

# University Health Network

Financial statements

March 31, 2024



# Independent auditor's report

To the Board of Trustees of  
**University Health Network**

## Opinion

We have audited the financial statements of the **University Health Network** ["UHN"], which comprise the statement of financial position as at March 31, 2024, and the statement of operations, statement of changes in net assets, statement of remeasurement gains and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of UHN as at March 31, 2024, and its results of operations 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. 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 UHN 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 UHN'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 UHN or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing UHN'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 generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



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

- Identify and assess the risks of material misstatement of the 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 UHN'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 UHN'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 UHN 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities with UHN to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

*Ernst & Young LLP*

Toronto, Canada  
June 26, 2024

Chartered Professional Accountants  
Licensed Public Accountants



# University Health Network

## Statement of financial position

[in thousands of dollars]

As at March 31

	2024	2023
	\$	\$
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents <i>[note 5[b]]</i>	620,218	428,953
Accounts receivable <i>[note 3]</i>	361,909	358,326
Inventory	35,751	30,181
Prepaid expenses	28,242	25,610
<b>Total current assets</b>	<b>1,046,120</b>	<b>843,070</b>
Loans receivable	1,600	1,600
Capital assets, net <i>[note 4]</i>	1,657,111	1,607,137
Long-term investments		
Held for contingency funds <i>[note 5[a]]</i>	15,083	15,083
Other <i>[note 5[b]]</i>	658,755	591,311
	<b>3,378,669</b>	<b>3,058,201</b>
<b>Liabilities and net assets</b>		
<b>Current</b>		
Accounts payable and accrued liabilities <i>[notes 8[d], 13[a], 13[b], 13[c], and 13[e]]</i>	1,172,942	1,099,434
Current portion of long-term liabilities <i>[notes 6 and 8]</i>	4,845	4,930
<b>Total current liabilities</b>	<b>1,177,787</b>	<b>1,104,364</b>
Due to MaRS Development Trust <i>[note 6]</i>	54,270	57,975
Deferred research contributions <i>[note 7]</i>	475,599	450,152
Long-term debt <i>[note 8]</i>	271,298	143,785
Employee future benefit liabilities <i>[note 9[b]]</i>	53,101	52,449
Deferred capital contributions <i>[note 10]</i>	775,113	700,815
<b>Total liabilities</b>	<b>2,807,168</b>	<b>2,509,540</b>
Commitments and contingencies <i>[note 14]</i>		
Subsequent event <i>[note 1]</i>		
<b>Net assets</b>		
From operations		
Internally restricted <i>[note 11]</i>	156,586	141,159
Unrestricted	409,309	405,251
	<b>565,895</b>	<b>546,410</b>
Accumulated remeasurement gains	5,606	2,251
<b>Total net assets</b>	<b>571,501</b>	<b>548,661</b>
	<b>3,378,669</b>	<b>3,058,201</b>

See accompanying notes

On behalf of the Board of Trustees:



Dean Connor  
Chair, Board of Trustees



Stu Kedwell  
Chair, Finance and Audit Committee

## University Health Network

### Statement of operations

[in thousands of dollars]

Year ended March 31

	2024	2023
	\$	\$
<b>Revenue</b>		
Ontario Ministry of Health and Ontario Health	1,913,395	1,678,774
Other patient services	278,512	229,590
Grants and donations for research and other purposes [notes 7 and 13]	425,029	396,074
Ancillary services and other [notes 5[c] and 13[a]]	585,544	546,392
Amortization of deferred capital contributions [note 10]	71,441	63,925
	<u>3,273,921</u>	<u>2,914,755</u>
<b>Expenses</b>		
Compensation [note 9]	1,924,159	1,791,037
Medical, surgical supplies and drugs	557,919	485,435
Other supplies and expenses [notes 13[b] and 13[c]]	437,361	384,706
Plant operations and equipment maintenance	177,857	156,819
Amortization [note 4]	145,342	135,237
Interest on long-term liabilities [notes 6, 8[a], 8[b] and 15]	11,798	9,509
	<u>3,254,436</u>	<u>2,962,743</u>
<b>Excess (deficiency) of revenue over expenses for the year</b>	<u>19,485</u>	<u>(47,988)</u>

See accompanying notes

## University Health Network

### Statement of changes in net assets

[in thousands of dollars]

Year ended March 31

	2024		2023
	Internally restricted	Unrestricted	Total
	\$	\$	\$
<b>Balance, beginning of year</b>	<b>141,159</b>	<b>405,251</b>	<b>546,410</b>
Excess (deficiency) of revenue over expenses for the year	—	<b>19,485</b>	<b>19,485</b>
Interfund transfers <i>[note 11]</i>	<b>15,427</b>	<b>(15,427)</b>	—
<b>Balance, end of year</b>	<b>156,586</b>	<b>409,309</b>	<b>565,895</b>

See accompanying notes

## University Health Network

### Statement of remeasurement gains

[in thousands of dollars]

Year ended March 31

	2024	2023
	\$	\$
<b>Accumulated remeasurement gains, beginning of year</b>	<b>2,251</b>	1,451
Net unrealized gains (losses) attributable to:		
Interest rate swap contract <i>[note 8[d]]</i>	714	1,052
Portfolio investments	<b>2,641</b>	(252)
<b>Accumulated remeasurement gains, end of year</b>	<b>5,606</b>	2,251

See accompanying notes

## University Health Network

### Statement of cash flows

[in thousands of dollars]

Year ended March 31

	2024	2023
	\$	\$
<b>Operating activities</b>		
Excess (deficiency) of revenue over expenses for the year	19,485	(47,988)
Add (deduct) items not involving cash		
Amortization	145,342	135,237
Amortization of deferred capital contributions	(71,441)	(63,925)
Other post-employment benefit expense	3,274	1,734
	<u>96,660</u>	25,058
Net change in non-cash working capital balances related to operations <i>[note 12[a]]</i>	61,684	(19,532)
Net increase in deferred research contributions	25,447	30,588
Employer contributions for employee benefit plan	(2,622)	(2,354)
<b>Cash provided by operating activities</b>	<u>181,169</u>	33,760
<b>Investing activities</b>		
Increase in loans receivable, net	—	(350)
Decrease (increase) in other long-term investments, net	(64,803)	21,813
<b>Cash provided by (used in) investing activities</b>	<u>(64,803)</u>	21,463
<b>Financing activities</b>		
Contributions received for capital purposes	145,739	73,373
Decrease in due to MaRS Development Trust	(3,468)	(3,246)
Advances of long-term debt	128,653	36,800
Repayment of long-term debt	(1,462)	(25,397)
<b>Cash provided by financing activities</b>	<u>269,462</u>	81,530
<b>Capital activities</b>		
Purchase of capital assets <i>[note 12[b]]</i>	(194,563)	(264,635)
<b>Cash used in capital activities</b>	<u>(194,563)</u>	(264,635)
<b>Net increase (decrease) in cash during the year</b>	<b>191,265</b>	<b>(127,882)</b>
Cash and cash equivalents, beginning of year	428,953	556,835
<b>Cash and cash equivalents, end of year</b>	<u>620,218</u>	428,953

See accompanying notes



# University Health Network

## Notes to financial statements

[all amounts are expressed in thousands of dollars, except where noted]

March 31, 2024

### 1. Description of the organization

University Health Network ["UHN"] is a corporation without share capital incorporated under the *University Health Network Act, 2002*, devoted to patient care, education and research. UHN primarily fulfills its objects through the operation of four hospitals separately identified as the Princess Margaret Cancer Centre, the Toronto General Hospital, the Toronto Western Hospital and the Toronto Rehabilitation Institute.

As a charitable organization under the *Income Tax Act* (Canada), UHN is exempt from income taxes.

Under the *Health Insurance Act* (Ontario) and the regulations thereunder, UHN hospital operations are funded primarily by the Province of Ontario in accordance with funding arrangements established by the Ontario Ministry of Health ["MOH"] and Ontario Health.

The MOH approved the voluntary integration of UHN and West Park Healthcare Centre, effective April 1, 2024. The two hospital corporations amalgamated to become Canada's most comprehensive and specialized rehabilitation and complex continuing care centre. Effective April 1, 2024, the newly amalgamated UHN has all of the assets, rights, liabilities and obligations of the two predecessor corporations.

### 2. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian public sector accounting standards ["PSAS"] for government not-for-profit organizations as promulgated by CPA Canada. UHN has chosen to use the standards for government not-for-profit organizations that include Section PS 4200 to PS 4270. Accordingly, these financial statements have been prepared based on the significant accounting policies summarized below.

#### Basis of presentation

These financial statements include the assets, liabilities and results of operations of UHN for its activities at the four hospitals. These financial statements do not include the assets, liabilities or results of operations of the following non-controlled not-for-profit entities in which UHN has an economic interest [note 13]:

- UHN Foundation;
- Princess Margaret Cancer Foundation ["PMC Foundation"];
- The Toronto Hospital Research Corporation [inactive]; and
- de Souza Institute Foundation [inactive].

These financial statements do not include the assets, liabilities and results of operations of the entities controlled by UHN for which, in accordance with PSAS, UHN has chosen to disclose summarized information in a note [note 13].

# University Health Network

## Notes to financial statements

[all amounts are expressed in thousands of dollars, except where noted]

March 31, 2024

### Revenue recognition

UHN follows the deferral method of accounting for contributions. Contributions are recorded in the accounts when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted contributions are recognized as revenue when initially recorded in the accounts. Externally restricted contributions are deferred when initially recorded in the accounts and recognized as revenue in the period in which the related expenses are incurred.

Revenue from ancillary services and other patient services is recognized when the goods have been sold or when the services have been rendered.

Investment income (loss) recorded in the statement of operations consists of interest, dividends, income distributions from pooled funds, and realized gains and losses, net of related fees. Unrealized gains and losses are recorded in the statement of remeasurement gains.

### Cash and cash equivalents

Cash and cash equivalents include cash on deposit and short-term investments that have a term to maturity of approximately three months or less from the date of purchase unless they are held for investment rather than liquidity purposes, in which case they are classified as long-term investments.

### Inventory

Inventories held for commercial sale are valued at the lower of cost and net realizable value. All other inventories are recorded at the lower of cost and current replacement value. All inventory is reviewed on a regular basis for obsolete, damaged and expired items, and any items that are found to be impaired are written off when such a determination is made.

### Capital assets

Purchased capital assets are recorded at cost. Donated capital assets are recorded at fair market value at the date of contribution. Capital assets are amortized on a straight-line basis at annual rates based on the estimated useful lives of the assets as follows:

Buildings and improvements	5–50 years
Equipment and furniture	2–20 years
Other equipment and systems	5–15 years

Assets leased on terms that transfer substantially all of the benefits and risks of ownership to UHN are accounted for as capital leases as though the asset had been purchased and a liability incurred. All other leases are accounted for as operating leases.

Assets under development are comprised of construction, development costs and interest capitalized during the construction period. Other equipment and systems includes hardware, software, development and other associated costs. No amortization is recorded until the assets are ready for productive use.

When a capital asset no longer has any long-term service potential to UHN, the excess of the carrying value over any residual value is recognized as an expense in the statement of operations.

## University Health Network

### Notes to financial statements

[all amounts are expressed in thousands of dollars, except where noted]

March 31, 2024

#### Asset retirement obligations

Asset retirement obligations are recorded in the period during which a legal obligation associated with the retirement of a capital asset is incurred and when a reasonable estimate of this amount can be made. The asset retirement obligation is initially measured at the best estimate of the amount required to retire a capital asset at the financial statement date. A corresponding amount is added to the carrying amount of the related capital asset and is then amortized over its remaining useful life. Changes in the liability due to the passage of time are recognized as an accretion expense and are recorded within the accretion expense in the statement of operations, with a corresponding increase in the liability.

The estimated amounts of future costs to retire the assets are reviewed annually and adjusted to reflect the then current best estimate of the liability. Adjustments may result from changes in the assumptions used to estimate the undiscounted cash flows required to settle the obligation, including changes in estimated probabilities, amounts and timing of settlement as well as changes in the legal requirements of the obligation, and in the discount rate. These changes are recognized as an increase or decrease in the carrying amount of the asset retirement obligation, with a corresponding adjustment to the carrying amount of the related asset. If the related capital asset is no longer in productive use, all subsequent changes in the estimate of the liability for asset retirement obligations are recognized as an expense in the period incurred.

UHN's asset retirement obligations are not significant to the financial statements.

#### Employee benefit plans

UHN accrues its obligations under employee benefit plans and the related costs. UHN has adopted the following policies:

##### *Multi-employer plan*

Defined contribution accounting is applied for the Healthcare of Ontario Pension Plan ["HOOPP"], a multi-employer pension plan, whereby contributions are expensed on an accrual basis.

##### *Other defined benefit plans*

The cost of non-pension post-employment and post-retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of retirement ages of employees and expected healthcare costs. The discount rate used to determine the accrued benefit obligation is determined by reference to UHN's cost of borrowing. Actuarial gains and losses are amortized over the average remaining service period of active employees, which is 16 years [2023 – 16 years]. Past service costs and settlement gains (losses) are recognized when incurred.

#### Financial instruments

Financial instruments are classified in one of the following categories: [i] fair value; or [ii] cost or amortized cost. UHN determines the classification of its financial instruments at initial recognition.

Financial instruments measured at fair value are classified according to a fair value hierarchy that reflects the importance of the data used to perform each valuation. The fair value hierarchy is made up of the following levels:

## University Health Network

### Notes to financial statements

[all amounts are expressed in thousands of dollars, except where noted]

March 31, 2024

Level 1 – valuation based on quoted prices [unadjusted] in active markets for identical assets or liabilities;

Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data [unobservable inputs].

Investments reported at fair value comprise equity instruments that are quoted in an active market as well as investments in pooled funds, derivative contracts and any other investments where the investments are managed on a fair value basis and the fair value option is elected. Transaction costs are recognized in the statement of operations in the period during which they are incurred. Investments at fair value are remeasured at their fair value at the end of each reporting period. Any revaluation gains and losses are recognized in the statement of remeasurement gains and are cumulatively reclassified to the statement of operations upon disposal or settlement.

Investments in securities not designated to be measured at fair value are initially recorded at fair value plus transaction costs and are subsequently measured at amortized cost using the effective interest rate method, less any provision for impairment.

All investment transactions are recorded on a trade date basis.

A write-down is recognized in the statement of operations for a portfolio investment in either category when there has been a loss in the value of the investment considered as an “other than temporary” loss. Subsequent changes to the remeasurement of portfolio investments in the fair value category are reported in the statement of remeasurement gains and losses. If the loss in value of a portfolio investment subsequently reverses, the write-down to the statement of operations is not reversed until the investment is sold.

Investments in for-profit entities that are subsidiaries or joint ventures, or where there is significant influence, are accounted for by the modified equity method. The modified equity method is a basis of accounting whereby the accounting principles of the invested entity are not modified to conform to those of UHN, and inter-organizational transactions and balances are not eliminated except for gains and losses on assets remaining within UHN at the reporting date.

Long-term debt is initially recorded at fair value and subsequently measured at amortized cost using the effective interest rate method.

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

## University Health Network

### Notes to financial statements

[all amounts are expressed in thousands of dollars, except where noted]

March 31, 2024

#### Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Accounts requiring significant estimates include accounts receivable and the collectibility thereof, useful life of capital assets, accrued liabilities, deferred revenue, employee future benefits and asset retirement obligations.

The amount of revenue recognized from the MOH and Ontario Health requires a number of estimates. UHN has entered into a number of accountability agreements with the MOH and Ontario Health that set out the rights and obligations of the two parties in respect of funding provided to UHN by the MOH and Ontario Health for the year ended March 31, 2024.

These accountability agreements set out certain performance standards and obligations that establish acceptable results for UHN's performance in a number of areas, such as margin, liquidity and operating volumes.

If UHN does not meet its performance standards or obligations, the MOH and Ontario Health have the right to adjust funding received by UHN. The MOH and Ontario Health are not required to communicate certain funding adjustments until after the submission of year-end data. Since this data is not submitted until after the completion of the financial statements, the amount of MOH and Ontario Health funding received during the year may be increased or decreased subsequent to year-end. The amount of revenue recognized in these financial statements represents management's best estimate of amounts that have been earned during the year.

#### Contributed services and materials

Volunteers contribute numerous hours to assist UHN in carrying out certain charitable aspects of its service delivery activities. The fair value of these contributed services is not readily determinable and, as such, they are not reflected in the financial statements. Contributed materials are also not recognized in the financial statements.

#### Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at year-end. Revenue and expenses are translated at the average exchange rate prevailing on the transaction dates. Realized gains or losses arising from these foreign currency transactions are included in the statement of operations. Unrealized gains or losses are included in the statement of remeasurement gains, except to the extent they relate to amounts held for other organizations and deferred contributions, in which case they are added to the balances.

#### Adoption of new accounting standards

During the year, UHN adopted the new accounting standard, Section PS 3400, *Revenue*. This standard establishes how to account for and report on revenue, specifically differentiating between revenue arising from transactions that include performance obligations, referred to as "exchange transactions", and transactions that do not have performance obligations, referred to as "non-exchange transactions". UHN adopted the standard prospectively and it had no impact on these financial statements.

## University Health Network

### Notes to financial statements

[all amounts are expressed in thousands of dollars, except where noted]

March 31, 2024

#### 3. Accounts receivable

Accounts receivable consist of the following:

	2024	2023
	\$	\$
MOH and Ontario Health	98,011	130,845
Patient receivables	24,212	17,530
Other receivables	129,683	94,397
Michener <i>[note 13[a]]</i>	1,937	2,305
UHN Foundation <i>[note 13[b]]</i>	16,154	28,722
PMC Foundation <i>[note 13[c]]</i>	40,923	37,016
Research-related receivables	50,989	47,511
	<b>361,909</b>	<b>358,326</b>

As at March 31, 2024, there is a provision against doubtful accounts of \$37,024 [2023 – \$40,244].

#### 4. Capital assets

Capital assets consist of the following:

	2024		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Land	18,573	—	18,573
Buildings and improvements	2,246,116	1,234,832	1,011,284
Equipment and furniture	1,296,750	1,095,522	201,228
Other equipment and systems	151,892	17,736	134,156
Assets under development	291,870	—	291,870
	<b>4,005,201</b>	<b>2,348,090</b>	<b>1,657,111</b>

## University Health Network

### Notes to financial statements

[all amounts are expressed in thousands of dollars, except where noted]

March 31, 2024

	<b>2023</b>		
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net book value</b>
	\$	\$	\$
Land	18,573	—	18,573
Buildings and improvements	2,148,310	1,152,389	995,921
Equipment and furniture	1,245,777	1,045,272	200,505
Other equipment and systems	152,222	7,611	144,611
Assets under development	247,527	—	247,527
	<b>3,812,409</b>	<b>2,205,272</b>	<b>1,607,137</b>

Buildings and improvements include \$88,329 [2023 – \$88,329] of costs and \$55,055 [2023 – \$52,028] of accumulated amortization related to assets under capital lease obligations [note 6]. During the year, UHN reduced the cost and accumulated amortization by \$2,524 [2023 – \$7,081] for capital assets that were fully amortized and no longer in use.

#### 5. Long-term investments

[a] Long-term investments held for contingency funds are recorded at amortized cost and consist of the following:

	<b>2024</b>	<b>2023</b>
	\$	\$
Short-term securities	<b>12,420</b>	12,531
Term deposits	<b>2,663</b>	2,552
	<b>15,083</b>	15,083

The segregated fund of \$15,083 has been established since 2004 to ensure patient services are not reduced due to financial pressures resulting from UHN's commitments to the MaRS Development Trust [the "MaRS Trust"] [note 6]. The fund will be terminated on the expiry of the 30-year term of the lease or earlier with the mutual agreement of the MOH and UHN.

[b] Other long-term investments consist of the following:

	<b>2024</b>	<b>2023</b>
	\$	\$
Cash and cash equivalents	<b>532,418</b>	470,545
Fixed income [note 16]	<b>66,221</b>	60,773
Canadian equities [note 16]	<b>18,374</b>	16,975
Global equities [note 16]	<b>21,052</b>	20,666
Short-term securities [note 16]	<b>17,300</b>	19,095
Term deposits [note 16]	<b>3,154</b>	3,025
Other [note 5[d]]	<b>236</b>	232
	<b>658,755</b>	591,311

## University Health Network

### Notes to financial statements

[all amounts are expressed in thousands of dollars, except where noted]

March 31, 2024

Cash and cash equivalents are included in other long-term investments to the extent required for investments to equal the total of deferred research contributions [note 7], internally restricted net assets [note 11] and other funds set aside for future commitments.

[c] During the year, UHN earned interest income of \$50,996 [2023 – \$23,241], which is included in ancillary services and other revenue in the statement of operations.

[d] Other investments

UHN has interests in various other companies as a result of research-related transactions, the value of which is recorded as other investments. Shares of other entities received as a result of research-related transactions had no cost or have been written down to nil.

[e] The following table presents the investments measured at fair value [notes 5[a] and 5[b]] classified according to the fair value hierarchy described above:

	2024			Total assets at fair value
	Level 1	Level 2	Level 3	
	\$	\$	\$	
Fixed income	—	66,221	—	66,221
Canadian equities	—	18,374	—	18,374
Global equities	—	21,052	—	21,052
Short-term securities	12,420	17,300	—	29,720
Term deposits	5,817	—	—	5,817
Other	—	—	236	236
	18,237	122,947	236	141,420
Cash				532,418
<b>Total investments</b>				<b>673,838</b>
	2023			Total assets at fair value
	Level 1	Level 2	Level 3	
	\$	\$	\$	
Fixed income	—	60,773	—	60,773
Canadian equities	—	16,975	—	16,975
Global equities	—	20,666	—	20,666
Short-term securities	12,531	19,095	—	31,626
Term deposits	5,577	—	—	5,577
Other	—	—	232	232
	18,108	117,509	232	135,849
Cash				470,545
<b>Total investments</b>				<b>606,394</b>



## University Health Network

### Notes to financial statements

[all amounts are expressed in thousands of dollars, except where noted]

March 31, 2024

During the years ended March 31, 2024 and 2023, there were no transfers of assets between Level 1, Level 2 and Level 3.

#### 6. Due to MaRS Development Trust

In 2003, UHN entered into a 30-year agreement with the MaRS Trust to lease a 400,000-square-foot building, the Princess Margaret Cancer Research Tower. UHN is committed to an annual payment of \$7,541, which commenced on August 1, 2005, at an implicit interest rate of 6.7%. UHN recognized an obligation of \$100,000, consisting of a long-term capital lease obligation of \$88,329 representing the cost of the building to the MaRS Trust [note 4], and a further long-term obligation of \$11,671 representing cash received from the MaRS Trust related to financing proceeds in excess of the cost of the building and leasehold inducements. The obligation has been reduced by payments made since August 1, 2005, when payments commenced. During 2024, interest paid amounted to \$4,073 [2023 – \$4,295] and interest expense recorded in the statement of operations amounted to \$4,034 [2023 – \$4,259].

The future minimum annual payments related to the amount due to the MaRS Trust consist of the following:

	\$
2025	3,705
2026	3,959
2027	4,229
2028	4,518
2029	4,827
Thereafter	36,737
Due to MaRS Development Trust	57,975
Less current portion	3,705
	<u>54,270</u>

#### 7. Deferred research contributions

Deferred research contributions represent unspent externally restricted grants and donations for research. The changes in the deferred research contributions balance are as follows:

	2024	2023
	\$	\$
Deferred research contributions, beginning of year	450,152	419,564
Externally restricted contributions [note 13]	450,476	426,662
Amounts recognized as revenue	(425,029)	(396,074)
Deferred research contributions, end of year	<u>475,599</u>	<u>450,152</u>

## University Health Network

### Notes to financial statements

[all amounts are expressed in thousands of dollars, except where noted]

March 31, 2024

#### 8. Long-term debt

Long-term debt consists of the following:

	2024	2023
	\$	\$
Equity loan [note 8[a]]	476	550
Other loan [note 8[a]]	5,518	6,323
Obligation under Ontario Financing Authority loan [note 8[b]]	249,953	121,300
Drawing on credit facility [note 15]	16,491	17,074
	<u>272,438</u>	<u>145,247</u>
Less current portion	1,140	1,462
	<u>271,298</u>	<u>143,785</u>

[a] Two loans were obtained to fund the construction of the long-term care facility operated by UHN: an equity loan of \$1,300 with a maturity date of 2029, bearing interest at 6.9% and blended monthly payments of principal and interest of \$9; and a \$14,200 loan with two agreements being amortized over periods ending in 2024 and 2034, bearing interest at a rate of 7.4% and blended monthly payments of principal and interest of \$104 to 2024 and \$64 to 2034. For the \$1,300 loan, UHN has pledged certain assets as security. For the \$14,200 loan, the following have been pledged as security: a debenture on a leasehold interest on the land related to the facility, an assignment of funds payable by the MOH for funding for construction and operation of the facility, an assignment of any insurance proceeds related to the facility, and all related buildings and equipment. During the year, interest paid amounted to \$478 [2023 – \$541] and interest expense recorded in the statement of operations amounted to \$478 [2023 – \$541].

[b] On June 16, 2021, UHN secured a \$250,000 loan from the Ontario Financing Authority to finance the Synapse project – a multi-year initiative of a new health information system. UHN established two facilities for the loan: Facility 1 and Facility 2. Facility 1 was a non-revolving loan facility comprising the advances made during the advance period and was priced at the three-month Ontario Treasury Bill Rate plus 3.2 basis points. During the year, UHN drew a cumulative total of \$249,953 [2023 – \$121,300] under Facility 1, consisting of \$243,500 [2023 – \$121,300] in principal and \$6,453 in capitalized interest. Facility 1 was fully repaid on September 28, 2023 through Facility 2. Facility 2 is a 40-year \$249,953 term loan priced at 2.758% plus 3.2 basis points compounded semi-annually with principal repayable to the lender in one payment on September 28, 2063. During 2024, interest expense and interest accrued amounted to \$6,493 [2023 – \$3,282]. A portion of this interest accrued between April and September 2023, and \$3,054 [2023 – nil] was capitalized and consolidated to Facility 2 on September 28, 2023 and will be payable at maturity. As at March 31, 2024, UHN has invested funds of \$26,570 [2023 – \$25,000] to service future commitments, which may include the debenture retirement.

## University Health Network

### Notes to financial statements

[all amounts are expressed in thousands of dollars, except where noted]

March 31, 2024

[c] The future minimum annual payments related to the long-term debt consist of the following:

	\$
2025	1,140
2026	1,122
2027	1,187
2028	1,256
2029	1,330
Thereafter	266,403
	<u>272,438</u>

[d] On June 29, 2011, in order to manage the exposure to changes in interest rates on the demand bank indebtedness, UHN entered into a 30-year interest rate swap contract with a notional amount of \$22,000, an effective date of June 1, 2012, and a fixed interest rate of 4.36%. The fair value of the interest rate swap is a loss of \$736 [2023 – \$1,450] and is recorded in accounts payable and accrued liabilities in the statement of financial position. The change in the fair value of the interest rate swap is a gain of \$714 [2023 – \$1,052] recorded in the statement of remeasurement gains.

#### 9. Employee benefit plans

UHN has a number of defined benefit plans and participates in a multi-employer plan providing pension, other retirement and post-employment benefits to most of its employees.

##### [a] Multi-employer plan

Substantially all of the employees of UHN are members of HOOPP, which is a multi-employer, defined benefit, final average earnings, contributory pension plan. HOOPP is accounted for as a defined contribution plan. UHN's contributions to HOOPP during the year amounted to \$109,344 [2023 – \$91,436]. These amounts are included in compensation expense in the statement of operations. The most recent valuation for financial reporting purposes completed by HOOPP as at December 31, 2023 disclosed net assets available for benefits of \$112,635,000 with pension obligations of \$102,454,000, resulting in a surplus of \$10,181,000.

##### [b] Other defined benefit plans

UHN offers various non-pension post-employment and post-retirement benefit plans to its employees that provide life insurance, medical and dental benefits. In addition, UHN offers a Supplemental Executive Retirement Plan ["SERP"] to certain employees. All of these plans are accounted for as defined benefit plans and are not funded by UHN.

## University Health Network

### Notes to financial statements

[all amounts are expressed in thousands of dollars, except where noted]

March 31, 2024

Information about UHN's other defined benefit plans is as follows:

	2024 \$	2023 \$
Accrued benefit obligations	47,267	44,130
Unamortized actuarial gain	6,304	8,319
Recognition of unamortized gains as an offset to prior service	(470)	—
<b>Employee future benefit liabilities</b>	<b>53,101</b>	<b>52,449</b>

The employee future benefit liabilities include \$10,832 [2023 – \$11,337] related to the SERP.

The net expense for these plans is calculated as follows:

	2024 \$	2023 \$
Current service cost	851	714
Interest cost	2,009	1,680
Amortization of actuarial gains	414	(660)
	<b>3,274</b>	<b>1,734</b>

The significant actuarial assumptions adopted in measuring UHN's accrued benefit obligations are as follows:

	2024 %	2023 %
Discount rate	<b>4.65</b>	4.60

The significant actuarial assumptions adopted in measuring UHN's expenses are as follows:

	2024 %	2023 %
Discount rate	<b>4.60</b>	3.70

Healthcare benefit costs are assumed to be 4.98% in 2024 and assumed to increase to 5.30% by 2027. Dental benefit costs are assumed to be 5.36% in 2024 and assumed to increase to 5.30% by 2027.

The accrued benefit obligations of the other defined benefit plans are measured as at March 31, 2024 and are based on actuarial valuations as at March 31, 2023.

## University Health Network

### Notes to financial statements

[all amounts are expressed in thousands of dollars, except where noted]

March 31, 2024

Other information about UHN's defined benefit plans is as follows:

	2024 \$	2023 \$
Employer's contributions	2,622	2,354
<b>Benefits paid</b>	<b>2,622</b>	<b>2,354</b>

#### 10. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of contributions received for the purchase of capital assets. The changes in the deferred capital contributions balance are as follows:

	2024 \$	2023 \$
<b>Deferred capital contributions, beginning of year</b>	<b>700,815</b>	691,367
Contributions for capital purposes <i>[note 13]</i>	<b>145,739</b>	73,373
Amortization of deferred capital contributions	<b>(71,441)</b>	(63,925)
<b>Deferred capital contributions, end of year</b>	<b>775,113</b>	700,815

As at March 31, 2024, the deferred capital contributions include funds received but not yet spent of \$50,368 [2023 – \$34,709].

#### 11. Internally restricted net assets

Internally restricted net assets represent amounts set aside for future capital and other special projects.

Changes in internally restricted net assets, approved by the Board of Trustees, were as follows:

	2024 \$	2023 \$
<b>Balance, beginning of year</b>	<b>141,159</b>	156,284
Transfers from		
Internally restricted to unrestricted net assets	<b>(74,766)</b>	(109,881)
Unrestricted to internally restricted net assets	<b>90,193</b>	94,756
<b>Balance, end of year</b>	<b>156,586</b>	141,159

## University Health Network

### Notes to financial statements

[all amounts are expressed in thousands of dollars, except where noted]

March 31, 2024

#### 12. Supplemental cash flow information

[a] The net change in non-cash working capital balances related to operations consists of the following:

	2024	2023
	\$	\$
Accounts receivable	(3,583)	(5,289)
Inventory	(5,570)	(5,598)
Prepaid expenses	(2,632)	7,905
Accounts payable and accrued liabilities <i>[note 12[b]]</i>	73,469	(16,550)
	<b>61,684</b>	<b>(19,532)</b>

[b] Other information related to cash flows is as follows:

	2024	2023
	\$	\$
Changes in capital asset purchases funded by accounts payable and accrued liabilities	753	3,682

#### 13. Related parties

##### Controlled entities

[a] UHN has two entities that it controls. Ozmosis Research Inc. ["Ozmosis"] is a not-for-profit organization exempt from income taxes and was established to perform full service clinical trials management. Transactions between UHN and Ozmosis are not significant to these financial statements.

Michener Institute of Education ["Michener"] at UHN is a tax-exempt charity, incorporated under the laws of Ontario. Michener is dedicated to the education of pre-eminent applied health science practitioners capable of providing transformational leadership, performance and evidence-based best practice. UHN exercises control over Michener through a governance structure.

The business relationship between UHN and Michener is governed by service agreements pursuant to which certain senior management support is provided on a cost recovery basis. For the year ended March 31, 2024, UHN recognized \$5,999 [2023 – \$767] in ancillary services and other revenue in the statement of operations. As at March 31, 2024, UHN has receivables from Michener of \$1,937 [2023 – \$2,305] recorded in accounts receivable *[note 3]* and \$4,690 [2023 – \$415] in accounts payable and accrued liabilities.

Similar to UHN, Michener prepares its financial statements in accordance with PSAS for government not-for-profit organizations as promulgated by CPA Canada. Michener has chosen to use the standards for government not-for-profit organizations that include Section PS 4200 to PS 4270. The summarized assets, liabilities and results of operations for Michener as at and for the year ended March 31 are as follows:

## University Health Network

### Notes to financial statements

[all amounts are expressed in thousands of dollars, except where noted]

March 31, 2024

	2024	2023
	\$	\$
<b>Financial position</b>		
Total assets	<b>56,351</b>	51,238
Total liabilities	<b>38,983</b>	34,965
Net assets	<b>17,368</b>	16,273
	<b>56,351</b>	51,238
	2024	2023
	\$	\$
<b>Results of operations</b>		
Total revenue	<b>36,602</b>	36,426
Total expenses	<b>35,847</b>	35,603
	<b>755</b>	823
	2024	2023
	\$	\$
<b>Cash flows provided by (used in)</b>		
Operating activities	<b>6</b>	4,083
Investing activities	<b>(223)</b>	(124)
Financing activities	<b>6,888</b>	4,755
Capital activities	<b>(9,622)</b>	(5,175)
<b>Net increase (decrease) in cash during the year</b>	<b>(2,951)</b>	3,539

#### Non-controlled entities

[b] The UHN Foundation is an independent corporation without share capital, which has its own Board of Directors. The UHN Foundation provides donations to UHN for capital, research and academic purposes. The UHN Foundation's accounts are not included in these financial statements. As at March 31, 2024, the UHN Foundation holds \$1,189,967 [2023 – \$1,032,172] in unrestricted, restricted and endowment funds. For the year ended March 31, 2024, grants of \$120,376 [2023 – \$114,641] were recorded by UHN as grants and donations for research and other purposes, deferred research contributions or deferred capital contributions. As at March 31, 2024, UHN has receivables from the UHN Foundation of \$16,154 [2023 – \$28,722] recorded in accounts receivable [note 3].

During the year ended March 31, 2024, UHN approved transfers of \$71,062 [2023 – \$77,956] to the UHN Foundation. As at March 31, 2024, UHN has payables to the UHN Foundation of \$62,062 [2023 – \$78,166] recorded in accounts payable and accrued liabilities.

## University Health Network

### Notes to financial statements

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March 31, 2024

[c] The PMC Foundation is an independent corporation without share capital, which has its own Board of Directors. The PMC Foundation provides donations to UHN for capital and operating purposes in connection with cancer research, education and treatment. The PMC Foundation's accounts are not included in these financial statements. As at March 31, 2024, the PMC Foundation holds \$849,736 [2023 – \$801,172] in unrestricted, restricted and endowment funds. For the year ended March 31, 2024, grants of \$152,676 [2023 – \$144,882] were recorded by UHN as grants and donations for research and other purposes, deferred contributions or deferred capital contributions. Effective October 22, 2019, PMC Foundation entered into a lease agreement with UHN for office space that expires on December 31, 2035.

During the year ended March 31, 2024, UHN approved transfers of \$9,656 [2023 – \$1,626] to the PMC Foundation. As at March 31, 2024, UHN has receivables from the PMC Foundation of \$40,923 [2023 – \$37,016] recorded in accounts receivable [note 3]. As at March 31, 2024, UHN has payables to the PMC Foundation of \$9,143 [2023 – \$1,626] recorded in accounts payable and accrued liabilities.

[d] The Toronto Hospital Research Corporation and the de Souza Institute Foundation are inactive.

[e] Operating under a memorandum of understanding and funding letters from the MOH, UHN purchased COVID-19-related supplies, equipment and pharmaceuticals for flow through to various organizations. As at March 31, 2024, UHN has payables to the MOH of \$88,677 [2023 – \$133,778], specifically related to COVID-19 purchases on behalf of the Province of Ontario.

#### 14. Commitments and contingencies

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

[b] UHN participates in the Healthcare Insurance Reciprocal of Canada ["HIROC"]. HIROC is a pooling of the public liability insurance risks of its hospital members. All members of the HIROC pool pay annual premiums, which are actuarially determined. All members are subject to assessment for losses, if any, experienced by the pool for the years in which they were members. No assessments have been made for the year ended March 31, 2024.

[c] As at March 31, 2024, UHN's Board of Trustees have approved expenditures for construction and renovation that will be paid in future periods of \$1,265,989 [2023 – \$333,740], which includes \$695,468 [2023 – \$78,887] with formal commitments and \$570,521 [2023 – \$254,853] where formal commitments have not been entered.



## University Health Network

### Notes to financial statements

[all amounts are expressed in thousands of dollars, except where noted]

March 31, 2024

[d] Commitments related to operating leases, including various operating costs and contracted utility services, are as follows:

	\$
2025	37,733
2026	38,168
2027	36,133
2028	34,567
2029	34,258
Thereafter	<u>416,268</u>

[e] UHN has outstanding letters of credit to various organizations totalling \$100 [2023 – \$100].

#### 15. Credit facilities

UHN has the following credit facilities:

- [a] A demand, revolving operating facility up to \$100,000 by way of a combination of prime rate loans, bankers' acceptances and letters of credit to a maximum aggregate amount of \$10,000;
- [b] A demand, revolving amortizing credit facility up to \$80,000 by way of any combination of prime rate loans, bankers' acceptances and fixed rate operating loans; and
- [c] A treasury risk management facility to hedge interest rate risk through interest rate swaps to a maximum notional risk amount of \$15,000 with a maximum term of 31 years.

For facilities [a] and [b], interest is payable at prime rate minus 0.55%, which is 6.65% as at March 31, 2024, or the bankers' acceptance rate plus 0.35%, which is 5.67% as at March 31, 2024. During the year, interest of \$793 [2023 – \$819] was paid and recorded in the statement of operations.

As at March 31, 2024, there are drawings on the second facility listed above of \$16,491 [2023 – \$17,074], which are classified as long-term as UHN has received confirmation from the lender that the lender will not require repayment in the next fiscal year [note 8].

#### 16. Financial instruments and risk management

UHN is exposed to various financial risks through its transactions in financial instruments.

##### Credit risk

UHN is exposed to credit risk in connection with its accounts receivable and investments because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation.

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### Notes to financial statements

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UHN manages and controls credit risk with respect to accounts receivable by dealing primarily with recognized, creditworthy third parties [note 3]. In addition, receivable balances are monitored on an ongoing basis.

The maximum exposure to credit risk relating to investments is outlined in note 5. UHN manages credit risk for investments through an investment policy that establishes criteria for the selection of investments that include benchmarks for the creditworthiness of entities. UHN's investment policy specifies that no investments rated below investment grade by any of the rating agencies will be held, unless the original rating is likely to be restored within a reasonable period of time.

There have been no significant changes to credit risk exposure from 2023.

#### Liquidity risk

UHN is exposed to the risk that it will encounter difficulty in meeting obligations associated with its financial liabilities. UHN derives a significant portion of its operating revenue from the Ontario government and other funders with no firm commitment of funding in future years. To manage liquidity risk, UHN keeps sufficient resources readily available to meet its obligations. In addition, UHN has available lines of credit that are used when sufficient cash flow is not available from operations to cover operating and capital expenditures.

Accounts payable mature within six months. The maturities of other financial liabilities are provided in the notes to the financial statements related to these liabilities.

#### Interest rate risk

UHN is exposed to interest rate risk with respect to its investments in fixed income investments because the fair value will fluctuate due to changes in market interest rates. In addition, UHN is exposed to interest rate risk with respect to advances on its demand credit facilities because cash flows will fluctuate because the interest rate is linked to the bank's prime rate, which changes from time to time. UHN has entered into an interest rate swap contract to fix the rate of interest on its operating line of credit [note 8[d]].

UHN's investments in term deposits have an average term to maturity of eight months and an average yield of 5.49%. A 1% change in the interest rates, with all other variables held constant, would have a \$1,072 impact on excess (deficiency) of revenue over expenses for the year.

A change in the interest rate on UHN's long-term debt would have no impact on the financial statements since the debt is measured at amortized cost and has a fixed rate of interest. A change in the interest rate on the advance on the demand credit facility has no impact on excess (deficiency) of revenue over expenses for the year since UHN has entered into an interest rate swap contract to manage this risk.

There have been no significant changes to interest rate risk exposure from 2023.

## University Health Network

### Notes to financial statements

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#### Other price risk

UHN is exposed to other price risk through changes in market prices [other than changes arising from interest rate risk or currency risk] in connection with its investments in equity and pooled funds, whether those changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market.

Since all other variables are held constant in assessing other price risk sensitivity, it is possible to extrapolate a 10% absolute change in the fair value to any absolute percentage change in fair value. As at March 31, 2024, the impact on accumulated remeasurement gains of a 10% absolute change in the fair value of the investments that are exposed to other price risk would be \$39,828 [2023 – \$32,560].