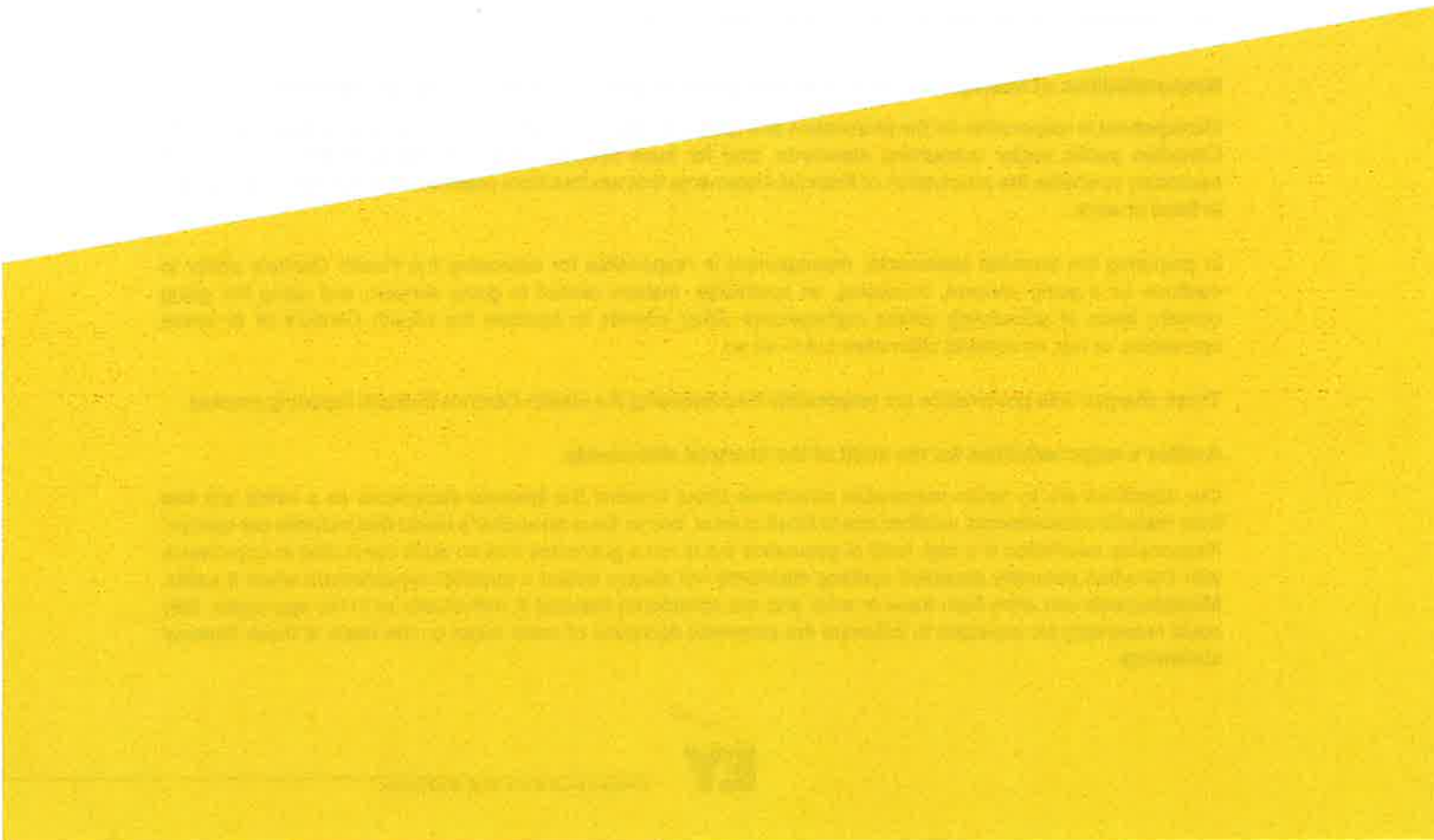


Peterborough Regional Health Centre

Financial statements
March 31, 2022



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, 2022, 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 the Health Centre as at March 31, 2022, and the 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 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.

Other matter

The financial statements of the Health Centre for the year ended March 31, 2021 were audited by another auditor who expressed an unmodified opinion on those statements on May 26, 2021.

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's 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 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 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's 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.

Ernst + Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
June 16, 2022



Peterborough Regional Health Centre

Statement of financial position

[Expressed in thousands of dollars]

As at March 31

	2022	2021
	\$	\$
Assets		
Current assets		
Cash [note 3]	98,132	52,799
Short-term investments [notes 4 and 5]	—	41,575
Accounts receivable [notes 5 and 6]	24,539	22,634
Inventories	3,540	3,346
Prepaid expenses	4,175	4,684
Total current assets	130,386	125,038
Investments [notes 4 and 5]	69,226	90,219
Capital assets, net [note 7]	295,523	263,442
	495,135	478,699
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities [notes 5, 8 and 10]	99,812	78,094
Current portion of long-term debt [notes 5 and 9]	3,370	3,200
Deferred contributions	504	1,441
Total current liabilities	103,686	82,735
Post-employment benefits [note 10]	18,640	15,627
Interest rate swap [notes 5 and 11]	508	1,416
Long-term debt [notes 5 and 9]	8,576	11,946
Deferred capital contributions [note 12]	163,981	167,706
Total liabilities	295,391	279,430
Commitments [note 15]		
Net assets		
Unrestricted	4,416	(6,895)
Internally restricted [note 13]	189,596	200,590
Accumulated remeasurement gains	5,732	5,574
Total net assets	199,744	199,269
	495,135	478,699

See accompanying notes

On behalf of the Board:

Director



Director



Peterborough Regional Health Centre

Statement of operations

[Expressed in thousands of dollars]

Year ended March 31

	2022	2021
	\$	\$
Revenue		
Ministry of Health	294,475	293,137
Ontario Health – Cancer Care Ontario Division	41,327	36,433
Other insurers and self pay	6,826	6,617
Other revenue [note 16[b]]	15,552	13,526
Amortization of deferred contributions related to capital assets – equipment	2,884	2,699
	<u>361,064</u>	<u>352,412</u>
Expenses		
Salaries, wages and benefits	241,362	233,858
Drugs and medical supplies	49,730	45,782
Supplies and other expenses	56,188	56,198
Amortization of capital assets – equipment	11,588	8,524
	<u>358,868</u>	<u>344,362</u>
Excess of revenue over expenses before the following:	2,196	8,050
Amortization of capital assets – building	(7,311)	(7,082)
Amortization of deferred contributions related to capital assets - building	5,432	5,477
Excess of revenue over expenses for the year	<u>317</u>	<u>6,445</u>

See accompanying notes

Peterborough Regional Health Centre

Statement of changes in net assets

[Expressed in thousands of dollars]

Year ended March 31

	2022		2021
	Unrestricted	Internally Restricted	Total
	\$	\$	\$
Balance, beginning of year	(6,895)	200,590	193,695
Excess of revenue over expenses	317	—	317
Interfund transfers <i>[note 13]</i>	10,994	(10,994)	—
Balance, end of year	4,416	189,596	193,695

See accompanying notes

Peterborough Regional Health Centre

Statement of remeasurement gains

[Expressed in thousands of dollars]

Year ended March 31

	2022	2021
	\$	\$
Accumulated remeasurement gains (losses), beginning of year	5,574	(2,450)
Unrealized gains attributable to interest rate swap <i>[note 11]</i>	908	683
Unrealized gains (losses) attributable to investments	(750)	7,341
Accumulated remeasurement gains, end of year	5,732	5,574

See accompanying notes

Peterborough Regional Health Centre

Statement of cash flows

[Expressed in thousands of dollars]

Year ended March 31

	2022	2021
	\$	\$
Operating activities		
Excess of revenue over expenses for the year	317	6,445
Add (deduct) items not involving cash		
Amortization of capital assets	18,899	15,606
Amortization of deferred contributions related to capital assets	(8,316)	(8,176)
	<u>10,900</u>	<u>13,875</u>
Changes in non-cash working capital balances		
Accounts receivable	(1,905)	(9,248)
Inventories	(194)	(1,411)
Prepaid expenses	509	(1,222)
Accounts payable and accrued liabilities	21,718	20,933
Deferred contributions	(937)	1,419
Post-employment benefits	3,013	713
Cash provided by operating activities	<u>33,104</u>	<u>25,059</u>
Investing activities		
Additions to investments	—	(44,976)
Disposal of investments	61,818	62,557
Cash provided by investing activities	<u>61,818</u>	<u>17,581</u>
Capital activities		
Deferred capital contributions received	4,591	9,179
Net additions to capital assets	(50,980)	(38,806)
Cash used in capital activities	<u>(46,389)</u>	<u>(29,627)</u>
Financing activity		
Repayment of long-term debt	(3,200)	(3,039)
Cash used in financing activities	<u>(3,200)</u>	<u>(3,039)</u>
Net increase in cash	<u>45,333</u>	<u>9,974</u>
Cash, beginning of year	<u>52,799</u>	<u>42,825</u>
Cash, end of year	<u>98,132</u>	<u>52,799</u>
Supplementary information		
Interest received	1,041	747
Interest paid	778	928

See accompanying notes

Peterborough Regional Health Centre

Notes to financial statements

[in thousands of dollars, except where otherwise noted]

March 31, 2022

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* (Ontario) and the regulations thereunder, the Health Centre is funded primarily by the Province of Ontario in accordance with funding arrangements established by the Ontario Ministry of Health ["MOH"], and Ontario Health ["OH"]. The Board of Directors recognizes the Health Centre's on-going dependency on the MOH and OH as the primary funding sources for the Health Centre's operating activities.

2. Summary of 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. Accordingly, these financial statements have been prepared based on the significant accounting policies summarized below:

Revenue recognition

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

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

Funds for which revenue has been earned but not received at the end of the fiscal year are accrued as receivable. Where a portion of the funding received relates to a future period, it is deferred and recognized in that subsequent fiscal year, unless the funds are to be repaid, at which time the amounts are reclassified as accounts payable. These financial statements reflect agreed arrangements approved by the MOH and OH with respect to the year ended March 31, 2022.

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.

Peterborough Regional Health Centre

Notes to financial statements

[in thousands of dollars, except where otherwise noted]

March 31, 2022

Revenue from ancillary [e.g., parking and food service commissions] and other patient services is recognized when the goods have been sold or when the services are provided.

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 at a rate corresponding with the amortization rate for the related capital assets.

Investment income (loss) is recognized as revenue when earned, except to the extent it relates to deferred contributions, in which case it is added to the deferred contributions balance. Investment income (loss) consists of interest, dividends, and realized gains and losses, net of related fees. Unrealized gains and losses are recorded in the statement of remeasurement gains and losses.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit. Cash and cash equivalents held for investing rather than liquidity purposes are classified as investments.

Inventories

Inventories are valued at the lower of cost and net realizable value, which is considered to be current replacement cost, on a first-in, first-out basis. Reviews for obsolete, damaged and expired items are done on a regular basis, and any items that are found to be obsolete, damaged or expired are written off when such determination is made.

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.

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

Peterborough Regional Health Centre

Notes to financial statements

[in thousands of dollars, except where otherwise noted]

March 31, 2022

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 [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 [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.

Management estimates

The preparation of financial statements 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.

The amount of revenue recognized from the MOH and Ontario Health requires a number of estimates. The Hospital 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 the Health Centre for year ended March 31, 2022. These accountability agreements set out certain performance standards and obligations that establish acceptable results for the Health Centre's performance in a number of areas, such as total margin, liquidity and operating volumes.

If the Health Centre does not meet its performance standards or obligations, the MOH and Ontario Health have the right to adjust funding received by the Health Centre. 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.

Peterborough Regional Health Centre

Notes to financial statements

[in thousands of dollars, except where otherwise noted]

March 31, 2022

The Health Centre's results and operations have been and will continue to be impacted by the outbreak of COVID-19. The COVID-19 pandemic gives rise to heightened uncertainty as it relates to accounting estimates and increases the need to apply judgement in evaluating the economic and market environment and its impact on significant estimates. There is a higher degree of uncertainty related to revenue recognition including the treatment of government reimbursement for hospital-incurred incremental expenses.

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 financial statements

[in thousands of dollars, except where otherwise noted]

March 31, 2022

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.

As at March 31, 2022, the Health Centre has an operating line of credit with a limit of \$6,000. The line of credit bears interest at prime. No amounts have been drawn on this facility as at March 31, 2022 or 2021.

4. Investments

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

	2022 \$	2021 \$
Cash and cash equivalents	2,120	47,641
Fixed income	38,733	49,339
Canadian equities	16,207	16,573
Foreign equities	12,166	18,241
	<u>69,226</u>	<u>131,794</u>
Less short-term investments	—	41,575
	<u>69,226</u>	<u>90,219</u>

As at March 31, 2022, fixed income investments have an average term to maturity of 2.3 years [2021 – 2.3 years] and an average yield of 2.89% [2021 – 1.82%] based on market values.

5. Financial instruments and risk management

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 financial statements

[in thousands of dollars, except where otherwise noted]

March 31, 2022

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:

	2022			Total \$
	Level 1 \$	Level 2 \$	Level 3 \$	
Cash	98,132	—	—	98,132
Investments	69,226	—	—	69,226
Interest rate swap	—	—	(508)	(508)
	167,358	—	(508)	166,850

	2021			Total \$
	Level 1 \$	Level 2 \$	Level 3 \$	
Cash	52,799	—	—	52,799
Investments	131,794	—	—	131,794
Interest rate swap	—	—	(1,416)	(1,416)
	184,593	—	(1,416)	183,177

During the years ended March 31, 2022 and 2021, there were no transfers of assets between Level 1, Level 2 and Level 3.

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, liquidity risk, and market risk. The Health Centre has policies that establish thresholds on concentration of investment holdings, liquidity risk, 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 [2021 – \$200].

Accounts receivable are primarily due from the MOH/OH 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 financial statements

[in thousands of dollars, except where otherwise noted]

March 31, 2022

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	Past due		
			31–60 days	61–90 days	Over 90 days
	\$	\$	\$	\$	\$
OHIP	128	23	23	2	80
MOH	10,465	10,465	—	—	—
OH	3,141	3,141	—	—	—
Patient services	7,260	2,431	1,994	1,056	1,779
Foundation	391	391	—	—	—
Other	4,830	4,192	—	99	539
Gross receivables	26,215	20,643	2,017	1,157	2,398
Less: impairment allowance	(1,676)	(1,243)	(65)	(67)	(301)
Net receivables	24,539	19,400	1,952	1,090	2,097

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. Management has reviewed the individual balances and based on the credit quality of the debtors and their past payment history.

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 [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, 2022, the impact on the accumulated remeasurement gains of a 1 % absolute change in bond yields on investments is \$663 [2021 – \$954].

Peterborough Regional Health Centre

Notes to financial statements

[in thousands of dollars, except where otherwise noted]

March 31, 2022

[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, 2022, 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 \$284, [2021 – \$348].

[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, 2022, 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 \$120 [2021 – \$181,000].

[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].

	2022				
	Total \$	6 months \$	6 months to 1 year \$	1–5 years \$	>5 years \$
Accounts payable	99,812	94,904	4,908	—	—
Long-term debt	11,946	1,663	1,707	8,576	—
	111,758	96,567	6,615	8,576	—
	2021				
	Total \$	6 months \$	6 months to 1 year \$	1–5 years \$	>5 years \$
Accounts payable	78,094	73,789	4,305	—	—
Long-term debt	15,146	1,579	1,621	11,946	—
	93,240	75,368	5,926	11,946	—

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 financial statements

[in thousands of dollars, except where otherwise noted]

March 31, 2022

6. Accounts receivable

Accounts receivable consist of the following:

	2022	2021
	\$	\$
OHIP	128	1,857
MOH	10,465	9,713
OH	3,141	2,316
Patient services	5,584	3,081
Foundation	391	473
Other	4,830	5,194
	<u>24,539</u>	<u>22,634</u>

7. Capital assets

Capital assets consist of the following:

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
	\$	\$	\$	\$
Land	3,936	—	3,936	3,936
Land improvements	9,721	8,227	1,494	1,938
Buildings	275,503	82,877	192,626	177,962
Equipment and software	190,004	103,654	86,350	42,543
Construction-in-progress	11,117	—	11,117	37,063
	<u>490,281</u>	<u>194,758</u>	<u>295,523</u>	<u>263,442</u>

8. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

	2022	2021
	\$	\$
MOH	22,762	11,450
OH	1,195	609
Trade	29,402	24,278
Wages and other accruals	46,453	41,757
	<u>99,812</u>	<u>78,094</u>

Peterborough Regional Health Centre

Notes to financial statements

[in thousands of dollars, except where otherwise noted]

March 31, 2022

9. Long-term debt

	2022	2021
	\$	\$
Demand term loan, interest at a variable rate based on Bankers' Acceptance rates, repayable in monthly blended payments of \$326 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%	11,946	15,146
Less current portion	3,370	3,200
	<u>8,576</u>	<u>11,946</u>

Regular principal payments required on the demand term loan are due as follows:

	\$
2023	3,370
2024	3,549
2025	3,738
2026	1,289
	<u>11,946</u>

As part of the loan agreement, the lender 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 the lender.

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:

	2022	2021
	\$	\$
Accrued benefit liability, beginning of year	16,167	15,424
Benefit expense	3,710	1,533
Funding contributions	(717)	(790)
Accrued benefit liability, end of year	<u>19,160</u>	<u>16,167</u>

Peterborough Regional Health Centre

Notes to financial statements

[in thousands of dollars, except where otherwise noted]

March 31, 2022

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

	2022	2021
	\$	\$
Accrual for services	2,189	920
Interest on accrued benefits	797	469
Amortization of actuarial losses	724	144
	<u>3,710</u>	<u>1,533</u>

Post-employment benefit liability

	2022	2021
	\$	\$
Accrued benefit obligation	23,112	22,990
Unamortized experience losses	(3,952)	(6,823)
Accrued benefit liability at year end	<u>19,160</u>	<u>16,167</u>
Less current portion included in accounts payable and accrued liabilities	520	540
	<u>18,640</u>	<u>15,627</u>

The accrued benefit obligations for employee future benefit plans as at March 31, 2022 are based on actuarial valuations for accounting purposes as at March 31, 2021, with estimates to March 31, 2022. The economic assumptions used in these valuations are the Health Centre's best estimates of expected rates as follows:

	2022	2021
	\$	\$
Expected average remaining service life of retirement	15.0 years	15.5 years
Discount rate – accrued benefit obligation	3.89%	3.21%
Discount rate – benefit cost	3.21%	3.29%
Dental benefit cost escalation	4.71% per annum	4.5% per annum
Extended healthcare cost escalation	<u>4.26% per annum</u>	<u>4.0% per annum</u>

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.

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Under the agreement, the Health Centre pays a fixed rate of 5.99% on the notional principal. As at March 31, 2022 the notional principal of this agreement was \$11,946 [2021 – \$15,146] and the notional principal is being reduced monthly in a systematic manner until the contract matures on July 1, 2025.

As at March 31, 2022, the fair value of the remaining interest rate swap is a liability of \$508 [2021 – \$1,416]. The change in fair value during the year of \$908 [2021 – \$683] 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.

	2022 \$	2021 \$
Balance, beginning of year	167,706	166,703
Additional net contributions received [note 16]	4,591	9,179
Less:		
Amounts amortized to revenue during the year	(8,316)	(8,176)
	<u>163,981</u>	<u>167,706</u>

13. Internally restricted net assets

Internally restricted net assets consist of the following:

	2022 \$	2021 \$
Internally funded capital assets [note 13[a]]	119,596	80,590
Future capital purchases [note 13[b]]	70,000	120,000
	<u>189,596</u>	<u>200,590</u>

The changes in internally restricted net assets consist of the following:

	2022 \$	2021 \$
Internally funded capital assets [note 13[a]]	39,006	25,236
Future capital purchases [note 13[b]]	(50,000)	—
	<u>(10,994)</u>	<u>25,236</u>

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[a] Internally funded capital assets consist of:

	2022	2021
	\$	\$
Capital assets	295,523	263,442
Deferred contributions	(163,981)	(167,706)
Demand term loan	(11,946)	(15,146)
	<u>119,596</u>	<u>80,590</u>

The change in capital assets internally funded consists of the following:

	2022	2021
	\$	\$
Net additions to capital assets	50,980	38,806
Amortization of capital assets	(18,899)	(15,606)
Deferred capital contributions received	(4,591)	(9,179)
Amortization of deferred contributions related to tangible capital assets, net	8,316	8,176
Repayment of long-term debt	3,200	3,039
	<u>39,006</u>	<u>25,236</u>

[b] In prior years, the Board of Directors set aside \$120,000 for future capital purchases. In 2022, the Board unrestricted \$50,000 [2021 – nil] of these amounts.

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.

The most recent actuarial valuation of the Plan as at December 31, 2021 indicates the Plan is 120% funded. HOOPP's statement of financial position as at December 31, 2021 disclosed total pension obligations of \$85.9 billion with net assets at that date of \$114.4 billion indicating a surplus of \$28.5 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 \$13,899 [2021 – \$13,677].

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15. Contingencies

- [a] Due to the nature of the Health Centre's operations, the Health Centre is periodically subject to litigation. With respect to claims as at March 31, 2022, it is management's position that the Health Centre has valid defences and appropriate insurance coverage to offset the cost of unfavourable settlements, if any, which may arise from such claims.
- [b] A group of healthcare institutions, including the Health Centre, are members of the Healthcare Insurance Reciprocal of Canada ["HIROC"]. HIROC is a pooling of the liability insurance risks of its members. All members pay annual deposit premiums, which are actuarially determined and are subject to further assessment for losses, if any, experienced by the pool for the years in which they were members. As at March 31, 2022, no assessments have been received.

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 \$1,890 [2021 – \$5,281] has been received from the Foundation and recorded as deferred capital contributions related to capital assets [note 12]
- [b] An amount of \$1,139 [2021 – \$1,143] 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 \$391 [2021 – \$473] owing from the Foundation for operating costs and donations.

17. Pandemic response

The Hospital has tracked expenditures related to its pandemic response and has applied for and received reimbursement of hospital-incurred expenditures. The Hospital estimates pandemic related expenditures incurred to March 31, 2022 were \$6,810 [2021 – \$11,105].

Due to the pandemic, a number of funding letters and their associated clinical initiatives achieved. The Health Center has received approval from MOH/OH, indicating unspent amounts of \$485 can be carried forward and spent in the year ended March 31, 2023. These amounts include the IPAC Funding of \$301 [2021 – \$600 in 2021], Peterborough Ontario Health Teams funding of \$173 [2021 – \$181 in 2021], Emergency Mental Health and Addictions Funding of nil [2021 – \$624 in 2021], and Health Infrastructure Renewal Funding of \$11 [2021 – nil in 2021].

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18. Comparative financial statements

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2022 financial statements.

