
Financial statements of Peterborough Regional Health Centre

March 31, 2020

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Independent Auditor's Report

To the Board of Directors of
Peterborough Regional Health Centre

Opinion

We have audited the financial statements of Peterborough Regional Health Centre (the "Health Centre"), which comprise the statement of financial position as at March 31, 2020, and the statements of operations and 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 the Health Centre as at March 31, 2020, 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 the Health Centre 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 the Health Centre'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 the Health Centre or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Health Centre'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 the Health Centre'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 the Health Centre'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 the Health Centre 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
May 27, 2020

Peterborough Regional Health Centre

Statement of operations

Year ended March 31, 2020

(In thousands of dollars)

	2020	2019
	\$	\$
Revenue		
Ministry of Health ("MOH")/Central East		
Local Health Integration Network ("CELHIN")	266,109	260,077
Ontario Health – Cancer Care Ontario Division ("OH")	30,758	28,597
Other insurers and self pay	8,024	8,327
Other revenue	16,441	16,278
Amortization of deferred contributions related to capital assets – equipment	2,506	3,242
	323,838	316,521
Expenses		
Salaries, wages and benefits	215,683	207,198
Drugs and medical supplies	42,258	39,840
Supplies and other expenses	42,996	42,925
Amortization of capital assets – equipment	7,307	7,367
	308,244	297,330
Excess of revenue over expenses before the following:	15,594	19,191
Amortization of capital assets – building	(7,154)	(6,979)
Amortization of deferred contributions related to capital assets – building	5,483	5,397
Excess of revenue over expenses for the year	13,923	17,609

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

Peterborough Regional Health Centre**Statement of changes in net assets**

Year ended March 31, 2020

(In thousands of dollars)

	Invested in capital assets (Note 13)	Surplus/ (deficit)	Internally restricted (Note 17)	2020 Total	2019 Total
	\$	\$	\$	\$	\$
Balance, beginning of year	42,501	130,826	—	173,327	155,718
Excess of revenue over expenses/(expenses over revenue)	(6,668)	20,591	—	13,923	17,609
Net change in investment in capital assets	19,521	(19,521)	—	—	—
Net assets restricted	—	(120,000)	120,000	—	—
Balance, end of year	55,354	11,896	120,000	187,250	173,327

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

Peterborough Regional Health Centre
Statement of remeasurement gains and losses

Year ended March 31, 2020

(In thousands of dollars)

	Notes	2020 \$	2019 \$
Accumulated remeasurement gains/(losses), beginning of year		757	(2,051)
Unrealized gains attributable to interest rate swap	11	33	267
Unrealized (losses)/gains attributable to investments		(3,240)	2,541
Accumulated remeasurement (losses)/gains, end of year		(2,450)	757

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



Peterborough Regional Health Centre
Statement of financial position

As at March 31, 2020
(In thousands of dollars)

	Notes	2020 \$	2019 \$
Assets			
Current assets			
Cash	3	42,825	81,988
Short-term investments	4 and 5	61,973	20,551
Accounts receivable	5 and 6	13,386	11,082
Inventories		1,935	1,443
Prepaid expenses		3,462	3,046
		123,581	118,110
Investments	4 and 5	80,061	81,079
Capital assets	7	240,242	235,500
		443,884	434,689
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	5 and 8	57,161	51,334
Current portion of long-term debt	5 and 9	3,039	2,885
Deferred contributions		22	27
		60,222	54,246
Post-employment benefits	10	14,914	14,113
Interest rate swap	5 and 11	2,099	2,132
Long-term debt	5 and 9	15,146	18,185
Deferred capital contributions	12	166,703	171,929
		259,084	260,605
Net assets			
Invested in capital assets	13	55,354	42,501
Internally restricted		120,000	—
Unrestricted		11,896	130,826
		187,250	173,327
Accumulated remeasurement (losses)/gains		(2,450)	757
		443,884	434,689

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

Approved by the Board

 Director
 Director

Peterborough Regional Health Centre**Statement of cash flows**

Year ended March 31, 2020

(In thousands of dollars)

	2020	2019
	\$	\$
Operating activities		
Excess of revenue over expenses	13,923	17,609
Items not involving cash		
Amortization of capital assets	14,461	14,346
Loss on disposal of capital assets	196	84
Amortization of deferred contributions related to capital assets	(7,989)	(8,639)
	<u>20,591</u>	<u>23,400</u>
Changes in non-cash working capital balances		
Accounts receivable	(2,304)	(1,828)
Inventories	(492)	(23)
Prepaid expenses	(416)	(1,131)
Accounts payable and accrued liabilities	5,827	6,606
Deferred contributions	(5)	(80)
Post-employment benefits	801	789
	<u>24,002</u>	<u>27,733</u>
Investing activities		
Additions to investments	(64,585)	(31,582)
Disposal of investments	20,941	20,118
	<u>(43,644)</u>	<u>(11,464)</u>
Capital activities		
Deferred capital contributions received	2,942	3,737
Deferred capital contributions written off	(179)	(8)
Net additions to capital assets	(19,399)	(22,772)
	<u>(16,636)</u>	<u>(19,043)</u>
Financing activity		
Repayment of long-term debt	(2,885)	(2,740)
Net change in cash	(39,163)	(5,514)
Cash, beginning of year	81,988	87,502
Cash, end of year	<u>42,825</u>	<u>81,988</u>
Supplementary information		
Interest received	1,556	1,893
Interest paid	1,136	1,293

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

Peterborough Regional Health Centre

Notes to the financial statements

March 31, 2020

(Tabular amounts in thousands of dollars)

1. Nature of organization

Peterborough Regional Health Centre (the "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.

Under the Health Insurance Act and the regulations thereto, the Health Centre is funded primarily by the Province of Ontario in accordance with budget arrangements established by the MOH. The Board of Directors recognizes the Health Centre's on-going dependency on the MOH as the primary funding source for the Health Centre's operating activities.

2. Significant accounting policies

Basis of presentation

The financial statements of the Health Centre have been prepared in accordance with Canadian public sector accounting standards, including the 4200 series of standards for government not-for-profit organizations, as issued by the Public Sector Accounting Board.

Revenue recognition

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

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, unless the MOH/CELHIN makes a request for funds to be repaid, at which time the amounts are reclassified as accounts payable. These financial statements reflect agreed arrangements approved by the MOH with respect to the year ended March 31, 2020.

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.

Revenue from patient services is recognized when the service is provided.

Ancillary revenue (e.g. parking and food service commissions) is recognized when the amount to be received can be reasonably estimated and collection is reasonably assured.

Amortization of buildings and land improvements are not funded by the MOH/CELHIN and accordingly the amortization of buildings and land improvements has been reflected as an undernoted item in the Statement of Operations with the corresponding realization of revenue for deferred contributions.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets (including interest earned that is explicitly required to be used for the purchase of capital assets), are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Peterborough Regional Health Centre
Notes to the financial statements

March 31, 2020

(Tabular amounts in thousands of dollars)

2. Significant accounting policies (continued)

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis.

Capital assets

Purchased capital assets are recorded at cost. Donated capital assets are recorded at fair value at the date of contribution.

Capital assets are amortized on a straight-line basis over their respective useful life and calculated as follows:

Land improvements	10 years
Buildings	20 to 40 years
Equipment	between 3 and 20 years

Construction-in-progress and assets that relate to pre-acquisition and pre-construction costs are not amortized until the asset is available for productive use.

Retirement and post-employment benefits

The Health Centre provides post-employment benefits to certain employee groups. These benefits include health, dental and life insurance. The Health Centre has adopted the following policies with respect to accounting for these employee benefits:

- (i) The costs of post-employment future benefits are actuarially determined using management's best estimate of health care costs, disability recovery rates and discount rates. Adjustments to these costs arising from the changes in estimates and experience gains and losses are amortized to income over the estimated average remaining service life of the employee groups on a straight line basis. Plan amendments, including past service costs are recognized as an expense in the period of the plan amendment.
- (ii) The discount rate used to determine the accrued benefit obligation was determined based on the Ontario provincial yield curve and a spread. The spread is equal to 50% of the yield spread between Ontario provincial and AA corporate bonds (see Note 10).
- (iii) 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 14).

Contributed services

The Health Centre is dependent 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.

Peterborough Regional Health Centre

Notes to the financial statements

March 31, 2020

(Tabular amounts in thousands of dollars)

2. Significant accounting policies (continued)

Management estimates

The preparation of financial statements in accordance 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 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-employment benefits, the estimated useful life of capital assets, the fair value of derivative financial instruments, deferred contributions and accrued liabilities. Actual results could differ from management's best estimates, as additional information becomes available in the future.

Financial instruments

Financial instruments reported on the statement of financial position of the Health Centre are measured as follows:

Financial instrument	Measurement
Cash	Fair value
Short-term investments	Fair value
Investments	Fair value
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Long-term debt	Amortized cost
Interest rate swap	Fair value

Financial assets and financial liabilities are initially recognized at fair value when the Health Centre becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured as noted above.

Changes in fair value for financial assets and liabilities which measured at fair value are recognized in the statement of remeasurement gains and losses until they are realized. Changes in fair value on restricted assets are recognized as a liability until the criterion attached to the restrictions has been met.

Transaction costs related to financial instruments in the fair value category are expensed as incurred.

Where a decline in fair value is determined to be other than temporary, the amount of the loss is removed from accumulated remeasurement gains and losses and recognized in the Statement of Operations. On sale, the amount held in accumulated remeasurement gains and losses associated with that instrument is removed from net assets and recognized in the Statement of Operations.

Financial assets measured at amortized cost are assessed at each reporting date for indications of impairment. If such impairment exists, the asset is written down and the resulting impairment loss is recognized in the Statement of Operations.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Peterborough Regional Health Centre Notes to the financial statements

March 31, 2020

(Tabular amounts in thousands of dollars)

3. Cash

The Health Centre's bank accounts are held at a Canadian chartered bank earning interest at prime less 1.60% for balances equal to or under \$110,000,000.

As at March 31, 2020, the Health Centre has an operating line of credit with a limit of \$6,000,000. The line of credit bears interest at prime. As at March 31, 2020 \$Nil (\$Nil in 2019) amounts have been drawn on this facility.

4. Investments

Investments, which are held by external investment managers, are measured at fair value and consist of the following:

	2020	2019
	\$	\$
Cash and cash equivalents	67,517	23,147
Fixed income	48,564	49,088
Canadian equities	13,322	15,373
Foreign equities	12,631	14,022
	142,034	101,630

Fixed income investments have an average term to maturity of 2.8 years and an average yield of 1.92% as at March 31, 2020 based on market values.

5. Financial instruments

Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;
- Level 2 – fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Peterborough Regional Health Centre
Notes to the financial statements

March 31, 2020

(Tabular amounts in thousands of dollars)

5. Financial instruments (continued)

Fair value hierarchy (continued)

The following table presents the financial instruments recorded at fair value in the Statement of financial position, classified using the fair value hierarchy described above:

	Level 1 \$	Level 2 \$	Level 3 \$	2020 Total \$
Cash	42,825	—	—	42,825
Investments	142,034	—	—	142,034
Interest rate swap	—	—	(2,099)	(2,099)
	184,859	—	(2,099)	182,760

	Level 1 \$	Level 2 \$	Level 3 \$	2019 Total \$
Cash	81,988	—	—	81,988
Investments	101,630	—	—	101,630
Interest rate swap	—	—	(2,132)	(2,132)
	183,618	—	(2,132)	181,486

Financial risks

The Health Centre, through its exposure to financial assets and liabilities, has exposure to the following risks from its use of financial instruments: credit risk and market risk. The Health Centre has policies that establish thresholds on concentration of investment holdings, minimum credit ratings and varying terms of the securities held.

a) *Credit risk*

Credit risk is the risk of financial loss to the Health Centre if a debtor fails to make payments of interest and principal when due. The Health Centre is exposed to this risk relating to its cash and accounts receivable. The Health Centre holds its cash accounts with Canadian chartered banks which are insured by the Canadian Deposit Insurance Corporation. In the event of default, the Health Centre's cash accounts are insured up to \$200,000 (\$200,000 in 2019).

Accounts receivable are primarily due from Ontario Health Insurance Plan ("OHIP"), the MOH and patients. Credit risk is mitigated by the financial solvency of the provincial government and the highly diversified nature of the patient population.

Peterborough Regional Health Centre
Notes to the financial statements

March 31, 2020

(Tabular amounts in thousands of dollars)

5. Financial instruments (continued)

Financial risks (continued)

a) Credit risk (continued)

The Health Centre measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on the Health Centre's historical experience regarding collections. The amounts outstanding at year end were as follows:

	Total	Current	31-60 days	61-90 days	Past due over 90 days
	\$	\$	\$	\$	\$
OHIP	1,466	915	349	106	96
MOH/CELHIN	533	533	—	—	—
OH	1,641	1,641	—	—	—
Patient services	2,694	1,157	348	245	944
Foundation	2,548	2,548	—	—	—
Other	4,825	3,775	—	215	835
Gross receivables	13,707	10,569	697	566	1,875
Less: impairment allowance	(321)	(64)	(26)	(26)	(205)
Net receivables	13,386	10,505	671	540	1,670

The amounts aged greater than 90 days owing from patients that have not had a corresponding impairment allowance setup against them are collectible based on the Health Centre's past experience.

There have been no significant changes from the previous year in the policies, procedures and methods used to measure credit risk.

b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: interest rate risk, equity risk, and foreign currency risk.

i) Interest rate risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates.

The Health Centre is exposed to this risk through its demand term loan. The Health Centre mitigates interest rate risk on its demand term loan through a derivative financial instrument that exchanges the variable rate inherent in the demand loan for a fixed rate (see Note 11). Therefore, fluctuations in market interest rates would not impact future cash flows and operations related to the demand term loan.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

The Health Centre is also exposed to this risk through its investment in bonds. As at March 31, 2020, the impact on the accumulated remeasurement gains of a 1% absolute change in bond yields on investments is \$984,086 (\$1,006,103 in 2019).

Peterborough Regional Health Centre
Notes to the financial statements

March 31, 2020

(Tabular amounts in thousands of dollars)

5. Financial instruments (continued)

Financial risks (continued)

b) Market risk (continued)

ii) Equity risk

Equity risk is the risk that the fair value of equity investments will fluctuate because of changes in market prices (other than those arising from foreign currency risk or interest rate risk), whether those changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market.

As at March 31, 2020, the impact on accumulated remeasurement gains of a 1% absolute change in the fair value of the investments which are exposed to equity risk would be \$259,530 (\$293,945 in 2019).

iii) Foreign currency risk

Foreign currency exposure arises from holdings of foreign currency denominated investments. Fluctuations in the relative value of foreign currencies against the Canadian dollar can result in a positive or negative effect on the fair value of investments.

As at March 31, 2020, the impact on accumulated remeasurement gains of a 1% absolute change in the fair value of the investments which are exposed to foreign currency risk would be \$125,057 (\$138,826 in 2019).

c) Liquidity risk

Liquidity risk is the risk that the Health Centre will not be able to meet all cash outflow obligations as they come due. The Health Centre mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining an available line of credit if unexpected cash outflows arise. The following table sets out the contractual maturities (representing undiscounted contractual cash-flows of financial liabilities).

	Total	6 months	6 months	1-5 years	2020
	\$	\$	to 1 year	\$	> 5 years
			\$		\$
Accounts payable	57,161	54,240	2,921	—	—
Long-term debt	18,185	1,500	1,539	15,146	—
Net payables	75,346	55,740	4,460	15,146	—

	Total	6 months	6 months	1-5 years	2019
	\$	\$	to 1 year	\$	> 5 years
			\$		\$
Accounts payable	51,334	48,508	2,826	—	—
Long-term debt	21,070	1,424	1,461	16,896	1,289
Net payables	72,404	49,932	4,287	16,896	1,289

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Peterborough Regional Health Centre**Notes to the financial statements**

March 31, 2020

(Tabular amounts in thousands of dollars)

6. Accounts receivable

	2020	2019
	\$	\$
OHIP	1,466	1,358
MOH/CELHIN	533	375
OH	1,641	1,177
Patient services	2,373	2,828
Foundation	2,548	1,884
Other	4,825	3,460
	13,386	11,082

7. Capital assets

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
	\$	\$	\$	\$
Land	3,936	—	3,936	3,936
Land improvements	9,524	7,130	2,394	3,205
Buildings	252,756	69,581	183,175	183,985
Equipment	119,154	84,932	34,222	35,648
Construction-in-progress	16,515	—	16,515	8,726
	401,885	161,643	240,242	235,500

8. Accounts payable and accrued liabilities

	2020	2019
	\$	\$
MOH/CELHIN	2,103	1,994
OH	139	538
Trade	19,568	13,839
Wages and other accruals	35,351	34,963
	57,161	51,334

Peterborough Regional Health Centre
Notes to the financial statements

March 31, 2020

(Tabular amounts in thousands of dollars)

9. Long-term debt

	2020	2019
	\$	\$
Demand term loan, interest at a variable rate based on Bankers' Acceptance rates, repayable in monthly blended payments of \$325,873, maturing July, 2025 An interest rate swap has been initiated (Note 11) which modifies the floating interest rate to a fixed rate of 5.99%	18,185	21,070
Current portion	(3,039)	(2,885)
	15,146	18,185

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 loan are due as follows:

	<u>\$</u>
2021	3,039
2022	3,200
2023	3,370
2024	3,549
2025	3,738
Thereafter	1,289
	<u>18,185</u>

As part of the loan agreement, CIBC has restricted the Health Centre from assuming debt from other lenders with the exception of the line of credit detailed in Note 3, and any other amounts as expressly permitted by CIBC.

10. Post-employment benefits

The Health Centre records estimated liabilities for accrued employee benefits in the year they are earned. These post-employment benefit accruals are actuarially determined.

The accrued non-pension liability is calculated as follows:

	2020	2019
	\$	\$
Accrued benefit liability, beginning of year	14,603	13,774
Expense	1,564	1,471
Funding contributions	(743)	(642)
Accrued benefit liability, end of year	15,424	14,603

Peterborough Regional Health Centre
Notes to the financial statements

March 31, 2020

(Tabular amounts in thousands of dollars)

10. Post-employment benefits (continued)

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

	2020	2019
	\$	\$
Accrual for services	917	855
Interest on accrued benefits	454	447
Amortization of actuarial losses	193	169
	1,564	1,471

Post-employment benefit liability

	2020	2019
	\$	\$
Accrued benefit obligation	13,709	13,714
Unamortized experience losses	1,715	889
Accrued benefit liability at year end	15,424	14,603
Less: current portion included in accounts payable and accrued liabilities	(510)	(490)
	14,914	14,113

The accrued benefit obligations for employee future benefit plans as at March 31, 2020 are based on actuarial valuations for accounting purposes as at March 31, 2019, with estimates to March 31, 2020. The economic assumptions used in these valuations are the Health Centre's best estimates of expected rates as follows:

	2020	2,019
	\$	\$
Expected average remaining service life of retirement	13 years	13 years
Discount rate	3.29%	3.18%
Dental benefit cost escalation	4.00% per annum	4.00% per annum
Extended healthcare cost escalation	6.40% decreased by 0.30% per annum to an ultimate rate of 4.00%	6.70% decreased by 0.30% per annum to an ultimate rate of 4.00%

11. Interest rate swap

The Health Centre has entered into an interest rate swap agreement that fixes the long-term interest rate associated with borrowing related to the construction of the 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.

Peterborough Regional Health Centre
Notes to the financial statements

March 31, 2020

(Tabular amounts in thousands of dollars)

11. Interest rate swap (continued)

Under the agreement, the Health Centre pays a fixed rate of 5.99% on the notional principal. As at March 31, 2020 the notional principal of this agreement was \$18,185,106 and the notional principal is being reduced monthly in a systematic manner until the contract matures on July 1, 2025.

As at March 31, 2020, the fair value of the remaining interest rate swap is a liability of \$2,098,703 (\$2,131,953 in 2019). The change in fair value during the year of \$33,250 is recorded in the Statement of Remeasurement Gains and Losses.

12. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of contributions is recorded as revenue in the Statement of Operations.

	2020	2019
	\$	\$
Balance, beginning of year	171,929	176,839
Additional net contributions received	2,942	3,737
Less:		
Amounts amortized to revenue during the year	(7,989)	(8,639)
Deferred capital contributions written off	(179)	(8)
	166,703	171,929

13. Invested in capital assets

The investment in capital assets is calculated as follows:

	2020	2019
	\$	\$
Capital assets	240,242	235,500
Deferred contributions	(166,703)	(171,929)
Demand term loan	(18,185)	(21,070)
	55,354	42,501

The excess of expenditures over revenues related to capital assets consists of the following:

	2020	2019
	\$	\$
Amortization of capital assets	(14,461)	(14,346)
Amortization of deferred contributions related to tangible capital assets, net	7,989	8,639
Loss on disposal of capital assets in year	(196)	(84)
	(6,668)	(5,791)

Peterborough Regional Health Centre
Notes to the financial statements

March 31, 2020

(Tabular amounts in thousands of dollars)

13. Invested in capital assets (continued)

The net change in investment in capital assets consists of the following:

	2020	2019
	\$	\$
Net additions to capital assets	19,399	22,772
Deferred capital contributions received	(2,942)	(3,737)
Deferred capital contributions written off	179	8
Repayment of long-term debt	2,885	2,740
	19,521	21,783

14. Pension plan

All full-time and certain part-time employees of the Health Centre are members of the Healthcare of Ontario Pension Plan ("HOOPP") which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. A retirement pension is based on the member's contributory service, the highest average annualized earnings during any consecutive five-year period, and the most recent five-year average year's maximum pensionable earnings ("YMPPR").

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by HOOPP 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, 2019 indicates the Plan is 119% funded. HOOPP's statement of financial position as at December 31, 2019 disclosed total pension obligations of \$73.5 billion with net assets at that date of \$94.1 billion indicating a surplus of \$20.6 billion. 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 \$13,135,399 (\$12,436,866 in 2019).

15. Contingencies and commitments

Due to the nature of the Health Centre's operations, the Health Centre is periodically subject to litigation. In the opinion of management, the resolution of any current litigation would not have a material effect on the financial position or results of operations, as the Health Centre has valid defenses and appropriate insurance coverages in place.

Peterborough Regional Health Centre Notes to the financial statements

March 31, 2020

(Tabular amounts in thousands of dollars)

16. Related party transactions

Peterborough Regional Health Centre Foundation

The Health Centre has the ability to appoint two members to the Peterborough Regional Health Centre Foundation (the "Foundation") Board of Directors: (i) the Chair or designate, and (ii) the Health Centre CEO non-voting/ex officio. 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 Ontario 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 \$2,514,280 (\$3,341,268 in 2019) has been received from the Foundation and recorded as deferred contributions related to capital assets.
- (b) An amount of \$1,239,301 (\$1,162,577 in 2019) has been received from the Foundation and recorded as revenue to match the related operating expenditures incurred by the Health Centre on behalf of the Foundation.
- (c) Included in accounts receivable is \$2,547,722 (\$1,883,916 in 2019) owing from the Foundation for operating costs and donations.

17. Internally restricted net assets

During the year, the Board of Directors approved the transfer of \$120,000,000 from unrestricted net assets to internally restricted net assets to be used for future capital asset projects.

18. Pandemic response

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

As a result of the COVID-19 pandemic, the Health Centre experienced a change in the demand for its services and incurred unbudgeted pandemic response expenditures. The Health Centre has tracked expenditures related to its pandemic response and will apply for reimbursement of Health Centre-incurred expenditures once provincial processes for such reimbursements are finalized in order to mitigate the financial impacts for the year ended March 31, 2020. The Health Centre estimates pandemic related expenditures incurred to March 31, 2020 were approximately \$415,684 and has recognized \$415,684 of revenue as at March 31, 2020 as an estimate of amounts it is likely to recover. Any additional recoveries that may be received will be recognized in the period in which they are obtained. Health Centre Infrastructure Renewal Funding ("HIRF") related to the year ended March 31, 2020 was not able to be spent due to the COVID-19 pandemic. The Health Centre has received approval from the MOH, indicating the unspent HIRF funding of \$32,003 can be carried forward and spent in the year ended March 31, 2021.

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