Four Counties Health Services

Financial Statements

For the year ended March 31, 2013

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Contents

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Independent Auditor's Report

To the Board of Directors of
Four Counties Health Services

We have audited the accompanying financial statements of Four Counties Health Services which comprise the statements of financial position as at March 31, 2013, March 31,2012 and April 1, 2011 and the statements of changes in net assets, remeasurement gains, operations and cash flows for the years ended March 31, 2013 and March 31, 2012, and 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 for government not-for-profit organizations, 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.

Auditor's 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 the auditor's 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, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Four Counties Health Services as at March 31, 2013, March 31, 2012 and April 1, 2011 and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

Emphasis of Matter

We draw attention to Note 3 to the financial statements which describes how certain accounting standards were adopted prospectively from the date of transition, and thus comparative information was not adjusted to achieve comparability with the current period. Our opinion is not qualified in respect of this matter.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants
Strathroy, Ontario
May 29, 2013

Four Counties Health Services
Statement of Financial Position

	March 31 2013	March 31 2012	April 1 2011
Assets			
Current			
Cash	$ 1,999,992	$ 1,729,482	$ 1,433,773
Short-term investments (Note 5)	2,270,353	2,176,576	1,978,325
Accounts receivable (Note 18)	1,012,026	229,397	309,621
Inventory (Note 7)	11,964	10,721	12,802
Prepaid expenses	42,876	132,584	61,019
Current portion of receivable from Villa (Note 12)	8,912	8,270	7,674
	5,346,123	4,287,030	3,803,214
Restricted			
Cash	1,492	1,503	1,496
Long-term receivable from Villa (Note 12)	$ 470,688	$ 479,600	$ 487,870
Capital assets (Note 8)	4,880,781	4,953,574	5,139,516
	$ 10,699,084	$ 9,721,707	$ 9,432,096
Liabilities and Net Assets			
Current			
Accounts payable and accrued liabilities (Note 6)	$ 1,483,533	$ 1,229,677	$ 826,041
Deferred contributions relating to capital assets (Note 10)	3,265,040	3,178,328	3,238,986
Post-employment benefits (Note 11)	188,649	174,600	108,163
	4,937,222	4,582,605	4,173,190
Net assets			
Internally restricted	1,492	1,503	1,496
Unrestricted	5,722,761	5,137,599	5,257,410
	5,724,253	5,139,102	5,258,906
Accumulated remeasurement gains	37,609	-	-
	5,761,862	5,139,102	5,258,906
	$ 10,699,084	$ 9,721,707	$ 9,432,096

On behalf of the Board of Directors:

Director

Director

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

Four Counties Health Services

Statement of Changes in Net Assets

For the years ended March 31		2013		2012
	Restricted	Unrestricted	Total	Total
Balance, beginning of year	$ 1,503	$ 5,137,599	$ 5,139,102	$ 5,258,906
Excess (deficiency) of revenues over expenditures	(11)	585,162	585,151	(119,804)
Balance, end of year	$ 1,492	$ 5,722,761	$ 5,724,253	$ 5,139,102

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

Four Counties Health Services

Statement of Remeasurement Gains and Losses

For the years ended March 31	2013	2012
Accumulated remeasurement gains at beginning of year	$ -	$ -
Unrealized gains attributable to short-term investments	37,609	-
Net remeasurement gains for the year	37,609	-
Accumulated remeasurement gains at end of year	$ 37,609	$ -

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

Four Counties Health Services
Statement of Operations

For the years ended March 31	2013	2012
Revenue		
Ministry of Health and Long-Term Care	$ 9,480,222	$ 9,516,670
Patient revenues	429,969	490,152
Differential and co-payment	66,434	85,641
Recoveries and miscellaneous	386,479	425,468
Amortization of deferred capital contributions, equipment	232,013	322,844
Other votes	652,024	652,896
Other funding sources	6,185	5,060
	11,253,326	11,498,731
Expenses		
Salaries and wages	4,296,988	4,429,673
Employee benefits	783,646	830,649
Employee future benefits (Note 11)	20,200	80,500
Medical staff remuneration	1,834,758	1,989,266
Supplies and other expenses	2,323,499	2,699,416
Medical and surgical supplies	119,670	115,037
Drugs	70,722	93,954
Amortization - equipment (Note 8)	356,495	519,864
Other votes	728,790	728,407
Other funding sources	5,568	5,833
	10,540,336	11,492,599
Operating excess of revenue over expenditures	712,990	6,132
Other		
Amortization of deferred capital contributions, building	109,754	109,038
Amortization of building and land improvements (Note 8)	(237,593)	(234,974)
	(127,839)	(125,936)
Excess (deficiency) of revenues over expenditures	$ 585,151	$ (119,804)

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

Four Counties Health Services

Statement of Cash Flows

For the year ended March 31	2013	2012
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenues over expenditures	$ 585,151	$ (119,804)
Items not involving cash		
Amortization of capital assets	621,617	778,854
Amortization of deferred capital contributions	(369,044)	(451,491)
Gain on disposal of capital assets	(2,362)	(2,762)
Change in unrealized gain/loss on investments	-	992
	835,362	205,789
Increase in post-employment benefits liability	14,049	66,437
Net changes in non-cash working capital balances:		
Accounts receivable	(782,629)	80,224
Inventory	(1,243)	2,081
Prepaid expenses	89,708	(71,565)
Accounts payable and accrued charges	253,856	403,636
	409,103	686,602
Investing activities		
Payment received on long-term receivable	8,270	7,674
Purchase of investments	(1,025,045)	(788,275)
Proceeds from disposal of investments	968,877	589,031
	(47,898)	(191,570)
Capital activities		
Contributions received for capital assets	455,756	390,833
Net acquisition of capital assets	(551,462)	(592,911)
Proceeds from sale of capital assets	5,000	2,762
	(90,706)	(199,316)
Increase (decrease) in cash and equivalents during the year	270,499	295,716
Cash and equivalents, beginning of year	1,730,985	1,435,269
Cash and equivalents, end of year	$ 2,001,484	$ 1,730,985
Represented by		
Cash	$ 1,999,992	$ 1,729,482
Restricted cash	1,492	1,503
	$ 2,001,484	$ 1,730,985

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

1. Significant accounting policies

Nature of Organization

The Hospital provides health care services to the residents of the Four Counties area. The Hospital, incorporated without share capital under the Corporations Act of Ontario, is a charitable organization within the meaning of the Income Tax Act (Canada). During 1998 the name was legally changed from Four Counties General Hospital.

The Hospital is a non-for-profit organization and, as such, is exempt from income taxes under the Income Tax Act (Canada).

Basis of Accounting

The financial statements of the Hospital have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board ("PSAB for Government NPOs"). The Four Counties Health Services Foundation is a separate entity whose financial information is reported separately from the hospital.

Contributed Services

Volunteers contribute numerous hours to assist the Hospital in carrying out certain charitable aspects of its service delivery activities. The fair value of these contributed services is not readily determinable and, as such, is not reflected in these financial statements.

Revenue Recognition

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

Under the Health Insurance Act and Regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health and Long-term Care ("MOHLTC"), and the Local Health Integration Network ("LHIN"). The hospital has entered into a Hospital Service Accountability Agreement (the "H-SAA") for fiscal 2013 with the Ministry and LHIN that sets out the rights and obligations of the parties to the H-SAA in respect of funding provided to the Hospital by the Ministry/LHIN. The H-SAA also sets out the performance standards and obligations of the Hospital that establish acceptable results for the Hospital's performance in a number of areas.

1. Significant accounting policies (continued)

Revenue Recognition (continued)

If the Hospital does not meet its performance standards or obligations, the Ministry/LHIN has the right to adjust funding received by the Hospital. The Ministry/LHIN is not required to communicate certain funding adjustments until after the submission of year-end data. Since this data is not submitted until after completion of the financial statements, the amount of Ministry/LHIN funding received by the Hospital during the year may be increased or decreased subsequent to year end.

Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to future period, it is deferred and recognized in that subsequent period.

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

Restricted contributions for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Amortization of buildings is not funded by the LHIN and accordingly the amortization of buildings has been reflected as an undernoted item in the statement of operations with the corresponding realization of revenue for deferred contributions.

Revenue from patient services is recognized when the service is provided.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined on the first-in first-out basis. Inventory consists of pharmaceuticals that are used in the Hospital's operations and not for sale purposes.

Capital Assets

Purchased capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contributution. Repairs and maintenance costs are charged to expense. Betterments that extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Hospital's ability to provide services or the value of future economic benefits associated with the capital asset is less than its net book value, the carrying value of the capital asset is reduced to reflect the decline in the asset's value. Construction in progess is not amortized until construction is substantially complete and the assets are ready for use.

1. Significant accounting policies (continued)

Capital Assets (continued)

Capital assets are capitalized on acquisition and amortized on a straight-line basis over their useful lives, which has been estimated to be as follows:

Land improvements	10 - 25 years
Buildings and related service equipment	5 - 40 years
Major equipment	3 - 20 years

Retirement and post-employment benefits

The Hospital provides defined retirement and post-employment benefits to certain employee groups. These benefits include pension, health and dental. The Hospital has adopted the following policies with respect to accounting for these employee benefits:

(i) The costs of post-employment future benefits are actuarially determined using management's best estimate of health care costs, disability recovery rates and discount rates. Adjustments to these costs arising from changes in estimates and experience gains and losses are amortized to income over the estimated average remaining service life of the employee groups on a straight line basis. Plan amendments, including past service costs are recognized as an expense in the period of the plan amendment.

(ii) The costs of the multi-employer defined benefit pension are the employer's contributions due to the plan in the period.

(iii) The discount used in the determination of the above-mentioned liabilities is equal to the Hospital's internal rate of borrowing.

Pension Plan

The Hospital participates in a multi-employer defined benefit pension plan, however, sufficient information is not available to use defined benefit accounting. Therefore, the Hospital accounts for the plan as if it were a defined contribution plan, recognizing contributions as an expense in the year to which they relate.

Financial Instruments

The Hospital classifies its financial instruments as either fair value or amortized cost. The Hospital's accounting policy for each category is as follows:

1. Significant accounting policies (continued)

Financial Instruments (continued)	**Fair value** This category includes cash and short-term investments. They are initially recognized at cost and subsequently carried at fair value. 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 related to financial instruments in the fair value category are expensed as incurred. Where a decline in fair value is determined to be other than temporary, the amount of the loss is removed from accumulated remeasurement gains and losses and recognized in the statement of operations. On sale, the amount held in accumulated remeasurement gains and losses associated with that instrument is removed from net assets and recognized in the statement of operations. **Amortized cost** This category includes accounts receivable, accounts payable and accrued liabilities. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets. Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument. Writedowns on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the writedown being recognized in the statement of operations.
Management estimates	The preparation of financial statements in conformity with PSAB for Government NPOs requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates. Areas of key estimation include determination of the allowance for doubtful accounts and actuarial estimation of post-employment benefits.

1. Significant accounting policies (continued)

Ministry of Health and Long-Term Care Funding

Under the Health Insurance Act and the regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health and Long-Term Care. The financial statements reflect agreed funding arrangements approved by the Ministry with respect to the year ended March 31, 2013.

Vacation Pay

Vacation pay is accrued for all employees as entitlement is earned.

2. First Time Adoption Of Public Sector Accounting Standards

The Public Sector Accounting Board (PSAB) issued new standards for government (public sector) not-for-profit organizations. For years beginning on or after January 1, 2012, government NPOs have a choice of:

1. Public sector accounting standards including PS 4200 - 4270 for government not-for-profit organizations; or
2. Public sector accounting standards

The Hospital has chosen to follow Public Sector Accounting standards including PS 4200 - 4270 for government not-for-profit organizations.

Effective April 1, 2012, the Hospital adopted the requirements of the new accounting framework, Canadian Public Sector Accounting Standards for Not-for-Profit Organizations (PSAB for Government NPOs). These are the Hospital's first financial statements prepared in accordance with this framework and the transitional provisions of Section 2125, First-time Adoption by Government Organizations have been applied. Section 2125 requires retroactive application of the accounting standards with certain elective exemptions and mandatory exceptions. The accounting policies set out in the Summary of Significant Accounting Policies have been applied in preparing the financial statements for the year ended March 31, 2013, the comparative information presented in these financial statements for the year ended March 31, 2012 and in the preparation of an opening PSAB for Government NPOs balance sheet at the date of transition of April 1, 2011 with the exception of PS 2601 - Foreign Currency Translation and PS 3450 - Financial Instruments, which has been applied with an effective date of April 1, 2012 (see Note 3 - Change in Accounting Policy).

The Hospital issued financial statements for the year ended March 31, 2012 using generally accepted accounting principles prescribed by the CICA Handbook - Accounting Part V - Pre-changeover Accounting Standards. The adoption of PSAB for Government NPOs resulted in adjustments to the previously reported assets, liabilities, net assets, excess of revenue over expenses and cash flows of the Hospital. An explanation of how the transition from pre-changeover Canadian GAAP to PSAB for Government NPOs has affected the Hospital's financial position, operations, changes in net assets and cash flows is set out in the following notes and tables.

The following exemptions and exceptions were used at the date of transition to Canadian accounting standards for not-for-profit organizations:

2. First Time Adoption Of Public Sector Accounting Standards (continued)

Optional exemptions

Actuarial Gains and Losses
Pre-changeover GAAP allowed the Hospital to only recognize actuarial gains and losses that exceeded certain prescribed amounts ("the corridor approach"). PSAB for Government NPOs requires the amortization of actuarial gains and losses on post-employment benefit obligations and compensated absences to be amortized over the estimated average remaining service life of employees. Retroactive application of this approach would require the Hospital to split the cumulative actuarial gains and losses from the inception of the plan until the date of transition to PSAB for Government NPOs into a recognized portion and an unrecognized portion. The Hospital has elected to recognize all cumulative actuarial gains and losses as the date of transition to PSAB for Government NPOs directly in net assets. Actuarial gains and losses subsequent to the date of transition to PSAB for Government NPOs are accounted for in accordance with *PS 3250 - Retirement Benefits.*

Business combinations
The Hospital elected to not retroactively apply the provisions PS 2510 - Additional Areas of Consolidation to periods prior to the date of transition to PSAB for Government NPOs. As such, assets, liabilities and net assets have not been restated that may have been required if the provisions of PS 2510 had been applied retroactively.

Mandatory exceptions

Estimates
The estimates previously made by the Hospital under pre-changeover Canadian GAAP were not revised for the application of PSAB for Government NPOs except where necessary to reflect any difference in accounting policy or where there was objective evidence that those estimates were in error. As a result the Hospital has not used hindsight to revise estimates.

Reconciliation of net assets and excess of revenue over expenses

In preparing these financial statements, management has amended certain accounting policies previously applied in the pre-changeover Canadian GAAP financial statements to comply with PSAB for Government NPOs. The comparative figures for March 31, 2012 were restated to reflect these adjustments. The following reconciliations and explanatory notes provide a description of the effect of the transition from pre-changeover Canadian GAAP to PSAB for Government NPOs on net assets and excess of revenues over expenses:

2. First Time Adoption Of Public Sector Accounting Standards (continued)

Statement of Financial Position as at April 1, 2011 - Transition Date

	Pre-changeover Canadian GAAP	Adjustments	PSAB for Goverment NPOs
Liabilities			
Post-employment benefits	12,763	95,400	108,163
Net Assets			
Operating	$ 5,354,306	$ (95,400)	$ 5,258,906

Statement of Financial Position for the year-ended March 31, 2012

	Pre-changeover Canadian GAAP	Adjustments	PSAB for Goverment NPOs
Liabilities			
Post-employment benefits	$ 36,000	$ 138,600	$ 174,600
Net Assets			
Operating	$ 5,277,702	$ (138,600)	$ 5,139,102

2. First Time Adoption Of Public Sector Accounting Standards (continued)

Statement of Operations for the year-ended March 31, 2012

	Sub-note	Pre-changeover Canadian GAAP	Adjustments	PSAB Government NPOs
Expenses				
Employee future benefits	(i), (ii), (iii)	$ 37,300	$ 43,200	$ 80,500
Deficiency of revenue over expenses	(i), (ii), (iii)	$ (76,604)	$ (43,200)	$ (119,804)

Statement of Cash Flows for the year-ended March 31, 2012

The transition to PSAB for Government NPOs had no impact on total operating or financing activities on the statement of cash flows. The change in excess of revenues over expenses for year-ended March 31, 2012 has been offset by adjustments to operating activities. The transition to PSAB for Government NPOs resulted in the reclassification of cash receipts and outflows relating to the acquisition of tangible capital assets from investing activities to capital activities. The capital section of the statement of cash flows did not exist prior to the transition to PSAB for Government NPOs.

Explanations for Adjustments to PSAB for Government NPOs

(i) Amortization of Actuarial Gains/Losses

As discussed in Note 2 - First Time Adoption of Public Sector Accounting Standards, Optional Exemptions, the Hospital has elected to recognize actuarial gains and losses at the date of transition to PSAB for Government NPOs directly in net assets. As a result, the Hospital has recognized an increased liability and a charge to net assets as described in the tables above.

(ii) Discount Rate Used to Calculate Post-Employment Benefits and Compensated Absences Liabilities

PSAB for Government NPOs requires these liabilities to be calculated with a discount rate that is equal to either the Hospital's rate of borrowing or the rate of return on the plan assets. Pre-changeover GAAP required the discount rate to be equal to the yield on high quality corporate bonds. The Hospital has chosen to discount these liabilities using its internal rate of borrowing. The change in the discount rate resulted in changes to the related liabilities and charges to net income as described in the tables above.

2. First Time Adoption Of Public Sector Accounting Standards (continued)

(iii) Immediate Recognition of Plan Amendments

PSAB for Government NPOs requires the immediate recognition of the effect of plan amendments, whereas pre-changeover GAAP required the effect of the plan amendments to be amortized based on the estimated average remaining service life of the affected employee group. The Hospital had unamortized amounts relating to a plan amendment in the form of the recognition of compensation for past service pursuant to an amended collective bargaining agreement. This change has resulted in an increase in post-employment benefit liabilities and a decrease in net assets as described in the tables above.

3. Change in Accounting Policy

On April 1, 2012, the Hospital adopted Public Accounting Standards PS 1201 - Financial Statement Presentation, PS 2601 - Foreign Currency Translation and PS 3450 - Financial Instruments. The standards were adopted prosectively from the date of adoption. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments and foreign curency transactions.

Under PS 3450, all financial instruments, including derivatives, are included on the statement of financial position and are measured either at fair value or amortized cost based on the characteristics of the instrument and the Hospital's accounting policy choices (see Note 1 - Significant Accounting Policies).

In accordance with the provisions of this new standard, there were no adjustments reflected in the Hospital's financial statements.

4. Financial Instrument Classification

The following table provides cost and fair value information of financial instruments by category. The maximum exposure to credit risk would be the carrying value shown below.

	Fair Value	Amortized Cost	Total
Cash	$ 1,999,992	$ -	$ 1,999,992
Restricted Cash	1,492	-	1,492
Short-term investments	2,270,353	-	2,270,353
Accounts receivable	-	1,012,026	1,012,026
Long-term receivable from Villa	-	470,688	470,688
Accounts payable and accrued liabilities	-	1,483,533	1,483,533
	$ 4,271,837	$ 2,966,247	$ 7,238,084

The cash and short-term investments are a level 1 fair value measurement which are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price.

5. Short-Term Investments

	2013 Cost	2013 Fair Value	2012 Cost	2012 Fair Value
Fair value:				
Investment cash	$ 4,290	$ 4,290	$ 3,000	$ 3,000
Common shares	305,468	321,902	164,844	171,152
Mutual funds	456,858	456,858	416,808	416,808
Foreign securities	107,018	137,982	38,862	42,342
Guaranteed investment certificates	1,331,899	1,331,899	1,521,800	1,521,800
Accrued interest	17,422	17,422	21,474	21,474
Total investments	$2,222,955	$2,270,353	$ 2,166,788	$ 2,176,576

Guaranteed investment certificates earn interest at 2.00 to 3.00% (2012 - 2.00 to 3.00%) and mature from June 2013 to December 2016 (2012 - June 2012 to December 2014).

The fair values of investments were determined by reference to published price quotations in an active market.

Income from investments has been included in recoveries and miscellaneous revenue on the statement of operations.

6. Accounts payable and accrued liabilities

	2013	2012
Ministry of Health and Long-term Care	$ 46,596	$ 63,943
Trade	90,718	22,648
Wages and other accruals	1,346,219	1,143,086
	$ 1,483,533	$ 1,229,677

7. Inventory

	2013	2012
Pharmacy inventory	$ 11,964	$ 10,721

All inventory are carried at cost, which exceed net-realizable value.

8. Capital Assets

	2013		2012	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 2,000	$ -	$ 2,000	$ -
Land improvements	277,151	170,036	277,151	156,935
Building and related service equipment	17,301,324	12,670,508	16,886,532	12,073,119
Construction in progress	140,850	-	17,945	-
	$ 17,721,325	$ 12,840,544	$ 17,183,628	$ 12,230,054
Net book value		$ 4,880,781		$ 4,953,574

The amortization charge for the year is as follows:

	2013	2012
Building	$ 237,593	$ 234,974
Other votes	27,529	24,016
Equipment	356,495	519,864
	$ 621,617	$ 778,854

9. Bank indebtedness

As at March 31, 2013, the Hospital had $400,000 in available credit (2012 - $400,000), consisting of a $400,000 operating line. At year end, the operating line was not drawn upon.

10. Deferred Contributions Relating to Capital Assets

Deferred capital contributions represent the unamortized amount and unspent 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.

	2013	2012
Balance, beginning of year	$ 3,178,328	$ 3,238,986
Contributions received	455,756	390,833
Amortized to revenue	(369,044)	(451,491)
Balance, end of year	$ 3,265,040	$ 3,178,328

Included in other votes revenue are $27,278 (2012 - $19,609) of amortization of capital contributions.

As at March 31, 2013 there was $652,946 (2012 - $298,656) of deferred capital contributions received which were not spent.

11. Post-Employment Benefits

The following tables outline the components of the Hospital's post-employment benefits and the related expenses:

	2013	2012
Accrued employee future benefits obligations	$ 201,400	$ 186,000
Unamortized actuarial loss	(12,751)	(11,400)
Accrued Benefit Liability - end of year	$ 188,649	$ 174,600

	2013	2012
Current year benefit cost	$ 10,400	$ 8,500
Interest on accrued benefit obligation	8,900	9,700
Plan amendment	-	62,300
Amortized actuarial (gain)/loss	900	-
Total expense	$ 20,200	$ 80,500

Above amounts exclude pension contributions to the Hospitals of Ontario Pension Plan ("HOOP"), a multi-employer plan, described below.

11. Post-Employment Benefits - continued

Retirement Benefits

HOOP Pension Plan

Substantially all of the full-time employees and some of the part-time employees are members of HOOP. The plan is a multi-employer plan and therefore the Hospital's contributions are accounted for as if the plan were defined contribution plan with the Hospital's contributions being expensed in the period they come due. Contributions made to the plan during the year by the Hospital and employees amounted to $331,524 (2012 - $345,088) and $263,114 (2012 - $273,879) respectively.

Post-Employment Benefits

The Hospital extends post employment life insurance, health and dental benefits to certain employee groups subsequent to their retirement. The Hospital recognizes these benefits as they are earned during employees' tenure of service. The related benefit liability was determined by an actuarial valuation study.

The major actuarial assumptions employed for the valuations are as follows:

a) Discount rate

The present value as at March 31, 2013 of the future benefits was determined using a discount rate of 3.94% (2012 - 4.69%).

b) Drug Costs

Drug costs were assumed to increase at a 8.8% rate for 2013 (2012 - 9%) and decrease proportionately thereafter to an ultimate rate of 4.5% in 2022 for fiscal 2013 (2012 - 4.5%).

c) Hospital and other medical

Hospital and other medical costs were assumed to increase at 4.5% per annum in 2013 (2012 - 4.5%).

Medical premium increases were assumed to increase at 8.8% per annum in 2013 (2012 - 9%) and decrease proportionately thereafter to an ultimate rate of 4.5% in 2022 for fiscal 2013 (2012- 4.5%). Medical premiums are assumed to increase the same rate as the drug costs.

d) Dental Costs

Dental costs were assumed to increase at 4.5% per annum in 2013 (2012 - 4.5%).

12. Related Entities

a) Four Counties Health Services Foundation

Four Counties Health Services exercises influence over Four Counties Health Services Foundation (the Foundation) by virtue of its ability to appoint some of the Foundation's directors of the board. The Foundation raises funds for capital acquisition and other related purposes of the Hospital. The Foundation is incorporated under the Corporations Act of Ontario and is a registered charity under the Income Tax Act (Canada).

During the year, the Foundation transferred $108,120 (2012- $158,395) to the Hospital to be used for the purchase of capital assets and for operations.

The Foundation receives the following materials and services from Health Services at no cost to the Foundation: Office space, telephone service, and computer support.

b) Four Counties Health Services Auxiliary

The Auxiliary is an ancillary volunteer organization that is a registered charity under the Income Tax Act (Canada). Under its constitution and by-laws the stated purpose of the Auxiliary is to assist the Hospital and the community.

c) Four Counties Community Villa (Non-Profit) Inc

The Hospital has an economic interest in Four Counties Community Villa (Non-Profit) Inc.

During the year, Four Counties Health Services received loan repayments of $44,580 from Four Counties Community Villa (Non-Profit) Inc (2012 - $44,580). Funds in the amount of $1,560,000 were advanced in fiscal 2000 and 2001 to Four Counties Community Villa (Non-Profit) Inc., interest free, to finance the construction of a non-profit supportive housing facility on the Hospital's land. The loan is to be repaid over thirty-five years, in equal monthly instalments. The land lease is for a period of ninety-nine years and no rental payments are required for the first thirty-five years.

At April 1, 2007, the loan was classified as loans and receivables, and was discounted using an interest rate comparable to similar mortgages at the time of issue. It is subsequently being carried at amortized cost. Since the loan originated as a result of a related party transaction, fair value of the loan is not readily determinable, and as such, has not been presented. Interest income earned on the loan have been included in other funding sources on the statement of operations.

12. Related Entities (continued)

d) Strathroy Middlesex General Hospital

Four Counties Health Services is related to Strathroy Middlesex General Hospital as they are controlled by the same board of directors. Staff resources are shared by the hospital. During the year, Four Counties Health Services recovered remuneration of $420,430 (2012 - $405,006) from Strathroy Middlesex General Hospital, and reimbursed Strathroy Middlesex General Hospital $934,065 (2012 - $779,928) for remuneration paid by Strathroy Middlesex General Hospital. Joint purchases of supplies are expensed to each Hospital at point of purchase.

The Hospital signed an agreement with Strathroy Middlesex General Hospital, in which they can advance up to $1,000,000 at an interest rate of prime less 1.7%, should Strathroy Middlesex General Hospital require the funds. At year end, no funds have been advanced as part of this agreement.

13. Economic Dependence

The Hospital received 84% of its total revenue for the year ended March 31, 2013 (2012 - 83%) from the Southwest LHIN and Ministry of Health and Long-Term Care.

14. Joint Venture Agreement

The Hospital was part of an agreement with the Regional Shared Services ("RSS") which was initially formed by the Thames Valley Hospital Planning Partnership ("TVHPP") to develop and operate a shared electronic health information management system. An agreement was executed by all involved hospitals in order to outline the rights, obligations and duties of each joint venture partner. The Hospital had an economic interest in RSS and paid to the RSS its share of capital, staffing and operating costs incurred by the RSS. The shared assets of the RSS resided on the financial statements of the London Health Sciences Centre ("LHSC"). The Hospital accounted for the joint venture on an equity basis.

Effective July 21, 2011 the parties revised their contractual relationship in order to adopt a purchased service model for existing services, and to create advisory and decision-making committees composed of London Health Sciences Centre and St. Joseph's Health Care, London, collectively known as the Service Provider, and the Customers.

18. Financial Instrument Risk Management (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: interest rate risk, currency risk and equity risk. The Hospital is not exposed to significant currency or equity risk as it does not transact materailly in foreign currency or hold equity financial instruments.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Interest rate risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates.

The Hospital is exposed to the risk through its interest bearing investments.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Liquidity rate risk

Liquidity risk is the risk that the Hospital will not be able to meet all cash outflow obligations as they come due. The Hospital mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise. The follow table sets out the contractual maturities (representing undiscounted contractual cash-flows of financial liabilities):

	Within 6 months	6 months to 1 year	1 - 5 years
Accounts payable	$ 1,483,533	$ -	$ -

19. Comparative Information

The comparative information presented in the financial statements has been restated to conform to the current year's presentation.