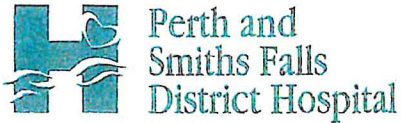


**CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020**

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**Perth and Smiths Falls
District Hospital
Consolidated
Financial Statements
March 31, 2020**



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www.psfhdh.on.ca

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Perth and Smiths Falls District 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. A summary of significant accounting policies are described in note 1 to the consolidated financial statements. The preparation of consolidated 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 consolidated financial statements. These systems are monitored and evaluated by management.

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

The consolidated financial statements have been audited by Allan and Partners LLP, independent external auditors appointed by the Hospital. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Hospital's consolidated financial statements.

A handwritten signature in blue ink, appearing to be 'Dr. Barry Guppy'.

Dr. Barry Guppy, President and CEO

A handwritten signature in blue ink, appearing to be 'Brian Allen'.

Brian Allen, Vice President
Financial and Corporate Services



22 Wilson Street West | Perth, Ontario | K7H 2M9
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members of the Perth and Smiths Falls District Hospital:

Opinion

We have audited the consolidated financial statements of the Perth and Smiths Falls District Hospital (the 'Entity'), which comprise:

- the consolidated statement of financial position as at March 31, 2020;
- the consolidated statement of operations for the year then ended;
- the consolidated statement of changes in net deficiency for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- and the notes to the consolidated financial statements, including a summary of significant accounting policies;

(Hereinafter referred to as the 'financial statements').

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at March 31, 2020, and its consolidated results of operations, its consolidated changes in net deficiency and its consolidated 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 '**Auditors' Responsibilities for the Audit of the Financial Statements**' section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian Public Sector Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement 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 of 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

**CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020**

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**Perth and Smiths Falls
District Hospital
Consolidated
Financial Statements
March 31, 2020**

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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement 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 of 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



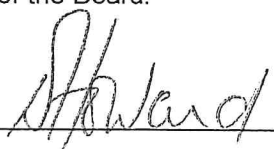
Allan and Partners LLP
Chartered Professional Accountants
Licensed Public Accountants

Perth, Ontario
June 18, 2020.

**Perth and Smiths Falls District Hospital
Consolidated Statement of Financial Position**

March 31	2020	2019
	\$	\$
Assets		
Current Assets		
Cash	1,753,925	1,539,395
Accounts receivable (note 2)	2,549,276	2,132,250
Inventories (note 3)	683,696	678,369
Prepaid expenses	499,185	509,709
	5,486,082	4,859,723
Capital Assets (note 4)	61,964,970	64,356,178
Restricted Cash (note 5)	899,884	150,765
	68,350,936	69,366,666
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	7,339,803	6,759,803
Deferred contributions	329,075	317,456
Debt (note 7)	5,754,747	6,247,741
	13,423,625	13,325,000
Employee future benefits (note 6)	1,947,306	1,947,306
Long term debt (note 7)	1,453,284	1,854,402
Deferred Contributions Related to Capital Assets (note 8)	52,696,887	54,147,706
	56,097,477	57,949,414
Commitments, Contingencies and Guarantees (note 14)		
Net Financial Assets (Deficiency)		
Invested in capital assets	8,309,935	7,607,094
Unrestricted deficiency	(9,480,101)	(9,514,842)
	(1,170,166)	(1,907,748)
	68,350,936	69,366,666

On Behalf of the Board:

 _____, Chairperson

**Perth and Smiths Falls District Hospital
Consolidated Statement of Operations**

For the year ended March 31	(Note 16) Budget	2020	2019
	\$	\$	\$
Revenues			
Patient Care			
Ministry of Health	43,749,599	45,193,585	43,787,537
Other patient income	7,905,898	8,330,785	7,686,516
Other funding	1,438,780	1,814,408	1,547,093
Amortization of deferred contributions related to equipment (note 8)	1,510,456	1,382,878	1,378,555
	54,604,733	56,721,656	54,399,701
Expenditures			
Salaries and wages	25,682,629	26,052,675	24,792,009
Employee benefits	7,326,926	7,678,934	7,213,235
Medical staff remuneration	6,711,387	6,936,694	6,567,594
Supplies and other	9,087,079	9,081,857	9,549,079
Medical and surgical supplies	2,728,178	2,965,560	2,854,821
Drugs	1,022,925	1,151,227	1,058,365
Interest	125,587	153,363	139,710
Amortization ▶ equipment and software	1,754,888	1,697,343	1,696,100
	54,439,599	55,717,653	53,870,913
Net Revenues from Operations	165,134	1,004,003	528,788
Other Revenues and Expenses			
Revenues ▶ Lanark County Mental Health	3,564,767	3,824,777	3,953,487
▶ Lanark County Support Services	3,924,366	4,509,641	4,403,810
▶ Payment in lieu of municipal taxes	15,600	15,600	15,600
▶ Bundled Care	95,000	43,531	---
Expenses ▶ Lanark County Mental Health	(3,564,767)	(3,821,848)	(3,953,487)
▶ Lanark County Support Services	(3,818,087)	(4,180,281)	(4,114,021)
▶ Capital interest on long term debt	(62,000)	(75,027)	(77,609)
▶ Payment in lieu of municipal taxes	(15,600)	(15,600)	(15,600)
▶ Bundled Care	(95,000)	(43,531)	---
Amortization of deferred contribution related to building	2,054,801	2,055,000	2,037,454
Amortization of building and improvements	(2,559,706)	(2,578,683)	(2,556,544)
	(460,626)	(266,421)	(306,910)
Excess of Revenues Over Expenses	(295,492)	737,582	221,878
Net Deficiency, Beginning of Year	(1,907,748)	(1,907,748)	(2,129,626)
Net Deficiency, End of Year	(2,203,240)	(1,170,166)	(1,907,748)

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

**Perth and Smiths Falls District Hospital
Consolidated Statement of Changes in Net Deficiency**

Year Ended March 31	Investment in Capital Assets	Unrestricted	2020	2019
	\$	\$	\$	\$
Balance, Beginning of Year	7,607,094	(9,514,842)	(1,907,748)	(2,129,626)
Excess of Revenues Over Expenses	---	737,582	737,582	221,878
Net Change in Investment in Capital Assets (Note 13)	702,841	(702,841)	---	---
Balance, End of Year	8,309,935	(9,480,101)	(1,170,166)	(1,907,748)

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

**Perth and Smiths Falls District Hospital
Consolidated Statement of Cash Flows**

For the year ended March 31	2020	2019
	\$	\$
Cash Flows Provided From:		
Operating Activities		
Excess of revenues over expenses	737,582	221,878
Amortization of capital donations and grants	(3,548,805)	(3,563,740)
Amortization of capital assets	4,417,222	4,403,890
	1,605,999	1,062,028
Net Change in Non-Cash Working Capital Balances Related to Operations		
Accounts receivable	(417,026)	(506,209)
Inventories	(5,327)	(59,689)
Prepaid expenses	10,524	(65,630)
Accounts payable	580,000	502,761
Deferred funding	11,619	(74,667)
Employee future benefits	---	(8,913)
	179,790	(212,347)
Net Change from Operations	1,785,789	849,681
Investing Activities		
Restricted cash	(749,119)	103,270
Capital expenditures (net)	(2,026,014)	(2,415,078)
	(2,775,133)	(2,311,808)
Financing Activities		
Repayment of long term debt	(894,112)	(878,068)
Capital donations and grants	2,097,986	1,876,170
	1,203,874	998,102
Change in Cash and Equivalents, During the Year	214,530	(464,025)
Cash and Equivalents, Beginning of Year	1,539,395	2,003,420
Cash and Equivalents, End of Year	1,753,925	1,539,395
Cash and Equivalents Represented By:		
Cash	1,929,349	2,008,468
Outstanding items	(175,424)	(469,073)
	1,753,925	1,539,395

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

Perth and Smiths Falls District Hospital

Notes to the Consolidated Financial Statements

March 31, 2020

Description of Organization

The Perth and Smiths Falls District Hospital is principally involved in providing health care services to the Towns of Perth, Smiths Falls and surrounding area and is funded by the South East Local Health Integration Network (SELHIN). The Hospital is a registered charity under the Income Tax Act and accordingly is exempt from income taxes.

1. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards for government not-for-profit organizations.

Basis of Presentation

These consolidated financial statements reflect the assets, liabilities and operations of the Hospital. The Hospital consolidates the financial activities of controlled entities.

These consolidated financial statements reflect the assets, liabilities and operations of Lanark County Mental Health and Lanark County Support Services.

They do not include the assets, liabilities or operations of its Auxiliaries, Smiths Falls Community Hospital Foundation and The Great War Memorial Hospital of Perth District Foundation or other entities, which, although associated with the Hospital, are separately managed, and report to separate Boards of Trustees.

Revenue Recognition

The Hospital follows the deferral method of accounting for contributions.

Under the Health Insurance Act and Regulations thereto, the Hospital is funded, primarily by the Province of Ontario, and allocated by the South East Local Health Integration Network, in accordance with budget arrangements established by the Ministry of Health and Long-Term Care. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in the subsequent period.

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

Externally restricted contributions, such as trust funds are recognized as revenue in the year in which the related expenses 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 for the related capital assets. 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.

Perth and Smiths Falls District Hospital

Notes to the Consolidated Financial Statements

March 31, 2020

1. Significant Accounting Policies / continued

Revenue Recognition / continued

The amount of any pledges and bequests to donate funds to the Hospital is not included in revenue until such time as funds are received.

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 consolidated financial statements.

Inventories

Inventories are recorded using moving average costs and are valued at lower of cost or net realizable value.

Classification of Financial Instruments

All financial instruments reported on the Consolidated Statement of Financial Position of the Hospital are classified as follows:

Short-term investments	Fair value
Accounts receivable	Fair value
Investments held of capital purchases	Fair value
Cash held in trust	Fair value
Bank indebtedness	Fair value
Accounts payable and accrued liabilities	Fair value
Long-term debt	Fair value

Capital Assets

Purchased capital assets 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 at rates varying from 2% to 30% per annum.

Land Improvements	3 - 25 years
Buildings	10 - 50 years
Building Service Equipment	5 - 25 years
Major Equipment	3 - 20 years

Deferred Contributions Related to Funds Held in Trust

The Hospital holds resources and makes disbursements on behalf of various unrelated individuals or groups. The Hospital has no discretion over such transactions.

Perth and Smiths Falls District Hospital Notes to the Consolidated Financial Statements

March 31, 2020

1. Significant Accounting Policies / continued

Deferred Contributions Related to Funds Held in Trust / continued

Resources received in connection with such trust fund transactions are reported as liabilities not revenue and subsequent distributions are reported as decreases to the liability not expenses.

Employee Benefit Plans

The Hospital accrues its obligations for employee benefit plans. 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 service and management's best estimate of retirement ages of employees and expected health care costs.

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. The Hospital records as pension expense the current service cost, amortization of past service costs and interest costs related to future employer contributions to the Plan for past employee service.

Measurement Uncertainty

The preparation of consolidated 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 consolidated financial statements and reported amounts of revenues and expensed during the period. 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 consolidated 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.

2. Accounts Receivable

Accounts receivable are comprised of the following:

	2020	2019
	\$	\$
Ministry of Health	143,459	---
Other	2,295,786	2,002,124
Due from other funds	110,031	130,126
	<u>2,549,276</u>	<u>2,132,250</u>

**Perth and Smiths Falls District Hospital
Notes to the Consolidated Financial Statements**

March 31, 2020

3. Inventories

	2020	2019
	\$	\$
Medical and surgical	339,261	331,424
Other	344,435	346,945
	683,696	678,369

4. Capital Assets

	2020		2019	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Land and Land Improvements	1,664,195	542,119	1,122,076	1,327,584
Software, Licences and Fees	3,207,423	3,019,385	188,039	327,275
Building	90,620,270	35,746,333	54,873,937	56,830,225
Major Equipment	28,457,844	23,491,193	4,966,651	5,519,455
Capital Projects in Progress	814,268	---	814,268	351,639
	124,764,000	62,799,030	61,964,970	64,356,178

5. Bank Indebtedness

The Hospital has an operating line of credit of \$9,000,000, with its corporate bankers, of which \$5,350,000 was drawn against at March 31, 2020 (2019 \$5,350,000) (note 7). This line of credit is unsecured and bears interest at prime less 1.1%.

Restricted cash is comprised of funds retained for the purpose of future capital equipment and infrastructure renewal. These funds are externally restricted to be used for the purpose intended by the contributor of the funds.

**Perth and Smiths Falls District Hospital
Notes to the Consolidated Financial Statements**

March 31, 2020

6. 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, 2019. Accordingly the March 31, 2020 amounts are estimated based on the prior years assumptions and rates.

At March 31, the Hospital's employee future benefits accrued liability and benefit obligation is as follows:

	2020	2019
	\$	\$
Accrued benefit obligation opening	1,947,306	1,956,219
Benefits accrued in the period	118,873	74,268
Benefits paid in the period	(118,873)	(114,095)
Interest on accrued benefit obligation during the period	---	65,254
Experience (loss) gain	---	(34,340)
Accrued liability	1,947,306	1,947,306

Similar to most post-employment benefit plans (other than pension) in Canada, the Hospital's plan is not pre-funded, resulting in a plan deficit equal to the accrued benefit obligation.

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

	2020	2019
Discount rate to determine accrued benefit obligation	3.18%	3.18%
Dental benefits cost escalation	2.75%	2.75%
Medical benefits cost escalation – extended health care	4.25%	4.25%
Inflation	2.25%	2.25%
Expected average remaining service life of employees	7.5 years	7.5 years

Included in the statement of operations is an amount \$118,873 (2019 \$114,095) regarding employee future benefits. This amount is comprised of:

	2020	2019
	\$	\$
Benefit payments made by the Hospital during the year	118,873	114,095

**Perth and Smiths Falls District Hospital
Notes to the Consolidated Financial Statements**

March 31, 2020

7. Debt

	2020	2019
	\$	\$
Bank of Montreal demand loans, \$3,350,000, (2.60%) and \$2,000,000, (2.65%), due June / July 2020.	5,350,000	5,350,000
Bank of Montreal, fixed rate term loan, (2.83%), repayable in blended monthly payments of \$50,980, due May 2020.	102,160	701,779
Bank of Montreal, fixed term loan, (3.23%), repayable in blended monthly payments of \$14,113, due May 2023.	660,607	805,206
Bank of Montreal, fixed rate term loan, (2.95%), repayable in blended monthly payments of \$10,867, due March 2024.	716,261	823,788
Bank of Montreal, fixed rate term loan, (3.80%), repayable in blended monthly payments of \$4,804, due November 2023.	379,003	421,370
	7,208,031	8,102,143
Less: current portion of long term debt	5,754,747	6,247,741
	1,453,284	1,854,402

Principal payments fall due as follows:

	\$
2021	5,754,747
2022	316,218
2023	325,692
2024	365,399
2025 and thereafter	445,975
	7,208,031

The Hospital currently has a demand loan of \$102,160 (2019 \$701,779) to cover the gap between final redevelopment project expenditures and final funding. Monthly payments of \$50,980 are made on the loan.

8. Deferred Contributions

The Ministry of Health and Long Term Care provide grants for approved Hospital building and building service projects. The Hospital also received donations from its Foundations, Auxiliaries and other private donors for capital projects and equipment. These grants and donations are recorded in deferred contributions and amortized over the useful life of the associated asset.

**Perth and Smiths Falls District Hospital
Notes to the Consolidated Financial Statements**

March 31, 2020

8. Deferred Contributions / continued

	2020	2019
	\$	\$
Capital Provincial Grants (net of amortization of \$19,394,351 (2019: \$18,469,891).	40,271,673	41,949,356
Capital Donations (net of amortization of \$9,807,317 (2019: \$8,773,061).	12,425,214	12,198,350
	52,696,887	54,147,706

9. Financial Instruments

Establishing Fair Value

The carrying value of accounts receivable, accounts payable and accrued liabilities approximates their fair value because of the relatively short period to maturity of the instruments. The fair value of long term debt is not materially different from their carrying values.

Fair Value Hierarchy

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;

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 (ie: as prices) or indirectly (ie: 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 (unobservable inputs).

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.

The financial instruments recorded at fair value in the Consolidated Statement of Financial Position, classified using the fair value hierarchy described above:

At March 31, 2020 ▶ Level 1 ▶ Restricted Cash ▶ \$899,884

At March 31, 2019 ▶ Level 1 ▶ Restricted Cash ▶ \$150,765

Perth and Smiths Falls District Hospital Notes to the Consolidated Financial Statements

March 31, 2020

9. Financial Instruments / continued

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.

10. Pension Plan

Substantially all of the employees of the Facility 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.

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, 2019 indicated the plan is fully funded on a solvency basis. Contributions to the plan made during the year by the Facility on behalf of its employees amounted to \$2,454,011 (previous year \$2,340,868) and are included in the statement of operations.

11. Related Party Transactions

The Hospital has an economic interest in the Great War Memorial Hospital of Perth District Foundation and the Smiths Falls Community Hospital Foundation. The Foundations were established to raise funds for the use of the Hospital. The Foundations are incorporated under the Business Corporations Act and are registered charities under the Income Tax Act.

The net assets and results from operations of the Foundations are not included in the statement of the Hospital.

**Perth and Smiths Falls District Hospital
Notes to the Consolidated Financial Statements**

March 31, 2020

11. Related Party Transactions / continued

Contributions received during the year amount to:

	2020	2019
	\$	\$
Smiths Falls Community Hospital Foundation		
▸ Equipment	34,643	576,095
▸ Building	---	50,000
Great War Memorial Hospital of Perth District Foundation		
▸ Equipment	634,779	412,822
▸ Building	40,361	107,869
Smiths Falls Community Hospital Auxiliary	---	26,295
Great War Memorial Hospital Auxiliary	59,879	24,561

Subsequent to March 31, 2020 the Hospital received \$188,250 from the Great War Memorial Hospital Foundation for a building renovation in the fiscal 2019 / 2020 year and \$173,862 from the Smiths Falls Community Hospital Foundation for equipment purchased in the 2019 / 2020 fiscal year.

12. Segmented Information

2020	Salaries, Wages & Benefits	Medical Staff Remuneration	Supplies & Other	Medical & Surgical Supplies	Drugs	Amortization Equipment & Software	Total
	\$	\$	\$	\$	\$	\$	\$
Administration & Support	7,951,398	247,088	5,697,742	75,071	53,892	401,540	14,426,731
Inpatient Care	13,691,899	1,634,090	959,181	2,470,652	805,900	649,989	20,211,711
Ambulatory Care	4,238,557	2,939,727	262,182	323,810	275,635	61,705	8,101,616
Diagnostic	7,294,063	2,115,789	1,993,472	92,317	15,792	575,669	12,087,102
Others	555,692	---	322,643	3,710	8	8,440	890,493
2020	33,731,609	6,936,694	9,235,220	2,965,560	1,151,227	1,697,343	55,717,653

2019	Salaries, Wages & Benefits	Medical Staff Remuneration	Supplies & Other	Medical & Surgical Supplies	Drugs	Amortization Equipment & Software	Total
	\$	\$	\$	\$	\$	\$	\$
Administration & Support	7,826,502	211,481	5,956,559	79,517	42,147	414,602	14,530,808
Inpatient Care	12,909,507	1,600,250	1,013,860	2,391,784	778,514	622,407	19,316,322
Ambulatory Care	3,940,362	2,746,708	259,093	304,356	234,231	59,443	7,544,193
Diagnostic	6,869,178	2,009,155	2,054,058	78,606	3,450	590,967	11,605,414
Others	459,692	---	405,219	558	26	8,681	874,176
2019	32,005,241	6,567,594	9,688,789	2,854,521	1,058,368	1,696,100	53,870,913

**Perth and Smiths Falls District Hospital
Notes to the Consolidated Financial Statements**

March 31, 2020

13. Capital Disclosures

- (a) The Hospital defines capital as unrestricted net assets and investment in capital assets. The Hospital's objective with respect to capital is to fund ongoing operations, capital asset acquisitions and future projects.

The Hospital's overall strategy with respect to capital remains unchanged from the year ended March 31, 2019. The Hospital is not subject to externally imposed capital requirements.

- (b) Investment in capital assets is calculated as follows:

	2020	2019
	\$	\$
Capital Assets	61,964,970	64,356,178
Less: amounts financed by deferred grants and contributions	(52,696,887)	(54,147,706)
amounts financed by long term debt	(1,858,032)	(2,752,143)
Add: cash restricted for investment in capital assets	899,884	150,765
	8,309,935	7,607,094

- (c) Net change in investment in capital assets is calculated as follows:

	2020	2019
	\$	\$
Purchase of Capital Assets	2,026,015	2,415,078
Change in Cash Restricted for Investment in Capital Assets	749,119	(103,270)
Deferred Contributions Received	(2,097,986)	(1,876,170)
Amortization of Deferred Grants and Contributions Related to Capital Assets	3,548,805	3,563,740
Proceeds of long term debt	---	---
Amortization of Capital Assets	(4,417,222)	(4,403,890)
Principal Repayment of Long Term Debt Incurred for Purchase of Capital Assets	894,110	878,068
	702,841	473,556

Investment held for capital purchases related to funding received and restricted for the purpose of capital expenditures. The funds are held with the Hospital's bank and are classified as long term as the associated cash outflow is not expected to occur within one year.

**Perth and Smiths Falls District Hospital
Notes to the Consolidated Financial Statements**

March 31, 2020

14. Commitments, Contingencies and Guarantees

The Perth and Smiths Falls District Hospital has entered into lease arrangements as follows:

Lanark County Mental Health

- Smiths Falls property commencing May 1, 2018 to April 30, 2028
- Carleton Place property, commencing August 1, 2019 to July 31, 2029.

Lanark County Support Services

- Carleton Place property, commencing November 1, 2018 to October 31, 2021.

	\$
2020 / 2021	224,899
2021 / 2022	217,099
2022 / 2023	205,199
2024 / 2029	879,718

3SO

The Perth and Smiths Falls District Hospital is a member of a non-profit organization (3SO) that has been created to manage a shared regional supply chain. Each of the participating seven hospitals located in the SE LHIN is a voting member of 3SO with three independent board directors from within the SE LHIN. The Perth & Smiths Falls District Hospital has agreed to provide a limited guarantee to a maximum of \$47,500 or 4.75% of the \$1 million dollar line of credit obtained by 3SO. At March 31, 2020, the line of credit accessed by 3SO was \$Nil (2019 \$Nil).

15. Contingent Liabilities

The nature of the Hospital's activities is such that there may be litigation pending or in prospect at any time. While there may be exceptional circumstances, management believes that the Hospital has valid defences and appropriate insurance coverages in place for claims as at March 31, 2020 and that in the event claims are successful, it is not expected to have a material effect on the Hospital's financial position.

16. Budget Figures

Perth and Smiths Falls District Hospital reviews its operating and capital budgets each year. The approved operating budget for 2019 / 2020 is included in the budget figures presented in the Statement of Operations.
