

**CARLETON PLACE & DISTRICT
MEMORIAL HOSPITAL**

FINANCIAL STATEMENTS

MARCH 31, 2019

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Independent Auditor's Report

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Statement of Operations

Statement of Changes in Net Assets

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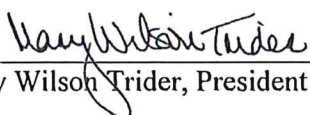
MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of the Carleton Place & District Memorial Hospital ("the Hospital") are the responsibility of the Hospital's Management and have been prepared in compliance with legislation, and in accordance with Canadian Public Sector Accounting Standards established by the Chartered Professional Accountants of Canada. A summary of significant accounting policies are described 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 controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of financial statements. These systems are monitored and evaluated by Management.

Management meets with the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to Board approval of the financial statements.

The financial statements have been audited by Kelly Huibers McNeely Professional Corporation, independent external auditors appointed by the Hospital. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Hospital's financial statements.



Mary Wilson Trider, President & CEO



Kimberley Harbord, Vice President Finance & CFO



CHARTERED
PROFESSIONAL
ACCOUNTANTS

KELLY HUIBERS MCNEELY

PROFESSIONAL CORPORATION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Carleton Place & District Memorial Hospital

Opinion

We have audited the accompanying financial statements of Carleton Place & District Memorial Hospital ("the Hospital"), which comprise the statement of financial position as at March 31, 2019, and the statements of operations, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Hospital as at March 31, 2019, and its financial performance 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 Hospital 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Hospital'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 Hospital or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Hospital's financial reporting process.

106B McGonigal St. W.
Arnprior, Ontario K7S 1M4

9 Emily Street
Carleton Place, Ontario K7C 1R9

16 Gore Street West
Perth, Ontario K7H 2L6

5992 Hazeldean Rd.
Stittsville, Ontario K2S 1B9

Phone: 613-963-1430 (1-866-999-1339)

Fax: 613-686-3960 (Perth local 613-267-3949)

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 Hospital'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 Hospital'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 Hospital 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.

Kelly Huibers McNeely
Professional Corporation

Carleton Place, Ontario
June 06, 2019

Authorized to practise public accounting by
The Chartered Professional Accountants of Ontario

CARLETON PLACE & DISTRICT MEMORIAL HOSPITAL

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2019

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,170,637	\$ 1,709,461
Accounts receivable (note 3)	498,742	266,797
Inventories	121,080	99,728
Prepaid expenses	154,515	144,174
	2,944,974	2,220,160
Cash and cash equivalents restricted for capital purchases (notes 4 and 8)	1,175,108	1,200,517
Capital assets (note 5)	8,182,339	7,164,050
	\$ 12,302,421	\$ 10,584,727
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 2,124,531	\$ 1,553,400
Deferred contributions (note 7)	170,614	168,110
	2,295,145	1,721,510
LONG-TERM LIABILITIES		
Deferred capital contributions (note 8)	8,456,204	7,282,270
Employee future benefits (note 9)	<u>363,200</u>	<u>362,200</u>
	<u>11,114,549</u>	<u>9,365,980</u>
Commitments and contingencies (notes 15 and 16)		
NET ASSETS		
Invested in capital assets (note 10a)	901,243	1,082,297
Unrestricted	<u>286,629</u>	<u>136,450</u>
	1,187,872	1,218,747
	\$ 12,302,421	\$ 10,584,727

APPROVED ON BEHALF OF THE BOARD



Director



Director

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

CARLETON PLACE & DISTRICT MEMORIAL HOSPITAL

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2019

	2019	2018
Revenue		
Patient Care		
Ministry of Health and Long-Term Care	\$ 10,378,091	\$ 10,247,438
Other patient income	3,017,281	3,026,309
Other funding	608,419	468,911
Amortization of deferred capital contributions related to equipment and software (note 10b)	<u>420,501</u>	<u>350,638</u>
	<u>14,424,292</u>	<u>14,093,296</u>
Expenditures		
Salaries and wages	6,419,854	6,263,290
Employee benefits	1,762,777	1,798,180
Medical staff remuneration	2,419,198	2,315,981
Medical and surgical supplies	283,207	283,838
Drugs and medical gases	244,102	260,811
General supplies	2,656,695	2,662,338
Amortization of equipment and software	<u>585,374</u>	<u>485,366</u>
	<u>14,371,207</u>	<u>14,069,804</u>
Net Revenue from Operations	53,085	23,492
Other votes		
Revenue	3,150	3,150
Expense	<u>(3,723)</u>	<u>(3,447)</u>
Excess of Revenue Over Expenditures From Operations and Other Programs	52,512	23,195
Capital income and expenses		
Amortization of deferred contributions related to buildings (note 10b)	289,779	245,397
Amortization of buildings and land improvements	<u>(373,166)</u>	<u>(352,573)</u>
Deficiency of Revenue Over Expenditures	<u>\$ (30,875)</u>	<u>\$ (83,981)</u>

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

CARLETON PLACE & DISTRICT MEMORIAL HOSPITAL

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2019

	Invested in Capital Assets	Unrestricted	2019	2018
Balance, beginning of year	\$ 1,082,297	\$ 136,450	\$ 1,218,747	\$ 1,302,728
Deficiency of revenue over expenditures	-	(30,875)	(30,875)	(83,981)
Net change in invested in capital assets (note 10b)	(181,054)	181,054	-	-
Balance, end of year	\$ 901,243	\$ 286,629	\$ 1,187,872	\$ 1,218,747

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

CARLETON PLACE & DISTRICT MEMORIAL HOSPITAL

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2019

	2019	2018
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Deficiency of revenue over expenditures	\$ (30,875)	\$ (83,981)
Items not affecting cash:		
Amortization of deferred capital contributions	(710,280)	(596,035)
Amortization of capital assets	958,540	837,939
Provision for employee future benefits	1,000	16,344
Net change in non-cash working capital items:		
Accounts receivable	(231,945)	14,269
Inventories	(21,352)	(24,985)
Prepaid expenses	(10,341)	(39,264)
Accounts payable and accrued liabilities	571,131	(506,260)
Deferred contributions	<u>2,504</u>	<u>1,716</u>
	528,382	(380,257)
CAPITAL ACTIVITIES		
Purchase of capital assets	(1,976,829)	(1,372,566)
FINANCING ACTIVITIES		
Deferred capital contributions received	<u>1,884,214</u>	<u>1,139,088</u>
NET CHANGE IN CASH	435,767	(613,735)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,909,978	3,523,713
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,345,745	\$ 2,909,978
CASH CONSISTS OF:		
Cash and cash equivalents	\$ 2,170,637	\$ 1,709,461
Cash and cash equivalents restricted for capital purchases	1,175,108	1,200,517
	\$ 3,345,745	\$ 2,909,978

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

CARLETON PLACE & DISTRICT MEMORIAL HOSPITAL

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

1. ORGANIZATION

The Carleton Place & District Memorial Hospital (the "Hospital") is incorporated without share capital under the Corporations Act of Ontario. The Hospital is principally involved in providing health care services to the Town of Carleton Place and surrounding area. The Hospital is a registered charity under the Income Tax Act and accordingly is exempt from income taxes.

2. SUMMARY OF 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:

Basis of Presentation

These financial statements reflect the assets, liabilities and operations of the Hospital. They do not include the assets, liabilities and operations of the Carleton Place & District Memorial Hospital Auxiliary and the Carleton Place & District Memorial Hospital Foundation, which although associated with the Hospital, are separately managed, and report to a separate Board of Trustees.

Revenue Recognition

The Hospital follows the deferral method of accounting for contributions for government not-for-profit organizations.

Under the Health Insurance Act and Regulations thereto, the Hospital is funded, primarily by the Province of Ontario, and allocated by the Champlain Local Health Integration Network in accordance with budget arrangements established by the Ministry of Health and Long-Term Care (MOHLTC). 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.

The Hospital receives funding for operations for certain programs from the MOHLTC. The final amount of operating revenue recorded cannot be determined until the MOHLTC has reviewed the Hospital's financial and statistical returns for the year. Any adjustment arising from the MOHLTC review is recorded in the period in which the adjustment is made.

CARLETON PLACE & DISTRICT MEMORIAL HOSPITAL

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

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

Externally restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Contributions restricted 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 of the related capital assets.

Revenue from the Provincial Insurance Plan and marketed services is recognized when the goods are sold or the service is provided.

Contributed Services

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Inventories

Inventories are recorded on a first-in, first-out basis and are valued at lower of cost or net realizable value.

Cash Equivalents

Guaranteed investment certificates with fixed interest rates and terms to maturity of less than three months are classified as cash equivalents. These investments are stated at cost, including accrued interest, which represents market value.

Financial Instruments

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

CARLETON PLACE & DISTRICT MEMORIAL HOSPITAL

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

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. The Hospital does not have any amounts to record on the statement of remeasurement gains and losses and therefore this statement has not been included in these financial statements.

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.

CARLETON PLACE & DISTRICT MEMORIAL HOSPITAL

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

Purchased capital assets, other than minor equipment are recorded at cost. When an asset no longer contributes to the Hospital's ability to provide services, its carrying amount is written down to its residual value.

Minor equipment replacements are expensed in the year of replacement. Construction in progress is not amortized until the project is complete and the facilities come into use.

Capital assets are amortized on a straight-line basis over their expected useful lives as follows:

Land improvements	3 to 25 years
Buildings	10 to 40 years
Hospital equipment	3 to 25 years
Software licenses	3 to 10 years

Employee Future Benefits

Post-Retirement Benefits

The Hospital accrues its obligations for employee benefit plans as the employees render the services. The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method prorated on service and Management's best estimate of retirement ages of employees and expected health care costs.

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 excess of the net accumulated actuarial gains (losses) over the accrued benefit obligation is amortized over the average remaining service period of active employees which is 10 years.

Past service costs arising from a plan amendment are immediately recognized.

CARLETON PLACE & DISTRICT MEMORIAL HOSPITAL

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee Future Benefits (continued)

Hospital of Ontario Pension Plan

The Hospital is an employer member of the Hospitals 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.

Measurement Uncertainty

The preparation of financial statements, in conformity with Canadian public sector accounting standards, 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 expenditures during the year. Actual results could differ from these estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the periods in which they become known. The most significant estimates used in preparing these financial statements include the estimated useful lives of capital assets, the assumptions underlying the employee future benefit liability calculation, the amount of accrued liabilities and the allowance for doubtful accounts.

Accounting Changes

On April 1, 2018, the Hospital adopted Canadian public sector accounting standards PS 3430, Restructuring transactions. The adoption of this standard 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, 2018.

CARLETON PLACE & DISTRICT MEMORIAL HOSPITAL

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

3. ACCOUNTS RECEIVABLE

	2019	2018
Patients	\$ 309,961	\$ 172,384
CPDMH Foundation and CPDMH Auxiliary	112,715	960
Other	<u>106,066</u>	<u>98,453</u>
	528,742	271,797
Less: Allowance for doubtful accounts	(30,000)	(5,000)
	<u>\$ 498,742</u>	<u>\$ 266,797</u>

4. CASH AND CASH EQUIVALENTS RESTRICTED FOR CAPITAL PURCHASES

Cash and cash equivalents restricted for capital purchases relates to funding received for the purpose of future capital expenditures.

At March 31, 2019, the Hospital holds \$1,227,963 (2018 - \$1,212,100) in a cashable guaranteed investment certificate with interest of 1.35% (2018 - 1.10%) per annum and a maturity date of May 7, 2019 (2018 - May 5, 2018).

CARLETON PLACE & DISTRICT MEMORIAL HOSPITAL

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

5. CAPITAL ASSETS

	Cost	Accumulated Amortization	2019 Net Book Value	2018 Net Book Value
Land	\$ 75,015	\$ -	\$ 75,015	\$ 75,015
Land improvements	323,725	313,831	9,894	4,456
Buildings	9,526,741	5,599,750	3,926,991	3,257,855
Hospital equipment	6,921,037	5,138,578	1,782,459	1,540,563
Software licenses	2,349,207	1,434,163	915,044	1,181,708
Construction in progress	1,472,936	-	1,472,936	1,104,453
	\$ 20,668,661	\$ 12,486,322	\$ 8,182,339	\$ 7,164,050

On March 31, 2018, the Hospital's capital assets had a total cost of \$18,691,832 and accumulated amortization of \$11,527,782.

6. BANK INDEBTEDNESS

The Hospital has an available line of credit of \$750,000 with its corporate banker. This line of credit is unsecured and bears interest at prime less 0.50%. The Hospital also has a revolving term loan facility with a maximum credit of \$500,000 which bears interest at prime less 0.25%. At March 31, 2019, no amounts were withdrawn on the line of credit or the revolving term loan facility.

CARLETON PLACE & DISTRICT MEMORIAL HOSPITAL

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

7. DEFERRED CONTRIBUTIONS

Deferred contributions are comprised of:

	2019	2018
Redevelopment grant	\$ 156,582	\$ 154,078
Website development donations	14,032	14,032
	\$ 170,614	\$ 168,110

8. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions relate to the unamortized amount and unspent amount of contributions received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations.

The changes in the deferred capital contributions for the year are as follows:

	2019	2018
Balance, beginning of year	\$ 7,282,270	\$ 6,739,217
Add: contributions received during the year	1,884,214	1,139,088
Less: amounts amortized to revenue	(710,280)	(596,035)
	\$ 8,456,204	\$ 7,282,270

The balance of deferred capital contributions consists of the following:

	2019	2018
Unamortized capital contributions	\$ 7,281,096	\$ 6,081,753
Unspent capital contributions	1,175,108	1,200,517
	\$ 8,456,204	\$ 7,282,270

9. EMPLOYEE FUTURE BENEFITS

The Hospital provides extended health care and dental insurance benefits to certain of its employees and extends this coverage to the post-retirement period. The most recent actuarial valuation of employee future benefits was completed as at March 31, 2018, which included an estimate as at March 31, 2019.

CARLETON PLACE & DISTRICT MEMORIAL HOSPITAL

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

9. EMPLOYEE FUTURE BENEFITS (continued)

Accrued Benefit Liability

The reconciliation of the actuarially determined accrued benefit obligation to the amount recorded in the financial statements is as follows:

	2019		2018
Accrued benefit obligation	\$ 339,200	\$	345,900
Unamortized actuarial gains	24,000		16,300
Accrued benefit liability	\$ 363,200	\$	362,200

Significant Assumptions

The significant actuarial assumptions and economic factors adopted in estimating the Hospital's accrued benefit obligations are as follows. All rates and percentages are annualized.

	2019	2018
Discount rate	3.37 %	3.37 %
Dental cost trend rate	2.75 %	2.75 %
Extended health care trend rate*	6.25 %	6.50 %

*Decreasing by 0.25% per year to an ultimate rate of 4.50%.

Benefit Expense

Included in the statement of operations is a benefit expense of \$37,500 (2018 - \$64,044). This expense is comprised of:

	2019		2018
Additional benefit expense	\$ 1,000	\$	16,344
Benefit payments made by the Hospital during the year	36,500		47,700
Benefit expense	\$ 37,500	\$	64,044

CARLETON PLACE & DISTRICT MEMORIAL HOSPITAL

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

10. INVESTED IN CAPITAL ASSETS

	2019	2018
a) Invested in capital assets is calculated as follows:		
Capital assets	\$ 8,182,339	\$ 7,164,050
Amount financed by unamortized capital contributions (note 8)	(7,281,096)	(6,081,753)
	\$ 901,243	\$ 1,082,297

b) Net change in invested in capital assets is calculated as follows:

Purchase of capital assets	\$ 1,976,829	\$ 1,372,566
Amounts funded by deferred capital contributions	(1,909,623)	(1,250,571)
Amortization of deferred capital contributions related to equipment and software	420,501	350,638
Amortization of deferred contributions related to buildings	289,779	245,397
Amortization of capital assets	(958,540)	(837,939)
	\$ (181,054)	\$ (119,909)

CARLETON PLACE & DISTRICT MEMORIAL HOSPITAL

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

11. FINANCIAL INSTRUMENTS

The Hospital's financial instruments consist of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities. It is Management's opinion that the fair value of these instruments is not materially different than their cost and that the Hospital is not exposed to significant credit, liquidity, market or currency risks.

Credit Risk

Credit risk relates to the potential that one party to a financial instrument will fail to discharge an obligation and incur a financial loss. The Hospital is exposed to credit risk on its accounts receivable.

Liquidity Risk

Liquidity risk is the risk that the Hospital will not be able to meet its obligations as they fall due. The Hospital requires working capital to meet day-to-day operating activities. Management expects that the Hospital's cash flows from operating activities will be sufficient to meet these requirements.

Market Risk

Interest rate risk arises from the possibility that the value, or cash flows related to, a financial instrument will fluctuate as a result of changes in market interest rates. The Hospital is exposed to interest rate differentials between the market interest rate and the actual rates on its guaranteed investment certificate.

Currency Risk

Currency risk is the risk that the fair value of future cash flows of financial instruments denominated in currencies other than the functional currency of the Hospital will fluctuate due to changes in foreign exchange rates. The Hospital is not currently exposed to any currency risk.

CARLETON PLACE & DISTRICT MEMORIAL HOSPITAL

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

12. PENSION PLAN

Substantially all of the employees of the Hospital are members of the Hospitals of Ontario Pension Plan (the 'Plan'), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the five consecutive years prior to retirement, termination or death, that provide the highest earnings.

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

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount 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 employee's 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 actuarial valuation of the Plan as at December 31, 2018 indicated the Plan is fully funded on a solvency basis.

Contributions to the Plan made during the year by the Hospital on behalf of its employees amounted to \$514,174 (2018 - \$489,446) and are included in the statement of operations.

13. RELATED PARTY TRANSACTIONS

The Hospital has an economic interest in Carleton Place and District Memorial Hospital Auxiliary and the Carleton Place and District Memorial Hospital Foundation. The Auxiliary and Foundation were established to raise funds for the use of the Hospital. The Foundation and Auxiliary are registered charities under the Income Tax Act.

During the year ended March 31, 2019 the Hospital received contributions of \$489,009 (2018 - \$734,826) from the Foundation and Auxiliary. At March 31, 2019 there was a balance of \$112,715 (2018 - \$960) due from the Foundation and Auxiliary.

CARLETON PLACE & DISTRICT MEMORIAL HOSPITAL

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

14. ALTERNATIVE FUNDING PLAN

Commencing in the year ended March 31, 2004, the Alternative Funding Agreement between the MOHLTC and the Hospital is a joint effort to contribute funds to the Emergency Services at the Hospital as a result of difficulties in recruiting and retaining medical staff to cover hospital emergency departments. The amounts received and paid have been included in the statement of operations.

	2019	2018
Funding received from MOHLTC	\$ 1,672,054	\$ 1,676,561
Less: Payments to physicians	1,632,128	1,637,686
Administrative expenses	39,926	38,875
Net amount receivable from MOHLTC	\$ -	\$ -

15. COMMITMENTS

As of March 31, 2019, the Hospital has the following commitments under operating leases, and maintenance and project management contracts for the next five years:

2020	\$ 671,285
2021	135,752
2022	135,584
2023	135,584
2024	135,584

16. CONTINGENT LIABILITIES

The nature of the Hospital's activities is such that there is potentially litigation pending or in prospect at any time. Management believes the Hospital has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, Management believes that such claims are not expected to have a material effect on the Hospital's financial position. There are no claims outstanding at March 31, 2019.

A group of hospitals, including the Hospital, have formed the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the public liability insurance risks of its members. All members of the pool pay annual premiums which are actuarially determined. All members are subject to reassessment for losses, if any, experienced by the pool for the years in which they were members, and these losses could be material. No reassessments have been made to March 31, 2019.