

Financial Statements of

KEMPTVILLE DISTRICT HOSPITAL

Year ended March 31, 2018

KEMPTVILLE DISTRICT HOSPITAL

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MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying financial statements of Kemptville District Hospital (the "Hospital") as at and for the year ended March 31, 2018 are the responsibility of the Hospital's management and have been prepared in accordance with Canadian public sector accounting standards. The accounting policies followed by the Hospital are included in the summary of significant accounting policies outlined in note 2 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Hospital's management maintains a system of internal control designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The Corporate Services Committee of the Board of Directors meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to the Corporate Services Committee's and the Board of Directors' approval of the financial statements.

The financial statements have been audited by KPMG LLP, Chartered Professional Accountants, Licensed Public Accountants, independent external auditors appointed by the Hospital. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Hospital's financial statements.



Frank J. Vassallo
Chief Executive Officer



Andrew J. Pinhey, CPA, CGA
CFO & VP Operations

May 24, 2018



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INDEPENDENT AUDITORS' REPORT

To the Administrator of Kemptville District Hospital

We have audited the accompanying financial statements of Kemptville District Hospital which comprise the statement of financial position as at March 31, 2018, statement of operations, changes in net assets, cash flows and remeasurement gain and losses for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management based on the financial reporting provisions of Section 76 of Regulation 909 of the Pension Benefits Act (Ontario).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Section 76 of Regulation 909 of the Pension Benefits Act (Ontario), 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.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the net assets available for benefits for Kemptville District Hospital as at March 31, 2018, and the change in net assets available for benefits for the year then ended in accordance with Canadian public sector accounting standards.

Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to note 2(a) to the fund financial statements, which describes the basis of accounting. The fund financial statements are prepared to assist the Administrator of The Fund of the Pension Plan for IUDC Employees of the Mission Systems Division of General Dynamics Land Systems - Canada Corporation to comply with the requirements of the Financial Services Commission of Ontario under Section 76 of Regulation 909 of the Pension Benefits Act (Ontario). As a result, the fund financial statements may not be suitable for another purpose.

Our report is intended solely for the Administrator of The Fund of the Pension Plan for IUDC Employees of the Mission Systems Division of General Dynamics Land Systems - Canada Corporation and the Financial Services Commission of Ontario, and should not be used by parties other than the Administrator of The Fund of the Pension Plan for IUDC Employees of the Mission Systems Division of General Dynamics Land Systems - Canada Corporation or the Financial Services Commission of Ontario.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly curved line that extends to the right.

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

May 24, 2018

KEMPTVILLE DISTRICT HOSPITAL

Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash	\$ 3,594,018	\$ 4,614,976
Short-term investments (note 3)	459,251	99,144
Accounts receivable	1,601,191	721,528
Inventories	79,663	82,956
Prepaid expenses	194,993	237,643
	<u>5,929,116</u>	<u>5,756,247</u>
Long-term receivable (note 13(a))	554,229	666,897
Long-term investments (note 3)	1,577,618	1,905,023
Capital assets (note 4)	27,761,648	27,250,912
	<u>\$ 35,822,611</u>	<u>\$ 35,579,079</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 3,778,023	\$ 4,490,685
Deferred revenue	379,805	52,225
Current portion of obligations under capital leases (note 7)	-	1,807
	<u>4,157,828</u>	<u>4,544,717</u>
Deferred contributions related to capital assets (note 6)	26,132,508	25,338,129
Employee future benefits liability (note 8)	612,300	594,600
	<u>30,902,636</u>	<u>30,477,446</u>
Net assets:		
Invested in capital assets	1,629,139	1,912,783
Restricted for endowment	28,224	28,224
Unrestricted	3,224,743	3,155,459
	<u>4,882,106</u>	<u>5,096,466</u>
Accumulated remeasurement gains	37,869	5,167
	<u>4,919,975</u>	<u>5,101,633</u>
Commitments, contingencies and guarantees (notes 11 and 12)		
	<u>\$ 35,822,611</u>	<u>\$ 35,579,079</u>

KEMPTVILLE DISTRICT HOSPITAL

Statement of Operations

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Revenue:		
Champlain Local Health Integration Network and Ontario Ministry of Health and Long-Term Care Allocations (Schedule A)	\$ 15,255,025	\$ 17,081,408
Other (Schedule B and D)	6,755,523	5,038,516
Other funding votes (Schedule E)	1,155,997	1,121,916
	<u>23,166,545</u>	<u>23,241,840</u>
Expenses:		
Salaries, wages and purchased services	8,801,550	8,377,311
Employee benefits	2,497,963	2,780,743
Medical staff remuneration	2,509,579	2,429,489
Supplies and other expenses	5,339,810	5,426,091
Medical and surgical supplies	1,691,592	1,908,762
Drugs and medical gases	310,876	291,346
Miscellaneous	55,397	44,498
Bad debts	10,966	11,258
Amortization of equipment	671,327	633,856
Other funding votes (Schedule E)	1,245,840	1,246,235
	<u>23,134,900</u>	<u>23,149,589</u>
	31,645	92,251
Other revenue and expenses (Schedule C)	(246,005)	(243,020)
Deficiency of revenue over expenses	<u>\$ (214,360)</u>	<u>\$ (150,769)</u>

See accompanying notes to financial statements.

KEMPTVILLE DISTRICT HOSPITAL

Statement of Changes in Net Assets

Year ended March 31, 2018, with comparative information for 2017

	Invested in capital assets	Restricted for endowment	Unrestricted	2018 Total	2017 Total
Balance, beginning of year	\$ 1,912,783	\$ 28,224	\$ 3,155,459	\$ 5,096,466	\$ 5,247,235
Deficiency of revenue over expenses	-	-	(214,360)	(214,360)	(150,769)
Acquisition of capital assets	2,115,394	-	(2,115,394)	-	-
Amortization of capital assets	(1,604,659)	-	1,604,659	-	-
Net change in deferred contributions related to capital assets	(794,379)	-	794,379	-	-
Balance, end of year	\$ 1,629,139	\$ 28,224	\$ 3,224,743	\$ 4,882,106	\$ 5,096,466

See accompanying note to financial statements.

KEMPTVILLE DISTRICT HOSPITAL

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses	\$ (214,360)	\$ (150,769)
Items which do not involve cash:		
Change in employee future benefits liability	17,700	15,400
Amortization of capital assets	1,604,659	1,575,056
Amortization of deferred capital contributions related to capital assets	(1,278,633)	(1,292,563)
Change in non-cash operating working capital (note 9)	(1,106,134)	1,704,030
	(976,768)	1,851,154
Capital activities:		
Deferred contributions related to capital assets received	2,073,012	1,604,566
Purchase of capital assets	(2,115,394)	(1,506,631)
	(42,382)	97,935
Investing activities:		
Net purchase of investments	-	(1,999,000)
Financing activities:		
Net repayment of obligations under capital lease	(1,807)	(57,635)
Repayment of term loan	-	(249,521)
	(1,807)	(307,156)
Decrease in cash	(1,020,957)	(357,067)
Cash, beginning of year	4,614,976	4,972,043
Cash, end of year	\$ 3,594,019	\$ 4,614,976

See accompanying notes to financial statements.

KEMPTVILLE DISTRICT HOSPITAL

Statement of Remeasurement Gains and Losses

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Accumulated remeasurement gains, beginning of the year	\$ 5,167	\$ -
Unrealized gains attributable to Investments	32,702	5,167
Accumulated remeasurement gains, end of the year	\$ 37,869	\$ 5,167

See accompanying notes to financial statements.

KEMPTVILLE DISTRICT HOSPITAL

Notes to Financial Statements

Year ended March 31, 2018

1. Stature and nature of business:

The Kemptville District Hospital (the "Hospital"), a corporation without share capital, incorporated under the Corporations Act of Ontario, is a not-for-profit organization which provides health care services. As a registered charity, the Hospital is exempt from income taxes under the Income Tax Act (Canada).

These financial statements reflect the assets, liabilities and operations of the Kemptville District Hospital (the "Hospital"). They do not include the assets, liabilities or operations of the Kemptville District Hospital Auxiliary and the Kemptville District Hospital Foundation, which, although associated with the Hospital, are separately managed, and report to separate Boards of Directors.

2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards including the 4200 standards for government not-for-profit organizations and include the following significant accounting policies.

(a) Basis of presentation:

The Hospital follows the deferral method of accounting for contributions for not-for-profit organizations which includes provincial government allocations, other contributions and grants.

(b) Revenue recognition:

Under the Local Health Integration Act, 2006, the Hospital is funded primarily by the Champlain Local Health Integration Network ("LHIN"), an entity created by the Government of Ontario on April 1, 2007. Allocations are negotiated through a Hospital Service Accountability Agreement in accordance with processes established by the LHIN and the Ministry of Health and Long-Term Care of Ontario.

Allocations are recorded as revenue in the period to which they relate when received or receivable if the amount can be reasonably estimated and collection can be reasonably assured. The final amount of revenue recorded cannot be determined until the LHIN and the Ministry of Health and Long-Term Care of Ontario have reviewed the Hospital's financial and statistical returns for the year. Any adjustment arising from these reviews is recorded in the period in which the adjustment is made.

Amounts approved but not received at the end of an accounting period are recorded as accounts receivable. When a portion of an allocation relates to a future period, it is deferred and recognized in that period.

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

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue using the straight-line method, at the related tangible capital assets' amortization rate.

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

Investment income is recognized as revenue when earned.

Recoveries and miscellaneous revenue as well as revenue for services rendered are recognized as revenue when received or receivable, if the amount can be reasonably estimated and collection is reasonably assured.

KEMPTVILLE DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2018

2. Significant accounting policies (continued):

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to carry its investment at fair value.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

The Standards require the Hospital to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

(d) Inventories:

Inventories are measured at the lower of cost and net realizable value, with cost being determined using the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less any applicable selling costs.

(e) Donations-in-kind:

The Hospital records significant donations-in-kind at fair value when it can be easily determined.

(f) Capital assets:

Capital assets are accounted for at cost. Amortization is calculated on their respective estimated useful life using the straight-line method over the following periods:

Asset	Useful life
Land improvements	8 to 20 years
Buildings and building service equipment	5 to 40 years
Equipment and equipment under capital lease	3 to 20 years
Software	5 years

Construction-in-progress is not amortized until the project is complete and the facilities come into use.

KEMPTVILLE DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2018

2. Significant accounting policies (continued):

(g) Employee benefits plan:

The Hospital accrues its share of the obligation for the employee benefits plan of the Ontario Nurses Association (“ONA”). The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on the number of years of service and management’s best estimate of retirement age of employees and expected health care costs. The most recent actuarial valuation of the benefit plans for funding purposes was as of March 31, 2018, and the next required valuation will be as of March 31, 2021.

Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortized over the average remaining service period of active employees. These defined benefit plans are not funded.

The average remaining service period of active employees covered by the employee benefit plans is 10 years (2017 - 10 years).

Past service costs arising from plan amendments are recognized immediately in the period the plan amendments occur.

The Hospital is an employer member of the Healthcare of Ontario Pension Plan, which is a multi-employer, defined benefit pension plan. The Hospital has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles

(h) Contributed services:

Volunteers donate a considerable number of hours to assist the Hospital in carrying out its activities on a yearly basis. Due to the difficulty in compiling these hours and in determining the fair value, contributed services are not recognized in the financial statements.

(i) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the obligations related to employee future benefits. Actual results could differ from those estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period they become known.

3. Investments:

	Level	2018	2017
Investments consist of the following:			
Short-term fixed income securities	1	\$ 459,251	\$ 99,144
Long-term fixed income securities	1	1,577,618	1,905,023
Total		\$ 2,036,869	\$ 2,004,167

The Hospital's fixed income securities have interest rates of 1.65% to 2.45% and maturity dates ranging from June 2018 to February 2022.

KEMPTVILLE DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2018

4. Capital assets:

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Land	\$ 399,685	\$ -	\$ 399,685	\$ 399,685
Land improvements	385,479	237,635	147,844	179,844
Buildings and building service equipment	31,929,712	8,540,470	23,389,242	24,248,503
Equipment and equipment under capital lease	11,412,684	9,652,244	1,760,440	1,634,808
Software	1,062,723	805,428	257,295	366,882
Construction-in-progress	1,807,142	-	1,807,142	421,190
	46,997,425	19,235,777	\$ 27,761,648	\$ 27,250,912

Cost and accumulated amortization as at March 31, 2017 amounted to \$44,882,031 and \$17,631,119, respectively.

5. Accounts payable and accrued liabilities:

As at year end, the Hospital had \$166,820 (2017 - \$311,551) payable for government remittances, including amounts relating to harmonized sales tax and payroll-related taxes.

6. Deferred contributions related to capital assets:

	2018	2017
Balance, beginning of year	\$ 25,338,129	\$ 25,026,126
Add: Contributions received during the year	2,073,012	1,604,566
Less: Amortization related to equipment	(594,505)	(608,435)
Less: Amortization related to land improvements, buildings, building service equipment and minor equipment	(684,128)	(684,128)
Balance, end of year	\$ 26,132,508	\$ 25,338,129

7. Obligations under capital lease:

	2018	2017
Equipment lease contract with a net book value of \$Nil, maturing February 27, 2018, payable in monthly instalments of \$164	\$ 1,870	\$ 1,870
Total amount of future minimum lease payments	1,870	1,870
Interest included in payments (at a rate of 7.22%)	63	63
	1,807	1,807
Current portion of obligations under capital lease	-	1,807
	\$ -	\$ -

KEMPTVILLE DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2018

8. Employee future benefits:

(a) Extended health care benefits:

The Hospital provides extended health care and dental insurance benefits to its employees and extends this coverage to the post-retirement period. The measurement date used to determine the accrued benefit obligation is March 31, 2018. The most recent actuarial valuation of employee future benefits was completed as at March 31, 2018.

The Hospital's employee future benefits accrued liability and accrued benefit obligation are as follows:

	2018	2017
Accrued benefit obligation:		
Balance, beginning of year	\$ 636,500	\$ 612,300
Current period benefit cost	24,500	22,900
Interest on accrued benefits	22,900	23,200
Benefit payments	(36,100)	(35,700)
Actuarial loss (gain)	(177,800)	13,800
Balance, end of year	470,000	636,500
Unamortized actuarial losses	142,300	(41,900)
Employee future benefits liability	\$ 612,300	\$ 594,600

The significant actuarial assumptions adopted in estimating the Hospital's accrued benefit obligations are as follows:

	2018	2017
Discount rate	3.37%	3.56%
Dental cost increases	2.75%	3.75%
Extended healthcare cost escalations, 7% in 2017 decreasing by 0.25% per annum to an ultimate rate of 4.75%	6% to an ultimate rate of 4.5%	7%
Expected average remaining service life of employees	9 years	10 years

(b) Healthcare of Ontario Pension Plan:

Substantially all full time employees of the Hospital are eligible to be members of the Healthcare of Ontario Pension Plan (the "Plan"). This Plan is a multi-employer, defined benefit pension plan. Employer contributions to the Plan during the year amounted to \$687,432 (2017 - \$707,622). These amounts are included in employee benefits expense in the statement of operations.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount 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. The most recent triennial actuarial valuation of the Plan as at March 31, 2018 indicates the Plan is fully funded.

KEMPTVILLE DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2018

9. Net change in non-cash working capital items:

	2018	2017
Accounts receivable	\$ (879,663)	\$ 303,165
Inventories	3,293	(12,703)
Prepaid expenses	42,650	(75,334)
Long-term accounts receivable	112,668	111,873
Accounts payable and accrued liabilities	(712,662)	1,373,378
Deferred revenue	327,580	3,651
	\$ (1,106,134)	\$ 1,704,030

10. Short-term borrowing:

The Hospital has a operating line of credit to a maximum of \$2,000,000 which bears interest at prime minus 0.5%. At March 31, 2018, the Hospital has drawn \$Nil (2017 - \$Nil).

11. Related parties:

The Hospital has an economic interest in the Kemptville District Hospital Foundation (the "Foundation") and the Kemptville District Hospital Auxiliary (the "Auxiliary") which are incorporated under the Corporations Act of Ontario. Their objective is to raise, receive, maintain and manage funds and to apply all or part of them and the income derived from them for the development and promotion of the Hospital and the well-being of patients

The Foundation is the sole beneficiary of the Rideau Valley Health Trust which holds the shares of Rideau Valley Health Services Ltd.

The Hospital is related to both Rideau Valley Health Trust and Rideau Valley Health Services Ltd. due to its significant influence over both entities by virtue of its ability to appoint 40% of the members of the Trust's Board.

(a) Kemptville District Hospital Foundation:

During the year, the Hospital recognized an amount of \$1,058,444 (2017 - \$473,014) received from the Foundation, represented by \$862,432 (2017 - \$308,495) in capital contributions and \$196,012 (2017 - \$164,519) in reimbursement of expenses incurred on behalf of the Foundation.

As at March 31, 2018, the Hospital had accounts receivable from the Foundation amounting to \$52,679 (2017 - \$38,692), and accounts payable to the Foundation amounting to \$1,079 (2017 - \$1,010). The Hospital provides the Foundation with office space without charge.

(b) Kemptville District Hospital Auxiliary:

As at March 31, 2018, the Hospital had accounts receivable from the Auxiliary amounting to \$2,879 (2017 - \$1,468). During the year, the Hospital received an amount of \$65,000 (2017 - \$65,000) from the Auxiliary.

(c) Rideau Valley Health Services Ltd.:

As at March 31, 2018, the Hospital had accounts payable to Rideau Valley Health Services Ltd. (RVHS) amounting to \$127,240 (2017 - \$117,460). The Hospital provides Rideau Valley Health Services Ltd. 9,000 square feet located at 1221 Greenbank Road, Ottawa, ON known as RVHS Health Centre. The Hospital has engaged RVHS as an independent contractor to provide services to the Family Health Organization and Specialists Groups operating in this space. Services include Administrative services for their EMR System including billing and maintenance, clinical support to physicians, DI Clinic, Diabetes Education Program and services and equipment to carry on the practice of Medicine. During the year, the Hospital incurred net expenses totalling \$63,080 (2017 - \$36,264) relating to those services.

KEMPTVILLE DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2018

11. Related parties (continued):

(c) Rideau Valley Health Services Ltd. (continued):

(i) Contingent liabilities:

The Hospital is a co-borrower with Rideau Valley Health Services Ltd. on the following credit facilities at year-end:

- (a) Rideau Valley Health Services Ltd. has a bank lease of \$1,534,980 bearing interest at prime plus 0.25% and is repayable in monthly instalments of \$23,161. Under the arrangement, Rideau Valley Health Services Ltd. was able to borrow up to \$2,500,000 per the agreement signed in September 2011 and is responsible for making the required payments on the lease. If Rideau Valley Health Services Ltd. defaults on its payment obligations, the Hospital will be required to make the monthly lease payments. At March 31, 2018, the required payments are up-to-date. Therefore, no liability has been recorded on the Hospital's statement of financial position with respect to this lease agreement.
- (b) Rideau Valley Health Services Ltd. has an operating line of credit with a maximum of \$550,000 which bears interest at prime. At March 31, 2018, the Rideau Valley Health Services Ltd. has drawn \$480,000 (2017 - \$480,000) on this line of credit.
- (c) Rideau Valley Health Services Ltd. has a non-revolving term loan of \$33,333 with interest at prime plus 0.25% per annum. The loan is repayable in 23 equal installments (\$8,333.33) commenced on July 31, 2015 with a final balance of principal and interest then outstanding due on the 24th month on July 31, 2017. The balance outstanding at March 31, 2018 is \$Nil.
- (d) Rideau Valley Health Services Ltd. has a business visa card with an available credit limit of \$30,000. At March 31, 2018, \$246 (2017 - \$6,222) was outstanding against this facility.

12. Commitments, contingencies and guarantees:

- (a) The nature of the Hospital's activities is such that there is usually litigation pending or in progress at any time. There were no specific claims noted by Management at year-end and any potential claims are covered under the Hospital's insurance policy. No provision has been made for a loss in these financial statements, and any potential claims will not have a material adverse affect on the statement of financial position or results of operations
- (b) To the extent permitted by law the Hospital indemnifies present and former directors and officers against certain claims that may be made against them as a result of their service as directors or officers. The Hospital purchases directors' and officers' liability insurance that may be available in certain instances. The nature and likelihood of these arrangements preclude the Hospital from making a reasonable estimate of the maximum potential amount the Hospital could be required to pay to counterparties. The Hospital believes the likelihood that it will incur significant liability under these arrangements is remote and accordingly, no amount has been recorded in the financial statements for these guarantees.
- (c) The Hospital has committed to make the following future minimum payments under a premise lease:

2019	\$	444,384
2020		444,384
2021		444,384
2022		185,160
	\$	1,518,312

A portion of the space is currently being occupied by Rideau Valley Health Services Ltd.

KEMPTVILLE DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2018

13. Financial risks and concentration of credit risk:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Hospital is exposed to this risk relating to its cash and accounts receivable. The Hospital holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation

The Hospital's receivables are primarily with governments, government funding agencies, patients and residents and corporate entities. The Hospital's largest account receivable from a non-related party is the long-term receivable of \$520,000 (2017 - \$620,000) due from the township of North Grenville relating to capital funding. The Hospital believes that its receivables do not have significant credit risk in excess of allowances for doubtful accounts that have been established. An allowance for doubtful accounts has not been recognized as at the year ended March 31, 2018.

(b) Liquidity risk:

Liquidity risk is the risk that the Hospital will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Hospital manages its liquidity risk by monitoring its operating requirements. The Hospital prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

(c) 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: currency risk, interest rate risk and other price risk.

The Hospital believes it is not subject to significant interest rate, foreign currency or other price risks arising from its financial instruments.

There have been no significant changes from the previous year in the Hospital's exposure to market, liquidity or credit risk or the policies, procedures and methods used to measure these risks.

14. Accounting changes:

On April 1, 2017, the Hospital adopted Canadian public sector accounting standards PS 2200 Related party disclosures, PS 3420 Inter-entity transactions, PS 3210 Assets, PS 3320 Contingent Assets, and PS 3380 Contractual rights.

The adoption of these standards did not result in an accounting policy change for the entity, and did not result in any adjustments to the financial statements as at April 1, 2017.

KEMPTVILLE DISTRICT HOSPITAL

Additional Information

Year ended March 31, 2018, with comparative information for 2017

Schedule A - Champlain local health integration network and Ontario Ministry of Health and Long-Term Care Allocations

	2018	2017
Base allocations	\$ 14,862,614	\$ 16,471,676
One-time payments	392,411	609,732
	<u>\$ 15,255,025</u>	<u>\$ 17,081,408</u>

Schedule B - Other

	2018	2017
Recoveries and miscellaneous revenue	\$ 2,528,465	\$ 833,981
Amortization of deferred contributions related to equipment	593,798	607,728
Other patient services	3,542,590	3,484,239
Room differential and patients' co-payments	90,670	112,568
	<u>\$ 6,755,523</u>	<u>\$ 5,038,516</u>

Schedule C - Other revenue and expenses

	2018	2017
Amortization of land improvements, buildings and building service equipment	\$ (930,133)	\$ (927,148)
Amortization of deferred contributions related to land improvements, building and buildings service equipment	684,128	684,128
	<u>\$ (246,005)</u>	<u>\$ (243,020)</u>

KEMPTVILLE DISTRICT HOSPITAL

Additional Information (continued)

Year ended March 31, 2018, with comparative information for 2017

Schedule D - Alternative funding agreement

	2018	2017
Revenue:		
Contributions - Ontario Ministry of Health and Long-Term Care	\$ 1,858,591	\$ 1,830,054
Interest	551	349
	<u>1,859,142</u>	<u>1,830,403</u>
Expenses:		
Medical staff remuneration	1,829,142	1,800,403
Supplies	30,000	30,000
	<u>1,859,142</u>	<u>1,830,403</u>
Excess of revenue over expenses	\$ -	\$ -

Schedule E - Other funding votes

Interim long-term care beds

	2018	2017
Revenue:		
Contributions - Champlain Local Health Integration Network	\$ 1,081,892	\$ 1,047,448
Amortization of deferred contributions related to equipment	707	707
Patients' co-payments	69,498	69,861
	<u>1,152,097</u>	<u>1,118,016</u>
Expenses:		
Nursing and personal care	755,546	856,199
Program and support services	209,268	121,735
Raw food	34,770	31,589
Other accommodations	227,052	206,654
Physicians on call	12,106	12,106
Amortization of equipment	3,198	14,052
	<u>1,241,940</u>	<u>1,242,335</u>
Deficiency of revenue over expenses	\$ (89,843)	\$ (124,319)

KEMPTVILLE DISTRICT HOSPITAL

Additional Information (continued)

Year ended March 31, 2018, with comparative information for 2017

Schedule E - Other funding votes (continued)

Property taxes

	2018	2017
Revenue:		
Contributions - Champlain Local Health Integration Network	\$ 3,900	\$ 3,900
Expenses:		
Property taxes	3,900	3,900
Excess of revenue over expenses	\$ -	\$ -

Summary - Schedule E - Other funding votes

	2018	2017
Total revenue	\$ 1,155,997	\$ 1,121,916
Total expenses	1,245,840	1,246,235
Deficiency of revenue over expenses	\$ (89,843)	\$ (124,319)
