

Peterborough Regional Health Centre
Financial Statements
For the year ended March 31, 2010

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Auditors' Report

To the Chair, Board of Directors and Members of the Corporation,
Peterborough Regional Health Centre

We have audited the statement of financial position of the Peterborough Regional Health Centre as at March 31, 2010 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Health Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Health Centre as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants
Peterborough, Ontario

April 30, 2010

Peterborough Regional Health Centre Statement of Financial Position

March 31

2010

2009

(in thousands of dollars)

Assets

Current assets	\$	-	\$	261
Cash (Note 2)		161		1,745
Due from the Ontario Ministry of Health and Long-Term Care		12,499		12,537
Accounts receivable		1,299		1,129
Inventories of supplies		873		772
Prepaid expenses		421		394
Current portion of grant receivable (Note 3)		<u>15,253</u>		<u>16,838</u>
Cash held for capital projects (Note 4)		1,636		1,420
Restricted cash		1,346		1,346
Property, plant and equipment (Note 5)		285,173		294,690
Endowment and special purpose funds (Note 6)		198		197
Grant receivable (Note 3)		<u>11,333</u>		<u>11,754</u>
	\$	<u>314,939</u>	\$	<u>326,245</u>

Liabilities, Deferred Contributions and Net Assets

Current liabilities	\$	5,010	\$	-
Bank indebtedness (Note 2)		31,344		30,507
Accounts payable and accrued liabilities		2,456		1,847
Due to the Ontario Ministry of Health and Long-Term Care		2,777		2,641
Current payments on demand term loans (Note 7)		<u>24,027</u>		<u>14,753</u>
Unearned revenues		<u>65,614</u>		<u>49,748</u>
Current liabilities before demand term loans		<u>41,891</u>		<u>44,668</u>
Demand term loans (Note 7)		<u>107,505</u>		<u>94,416</u>
Total current liabilities		<u>107,505</u>		<u>94,416</u>
Employee post-retirement benefits (Note 9)		9,048		8,406
Employee vested sick leave benefits (Note 9)		326		379
Derivative financial instrument (Note 8)		4,255		8,759
Deferred contributions related to property, plant and equipment (Note 11)		<u>244,731</u>		<u>254,229</u>
		<u>365,865</u>		<u>366,189</u>
Net assets (deficit)				
Internally restricted reserve funds				
Invested in property, plant and equipment (Note 12)		12,730		10,237
Restricted for capital projects (Note 4)		1,636		1,420
Restricted for endowments and special purpose (Note 6)		198		197
Unrestricted (Note 1)		<u>(65,490)</u>		<u>(51,798)</u>
		<u>(50,926)</u>		<u>(39,944)</u>
	\$	<u>314,939</u>	\$	<u>326,245</u>

Approved by the Board of Directors

Director

Director

**Peterborough Regional Health Centre
Statement of Changes in Net Assets**

	2010		2009		
	Invested in Property, plant and equipment	Restricted for capital projects	Restricted for special purpose	Total	Total
				Deficit	
					(in thousands of dollars)
Balance, beginning of year	\$ 10,237	\$ 1,420	\$ 197	\$ (51,798)	\$ (28,914)
Excess of expenditures over revenues	(4,307)	-	-	(6,676)	(11,034)
Net change in cash held for capital projects	-	216	-	(216)	-
Net change in endowment and special purpose funds	-	-	1	-	4
Net change in investment in property, plant and equipment	6,800	-	-	(6,800)	-
Balance, end of year	\$ 12,730	\$ 1,636	\$ 198	\$ (65,490)	\$ (39,944)

(Note 12)

Peterborough Regional Health Centre Statement of Operations

For the year ended March 31	2010	2009
	(in thousands of dollars)	
Revenues		
Ontario Ministry of Health and Long-Term Care	\$ 178,463	\$ 177,551
Other insurers and self pay	20,940	19,982
Other revenue	17,569	23,108
Amortization of deferred contributions related to property, plant and equipment - shareable	<u>7,237</u>	<u>5,899</u>
	<u>224,209</u>	<u>226,540</u>
Expenditures		
Salaries, wages and benefits	171,014	163,600
Drugs and medical supplies	24,313	22,404
Supplies and other expenses	32,825	34,570
Amortization of property, plant and equipment - shareable	<u>9,957</u>	<u>8,800</u>
	<u>238,109</u>	<u>229,374</u>
Excess of expenditures over revenues before other items	(13,900)	(2,834)
Derivative financial instrument, fair value adjustment (Note 8)	4,504	(6,515)
Amortization of property, plant and equipment - non-shareable	(6,856)	(7,858)
Amortization of deferred contributions related to property, plant and equipment - non-shareable	<u>5,269</u>	<u>6,173</u>
Excess of expenditures over revenues for the year	<u>\$ (10,983)</u>	<u>\$ (11,034)</u>

Peterborough Regional Health Centre Statement of Cash Flows

For the year ended March 31	2010	2009
	(in thousands of dollars)	
Cash provided by (used in)		
Operating activities		
Excess of expenditures over revenues	\$ (10,983)	\$ (11,034)
Items not involving cash		
Amortization of property, plant and equipment	16,813	16,658
Amortization of deferred contributions related to property, plant and equipment	(12,506)	(12,072)
Derivative financial instruments, fair value adjustment	(4,504)	6,515
	(11,180)	67
Changes in non-cash working capital balances		
Accounts receivable	38	(7,482)
Due from the Ontario Ministry of Health and Long-Term Care	1,584	5,101
Inventories of supplies	(170)	296
Prepaid expenses	(101)	42
Accounts payable and accrued liabilities	837	961
Due to the Ontario Ministry of Health and Long-Term Care	609	799
Unearned revenues	9,274	6,374
Employee post-retirement benefits	642	553
Employee vested sick leave benefits	(53)	2
	1,480	6,713
Investing activities		
Net additions to property, plant and equipment	(7,296)	(36,158)
Decrease (increase) in funds held for capital projects	(216)	136
	(7,512)	(36,022)
Financing activities		
Advance (repayment) of short-term loan	-	(6,000)
Advance (repayment) of demand term loans	(2,641)	47,309
Deferred contributions	3,008	11,619
Change in funds restricted for demand loan repayment	-	(1,346)
Change in funds restricted for new health centre	-	(26,151)
Grant receivable	394	368
	761	25,799
Decrease in cash	(5,271)	(3,510)
Cash, beginning of year	261	3,771
Cash (bank indebtedness), end of year	\$ (5,010)	\$ 261
Supplementary information		
Interest received	\$ 577	\$ 907
Interest paid	\$ 2,373	\$ 1,854

Peterborough Regional Health Centre Summary of Significant Accounting Policies

March 31, 2010

Nature of Organization Peterborough Regional Health Centre is an acute care, regional hospital providing high quality patient care to the patients and families of the City of Peterborough and surrounding regions. The Health Centre is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

Basis of Presentation The financial statements of the Health Centre are prepared in accordance with Canadian generally accepted accounting principles, applied on a basis consistent with that of the preceding year.

Revenue Recognition The Health Centre follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Insurance Act and Regulations thereto, the Facility is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health and Long Term Care. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by the Ministry with respect to the year ended March 31, 2010.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenditures are recognized. Contributions restricted for the purchase of property, plant and equipment are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related property, plant and equipment.

Endowment contributions are recognized as direct increases in endowment net assets.

Restricted investment income is recognized as revenue in the year in which the related expenditures are recognized. Unrestricted investment income is recognized as revenue when earned.

Peterborough Regional Health Centre Summary of Significant Accounting Policies

March 31, 2010

Inventories of Supplies Inventories of supplies are valued at the lower of cost and market, with market defined as current replacement cost. Cost has been determined on the first-in, first-out basis.

Investments Investments are carried at the lower of cost (including accrued interest) and market value on an individual basis.

Property, Plant and Equipments Purchased property, plant and equipment are recorded at cost. Contributed property, plant and equipment are recorded at fair value at the date of contribution.

Property, plant and equipment are amortized on a straight-line basis over their respective useful life using the following annual rates:

Land improvements	10%
Buildings	2% - 5%
Equipment	various rates over the expected useful lives of the assets

Employee Benefit Plans

The Health Centre accrues its obligations under employee benefit plans and the related costs. The cost of pensions and other future benefits is determined actuarially using the projected benefit method pro-rated on service and management's best estimate of expected salary escalation, retirement ages of employees and health-care costs. The current service cost for the period is equal to the actuarial present value of the benefits attributed to employees' services rendered in the period. The discount rate used to determine the accrued benefit obligation was determined by reference to market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments. Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment. The excess of the net actuarial gains (losses) over 10% of the accrued benefit obligation are amortized into expenses on a straight line basis over the average remaining service period of the active employees to full eligibility. (see Note 9)

The Health Centre applies defined contribution accounting to its multi-employer defined benefit plan for which the Health Centre has insufficient information to apply defined benefit plan accounting. (see Note 10)

Peterborough Regional Health Centre Summary of Significant Accounting Policies

March 31, 2010

Contributed Services The Health Centre is dependant on the voluntary services of many individuals. Since these services are not normally purchased by the Health Centre and because of the difficulty in estimating their fair market value, these services are not recorded in these financial statements.

Use of Estimates The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The principal estimates used in the preparation of these financial statements are the determination of the liability for post-retirement benefits, estimated useful life of property, plant and equipment, Ministry settlements and fair value disclosures. Actual results could differ from management's best estimates, as additional information becomes available in the future.

Financial Instruments Financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired and their characteristics. Except in very limited circumstances the classification is not changed subsequent to initial recognition. Transaction costs for all classifications are expensed as incurred.

(a) Held-for-trading:

Financial instruments classified as held-for-trading are carried at fair value on the balance sheet with changes in fair value being reported on the statement of operations. Any financial asset or liability whose fair value can readily be measured may be classified, on initial recognition, as being held-for-trading. Peterborough Regional Health Centre has classified its cash and derivative financial instruments as held-for-trading.

(b) Loans and receivables:

Loans and receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method. Peterborough Regional Health Centre has classified its various receivables as loans and receivables.

(c) Other financial liabilities:

Other financial liabilities include all financial liabilities other than those classified as held-for-trading. These liabilities are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method. Peterborough Regional Health Centre has classified its accounts payable and accrued liabilities and its loans as other financial liabilities.

Peterborough Regional Health Centre Summary of Significant Accounting Policies

March 31, 2010

Capital

The Health Centre considers its capital to be its total restricted and unrestricted net assets. Its restricted net assets consist of amounts invested in property, plant and equipment and amounts internally and externally restricted for specific purposes. The Health Centre receives externally restricted subsidies from the Ministry of Health and Long Term Care for the delivery of specific programs. These funds are maintained and disbursed under the terms of the relevant funding restrictions and management is responsible for adhering to the provisions of these agreements.

In managing its capital, the Health Centre's primary goal is to safeguard its ability to continue as a going concern so it can continue to provide services to the residents of the City of Peterborough and surrounding area and to allow for future expansion.

The Health Centre maintains its capital by ensuring that annual operating and capital budgets are developed and approved by the Ministry of Health and Long Term Care based on known or estimated sources of funding available each year. These budgets are shared with all management of the Health Centre to ensure the capital of the Health Centre is maintained at an appropriate level.

Peterborough Regional Health Centre Notes to Financial Statements

March 31, 2010

(tabular amounts in thousands of dollars)

1. Economic Dependence

The Peterborough Regional Health Centre has experienced operating deficits in each of the past nine years. The result is an accumulated operating deficit of \$65.5 million comprised of the following amounts:

	2010	2009
Portion related to accrued employee post-retirement and sick leave benefits	\$ (9,674)	\$ (9,085)
Portion related to derivative financial instrument fair value adjustments	(4,255)	(8,759)
Balance of operating deficit	(51,561)	(33,954)
	\$ (65,490)	\$ (51,798)

In addition to the accumulated deficit the Health Centre has a working capital deficiency of \$50 million at March 31, 2010 calculated as follows:

	2010	2009
Current assets	\$ 15,253	\$ 16,838
Current liabilities before demand loans	(65,614)	(49,748)
Working capital deficiency	\$ (50,361)	\$ (32,910)

Note that the above calculation does not take into account the long-term portion of the demand loans as, based on discussion with the CIBC, management does not expect the demand features of the callable debt will be exercised in the current period (Note 7).

During this fiscal year the Central East Local Health Integration Network convened an Operational Peer Review to identify potential financial strategies for the Health Centre to operate efficiently and effectively within its revenue sources. The Peer Review final report was released to the public on April 20, 2010.

A Hospital Improvement Plan delivering a budget with an annualized run rate for the year ended March 31, 2012 will be submitted to the Central East Local Health Integration Network for approval.

Peterborough Regional Health Centre Notes to Financial Statements

March 31, 2010

(tabular amounts in thousands of dollars)

2. Cash and Bank Indebtedness

The Health Centre's bank accounts are held at a chartered bank. The bank accounts earn interest at prime less 1.75% dependant on the minimum daily balance.

The Health Centre has an operating line of credit with a limit of \$16,000,000. The line of credit bears interest at prime dependant on the closing daily balance. At year end \$3,765,200 (2009 - Nil) was drawn on this facility.

3. Grant Receivable

	2010	2009
Grant receivable from the County of Peterborough, originating in 2001 with principal totalling \$14,400,000, to be paid over twenty-five years plus interest at 6.7%, repayable in annual blended payments of \$1,216,650, due December 2025.	\$ 11,754	\$ 12,148
Less amounts due within one year included in current assets	421	394
	\$ 11,333	\$ 11,754

4. Cash Held for Capital Projects

The Health Centre has set aside cash for future capital expenditures related to the following:

	2010	2009
Energy conservation project	\$ 228	\$ 228
Other capital equipment	20	20
Dialysis machines replacement - externally restricted	1,388	1,172
	\$ 1,636	\$ 1,420

This amount is held in bank accounts at a chartered bank. The bank accounts earn interest at prime less 1.75% dependant on the minimum daily balance.

Peterborough Regional Health Centre Notes to Financial Statements

March 31, 2010

(tabular amounts in thousands of dollars)

5. Property, Plant and Equipment

	2010		2009	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 3,934	\$ -	\$ 3,926	\$ -
Land improvements	1,656	883	1,636	747
Buildings	246,057	11,099	243,994	5,097
Equipment	97,160	51,970	102,983	54,004
Construction-in-progress	318	-	597	-
Assets held for sale	-	-	11,825	10,423
	\$ 349,125		\$ 63,952	
	\$ 349,125		\$ 364,961	
Net book value	\$ 285,173		\$ 294,690	

6. Externally Restricted Endowment and Special Purpose Funds

	Endowment Principal (income restricted)	Expendable Special purpose funds	2010 Total	2009 Total
Balance - beginning of year	\$ 105	\$ 92	\$ 197	\$ 193
Interest earned	-	1	1	4
Balance - end of year	\$ 105	\$ 93	\$ 198	\$ 197

These funds are held in a bank account at a chartered bank, which earns interest at 0.15% dependant on the minimum daily balance.

Peterborough Regional Health Centre Notes to Financial Statements

March 31, 2010

(tabular amounts in thousands of dollars)

7. Demand Term Loans

	2010	2009
Demand term loan, interest at a variable rate based on Bankers Acceptance rates which at year end was 5.188%, repayable in monthly blended payments of \$325,873, maturing July 2025	\$ 41,297	\$ 43,010
Demand term loan, interest at a variable rate based on Bankers Acceptance rates which at year end was 3.86%, repayable in monthly blended payments of \$89,932 maturing July 2013	3,371	4,299
Current payments	44,668 (2,777)	47,309 (2,641)
Remaining callable debt	\$ 41,891	\$ 44,668

Canadian generally accepted accounting principles require that loans for which the lender can demand repayment be classified as current liabilities. Based on discussion with the CIBC, management does not believe that the demand features of the callable debt will be exercised in the next fiscal year. Assuming payment of the callable debt is not demanded, regular principal payments required on the demand term loans are due as follows:

2011	\$ 2,777
2012	2,911
2013	3,052
2014	2,472
2015	2,227
Thereafter	31,229
	\$ 44,668

As part of the agreement the bank has restricted the Health Centre from assuming debt from other lenders with the exception of the line of credit detailed in Note 2, the guarantee of COHPA funds detailed in Note 14 and any other amounts as expressly permitted by the bank. The Health Centre is also required to maintain funds equal to at least three months of principal and interest payments. As at March 31, 2010 the Health Centre has funds restricted to this purpose amounting to \$1,345,970 (2009 - \$1,345,970). These funds are invested in a GIC bearing interest at 4.6% coming due in 2013 and a bond bearing interest at 5.15% coming due in 2015.

Peterborough Regional Health Centre Notes to Financial Statements

March 31, 2010

(tabular amounts in thousands of dollars)

8. Interest Rate Swap

The Health Centre entered into two interest rate swap agreements which fix the long-term interest rates associated with borrowing for the construction of the new Health Centre. Under this agreement, the Health Centre pays interest on the notional principal at a fixed rate, and receives interest on the same notional principal at a variable rate based on Bankers' Acceptance rates. There is no exposure to loss on the notional principal amounts since the amounts are netted by agreement, however, as interest rates fluctuate, the exposure to interest expense rises and falls.

Under the first swap agreement, the Health Centre pays a fixed rate of 5.19% on the notional principal. As at March 31, 2010 the notional principal of this agreement was \$41,297,000 and the notional principal is being reduced monthly in a systematic manner until the contract matures on July 1, 2025.

Under the second swap agreement the Health Centre pays a fixed rate of 3.86% on the notional principal. As at March 31, 2010 the notional principal of this agreement was \$3,371,000 the notional principal is being reduced monthly in a systematic manner until the contract matures on July 1, 2013.

The combined notional principal as at March 31, 2010 was \$44,668,000.

As at March 31, 2010, the fair value of the interest rate swap is a liability of \$4,254,906 (2009 - \$8,759,305).

9. Employee Future Benefits

The Health Centre records estimated liabilities for accrued employee benefits in the year they are earned.

Certain employees are entitled to receive payment for unused sick time, calculated at current rates of pay, for time accumulated prior to 1982. A provision has been made in the accounts for this liability, assuming that all employees will retire from service and will receive full payment as at the balance sheet date. Payments are made at a reduced rate when employees leave the Health Centre's employment prior to retirement age.

Employees of the Health Centre may also be entitled to certain post-retirement benefits. At March 31, 2010, the Health Centre's accrued benefit liability relating to post-retirement benefit plans is \$9,198,000 (2009 - \$8,556,000) of which \$150,000 (2009 - \$150,000) is estimated to be due in the next fiscal year and is included in accrued liabilities.

The significant actuarial assumptions adopted in estimating the Health Centre's accrued benefit obligation are as follows:

Discount rate	7.75% per annum
Dental benefits cost escalation	4.00% per annum
Extended healthcare cost escalation	9.00% decreasing by 0.5% per annum to an ultimate rate of 5.0% per annum in 2019

Peterborough Regional Health Centre Notes to Financial Statements

March 31, 2010

(tabular amounts in thousands of dollars)

9. Employee Future Benefits (continued)

The accrued non-pension liability is calculated as follows:

	2010	2009
Accrued benefit liability - beginning of year	\$ 8,556	\$ 8,033
Expense	770	771
Funding contributions	(128)	(248)
Accrued benefit liability - end of year	\$ 9,198	\$ 8,556

The non-pension benefit expense for the year is calculated as follows:

	2010	2009
Accrual for services	\$ 549	\$ 311
Interest on accrued benefits	395	424
Actuarial (gains) losses during the year	(69)	(1,249)
Adjustment for experience (gains)/losses	(144)	1,246
Adjustment for prior service cost	39	39
	\$ 770	\$ 771

Post-employment benefit liability

	2010	2009
Accrued benefit obligation	\$ 7,336	\$ 6,589
Unamortized experience gains	1,862	1,967
Accrued benefit liability at year end	9,198	8,556
Current portion included in accounts payable and accrued liabilities	150	150
	\$ 9,048	\$ 8,406

Peterborough Regional Health Centre Notes to Financial Statements

March 31, 2010

(tabular amounts in thousands of dollars)

10. Pension Plan

All full-time and certain part-time employees of the Health Centre are members of the Healthcare of Ontario Pension Plan which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the five consecutive years prior to retirement, termination or death, that provide the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Hospitals of Ontario Pension Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the percentage of salary contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. Each year an independent actuary determines the funding status of the Plan by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan as at December 31, 2009 indicates the Plan is 102% funded. The results of this valuation disclosed total actuarial liabilities of \$32,020 million in respect of benefits accrued for service with actuarial assets at that date of \$32,556 million indicating an actuarial surplus of \$536 million. Because the plan is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario Hospital Association members and their employees. As a result, the Health Centre does not recognize any share of the Plan surplus or deficit.

Employer contributions made to the Plan during the year by the Health Centre are reflected in the statement of operations and amounted to \$9,299,601 (2009 - \$8,661,444).

11. Deferred Contributions

Deferred contributions represent the unamortized amount of donations and grants received for the purchase of property, plant and equipment. The amortization of contributions is recorded as revenue in the statement of operations.

	2010	2009
Balance, beginning of year	\$ 254,229	\$ 254,682
Additional net contributions received	3,008	11,619
Less: Amounts amortized to revenue	(12,506)	(12,072)
	\$ 244,731	\$ 254,229

Peterborough Regional Health Centre Notes to Financial Statements

March 31, 2010

(tabular amounts in thousands of dollars)

12. Investment in Property, Plant and Equipment

The investment in property, plant and equipment is calculated as follows:

	2010	2009
Property, plant and equipment	\$ 285,173	\$ 294,690
Deferred contributions	(244,731)	(254,229)
Long term grant receivable	11,754	12,148
Demand term loan	(44,668)	(47,309)
Working capital invested in property, plant and equipment	5,202	4,937
	\$ 12,730	\$ 10,237

The excess of expenditures over revenues related to property, plant and equipment consists of the following:

	2010	2009
Amortization of property, plant and equipment	\$ (16,813)	\$ (16,658)
Amortization of deferred contributions related to property, plant and equipment	12,506	12,072
	\$ (4,307)	\$ (4,586)

The net change in investment in property, plant and equipment consists of the following:

	2010	2009
Purchase of property, plant and equipment	\$ 7,296	\$ 36,158
Decrease in cash, investments and accounts receivable held for construction of new Health Centre	-	(1,379)
Decrease in accounts payable for construction of new Health Centre	-	27,530
Increase in deferred contributions	(3,008)	(11,619)
Decrease in long-term receivable	(394)	(368)
Decrease (increase) in demand term loan	2,641	(47,309)
Change in working capital investment	265	5,703
	\$ 6,800	\$ 8,716

Peterborough Regional Health Centre Notes to Financial Statements

March 31, 2010

(tabular amounts in thousands of dollars)

13. Related Party Transactions

The Health Centre has the ability to appoint two members to the Peterborough Regional Health Centre Foundation (the "Foundation") Board of Directors. The Foundation was established to raise and manage funds for the benefit of the Health Centre. The Foundation is incorporated as a public foundation under the Canada Corporations Act and is a registered charity under the Income Tax Act.

The net assets and results from operations of the Foundation are not included in the statements of the Health Centre.

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

- a. an amount of \$2,300,663 (2009 - \$4,614,729) has been received from the Foundation and recorded as deferred contributions related to property, plant and equipment.
- b. an amount of \$1,035,888 (2009 - \$889,919) has been received from the Foundation and recorded as revenue to match the related operating expenditures.
- c. included in accounts receivable is \$243,609 (2009 - \$62,290) owing from the Foundation for operating costs and donations.
- d. The net assets of the Foundation is comprised of the following:

	2010	2009
Restricted - By Your Side campaign	\$ 10	\$ 88
Restricted - Other	1,483	905
Unrestricted	1,810	2,012
	<u>\$ 3,303</u>	<u>\$ 3,005</u>

14. Central Ontario Healthcare Procurement Alliance (COHPA)

In conjunction with five other Health Centres, Peterborough Regional Health Centre is an equity member of the Central Ontario Healthcare Procurement Alliance (COHPA). COHPA is a non-profit corporation administered by a nine member board including one voting member from each of the six member Health Centres. COHPA provides procurement services for the Health Centre. During the year Peterborough Regional Health Centre paid membership fees to COHPA in the amount of \$638,570. As at March 31, 2010 the net balance owing from COHPA was \$72,459. Peterborough Regional Health Centre has provided proportionate guarantees of \$968,000 on COHPA's \$6,000,000 credit facility and \$96,974 on its \$594,934 lease obligation. As at March 31, 2010 the outstanding balances on these two items was \$3,000,000 and \$422,382 respectively.

Peterborough Regional Health Centre

Notes to Financial Statements

March 31, 2010

(tabular amounts in thousands of dollars)

15. Financial Instruments

a) Fair Value

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined by reference to quoted bid or asking prices as appropriate, in the most advantageous active market for that instrument to which the Health Centre has immediate access.

The Health Centre's financial instruments consist of cash, accounts receivable, grants receivable, accounts payable and accrued liabilities and derivative financial instruments. Unless otherwise noted, it is management's opinion that the Health Centre is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The carrying value of cash, accounts receivable, accounts payable and accrued liabilities, amounts due from and to the Ontario Ministry of Health and Long-Term Care, approximate their fair values due to their short-term nature.

The fair value of the grant receivable from the County of Peterborough is not practical to determine. The Health Centre has no plans to dispose of this financial instrument to a third party and plans to settle it in the ordinary course of operations. No quoted market price exists for this instrument because it is not traded in an active or liquid market and, accordingly, the fair value is not readily determinable.

b) Risks Arising from Financial Instruments

i) Credit Risk

The Health Centre's bank accounts are held at major institutions. The Health Centre's accounts receivable is made up of a large number of small balances from its patients and various government agencies.

ii) Interest Rate Risk

The Health Centre manages its borrowing based on its cash flow needs and with a view to minimizing interest expense. The Health Centre has entered into an interest rate swap, as described in note 8, to hedge its exposure to interest rate risk.

16. Contingencies and Commitments

The nature of the Health Centre's activities are such that there is usually litigation pending or in progress at any time. With respect to claims at March 31, 2010 management believes the Health Centre has valid defences and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Health Centre's financial position.

17. Comparative Amounts

Comparative amounts presented in the financial statements have been restated to conform to the current year's presentation.
