Four Counties Health Services

Financial Statements

For the year ended March 31, 2015

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Contents

BDO

Tel: 519 245 1913
Fax: 519 245 5987
strathroy@bdo.ca
www.bdo.ca

BDO Canada LLP
425 Caradoc Street S, Unit E
Strathroy ON N7G 2P5 Canada

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 statement of financial position as at March 31, 2015 the statement of changes in net assets, remeasurement gains and losses, operations and cash flows for the year then ended, 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, 2015, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Strathroy, Ontario
May 27, 2015

Four Counties Health Services
Statement of Financial Position

March 31	2015	2014
Assets		
Current		
Cash	$ 2,935,292	$ 2,773,481
Short-term investments (Note 3)	2,453,894	2,354,925
Accounts receivable (Note 17)	396,505	121,453
Inventory (Note 5)	8,060	11,532
Prepaid expenses	71,467	76,012
Current portion of receivable from Villa (Note 10)	10,350	9,604
	5,875,568	5,347,007
Restricted		
Cash	1,457	1,476
Long-term receivable from Villa (Note 10)	$ 450,734	$ 461,083
Capital assets (Note 6)	6,116,558	5,584,438
	$ 12,444,317	$ 11,394,004
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities (Note 4)	$ 1,901,323	$ 1,506,822
Deferred contributions relating to capital assets (Note 8)	3,689,115	3,439,429
Post-employment benefits (Note 9)	215,500	200,400
	5,805,938	5,146,651
Net assets		
Internally restricted	1,457	1,476
Unrestricted	6,551,570	6,208,666
	6,553,027	6,210,142
Accumulated remeasurement gains	85,352	37,211
	6,638,379	6,247,353
	$ 12,444,317	$ 11,394,004

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 year ended March 31			2015	2014
	Restricted	Unrestricted	Total	Total
Balance, beginning of year	$ 1,476	$ 6,208,666	$ 6,210,142	$ 5,724,253
Excess (deficiency) of revenues over expenditures	(19)	342,904	342,885	485,889
Balance, end of year	$ 1,457	$ 6,551,570	$ 6,553,027	$ 6,210,142

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

Four Counties Health Services

Statement of Remeasurement Gains and Losses

For the year ended March 31	**2015**	2014
Accumulated remeasurement gains at beginning of year	**$ 37,211**	$ 37,609
Unrealized gains attributable to short-term investments	**48,141**	20,542
Amounts reclassified to the statement of operations	**-**	(20,940)
Net remeasurement gains for the year	**48,141**	(398)
Accumulated remeasurement gains at end of year	**$ 85,352**	$ 37,211

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

Four Counties Health Services
Statement of Operations

For the year ended March 31	2015	2014
Revenue		
Ministry of Health and Long-Term Care	**$ 9,619,122**	$ 9,550,474
Patient revenues	**469,725**	433,887
Differential and co-payment	**67,366**	60,947
Recoveries and miscellaneous	**396,180**	423,692
Amortization of deferred capital contributions, equipment	**289,832**	231,596
Other votes (Note 19)	**596,100**	558,629
Other funding sources	**5,780**	6,140
	11,444,105	11,265,365
Expenses		
Salaries and wages	**4,682,581**	4,598,865
Employee benefits	**745,692**	799,819
Employee future benefits (Note 9)	**20,900**	21,700
Medical staff remuneration	**1,749,349**	1,749,414
Supplies and other expenses	**2,352,742**	2,208,088
Medical and surgical supplies	**124,131**	133,512
Drugs	**84,758**	100,546
Amortization - equipment (Note 6)	**467,302**	379,128
Other votes (Note 19)	**704,556**	642,180
Other funding sources	**2,224**	1,592
	10,934,235	10,634,844
Operating excess of revenue over expenditures	**509,870**	630,521
Other		
Amortization of deferred capital contributions, building	**107,138**	94,423
Amortization of building and land improvements (Note 6)	**(274,123)**	(239,055)
	(166,985)	(144,632)
Excess of revenues over expenditures	**$ 342,885**	$ 485,889

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	2015	2014
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenditures	$ 342,885	$ 485,889
Items not involving cash		
Amortization of capital assets	757,071	633,829
Amortization of deferred capital contributions	(597,256)	(367,414)
Loss (gain) on disposal of investments	5,611	(26,956)
Increase in post-employment benefits liability	15,100	11,751
	523,411	737,099
Net changes in non-cash working capital balances:		
Accounts receivable	(275,052)	890,573
Inventory	3,472	432
Prepaid expenses	4,545	(33,136)
Accounts payable and accrued charges	394,501	23,289
	650,877	1,618,257
Investing activities		
Payment received on long-term receivable	9,604	8,912
Purchase of investments	(557,588)	(819,949)
Proceeds from disposal of investments	501,152	761,936
	(46,832)	(49,101)
Capital activities		
Contributions received for capital assets	846,942	541,803
Net acquisition of capital assets	(1,289,195)	(1,337,486)
	(442,253)	(795,683)
Increase in cash and equivalents during the year	161,792	773,473
Cash and equivalents, beginning of year	2,774,957	2,001,484
Cash and equivalents, end of year	$ 2,936,749	$ 2,774,957
Represented by		
Cash	$ 2,935,292	$ 2,773,481
Restricted cash	1,457	1,476
	$ 2,936,749	$ 2,774,957

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

March 31, 2015

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 not-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 2014 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 contribution. 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 progress 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, 2015.
Vacation Pay	Vacation pay is accrued for all employees as entitlement is earned.

2. 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
March 31, 2015			
Cash	**$2,935,292**	$ -	**$2,935,292**
Restricted Cash	**1,457**	-	**1,457**
Short-term investments	**2,453,894**	-	**2,453,894**
Accounts receivable	-	**396,505**	**396,505**
Receivable from Villa	-	**461,084**	**461,084**
Accounts payable and accrued liabilities	-	**1,901,323**	**1,901,323**
	$5,390,643	**$2,758,912**	**$8,149,555**
March 31, 2014			
Cash	$ 2,773,481	$ -	$ 2,773,481
Restricted Cash	1,476	-	1,476
Short-term investments	2,354,925	-	2,354,925
Accounts receivable	-	121,453	121,453
Receivable from Villa	-	470,687	470,687
Accounts payable and accrued liabilities	-	1,506,822	1,506,822
	$ 5,129,882	$ 2,098,962	$ 7,228,844

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.

3. Short-Term Investments

	2015		2014	
	Cost	**Fair Value**	Cost	Fair Value
Fair value:				
Investment cash	**$ 6,100**	**$ 6,100**	$ 5,101	$ 5,101
Common shares	**405,227**	**478,816**	473,952	502,660
Mutual funds	**686,339**	**686,339**	571,848	571,848
Foreign securities	**34,016**	**53,504**	34,016	45,876
Guaranteed investment certificates	**1,215,532**	**1,215,532**	1,215,532	1,215,532
Accrued interest	**13,603**	**13,603**	13,908	13,908
Total investments	**$2,360,817**	**$2,453,894**	$ 2,314,357	$ 2,354,925

3. Short-Term Investments (Continued)

Short-term investments guaranteed investment certificates earn interest at 1.71 to 2.70% (2014 - 2.05 to 2.76%) and mature from December 2015 to December 2019 (2014 - December 2014 to December 2018).

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.

4. Accounts payable and accrued liabilities

	2015	2014
Ministry of Health and Long-term Care	**$ 160,420**	$ 84,931
Trade	**245,872**	315,096
Wages and other accruals	**1,495,031**	1,106,795
	$ 1,901,323	$ 1,506,822

5. Inventory

	2015	2014
Pharmacy inventory	**$ 8,060**	$ 11,532

All inventory is carried at cost, which exceeds net-realizable value.

6. Capital Assets

	2015		2014	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	**$ 2,000**	**$ -**	$ 2,000	$ -
Land improvements	**291,258**	**199,059**	291,258	184,547
Building and related service equipment	**17,954,477**	**12,752,474**	17,922,879	13,289,826
Construction in progress	**820,356**	**-**	842,674	-
	$19,068,091	**$12,951,533**	$ 19,058,811	$ 13,474,373
Net book value		**$ 6,116,558**		$ 5,584,438

The amortization charge for the year is as follows:

	2015	2014
Building	**$ 274,123**	$ 239,055
Other votes	**15,646**	15,646
Equipment	**467,302**	379,128
	$ 757,071	$ 633,829

Capital asset additions in 2015 amounted to $1,311,510 in building and related service equipment, and $813,332 in construction in progress, totaling $2,124,842. There were transfers of $835,650 from construction in progress.

7. Bank indebtedness

As at March 31, 2015, the Hospital had $400,000 in available credit (2014 - $400,000), consisting of a $400,000 operating line. At year end, the operating line was not drawn upon.

8. 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.

	2015	2014
Balance, beginning of year	**$ 3,439,429**	$ 3,265,040
Contributions received	**846,942**	541,803
Amortized to revenue	**(597,256)**	(367,414)
Balance, end of year	**$ 3,689,115**	$ 3,439,429

Included in other votes revenue are $15,395 (2014 - $15,395) of amortization of capital contributions.

As at March 31, 2015 there was $745,958 (2014 - $847,134) of deferred capital contributions received which were not spent.

9. Post-Employment Benefit

Retirement Benefits

The Hospitals of Ontario Pension Plan (HOOPP) has substantially all of the full-time employees enrolled in it. Part-time employees are eligible for HOOPP if they work more than 700 hours annually. Some of the part-time employees are enrolled into HOOPP. With the advent of the new Ontario Retirement Pension Plan (ORPP) part-time employees will need to enroll into the ORPP if they are not eligible for HOOPP. Contributions to the plan made during the year by the Hospital on behalf of these employees amounted to $347,072 (2014 - $339,013). Contributions to the plan made during the year by the employees amounted to $275,453 (2014 - $269,057). These are included in the “Employee Benefits” section of the Statement of Operations. For 2015, the Hospital had a liability of $72,484 (2014 - $nil), associated with the Pension Plan.

As a result of ongoing restructuring and staff reductions, early retirement packages have been made available to eligible Hospital employees. Eligible full-time employees who opted for early retirement received a continuation of their current health care benefits, up to the age of 65.

The Hospital also pays 50% of the premiums for health and dental benefits of the Ontario Nurses' Association (ONA) members that retired after April 1, 2011, from the date of retirement until the individual reaches the age of 65.

The “Employee future benefit” liability is actuarially determined using the projected accrued benefit cost method, pro-rata on service, and reflects Management’s best estimate of future cost trends associated with such benefits and interest rates. The Plan amendments are amortized over the expected average remaining service to full eligibility of the active employees (7.5 years). The cumulative gains and losses in excess of 10% of the beginning of the year accrued benefit obligation are amortized over the expected average remaining service to the expected retirement age of active employees (12.3 years).

Information about the Hospital's accrued benefit obligation relating to its post-retirement benefit plan at March 31, 2015, is as follows:

	2015	2014
Accrued benefit obligation	**$ 174,500**	$ 201,100
Less unamortized losses:		
Unamortized past services costs	**0**	0
Unamortized net actuarial loss/(gain)	**$ 41,000**	$(700)
Accrued Benefit Liability - End of Year	**$ 215,500**	$ 200,400

9. Post-Employment Benefit (continued)

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

Discount rate:	
Beginning of year	4.36 %
End of year	3.31 %
Weighted average health care trend rate	
Initial	7.7 %
Ultimate	4.5 %
Year "Ultimate" reached	2032

The actuarial valuation is for the period April 1, 2014 through March 31, 2015. Included in Employee Benefits on the Statement of Operations is an amount of $20,900 (2014 - $21,700) related to employee future benefits.

	2015	2014
Current year benefit cost:	**11,900**	11,900
Interest on accrued benefit obligation	**8,800**	8,800
Amortized actuarial (gain)/loss	**$ 200**	$1,700
Total Expense	**$ 20,900**	$ 21,700

Above amounts exclude pension contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), a multi-employer plan, described above.

10. 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 $nil (2014 - $162,025) to the Hospital to be used for the purchase of capital assets and $12,000 (2014 - $12,000) for operations (education).

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

10. Related Entities (continued)

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 (2014 - $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.

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 $311,257 (2014 - $339,082) from Strathroy Middlesex General Hospital, and reimbursed Strathroy Middlesex General Hospital $1203,528 (2014 - $1,147,939) 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.

11. Economic Dependence

The Hospital received 84% of its total revenue for the year ended March 31, 2015 (2014 - 85%) from the Southwest LHIN and Ministry of Health and Long-Term Care.

12. 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.

13. Public Sector Salary Disclosure Act

The Public Sector Salary Disclosure Act requires that the Hospital disclose in its annual statement, the amount of salary and benefits paid in excess of $100,000.

For the Calendar year, 2014:	Salary	Taxable Benefits
Paul Long, Chief Financial Officer	$ 136,904	$ 4,571
Catherine Kirk, Director of Patient Care	$ 131,149	$ 199
Michael Cartier, Registered Nurse	$ 113,765	$ 381
Margaret Pettit, Registered Nurse	$ 104,345	$ 387
Lesa Marsh, Nurse Practitioner	$ 101,686	$ 441
Jim Wilson, Chief Information Office	$ 101,479	$ 432
Denise Lutz, Registered Nurse	$ 101,470	$ 381
Doris-Marie Smith, Registered Nurse	$ 100,077	$ 381

Generally, the Act defines salary as the amount received by an employee required by the Income Tax Act (Canada) and defines benefits as amounts reported to Revenue Canada, Taxation, under the Income Tax Act (Canada).

14. Contingencies

The Hospital has been named defendant in certain legal actions. The final liability, if any, of these claims is indeterminable as the Hospital has established defense actions and further, in the opinion of legal counsel and the Hospital's insurance adjustors, should any claim be successful, it would be subject to material coverage by the hospital's policies of insurance. See Note 18 regarding HIROC contingencies.

15. Supplementary Information

Additional cash flow information is as follows:

	2015	2014
Interest received in the year	**$ 107,412**	$ 105,881

16. Capital Management

The Hospital's primary objective when managing capital is to safeguard the entity's ability to deliver comprehensive family-centered patient care in a rural and community-focused health service setting in collaboration and integration with our healthcare partners. The Hospital defines its capital as cash, both restricted and unrestricted, investments, and net assets, both restricted and unrestricted.

The Hospital monitors its cash position on a weekly basis and reviews the current ratio and working capital position on a monthly basis.

The Hospital manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Four Counties Health Services Foundation provides the annual capital equipment support, which is paid on a predetermined basis during the fiscal year. In order to adjust the capital structure the hospital may sell or purchase investments, utilize the approved operating line of credit, or any advances from the South West Local Health Integration Network (LHIN).

There have been no changes in what the Hospital defines as capital, or the objectives, policies and procedures for managing capital, in the year.

17. Financial Instrument Risk Management

Credit risk

Credit risk is the risk of financial loss to the Hospital if a debtor fails to make payments of interest and principal when due. The Hospital is exposed to this risk relating to its cash and accounts receivable. The Hospital holds it cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation. In the event of default, the Hospital's cash accounts are insured up to $100,000 (2014 - $100,000).

The Hospital's investment policy operates within the constraints of the investment guidelines issued by MOHLTC in relation to the funding agreements described in Note 2 and puts limits on the investment portfolio including portfolio composition limits, issuer type limits, aggregate issuer limits, corporate sector limits and general guidelines for geographic exposure.

The maximum exposure to investment credit risk is outlined in Note 2.

Accounts receivable is primarily due from OHIP, the Ministry of Health and Long-Term Care and patients. Credit risk is mitigated by the financial solvency of the provincial government and the highly diversified nature of the patients population.

17. Financial Instrument Risk Management (Continued)

The Hospital measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on the Hospital's historical experience regarding collection. The amounts outstanding at year end were as follows:

	Total	Current	Past Due 31-60 days	Past Due 61-90 days	Past Due 91-120 days	Past Due > 120 days
Inpatients	$ 10,081	$ 8,290	$ 90	$ 51	$ -	$ 1,650
Outpatients	8,763	6,622	1,189	620	-	332
OHIP	52,880	36,315	15,682	6	877	-
Ministry of Health and Long-Term Care	82,700	82,700	-	-	-	-
Miscellaneous	246,081	240,071	6,010	-	-	-
Gross receivables	400,505	373,998	22,971	677	877	1,982
Less: Impairment allowances	(4,000)	(4,000)	-	-	-	-
Net receivables	$ 396,505	$ 369,998	$ 22,971	$ 677	$ 877	$ 1,982

The amounts aged greater than 90 days owing from patients that have not had corresponding impairment allowance setup against them are collectible based on the Hospital's past experience. Management has reviewed the individual balances and based on credit equability of debtors and their past history of payment.

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.

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 materially 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.

17. Financial Instrument Risk Management (Continued)

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	$ 1,901,323	$ -	$ -

18. HIROC

On July 1, 1987, a group of health care organizations, ("subscribers"), formed 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 to health care organizations in the provinces and territories where it is licensed. 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 current date.

Since its inception in 1987 HIROC has accumulated an unappropriated surplus, which is the total of premiums paid by all subscribers plus investment income less the obligation for claims 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 the Board of Directors of HIROC.

19. Other Votes

Other votes consists of the funding and related expenses for municipal taxes, Nurse Practitioners, Adult Day Centre and Supportive Housing Programs.

20. Contractual Obligation

The hospital has entered into an agreement with a supplier to upgrade various electrical, lighting, heating, ventilation and air conditioning systems with an estimated cost of $1.5 million. The upgrades are to be paid from the energy savings realized over the next 20 years and is expected to be cash flow neutral.