

**Four Counties Health Services
Financial Statements
For the year ended March 31, 2020**

Four Counties Health Services
Financial Statements
For the year ended March 31, 2020

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Independent Auditor's Report

To the Board of Directors
Four Counties Health Services

Opinion

We have audited the financial statements of Four Counties Health Services (the Entity), which comprise the statements of financial position as at March 31, 2020, and the statement of changes in net assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2020, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Strathroy, Ontario

June 24, 2020

**Four Counties Health Services
Statement of Financial Position**

March 31	2020	2019
Assets		
Current		
Cash	\$ 3,885,264	\$ 3,053,590
Short-term investments (Note 3)	2,773,029	2,738,307
Accounts receivable (Note 16)	251,881	210,374
Inventory (Note 5)	6,391	10,662
Prepaid expenses	105,561	87,188
Current portion of receivable from related parties (Note 10)	156,614	89,849
	7,178,740	6,189,970
Restricted		
Cash	1,435	1,435
Long-term receivable from related parties (Note 10)	958,546	871,442
Capital assets (Note 6)	6,802,918	7,068,429
	\$14,941,639	\$ 14,131,276
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities (Note 4)	\$ 1,826,510	\$ 1,038,363
Deferred contributions relating to capital assets (Note 8)	5,169,556	5,150,183
Post-employment benefits (Note 9)	179,200	193,300
	7,175,266	6,381,846
Net assets		
Internally restricted	1,435	1,435
Unrestricted	7,681,169	7,616,451
	7,682,604	7,617,886
Accumulated remeasurement gains	83,769	131,544
	7,766,373	7,749,430
	\$ 14,941,639	\$ 14,131,276

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	2020			2019
	Restricted	Unrestricted	Total	Total
Balance, beginning of year	\$ 1,435	\$ 7,616,451	\$ 7,617,886	\$ 7,089,407
Excess of revenues over expenditures	-	64,718	64,718	528,479
Balance, end of year	\$ 1,435	\$ 7,681,169	\$ 7,682,604	\$ 7,617,886

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	2020	2019
Accumulated remeasurement gains at beginning of year	\$ 131,544	\$ 80,304
Unrealized (losses) gains attributable to short-term investments	<u>(47,775)</u>	<u>51,240</u>
Accumulated remeasurement gains at end of year	<u>\$ 83,769</u>	<u>\$ 131,544</u>

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

Four Counties Health Services Statement of Operations

For the year ended March 31	2020	2019
Revenue		
Ministry of Health and Long-Term Care	\$10,785,766	\$ 10,334,538
Patient revenues	456,268	452,202
Differential and co-payment	50,425	65,862
Recoveries and miscellaneous	577,444	461,644
Amortization of deferred capital contributions, equipment	317,439	390,331
Other votes (Note 18)	399,571	629,618
	12,586,913	12,334,195
Expenses		
Salaries and wages	5,524,741	4,999,798
Employee benefits	1,058,512	829,901
Employee future benefits (Note 9)	100	100
Medical staff payments	1,786,307	1,710,162
Supplies and other expenses	2,840,800	2,602,012
Medical and surgical supplies	142,070	134,421
Drugs	142,048	143,501
Amortization - equipment (Note 6)	440,598	539,971
Other votes (Note 18)	399,564	650,715
	12,334,740	11,610,581
Operating excess of revenue over expenditures	252,173	723,614
Other		
Amortization of deferred capital contributions, building	248,243	238,645
Amortization of building and land improvements (Note 6)	(435,698)	(433,780)
	(187,455)	(195,135)
Excess of revenues over expenditures	\$ 64,718	\$ 528,479

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	2020	2019
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenditures	\$ 64,718	\$ 528,479
Items not involving cash		
Amortization of capital assets	885,832	984,865
Amortization of deferred capital contributions	(574,968)	(640,147)
Gain on disposal of capital assets	(4,391)	(47,219)
Decrease in post-employment benefits liability	(14,100)	(14,200)
	357,091	811,778
Net changes in non-cash working capital balances:		
Accounts receivable	(41,507)	69,857
Inventory	4,271	(2,123)
Prepaid expenses	(18,373)	41,850
Accounts payable and accrued charges	788,147	(14,409)
	1,089,629	906,953
Investing activities		
Payment received on long-term receivable	168,170	112,837
Advance on long-term receivable	(322,038)	(646,567)
Purchase of investments	(447,534)	(215,785)
Proceeds from disposal of investments	365,035	150,000
	(236,367)	(599,515)
Capital activities-		
Contributions received for capital assets	594,341	1,000,574
Net acquisition of capital assets	(615,929)	(902,846)
	(21,588)	97,728
Increase (decrease) in cash and equivalents during the year	831,674	405,166
Cash and equivalents, beginning of year	3,055,025	2,649,859
Cash and equivalents, end of year	\$ 3,886,699	\$ 3,055,025
Represented by		
Cash	\$ 3,885,264	\$ 3,053,590
Restricted cash	1,435	1,435
	\$ 3,886,699	\$ 3,055,025

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

Four Counties Health Services

Notes to Financial Statements

March 31, 2020

1. Significant Accounting Policies

Nature of Organization

Four Counties Health Services (the "Hospital") provides health care services to the residents of the Four Counties and surrounding areas. 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 registered charity 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 South West Local Health Integration Network ("SW LHIN"). The hospital has entered into a Hospital Service Accountability Agreement (the "H-SAA") for fiscal 2020 with the MOHLTC and SW 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 MOHLTC/SW 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.

Four Counties Health Services Notes to Financial Statements

March 31, 2020

1. Significant Accounting Policies (continued)

Revenue Recognition (continued) If the Hospital does not meet its performance standards or obligations, the MOHLTC/SW LHIN has the right to adjust funding received by the Hospital. The MOHLTC/SW 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 MOHLTC/SW 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 SW 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.

Four Counties Health Services

Notes to Financial Statements

March 31, 2020

1. Significant Accounting Policies (continued)

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.

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.

Four Counties Health Services Notes to Financial Statements

March 31, 2020

1. Significant Accounting Policies (continued)

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:

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, and receivable from Villa mortgage. 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.

Four Counties Health Services Notes to Financial Statements

March 31, 2020

1. Significant Accounting Policies (continued)

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, actuarial estimation of post-employment benefits, and amortization of capital assets and deferred revenue.

MOHLTC and SW LHIN 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 MOHLTC and SW LHIN. The financial statements reflect agreed funding arrangements approved by the MOHLTC and SW LHIN with respect to the year ended March 31, 2020.

Vacation Pay

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

Four Counties Health Services Notes to Financial Statements

March 31, 2020

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, 2020			
Cash	\$3,885,264	\$ -	\$3,885,264
Restricted Cash	1,435	-	1,435
Short-term investments	2,773,029	-	2,773,029
Accounts receivable	-	251,881	251,881
Receivable from related parties	-	1,115,160	1,115,160
Accounts payable and accrued liabilities	-	1,826,510	1,826,510
	\$6,659,728	\$3,193,551	\$9,853,279
March 31, 2019			
Cash	\$ 3,053,590	\$ -	\$ 3,053,590
Restricted Cash	1,435	-	1,435
Short-term investments	2,738,307	-	2,738,307
Accounts receivable	-	210,374	210,374
Receivable from related parties	-	961,291	961,291
Accounts payable and accrued liabilities	-	1,038,363	1,038,363
	\$ 5,793,332	\$ 2,210,028	\$ 8,003,360

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

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
<i>Fair value:</i>				
Investment cash	\$ 11,736	\$ 11,736	\$ 53,071	\$ 53,071
Common shares	466,640	510,850	542,175	653,984
Investment savings account	879,584	879,584	773,502	773,502
Foreign securities	92,890	143,987	133,897	163,469
Guaranteed investment certificates	1,213,500	1,213,500	1,083,500	1,083,500
Accrued interest	13,372	13,372	10,781	10,781
Total investments	\$2,677,722	\$2,773,029	\$ 2,596,926	\$ 2,738,307

Four Counties Health Services Notes to Financial Statements

March 31, 2020

3. Short-Term Investments (continued)

Short-term investments guaranteed investment certificates earn interest at 1.60 to 3.30% (2019 - 1.60 to 3.30%) and mature from June 2020 to May 2024 (2019 - December 2019 to December 2023).

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

	<u>2020</u>	<u>2019</u>
Ministry of Health and Long-term Care	\$ 83,912	\$ 10,981
Trade	296,409	69,303
Wages and other accruals	<u>1,446,189</u>	<u>958,079</u>
	<u>\$ 1,826,510</u>	<u>\$ 1,038,363</u>

5. Inventory

	<u>2020</u>	<u>2019</u>
Pharmacy inventory	<u>\$ 6,391</u>	<u>\$ 10,662</u>

All inventory is carried at cost.

Four Counties Health Services Notes to Financial Statements

March 31, 2020

6. Capital Assets

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 2,000	\$ -	\$ 2,000	\$ -
Land improvements	431,725	263,244	426,015	247,964
Building and related service equipment	22,347,527	15,946,657	22,535,960	15,647,582
Construction in progress	231,567	-	-	-
	\$23,012,819	\$16,209,901	\$ 22,963,975	\$ 15,895,546
 Net book value		\$ 6,802,918		\$ 7,068,429

The amortization charge for the year is as follows:

	2020	2019
Building	\$ 435,698	\$ 433,780
Other votes	9,536	11,114
Equipment	440,598	539,971
	\$ 885,832	\$ 984,865

Capital asset additions in 2020 amounted to \$197,004 (2019 - \$1,184,193) in building and related service equipment, \$197,015 in major equipment (2019 - \$364,711), and \$474,326 in construction in progress (2019 - \$660,280), and \$nil in land improvements (2019 - \$134,757), totaling \$868,346 (2019 - \$2,343,940). There were transfers of \$242,759 (2019 - \$1,346,657) from construction in progress.

7. Bank Indebtedness

As at March 31, 2020, the Hospital had \$400,000 in available credit (2019 - \$400,000), consisting of a \$400,000 operating line. At year end, the operating line was not drawn upon.

Four Counties Health Services Notes to Financial Statements

March 31, 2020

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.

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 5,150,183	\$ 4,789,756
Contributions received	594,341	1,000,574
Amortized to revenue	<u>(574,968)</u>	<u>(640,147)</u>
Balance, end of year	<u>\$ 5,169,556</u>	<u>\$ 5,150,183</u>

Included in other votes revenue are \$9,286 (2019 - \$11,172) of amortization of capital contributions.

As at March 31, 2020 there was \$359,243 (2019 - \$179,350) of deferred capital contributions received which were not spent.

Four Counties Health Services Notes to Financial Statements

March 31, 2020

9. Post-Employment Benefit

Retirement Benefits

The Healthcare of Ontario Pension Plan (HOOPP) has substantially all of the full-time employees enrolled in it. On October 1, 2015, all part-time and non-full-time employees became eligible to join the Plan immediately. Some of the part-time employees are enrolled into HOOPP. Contributions to the plan made during the year by the Hospital on behalf of these employees amounted to \$351,858 (2019 - \$349,146). Contributions to the plan made during the year by the employees amounted to \$279,252 (2019 - \$277,100). These are included in the "Employee Benefits" section of the Statement of Operations. For 2020, the Hospital had a liability of \$63,773 (2019 - \$57,419), associated with the Pension Plan.

As a result of 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. 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 (10.4 years).

Information about the Hospital's accrued benefit obligation relating to its post-retirement benefit plan at March 31, 2020, is as follows:

	2020	2019
Accrued benefit obligation	\$105,400	\$ 117,700
Less unamortized losses:		
Unamortized past services costs	-	-
Unamortized net actuarial loss/(gain)	73,800	75,600
Accrued Benefit Liability - End of Year	\$179,200	\$ 193,300

Four Counties Health Services Notes to Financial Statements

March 31, 2020

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	3.18%
End of year	3.29%
Weighted average health care trend rate	
Initial	6.1 %
Ultimate	4.0 %
Year "Ultimate" reached	2038

The actuarial valuation is for the period April 1, 2019 through March 31, 2020. Included in Employee Benefits on the Statement of Operations is an amount of \$100 (2019 - \$100) related to employee future benefits.

	2020	2019
Current year benefit cost:	\$ 5,500	\$ 5,100
Interest on accrued benefit obligation	3,600	4,000
Amortized actuarial (gain)/loss	(9,000)	(9,000)
Total Expense	\$ 100	\$ 100

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 Foundation is a separate legal entity. 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 \$165,487 (2019 - \$455,711) to the Hospital to be used for the purchase of capital assets and \$41,371 (2019 - \$16,696) 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.

Four Counties Health Services Notes to Financial Statements

March 31, 2020

10. Related Entities (continued)

The Four Counties Health Services Foundation has pledges receivable in the amount of \$50,000 at the end of the year related to the Four Counties Health Services Diagnostic Imaging Suite Campaign. Contributions receivable have not been reflected in the financial statements of the hospital as collection of them cannot be reasonably assured. Expected collection of contributions receivable for the next five years and thereafter is as follows:

Year	Amount
2021	\$ 10,000
2022	10,000
2023	10,000
2024	10,000
Thereafter	<u>10,000</u>
	<u>\$50,000</u>

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. (2019 - \$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.

All transactions between Four Counties Health Services and its related parties are recorded at cost.

Four Counties Health Services Notes to Financial Statements

March 31, 2020

10. 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. During the year, Four Counties Health Services recovered remuneration of \$350,988 (2019 - \$276,369) from Strathroy Middlesex General Hospital, and reimbursed Strathroy Middlesex General Hospital \$1,440,097 (2019 - 1,318,129) for remuneration paid by Strathroy Middlesex General Hospital. Joint purchases of supplies are expensed to each Hospital at point of purchase. At March 31, 2020, \$115,784 (2019 - \$34,044) was included in accounts receivable and \$363,290 (2019 - \$183,283) was included in accounts payable, relating to balances owing from/to Strathroy Middlesex General Hospital.

The Hospital has an agreement with Strathroy Middlesex General Hospital, in which they can advance up to \$1,050,000 at an interest rate of 3.0%, should Strathroy Middlesex General Hospital require the funds for the purchase of capital equipment. A new Radiology Suite was purchased in December 2018, and new Scopes for Endoscopy were purchased in October 2019. At year end, \$714,508 has been advanced as part of this agreement. The loan is to be repaid over seven years, in equal monthly instalments. The payments in the year from Strathroy Middlesex General Hospital were \$173,933. The loan is being carried at amortized cost.

Receivable from related parties are as follows:

	2020	2019
Four Counties Community Villa (Non-Profit) Inc	\$ 400,652	400,652
414,609		
Strathroy Middlesex General Hospital	714,508	546,682
	1,115,160	961,291
Less: current portion	\$ 156,614	\$ 89,849
	\$ 958,546	\$ 871,442

11. Economic Dependence

The Hospital received 86% of its total revenue for the year ended March 31, 2020 (2019 - 89%) from the SW LHIN and Ministry of Health and Long-Term Care.

Four Counties Health Services Notes to Financial Statements

March 31, 2020

12. 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, 2019:	Salary	Taxable Benefits
Alasdair Smith, Vice President Finance/Chief Financial Officer	\$140,957	\$584
Stephane Ouellet, Vice President Strategic Partnerships	\$128,078	\$531
Margaret Pettit, Registered Nurse	\$114,584	\$31
Doris-Marie Smith, Registered Nurse	\$110,804	\$401
Rachel Jackson, Registered Nurse	\$109,656	\$394
Denise Lutz, Registered Nurse	\$106,226	\$394
Sheila Cartier, Registered Nurse	\$100,819	\$394

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).

13. 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 17 regarding HIROC contingencies.

14. Supplementary Information

Additional cash flow information is as follows:

	2020	2019
Interest received in the year	\$ 158,423	\$ 136,089

Four Counties Health Services Notes to Financial Statements

March 31, 2020

15. 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 ("SW 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.

Four Counties Health Services Notes to Financial Statements

March 31, 2020

16. 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 its 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 (2019 - \$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.

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:

			<u>Past Due</u>			
	Total	Current	31-60 days	61-90 days	91-120 days	> 120 days
Inpatients	\$ 2,918	\$ 2,783	\$ 45	\$ -	\$ 45	\$ 45
Outpatients	10,086	5,708	3,384	622	45	327
OHIP	36,205	24,129	11,027	598	66	384
Miscellaneous	208,272	209,974	(1,270)	33	-	(464)
Gross receivables	257,481	242,594	13,186	1,253	156	292
Less: Impairment allowances	(5,600)	(5,600)	-	-	-	-
Net receivables	\$ 251,881	\$ 236,994	\$ 13,186	\$ 1,253	\$ 156	\$ 292

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.

Four Counties Health Services Notes to Financial Statements

March 31, 2020

16. Financial Instrument Risk Management (continued)

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.

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	\$ 1,826,510	\$ -	\$ -

Four Counties Health Services Notes to Financial Statements

March 31, 2020

17. 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.

18. Other Votes

Other votes reflects a separate funding stream from the MOHLTC/SW LHIN for programs not typically part of the base, QBP, Wait Time, or HBAM funding. Other votes consists of the funding and related expenses for municipal taxes, Adult Day Centre and Supportive Housing Programs.

19. Subsequent Events

On March 11, 2020 the World Health Organization declared the Coronavirus COVID-19 (COVID- 19) outbreak a pandemic.

From the declaration of the pandemic to the date of approval of these financial statements, the Hospital implemented several initiatives including:

Enhanced infection prevention control measures including screening, isolations, increased use of personal protective equipment and increased cleaning;

Suspension of some services, and cancellation of elective surgeries and less urgent diagnostic procedures. This was done in order to create capacity for pandemic response and limit the potential for transmission within the Hospital;

The purchase of equipment and supplies, and the hiring of additional staff, in order to create capacity for pandemic response.

As a result of these actions, the Hospital experienced increases in operating costs.

Four Counties Health Services Notes to Financial Statements

March 31, 2020

19. Subsequent Events (continued)

a) Current year transactions:

For the year ended March 31, 2020, the Hospital incurred COVID-related expenses of \$38,926 and has recognized \$nil of revenue from these programs. These amounts have been recorded in the appropriate expense lines in the statement of operations.

b) Subsequent events related to COVID-19:

The Ministry has also committed to providing additional funding to Ontario Hospitals for COVID-related operating and capital costs in the subsequent period. At the date of the approval of these financial statements, the amount, timing and eligibility for this funding is not known. As such, an estimate of the financial effect of this funding is not practicable at this time.

The ultimate duration and magnitude of the COVID-19 pandemic's impact on the Hospital's operations and financial position is not known. An estimate of the financial effect of the pandemic on the Hospital is not practicable at this time.