Financial Statements of

PROVIDENCE CARE CENTRE

OPERATING AS PROVIDENCE CARE

Year ended March 31, 2018

PROVIDENCE CARE CENTRE

OPERATING AS PROVIDENCE CARE

Financial Statements

Year ended March 31, 2018

KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Providence Care Centre operating as Providence Care

We have audited the accompanying financial statements of the Providence Care Centre operating as Providence Care, which comprise the statement of financial position as at March 31, 2018, the statements of operations, cash flows and changes in net assets, and remeasurement gains and losses for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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.

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.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

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 financial position of the Providence Care Centre operating as Providence Care as at March 31, 2018, and its results of operations, changes in its cash flows and the remeasurement gains and losses for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

June 25, 2018

PROVIDENCE CARE CENTRE
OPERATING AS PROVIDENCE CARE
Statement of Financial Position
March 31, 2018 with comparative figures for 2017

		March 31, 2018		March 31, 2017
Assets				
Current Assets:				
Cash	$	12,493,162	$	8,545,253
Short-term investments (notes 2 and 6)		2,876,249		4,049,014
Patients' trust funds		160,207		125,427
Receivable from Ministry of Health and Long-Term Care		1,207,367		487,393
Patient and other accounts receivable		4,514,118		3,165,954
Inventory of supplies		483,509		380,111
Prepaid expenses		1,778,552		2,133,755
	$	23,513,164	$	18,886,907
Investments (note 2)		2,114,785		-
Capital assets (note 3)		453,507,895		477,652,086
	$	479,135,844	$	496,538,993
Liabilities, Deferred Contributions and Net Assets				
Current Liabilities:				
Accounts payable and accrued liabilities	$	9,289,537	$	11,624,805
Accrued wages and vacation pay		6,787,701		6,305,708
Accrued sick leave		23,443		30,146
Funds held in trust for patients		160,207		125,427
Payable to Ministry of Health and Long-Term Care (note 4)		1,871,719		2,126,751
Current portion of long term payable (note 7)		2,748,768		2,595,825
	$	20,881,375	$	22,808,662
Long term payable, interest bearing (note 7)		191,374,439		194,123,213
Employee future benefit liabilities (note 8)		3,341,364		3,766,000
Deferred Contributions:				
Operations (note 9(a))		7,431,387		3,824,119
Capital assets (note 9(b))		253,384,240		270,405,647
	$	260,815,627	$	274,229,766
Net Assets:				
Invested in capital assets (note 10(a))		11,157,834		28,004,769
Unrestricted		(8,433,472)		(26,393,417)
	$	2,724,362	$	1,611,352
Accumulated remeasurement gains and losses		(1,323)		-
	$	(1,323)	$	-
Commitments (note 13)				
Contingent Liabilities (note 14)				
	$	479,135,844	$	496,538,993

See accompanying notes to financial statements.

On behalf of the Board:

______________________________ Director

______________________________ Director

PROVIDENCE CARE CENTRE
OPERATING AS PROVIDENCE CARE
Statement of Operations
Year ended March 31, 2018 with comparatives figures for 2017

	2018	2017
Revenue:		
Ministry of Health and Long-Term Care and South East Local Health Integration Network:		
Hospital	$ 74,400,987	$ 70,726,250
PCOP transition funding	2,684,600	1,562,000
Long-Term Care	11,777,621	11,667,369
Community programs (note 4)	26,575,820	26,805,244
	$ 115,439,028	$ 110,760,863
Patient related revenue	6,665,373	7,841,739
Other transition funding	1,689,364	1,896,634
Community programs (note 4)	666,216	583,522
Ancillary operations	436,814	341,172
Amortization of deferred capital contributions - equipment	196,638	240,350
Other Hospitals and university affiliations	181,860	198,046
Recoveries	4,280,315	4,756,954
	$ 129,555,608	$ 126,619,280
Expenses:		
Salaries and wages	$ 75,015,198	$ 73,238,385
Employee benefits	19,506,263	21,160,723
Medical staff remuneration	4,743,950	5,144,788
Medical and surgical supplies	855,454	855,387
Drugs	827,626	996,926
Supplies and other expenses (note 12(b) and (c))	22,765,569	18,858,050
Transition expenses	3,804,324	3,458,634
Amortization of capital assets - equipment	1,641,206	1,861,734
Interest on long-term debt	-	40,537
	$ 129,159,590	$ 125,615,164
Surplus of revenue over expenses before undernoted	396,018	1,004,116
Ministry of Health and Long-Term Care – Capital revenue	12,660,533	4,257,210
Interest and ancillary costs related to hospital redevelopment	(12,661,491)	(4,269,810)
Gain on disposal of capital assets	1,093,092	-
Amortization of deferred capital contributions – building	15,757,503	764,104
Amortization of capital assets – building	(16,132,645)	(1,196,813)
Surplus of revenue over expenses	$ 1,113,010	$ 558,807

See accompanying notes to financial statements.

PROVIDENCE CARE CENTRE
OPERATING AS PROVIDENCE CARE
Statement of Changes in Net Assets
Year ended March 31, 2018 with comparative figures for 2017

	Invested in Capital assets	Unrestricted	2018 Total	2017 Total
Balance, beginning of year	$ 28,004,769	$ (26,393,417)	$ 1,611,352	$ 1,052,545
Surplus (deficiency) of revenue over expenses (note 10(b))	(1,847,669)	2,960,679	1,113,010	558,807
Net change in investment in capital assets (note 10(b))	(14,999,266)	14,999,266	–	–
Balance, end of year	$ 11,157,834	$ (8,433,472)	$ 2,724,362	$ 1,611,352

See accompanying notes to financial statements.

PROVIDENCE CARE CENTRE
OPERATING AS PROVIDENCE CARE
Statement of Cash Flows
Year ended March 31, 2018 with comparative figures for 2017

	2018	2017
Cash provided by (used for):		
Operating activities:		
Surplus of revenue over expenses	$ 1,113,010	$ 558,807
Items not involving cash:		
Amortization of deferred capital contributions-equipment	(15,757,503)	(240,350)
Amortization of deferred capital contributions-building	(196,638)	(764,104)
Amortization of deferred capital contributions-community programs	-	(3,274)
Amortization of capital assets - equipment	1,669,165	1,861,734
Amortization of capital assets - building	16,132,645	1,196,813
Transfer of deferred capital contributions to operations	(1,689,364)	(1,896,634)
Gain on disposal of capital assets	(1,093,092)	-
(Decrease) increase in employee future benefit liabilities	(424,636)	118,209
Change in fair value of investments	(1,323)	-
Change in non-cash operating working capital:		
Receivable from Ministry of Health and Long-Term Care	(719,974)	301,800
Patient and other accounts receivable	(1,348,164)	(684,638)
Inventory of supplies	(103,398)	(70,559)
Prepaid expenses	355,203	(698,527)
Accounts payable and accrued liabilities	(2,335,268)	3,907,765
Accrued wages and vacation pay	481,993	1,188,212
Accrued sick leave	(6,703)	315
Payable to Ministry of Health and Long-Term Care	(255,032)	(1,193,596)
Deferred contributions - operations	3,607,268	1,139,471
	$ (571,811)	$ 4,721,444
Capital activities:		
Proceeds on sale of assets	5,608,601	-
Purchase of capital assets	(10,779,868)	(423,684,624)
Receipt of deferred capital contributions	13,228,838	211,779,773
	$ 8,057,571	$ (211,904,851)
Investing activities:		
Decrease in short-term investments	1,172,765	19,898,018
Increase in long-term investments	(2,114,785)	-
	$ (942,020)	$ 19,898,018
Financing activities:		
Increase in principal on debt	-	197,551,805
Decrease in principal on debt	(2,595,831)	(5,637,195)
	$ (2,595,831)	$ 191,914,610
Increase in cash	3,947,909	4,629,221
Cash, beginning of year	8,545,253	3,916,032
Cash, end of year	$ 12,493,162	$ 8,545,253

See accompanying notes to financial statements.

PROVIDENCE CARE CENTRE
OPERATING AS PROVIDENCE CARE
Statement of Remeasurement Gains and Losses
Year ended March 31, 2018

	2018
Accumulated remeasurement gains (losses), beginning of the year	$ -
Unrealized gains (losses) attributable to:	
Investments designated fair value	(1,323)
	(1,323)
Accumulated remeasurement gains (losses), end of the year	$ (1,323)

See accompanying notes to financial statements.

Providence Care Centre, operating as Providence Care (the "Corporation"), was incorporated under the *Corporations Act of Ontario* and its principal activity is the operation of two health care facilities in Kingston – Providence Care Hospital, Providence Manor and a number of community programs across the South East Local Health Integration Network. The Corporation was founded by the Sisters of Providence of St. Vincent de Paul and operates under the sponsorship of the Catholic Health Corporation of Ontario.

The Sisters of St. Vincent de Paul lease the land and buildings to the Corporation at no cost for the Providence Manor site.

1. 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.

(a) Revenue recognition:

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

Under the *Health Insurance Act* and Regulations thereto the Corporation is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health and Long-Term Care (the "Ministry") and the South East Local Health Integration Network (the "SE LHIN"). 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. These financial statements reflect agreed arrangements approved by the Ministry and the SE LHIN with respect to the year ended March 31, 2018.

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 expenses are recognized. 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.

Patient related, ancillary operations, other hospitals and university affiliations, and recoveries revenue are recognized when the goods are sold or the service is provided.

(b) Contributed services:

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

(c) Inventory of supplies:

Inventory of supplies are measured at the lower of average cost and net realizable value.

1. Significant accounting policies (continued):

(d) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Corporation's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

Asset	Rate
Buildings	2%
Buildings service equipment	2% to 5%
Transition costs	straight-line over 2 years
Parking facility	straight-line over 10 years
Minor equipment	100%
Equipment and furnishings	5% to 33 1/3%

The costs incurred for major capital projects are classified separately as capital work-in-progress until the project is complete. When complete, the costs are transferred to the appropriate capital asset category. Amortization is not recognized until project completion.

(e) Compensated absences:

Compensation expense is accrued for all employees as entitlement to these payments is earned in accordance with the Corporation's benefit plans for vacation and sick leave.

(f) Employee future benefit liabilities:

The Corporation 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 salary escalation, retirement ages of employees, and expected health care costs.

Actuarial gains (losses) arise from changes in 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. The average remaining service period of the active employees covered by the employee benefit plans is 10 years (2017 – 10 years).

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

The most recent funding valuation of this multi-employer pension plan conducted as at December 31, 2017 disclosed actuarial assets of $77.8 billion with accrued pension liabilities of $59.6 billion. This valuation also confirmed that the plan was fully funded on a solvency basis as at December 31, 2017 based on the assumptions and methods adopted for the valuation.

1. Significant accounting policies (continued):

(g) Use of estimates:

The preparation of 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 reporting period. Actual results could differ from these estimates. These estimates are reviewed annually and as adjustments become necessary they are recorded in the financial statements in the period in which they became known.

(h) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

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.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

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.

Long-term debt is recorded at cost. The related interest rate swaps are recorded at fair value.

The Public Sector Accounting Standards require an organization 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.

2. Short-term and long-term investments:

	Level		2018		2017
Assets at designated fair value					
Cash and saving accounts	1	$	2,876,249	$	2,241,987
Guaranteed investment certificates	2		375,000		1,807,027
Debentures, notes, bonds	2		1,543,327		-
Government bonds	2		196,458		-
		$	4,991,034	$	4,049,014
Composed of:					
Short-term investments		$	2,876,249	$	4,049,014
Long-term investments			2,114,785		-
		$	4,991,034	$	4,049,014

3. Capital assets:

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Land and land improvements	$ 64,000	$ -	$ 64,000	$ 745,252
Buildings and building service equipment	461,221,851	23,731,041	437,490,810	421,897,647
Transition costs	11,569,973	5,302,904	6,267,069	-
Equipment and furnishings	28,485,730	19,935,510	8,550,220	10,130,258
Parking facility	-	-	-	35,293
Capital work-in-progress	1,135,796	-	1,135,796	44,843,636
	$ 502,477,350	$ 48,969,455	$ 453,507,895	$477,652,086

Cost and accumulated amortization of capital assets at March 31, 2017, amounted to $525,653,820 and $48,001,734 respectively.

During the 2017-2018 fiscal year the Corporation purchased and sold the former St. Mary's of the Lake Hospital site. The gain on the sale was $1,093,092 after the proceeds of sale, write down of land, building and deferred capital contributions.

4. Long-term care and mental health community program revenue:

Community program revenue received from the Ministry is subject to annual final reviews and approval by the Ministry. Any adjustments resulting from the review will be reflected in the year of Ministry approval, as an adjustment to community program revenue on the Statement of Operations.

4. Long-term care and mental health community program revenue (continued):

The Community Programs operated in the SE LHIN by the Corporation are:

- Kingston Mental Health Outreach Services
- Attendant Outreach Services
- Day Away Program Services
- Regional Community Brain Injury Services
- Psychogeriatric Outreach Services
- Behavioral Support Services
- Adult Mental Health Outreach Program
- Hospice Visiting Program

5. Adoption of new accounting policies:

On April 1, 2017, the Corporation 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 Corporation, and did not result in any adjustments to the financial statements as at April 1, 2017.

6. Sinking fund:

On August 19, 2016 the Corporation was obligated to establish a sinking fund to ensure that funds would be available to pay for its share of the project costs related to the construction of Providence Care Hospital, which the Corporation took possession of on November 30, 2016. At March 31, 2018 the balance in the sinking fund is $902,283 (2017 - $904,954) and is included in short-term investments on the Statement of Financial Position.

7. Long term payable, interest bearing:

	2018	2017
Long term payable, provided in December 2016 in the amount of: $197,551,795, interest at 5.74% per annum with an amortization period of 30 years; due November 30, 2046; payable $1,151,419 monthly on account of principal and interest	$ 194,123,207	$ 196,719,038
Less current portion	$ 2,748,768	$ 2,595,825
	$ 191,374,439	$ 194,123,213

Future principal repayments are approximately as follows: 2019 - $2,748,768, 2020 - $2,910,722; 2021 - $3,082,219; 2022 - $3,263,820; 2023 - $3,456,121; 2024 and thereafter - $178,661,548. Interest on long-term debt amounted to $11,221,207 (2017 - $3,884,750).

The Corporation has an unsecured bank operating line of credit of $6,000,000 at the lender's prime rate of 2.85%. The balance drawn on the line of credit as of March 31, 2018 is $nil (2017 - $nil).

8. Employee future benefits:

The Corporation provides extended health care, dental, and life insurance benefits to certain employees. An independent actuarial study of the post-retirement and post-employment benefits has been undertaken. The most recent valuation of the employee future benefits was completed as at March 31, 2018. The next valuation of the plan is effective March 31, 2021.

At March 31, 2018 the Corporation's accrued benefit liabilities relating to post-retirement and post-employment benefit plans are $3,341,364 (2017 - $3,766,000).

The employee benefit and other liabilities reported on the Statement of Financial Position are made up of the following:

		2018		2017
Accumulated sick leave benefits	$	346,864	$	780,700
Retiree benefits		2,994,500		2,985,300
	$	3,341,364	$	3,766,000

Information with respect to the Corporation's post-retirement and post-employment benefit liabilities is as follows:

		2018		2017
Accrued benefit liabilities				
Beginning of year	$	3,766,000	$	3,647,791
Current service costs		166,800		169,200
Interest on accrued benefit obligation		126,000		121,700
Benefits paid for the period		(341,400)		(299,400)
Providence Manor sick bank change		(433,836)		(18,891)
Amortization of experience losses		137,000		145,600
Prior service costs		(79,200)		-
Accrued benefit liabilities, end of year	$	3,341,364	$	3,766,000

Accrued benefit liabilities at March 31, include the following components:

		2018		2017
Accrued benefit obligation	$	3,363,100	$	3,941,400
Unamortized actuarial losses		(368,600)		(956,100)
Providence Manor sick bank		346,864		780,700
Accrued benefit liabilities	$	3,341,364	$	3,766,000

Included in expenses is $137,000 (2017 – $145,600) for amortization of the actuarial loss. The unamortized actuarial loss is amortized over the expected average remaining service life of 10 years.

The unamortized actuarial loss on future payments required to Workplace Safety & Insurance Board is amortized over the expected period of the liability which is 10 years.

8. Employee future benefits (continued):

Accumulated sick leave:

Under the accumulated sick leave benefit plan, unused sick leave can accumulate for Providence Manor employees and vested sick leave bank for some Providence Care Hospital employees. These employees may become entitled to a cash payment on retirement.

All Providence Manor employees are credited with 1 day per month for use as paid absences in the year, due to illness or injury. Employees are allowed to accumulate unused sick day credits each year, up to a maximum of 90 days. Employees at Providence Manor with more than 10 years of service who provide the Employer with two weeks' written notice of the resignation or retirement will receive fifty percent (50%) of their accumulated sick credits in cash to a maximum of 45 days.

Retiree benefits:

The Corporation pays certain life insurance benefits on behalf of the retired employees as well as extended health and dental benefits for early retirees to age 65. The Corporation recognizes these post-retirement costs in the period in which the employees rendered the services. The accrued benefit liability and the expense for the 12 months ended March 31, 2018 were determined by actuarial valuation using a discount rate of 3.2% (2017 – 3.00%). The most recent actuarial valuation was performed as at March 31, 2018.

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

Discount rate	3.20%
Discount rate to determine accrued benefit obligation for disclosure at end of period	3.20%
Dental benefits escalation	2.75%
Health benefits escalation	6.00% in 2020, decreasing by 0.25% per annum to an ultimate rate of 4.50% per annum

9. Deferred contributions:

(a) Operations:

Deferred contributions related to expenses of future periods represent the unspent portion of Ministry grants and other amounts.

	2018	2017
Balance, beginning of year	$ 3,824,119	$ 2,684,648
Add amounts received related to future periods	4,012,379	1,300,832
Less amount recognized as revenue in the year	(405,111)	(161,361)
Balance, end of year	$ 7,431,387	$ 3,824,119

9. Deferred contributions (continued):

(b) Capital assets:

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

	2018	2017
Balance, beginning of year	$ 270,405,647	$ 61,530,236
Additional contributions received	13,228,838	211,779,773
Less amounts transferred to operations	(1,689,364)	(1,896,634)
Less amounts amortized to revenue	(15,954,141)	(1,004,454)
Less amounts of disposal of deferred asset	(12,606,740)	-
Less amounts amortized to revenue – Community Programs	-	(3,274)
Balance, end of year	$ 253,384,240	$ 270,405,647

The balance of deferred capital contributions related to capital assets consists of the following:

	2018	2017
Unamortized capital contributions used to purchase assets	$ 248,226,854	$ 252,928,279
Unspent contributions	5,157,386	17,477,368
	$ 253,384,240	$ 270,405,647

The unspent Ministry contribution grants are to be used for hospital redevelopment and transition costs.

10. Investment in capital assets:

(a) Investment in capital assets is calculated as follows:

	2018	2017
Capital assets	$ 453,507,895	$ 477,652,086
Amounts financed by:		
Deferred contributions	(248,226,854)	(252,928,279)
Long-term payable	(194,123,207)	(196,719,038)
	$ 11,157,834	$ 28,004,769

10. Investment in capital assets (continued):

(b) Change in net assets invested in capital assets is calculated as follows:

		2018		2017
Excess of expenses over revenues:				
Amortization of deferred contributions - buildings	$	15,757,503	$	764,104
Amortization of deferred contributions - equipment		196,638		240,350
Amortization of capital assets - buildings		(16,132,645)		(1,196,813)
Amortization of capital assets - equipment		(1,669,165)		(1,861,734)
	$	(1,847,669)	$	(2,054,093)
Net change in investment in capital assets:				
Purchase of capital assets	$	10,779,868	$	423,684,624
Net write-down of assets		(17,122,248)		-
Amounts funded by deferred contributions		(12,941,122)		(222,494,181)
Deferred contributions transferred to operations		1,689,364		1,896,634
Payment of accounts payable, interest bearing		-		4,804,428
Amortization of Community Programs		-		3,274
Lifecycle		(959)		-
Repayment of long-term payable for Providence Care Hospital		2,595,831		832,768
Decrease (increase) in long-term payable for Providence Care Hospital		-		(197,551,805)
	$	(14,999,266)	$	11,175,742

11. Pension plan:

(a) Substantially all of the full-time employees and a number of part-time employees of Providence Care Hospital are members of the Health Care 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. The Plan specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

Contributions to the Plan made during the year by the Corporation on behalf of its employees amounted to $5,082,243 (2017 - $4,921,057) and are recorded in the Statement of Operations.

(b) Substantially all of the full and part-time employees of Providence Manor are members of the Providence Manor defined contribution pension plan. Contributions to the plan made during the year by Providence Manor on behalf of its employees amounted to $752,479 (2017 - $760,763) and are recorded in the Statement of Operations.

12. Related entities:

(a) University Hospitals Kingston Foundation:

The Corporation has an economic interest in University Hospitals Kingston Foundation (UHKF). UHKF was established to raise funds on behalf of the Corporation and other area hospitals including the local share required for capital redevelopment.

12. Related entities (continued):

(a) University Hospitals Kingston Foundation (continued):

Related party transactions with UHKF to the Corporation, not separately disclosed in the financial statements, include the following grants for capital assets of $1,063,661 (2017 - $17,672,314);

The balance due from UHKF related to the transactions noted above is included in patient and other accounts receivable on the Statement of Financial Position as at March 31, 2018 in the amount of $196,880 (2017 - $nil).

(b) Kingston Regional Hospital Laundry Incorporated:

The Corporation exercises influence over Kingston Regional Hospital Laundry Incorporated (the "Laundry") by virtue of its ability to appoint some of the Laundry's Board of Directors. The Laundry is incorporated under the laws of the Province of Ontario and provides laundry services, linen replacement, uniforms dry cleaning, and other related laundry services to the five hospitals in the Kingston region. The Laundry is a non-profit corporation and, accordingly, is exempt from income taxes, provided certain requirements of the *Income Tax Act* are met.

The Laundry provides laundry services to the Corporation based on rates reflecting the costs, expenses, and disbursements incurred by them in the normal course of business relating to the provision of laundry services. The Corporation contributes toward approved capital improvement and replacement costs incurred by the Laundry. During the year the Corporation incurred costs of $470,420 (2017 - $463,107) to the Laundry for laundry services. These costs are included in supplies and other expenses on the Statement of Operations.

(c) Shared Support Services South Eastern Ontario:

The Corporation is a member of a group of seven hospitals with the SE LHIN which have voluntarily agreed to enter into a joint project for the purposes of planning, development, implementation, and operation of a shared regional supply chain project consisting of procurement, warehousing, logistics, and contract management activities. Shared Support Services South Eastern Ontario (3SO), a non-profit corporation, has been created to manage the services and provide procurement oversight on the part of the member hospitals. The project received start-up funding from the Ministry of Finance. The four-year project implementation period commenced with the signing of a Transfer Payment Agreement in March, 2008 and was completed in 2012.

Each of the participating hospitals is a voting member of 3SO. Therefore, the Corporation has an economic interest, but not control over 3SO. The assets, liabilities, net assets, and results of operations of the 3SO are not included in the financial statements. During the year the Corporation incurred costs of $258,075 (2017 - $477,389) to 3SO for governance/operating costs. These costs are included in supplies and other expenses on the Statement of Operations.

The Corporation has signed a ten-year commitment to the project and has provided a limited guarantee to a maximum of $64,300 of a $1,000,000 line of credit secured by 3SO, representing the Corporation's proportionate share of 6.43%. As at March 31, 2018 3SO has drawn $nil (2017 - $nil) on this line of credit, of which the Corporation guarantees $nil.

13. Commitments:

(a) Leases:

The Corporation is committed to minimum annual lease payments under various property leases to the end of the lease term as follows:

2019	$	941,821
2020		163,034
2021		7,920
2022		7,920
2023		7,920
2024 and thereafter		43,560
Total minimum lease payments	$	1,172,175

The Corporation has entered into a three-year operating lease with Macquarie Capital Canada for the lease of computers. The Corporation is committed to approximate annual lease payments to the end of the lease term as follows:

2019	$	319,460
2020		319,460
2021		319,460
	$	958,380

(b) Providence Care Hospital:

The Corporation entered into a financial arrangement with Integrated Team Solutions to design, build, finance, and maintain the new health-care complex in Kingston on November 26, 2013. Over a 30-year period, payment commitments related to facilities and lifecycle maintenance are expected to be as follows.

2019	$	16,392,347
2020		16,319,966
2021		16,335,086
2022		16,648,032
2023		17,069,037
2024 and thereafter		407,845,172
	$	490,609,640

These payments relate to facilities maintenance, lifecycle costs, and interest that will be indexed over the term of the agreement to provide for change in certain operating costs. The Corporation has entered into an agreement with the Ministry to share in these costs based on the Ministry's funding policy.

(c) Letter of Credit:

The Corporation has entered into agreements with the Bank of Montreal for two Irrevocable Standby Letters of Credit in the amounts of $2,438,330 and $900,000 to the Corporation of the City of Kingston related to the new hospital development. At March 31, 2018 the instruments have not been drawn upon.

14. Contingent liabilities:

(a) Potential Claims:

The nature of the Corporation's activities is such that there may be litigation pending or in prospect at any time. With respect to claims at March 31, 2018, management believes that the Corporation has valid defenses and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Corporation's financial position.

(b) Health Insurance Reciprocal of Canada:

The Corporation is a member of the Healthcare Insurance Reciprocal of Canada (HIROC). HIROC is registered as a Reciprocal pursuant to Provincial Insurance Acts which permit persons to exchange with other persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage of health care organizations in the provinces of Ontario, Manitoba, Saskatchewan, and Newfoundland.

Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2018.

Since its inception in 1987, HIROC has accumulated an un-appropriated surplus which is the total of premiums paid by all subscribers plus investment income less the obligation for claim reserves and expenses and operating expenses. Each subscriber which has an excess of premium plus investment income over the obligation for their allocation of claims reserves and expenses and operating expenses may be entitled to receive distributions of their share of the unappropriated surplus at the time such distributions are declared by its Board of Directors. There are no distribution receivables from HIROC as of March 31, 2018.

15. Financial risks and concentration of credit risk:

(a) Credit risk:

Credit risk refers to the risk that counterparty may default on its contractual obligations resulting in a financial loss. The Corporation is exposed to credit risk with respect to patient and other accounts receivable, short-term and long-term investments on the Statement of Financial Position.

The Corporation assesses, on a continuous basis, patient and other accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Corporation at March 31, 2018 is the carrying value of these assets.

The carrying amount of patient and other accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the Statement of Operations. Subsequent recoveries of impairment losses related to patient and other accounts receivable are credited to the Statement of Operations. The balance of the allowance for doubtful accounts at March 31, 2018 is $73,889 (2017 - $66,755).

15. Financial risks and concentration of credit risk (continued):

(a) Credit risk (continued):

The Corporation follows an investment policy approved by its Board of Directors. The maximum exposure to credit risk with respect to investments of the Corporation at March 31, 2018 is the carrying value of short-term and long-term investment assets. There have been no significant changes to the credit risk exposure from 2017.

(b) Liquidity risk:

Liquidity risk is the risk that the Corporation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Corporation manages its liquidity risk by monitoring its operating requirements. The Corporation 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.

The contractual maturity of long-term debt is disclosed in note 7.

There have been no significant changes to the liquidity risk exposure from 2017.

(c) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates which affect the Corporation’s income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

(d) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates. The Corporation is exposed to this risk through its interest bearing loan payable.

Financial assets and financial liabilities with variable interest rates expose the Corporation to cash flow interest rate risk. As at March 31, 2018 - had prevailing interest rates increased or decreased by 1%, assuming a parallel shift in the yield curve with all other variables held constant - the estimated impact on the market value would be approximately $12,750 and $5,250 respectively.

The Corporation’s investments are disclosed in note 2.

There has been no change to the interest rate risk exposure from 2017.

16. Comparative figures:

Certain of the 2017 comparative figures have been reclassified to conform to the financial presentation adopted in 2018.