated</u>
Amortization expense	<u>62,164</u>	<u>260</u>	<u>62,424</u>

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, 2022, 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.

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.

Unity Health Toronto
Notes to the financial statements

March 31, 2023

(In thousands of dollars)

2. Summary of significant accounting policies (continued)

Revenue recognition (continued)

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 for 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.

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

Unity Health Toronto
Notes to the financial statements

March 31, 2023

(In thousands of dollars)

2. Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

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 Healthcare of Ontario Pension Plan (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.

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, 2023, \$6,361 (\$6,203 in 2022) 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.

Unity Health Toronto
Notes to the financial statements

March 31, 2023

(In thousands of dollars)

2. Summary of significant accounting policies (continued)

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.

Asset retirement obligations

Asset retirement obligations (ARO) are provisions for legal obligations for the retirement of the Unity Health's tangible capital assets that are either in productive use or no longer in productive use.

An ARO liability is recognized when, as at the financial reporting date:

- (a) there is a statutory, contractual, or legal obligation to incur retirement costs in relation to a tangible capital asset;
- (b) the past transaction or event giving rise to the liability has occurred;
- (c) it is expected that future economic benefits will be given up; and
- (d) a reasonable estimate of the amount can be made.

Unity Health recognizes an ARO in the period in which it incurs a statutory, contractual, or legal obligation associated with the retirement of tangible capital assets resulting from the acquisition, construction, development, and/or normal operation of the tangible capital assets.

The liabilities are measured initially at management's best estimate of the undiscounted future cash flows required to settle the retirement obligation. For tangible capital assets that are still in productive use, the estimated amount of the asset retirement cost is capitalized as part of the carrying value of the related tangible capital asset and is amortized over the life of the asset. For tangible capital assets that are not recorded or are no longer in productive use, the liability is expensed in the period.

At each reporting date, Unity Health reviews its ARO to reflect current best estimates. The ARO is adjusted for changes in the liability estimate, with the offsetting amount recorded to the carrying amount of the related tangible capital asset.

Actual costs incurred are charged against the ARO to the extent of the liability recorded. Differences between the actual costs incurred and the liability are recognized in the Statement of Operations when remediation is completed.

Unity Health Toronto
Notes to the financial statements

March 31, 2023

(In thousands of dollars)

2. Summary of significant accounting policies (continued)

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; asset retirement obligations; 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.

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 \$162,964 (\$149,127 in 2022) 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 \$292,540 (\$321,217 in 2022) that are restricted to support capital and redevelopment projects. The Board of Directors has internally restricted funds of \$6,200 (\$6,200 in 2022) which are held as long term restricted cash for repayment of future debt obligations. The amount of interest accrued on the internally restricted funds is \$158 (\$3 in 2022), included in accounts receivable (refer to Note 4).

Amounts held at year end have been invested in:

	2023	2022
	\$	\$
Cash	351,413	365,303
Short-term investments	119,965	120,395
	471,378	485,698

Unity Health Toronto
Notes to the financial statements

March 31, 2023

(In thousands of dollars)

3. Restricted cash and investments (continued)

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 \$8,613 and short-term investments balance of \$1,061 (cash balance of \$7,144 and short-term investments balance of \$2,010 in 2022) are restricted for these costs. The short-term investments are comprised of GIC's which have a maturity date of January 25, 2024 with an effective fixed interest rate of 2.82% (January 25, 2023 with an effective interest rate of 2.82% in 2022).

4. Accounts receivable

Accounts receivable consist of the following:

	2023	2022
	\$	\$
Patients and other	56,274	45,120
Ministry of Health and Ontario Health	36,843	81,545
St. Joseph's Health Centre Foundation	36	197
St. Michael's Hospital Foundation	31,692	28,301
	124,845	155,163

Accounts receivable from St. Michael's Hospital Foundation includes a receivable of \$30,824 (\$27,006 in 2022) related to the SMH 3.0 redevelopment project.

5. Property, plant and equipment

Property, plant and equipment consist of the following:

	2023	2022
	\$	\$
		(Restated) (Note 2)
Cost		
Land and land improvements	26,866	26,866
Buildings	1,165,323	1,144,458
Building equipment	72,646	71,036
Equipment	719,399	697,401
Leasehold improvements	66,716	64,636
Construction-in-progress	162,616	122,004
	2,213,566	2,126,401
Accumulated amortization		
Land improvements	2,062	2,009
Buildings	437,433	408,145
Building equipment	52,641	50,074
Equipment	642,947	615,595
Leasehold improvements	40,741	37,701
	1,175,824	1,113,524
	1,037,742	1,012,877

Unity Health Toronto
Notes to the financial statements

March 31, 2023

(In thousands of dollars)

6. Asset retirement obligations

Unity Health’s asset retirement obligations consist of the following:

Asbestos obligation

Unity Health owns and operates a number of buildings containing asbestos requiring remediation upon decommissioning. The Canadian Environmental Protection Act (CEPA) governs the protection of the environment and human health with respect to the hazardous waste such as asbestos. There are regulations specifically regarding the handling of asbestos, such as the “Prohibition of Asbestos and Products Containing Asbestos Regulations” which are published under the authority of CEPA. In addition, the Canada Occupational Health and Safety Regulations (10.26.1 Schedule, Division II – Hazardous Substances Other than Hazardous Products) outlines requirements for asbestos exposure control plans, as well as requirements on disposal of asbestos and decontamination.

Radioactive equipment obligation

Unity Health owns and operates a piece of equipment that is known to contain radioactive material, which represents a health hazard upon disposal. In accordance with the Nuclear Safety and Control Act (NSCA) and other applicable regulations, the Canadian Nuclear Safety Commission (CNSC) regulates the use of nuclear materials and equipment in Canada and is responsible for issuing licenses for specific nuclear uses requested. The licenses specify a requirement for safe termination of licensed activities, including decommission, remediation and disposal of nuclear substances and equipment. This would indicate that future economic benefits would be given up by Unity Health, therefore resulting in an asset retirement obligation.

The liabilities are the estimated undiscounted future cash flows required to settle the asset retirement obligations, and is estimated at \$23,335 (\$23,335 in 2022).

A reconciliation of the beginning and ending aggregate carrying amount of the liability is as follows:

	2023	2022
	\$	\$
Balance, beginning of year	23,335	—
Adjustment on adoption of PS 3280 (Note 2)	—	23,335
Balance, beginning of year, as restated	23,335	23,335
Changes during the year		
Estimated liabilities incurred	—	—
Estimated liabilities settled	—	—
Estimated liabilities disposed	—	—
Revisions in estimated cashflows	—	—
	23,335	23,335
Balance, end of year	23,335	23,335

Unity Health Toronto

Notes to the financial statements

March 31, 2023

(In thousands of dollars)

7. 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).

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 2022), inclusive of the fixed guaranteed price contract cost of the Project of \$301,000. The MOH's share of construction and renovation project costs, including construction financing is expected to be \$350,550 (\$350,550 in 2022). 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 7 below). In October 2022, following a court order, \$23,888 (including HST) was paid to the Accountant of the Superior Court of Justice for 'Unity Health Toronto's Holdback Obligation' as defined in the court order.

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, 2023, including through the exercise of remedial rights by Unity Health, is valued at \$329,984 (\$316,776 in 2022) and has been recognized as construction-in-progress and capitalized assets within property, plant and equipment, with a corresponding redevelopment obligation of \$145,325 (\$145,325 current and \$0 long-term liabilities) (\$189,480 in 2022, \$173,274 current and \$16,206 long-term liabilities) subject to ongoing litigation and available set-offs. Costs incurred through the exercise of remedial rights to complete the work covered by the Project Agreement (\$76,125 as of March 31, 2023 and \$43,860 as of March 31, 2022), are being recorded as an offset against any amount that may become payable against the fixed guaranteed price contract cost of the Project.

Unity Health Toronto

Notes to the financial statements

March 31, 2023

(In thousands of dollars)

7. SMH 3.0 redevelopment project (continued)

Unity Health has recorded a long-term receivable owing from the MOH in the amount of \$33,331 (\$21,282 in 2022) and a corresponding deferred capital contribution of \$278,058 (\$266,009 in 2022) in relation to the project. The MOH has transferred \$244,727 (\$244,727 as of 2022) for the redevelopment project. Receipts from MOH are in excess of amounts paid out by \$114,300 (\$149,561 in 2022). 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 \$39,218 (\$30,824 current and \$8,394 long-term receivable) (\$34,176 as of 2022; \$27,006 current and \$7,170 long-term receivable) and a corresponding deferred capital contribution of \$76,518 (\$71,477 in 2022) in relation to the project. The St. Michael's Hospital Foundation has transferred \$37,301 (\$37,301 in 2022) for the redevelopment project.

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 litigation related to the SMH 3.0 redevelopment project. The nature, amount, and likely outcome of any claims are 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. In management's view, the outcome of this claim is not determinable at this time.

Unity Health Toronto
Notes to the financial statements
 March 31, 2023
 (In thousands of dollars)

8. Deferred research and trust contributions

	2023	2022
	\$	\$
Balance, beginning of year	154,674	133,515
Contributions received/accrued	121,405	127,146
Interest income	600	122
Revenue recognized	(120,639)	(106,109)
Balance, end of year	156,040	154,674

9. Long term debt

	2023	2022
	\$	\$
Obligations under capital lease (Note 16(d))	664	855
Less: Current portion of obligations under capital lease	217	191
Long-term portion of obligations under capital lease	447	664
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	92,379	94,638
Less: Current portion of OFA loan	2,326	2,259
Long-term portion of OFA loan	90,053	92,379
Obligation under EPR loan	100,000	100,000
Less: Current portion of EPR loan	—	—
Long-term portion of EPR loan	100,000	100,000
Total current portion of long-term debt	2,543	2,450
Total long-term portion of long-term debt	190,501	193,044
	193,044	195,494

Future principal payments required are as follows:

	\$
2024	2,543
2025	2,642
2026	2,669
2027	2,544
2028	2,620
Thereafter	180,026
	193,044

Accreted interest expense on capital leases for the period was \$93 (\$116 in 2022).

Unity Health Toronto
Notes to the financial statements

March 31, 2023

(In thousands of dollars)

9. 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 2022).

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, 2023, 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 \$2,789 (\$2,855 in 2022).

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 \$3,313 (\$2,757 in 2022).

10. Lines of credit

Unity Health has \$97,462 (\$97,462 in 2022) of unsecured, revolving demand lines of credit with Canadian banks. During the year, Unity Health utilized nil (nil in 2022) from the lines of credit. Interest incurred relating to the lines of credit totaled nil (nil in 2022). As at March 31, 2023, Unity Health has also issued letters of credit of \$406 (\$245 in 2022).

Unity Health Toronto
Notes to the financial statements

March 31, 2023

(In thousands of dollars)

11. 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, 2023, with measurement date of December 31, 2022. The details of Unity Health's pension plans and other post-employment benefits are as follows:

	Supplementary pension plan \$	Other post- employment plan \$	2023 Total \$	2022 Total \$
Reconciliation of funded status to accrued benefit liability				
Accrued benefit obligation	31,547	31,643	63,190	69,912
Fair value of plan assets	8,369	—	8,369	9,385
Funded status-deficit	23,178	31,643	54,821	60,527
Unamortized actuarial gain (loss)	264	3,127	3,391	(4,541)
Contributions made	(99)	(409)	(508)	(546)
Employee future benefits liability	23,343	34,361	57,704	55,440
Change in employee future benefits				
Employee future benefits liability beginning of the year	22,352	33,088	55,440	52,145
Benefit expense for the year	1,456	2,819	4,275	5,086
Employer contributions	(465)	(1,546)	(2,011)	(1,791)
Employee future benefits liability, end of the year	23,343	34,361	57,704	55,440
Benefits paid to beneficiaries during the year	2,094	1,548	3,642	3,613
Components of benefit expense for the year				
Current service cost	—	1,339	1,339	1,290
Interest cost	1,030	824	1,854	1,633
Past service costs	—	2,049	2,049	1,207
Actual return on plan assets	(577)	—	(577)	1,990
Expected return on plan assets	469	—	469	(2,166)
Actuarial gain on obligation	(3,953)	(4,368)	(8,321)	(2,833)
Amortization of actuarial losses	—	(1,001)	(1,001)	(84)
Amortization of loss vs. period loss on obligation	4,487	3,976	8,463	4,049
Benefit expense for the year	1,456	2,819	4,275	5,086

Unity Health Toronto
Notes to the financial statements

March 31, 2023

(In thousands of dollars)

11. 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:

	2023	2022
	%	%
St. Joseph's Health Centre plans		
Discount rate – Supplementary pension plan	4.05	2.90
Discount rate – Other post-retirement benefits	4.05	2.90
Expected return on plan assets	0.00	0.00
Range for age related compensation increases	1.50	1.50
St. Michael's Hospital plans		
Discount rate – Supplementary pension plan	4.05	2.90
Discount rate – Other post-retirement benefits	4.05	2.90
Expected return on plan assets	4.05	2.90
Range for age related compensation increases	1.00	1.00
Providence Healthcare plans		
Discount rate – Supplementary pension plan	4.05	2.90
Discount rate – Other post-retirement benefits	4.05	2.90
Expected return on plan assets	0.00	0.00
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, 2022 for medical costs and 3.00% for dental costs (5.57% for medical and 3.00% for dental costs in 2021), 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, 2023.

Contributions to HOOPP multi-employer plan

Employer contributions to HOOPP made during the year by Unity Health amounted to \$54,703 (\$52,912 in 2022) and are included in salaries, wages and employee benefits expenses. The most recent actuarial valuation of the plan as at December 31, 2022 indicates the plan is 117% (120% in 2021) 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.

Unity Health Toronto
Notes to the financial statements

March 31, 2023

(In thousands of dollars)

12. 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.

	2023	2022
	\$	\$
Balance, beginning of year	795,091	753,857
Contributions received	58,463	75,368
Amounts amortized into revenue	(38,097)	(34,134)
Balance, end of year	815,457	795,091

13. Net assets invested in property, plant and equipment

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

	2023	2022
	\$	\$
Property, plant and equipment	1,037,742	1,012,877
Less amounts funded by deferred capital contributions (net of capital funding received in advance of \$4,246 (\$7,358 in 2022))	(811,211)	(787,733)
Obligations from capital leases (Note 9)	(664)	(855)
	225,867	224,289

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

	2023	2022
	\$	\$
Purchase of property, plant and equipment	87,190	88,866
Amounts funded by deferred capital contributions	(61,575)	(74,257)
	191	171
	25,806	14,780

14. Net change in non-cash working capital balances

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

	2023	2022
	\$	\$
Accounts receivable	30,318	(55,164)
Inventories	1,281	(120)
Prepaid expenses and other assets	(822)	(1,082)
Accounts payable and accrued liabilities	4,811	25,698
Deferred revenue	9,037	16,397
	44,625	(14,271)

Unity Health Toronto
Notes to the financial statements

March 31, 2023

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15. 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:

	2023	2022
	\$	\$
Capital donations received from the Foundations	17,038	29,851
Non-capital donations received from the Foundations	14,689	20,200
Reimbursements received from the Foundations of operating expenditures paid by Unity Health on behalf of the Foundations	10,818	10,383
Funding received from St. Michael's Hospital Academic Family Health Team	8,285	8,115
Payments to Plexxus	8,429	15,961

(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 1, 2022, the agreement was terminated and Unity Health transitioned to Mohawk Medbuy Corporation (MMC). Plexxus and MMC have merged effective April 1, 2023.

(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, 2023, there is \$40,122 receivable (\$35,668 in 2022) 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 \$39,218 (\$30,824 current and \$8,394 long-term) (\$34,176 in 2022; \$27,006 current and \$7,170 long-term) receivable for the balance of the completed portion of SMH 3.0 redevelopment project.

	2023	2022
	\$	\$
Current receivable		
St Joseph's Health Centre Foundation	36	197
St Michael's Hospital Foundation	31,692	28,301
	31,728	28,498
Long-term receivable		
St Michael's Hospital Foundation	8,394	7,170
	40,122	35,668

Unity Health Toronto
Notes to the financial statements

March 31, 2023

(In thousands of dollars)

15. 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 (SMH FHT).

Unity Health received funding from the SMH 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 SMH FHT and are included in other income.

(e) St. Joseph's Health Care Academic Family Health Team

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

Unity Health received funding from the SJH 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 SJH FHT and are included in revenue from the Ministry of Health and Ontario Health.

(f) Signal 1

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. Unity Health has a 5% equity in Signal 1 as at March 31, 2023, and does not exercise significant influence or control over Signal 1. Unity Health has not recorded its 5% interest in Signal 1 as an investment on the Statement of Financial Position as at March 31, 2023 due to the uncertainty of the valuation of Signal 1.

Unity Health Toronto
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March 31, 2023

(In thousands of dollars)

16. 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 contributions, which are actuarially determined and are expensed in the current year. These contributions are subject to further assessment for experience gains and losses, by the pool, for the years in which Unity Health was a member. The contributions are actuarially assessed on an annual basis.

Since its inception in 1987, HIROC has accumulated an unappropriated surplus, which is the total of contributions 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 contributions 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, 2023.

- (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>
2024	7,061
2025	6,375
2026	5,759
2027	5,774
2028	3,221
Thereafter	<u>21,705</u>
	<u>49,895</u>

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

	<u>\$</u>
2024	287
2025	286
2026	<u>210</u>
Total lease payments	783
Less: amount representing interest	<u>(119)</u>
	664
Less: current portion	<u>(217)</u>
	<u>447</u>

- (e) Unity Health has entered into agreements with its vendor, Mohawk Medbuy Corporation (MMC), to purchase \$nil of personal protective equipment (\$928 in 2022) within a year of the statement of financial position date.

Unity Health Toronto
Notes to the financial statements

March 31, 2023

(In thousands of dollars)

16. Contingencies and commitments (continued)

- (f) On April 22, 2023 Unity Health selected Epic Systems, a globally-recognized vendor, to build and implement its new network-wide electronic patient record (EPR) system. Once implemented, this system will support multiple care environments, from home to hospital and community. An international leader in the EPR space, Epic Systems is the chosen vendor of many premier health systems across Ontario and Canada. Over the next 18 months, Unity Health and Epic will work together to build and implement the new EPR system, with a tentative go live date in late 2024 or early 2025.

17. 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.

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.

Unity Health Toronto
Notes to the financial statements

March 31, 2023

(In thousands of dollars)

17. Risk management (continued)

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 30 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. Unity Health believes its current sources of liquidity are sufficient to cover its known obligations.

18. Comparative figures

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

19. Bill 124

Bill 124, the Protecting a Sustainable Public Sector for Future Generations Act, 2019, provided a three-year window of salary moderation capping annual increases to 1% for unionized employees of the Ontario government, Crown agencies, the broader public sector and a range of organizations that receive funding from the Ontario government, including Hospitals.

On November 29, 2022, Bill 124 was declared by the Ontario Superior Court of Justice to be "void and of no effect", on the grounds that it interfered with unions' freedom of association rights under the Canadian Charter of Rights and Freedoms. As a result of the court decision ruling Bill 124 to be "void and of no effect", certain collective agreements may need to be re-opened for all years impacted by Bill 124. Accordingly, Unity Health has recorded an accrued liability for estimated retroactive payments to the impacted employees.