

**Four Counties Health Services
Financial Statements
For the year ended March 31, 2023**

Four Counties Health Services
Financial Statements
For the year ended March 31, 2023

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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, 2023, and the statement of changes in net assets, remeasurement losses, 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, 2023, 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.

Restated Comparative Information

Without modifying our opinion, we draw attention to Note 2 to the financial statements which describes that certain comparative information presented for the year ended March 31, 2022 has been restated.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Strathroy, Ontario

June 30, 2023

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

Four Counties Health Services Statement of Financial Position

March 31 2023 2022

Assets

Current

Cash	\$ 3,620,140	\$ 3,762,671
Short-term investments (Note 6)	3,515,035	3,504,279
Accounts receivable (Note 4)	279,690	728,506
Inventory (Note 8)	7,080	7,067
Prepaid expenses	157,385	142,478
Current portion of receivable from related parties (Note 14)	168,563	167,568

7,747,893 8,312,569

Restricted

Cash	1,384	1,415
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Long-term receivable from related parties (Note 14) 446,568 615,130

Capital assets (Note 9) 8,862,203 8,381,936

\$ 17,058,048 \$ 17,311,050

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities (Note 7)	\$ 2,649,877	\$ 2,179,272
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Deferred contributions relating to capital assets (Note 11) 7,322,206 7,006,402

Post-employment benefits (Note 12) 232,400 216,400

Asset retirement obligations (Note 13) 316,443 304,067

10,520,926 9,706,141

Net assets

Internally restricted	1,384	1,415
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Unrestricted	<u>6,605,288</u>	<u>7,663,588</u>
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6,606,672 7,665,003

Accumulated remeasurement (losses) (69,550) (60,094)

6,537,122 7,604,909

\$ 17,058,048 \$ 17,311,050

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	2023			2022
	Restricted	Unrestricted	Total	Total
Balance, beginning of year as previously stated	\$ 1,415	\$ 7,663,588	\$ 7,665,003	\$ 8,085,523
Adoption of PS 3280 - Asset Retirement Obligations (Note 2, 13)	-	-	-	(278,413)
Balance, beginning of year restated	1,415	7,663,588	7,665,003	7,807,110
Deficiency of revenues over expenses	(31)	(1,058,300)	(1,058,331)	(142,108)
Balance, end of year	\$ 1,384	\$ 6,605,288	\$ 6,606,672	\$ 7,665,002

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

**Four Counties Health Services
Statement of Remeasurement Losses**

<u>For the year ended March 31</u>	<u>2023</u>	<u>2022</u>
Accumulated remeasurement gains (losses) at beginning of year	\$ (60,094)	\$ 231,226
Unrealized (losses) attributable to short-term investments	<u>(9,456)</u>	<u>(291,320)</u>
Accumulated remeasurement (losses) at end of year	<u>\$ (69,550)</u>	<u>\$ (60,094)</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	2023	2022
Revenue		
Ministry of Health and Long-Term Care (Note 5)	\$ 11,470,744	\$ 11,600,874
Patient revenues	511,880	507,897
Differential and co-payment	47,737	24,798
Recoveries and miscellaneous	893,052	885,437
Amortization of deferred capital contributions, equipment (Note 11)	384,960	285,219
Other votes (Note 21)	416,595	404,293
	13,724,968	13,708,518
Expenses		
Salaries and wages	6,545,473	6,253,082
Employee benefits	1,173,322	1,104,536
Employee future benefits (Note 12)	23,100	23,600
Medical staff payments	1,980,535	1,798,547
Supplies and other expenses	3,607,264	3,402,340
Medical and surgical supplies	223,975	180,977
Drugs	182,897	159,865
Amortization - equipment (Note 9)	413,806	318,929
Other votes (Note 21)	424,213	404,293
	14,574,585	13,646,169
Operating excess (deficiency) of revenue over expenses	(849,617)	62,349
Other revenues (expenses)		
Amortization of deferred capital contributions, building (Note 11)	457,832	380,351
Amortization of building and land improvements (Note 9)	(654,170)	(572,916)
Accretion expense	(12,376)	(11,892)
	(208,714)	(204,457)
Deficiency of revenues over expenses	\$ (1,058,331)	\$ (142,108)

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	2023	2022
Cash provided by (used in)		
Operating activities		
Deficiency of revenues over expenses	\$ (1,058,331)	\$ (142,108)
Items not involving cash		
Amortization of capital assets (Note 9)	1,078,840	902,037
Amortization of deferred capital contributions (Note 11)	(850,402)	(673,725)
Accretion expense of asset retirement obligation	12,376	11,892
Increase in post-employment benefits liability	16,000	4,400
	<u>(801,517)</u>	102,496
Net changes in non-cash working capital balances:		
Accounts receivable	448,816	(238,901)
Inventory	(13)	3,364
Prepaid expenses	(14,907)	(34,052)
Accounts payable and accrued charges	470,605	285,359
	<u>102,984</u>	118,266
Investing activities		
Payment received on long-term receivable	167,568	162,011
Purchase of investments	(466,394)	(2,946,184)
Proceeds from disposal of investments	446,181	2,128,700
	<u>147,355</u>	(655,473)
Capital activities		
Contributions received for capital assets	1,166,206	1,343,583
Net acquisition of capital assets	(1,559,106)	(1,603,496)
	<u>(392,900)</u>	(259,913)
Decrease in cash and equivalents during the year	(142,561)	(797,120)
Cash and equivalents, beginning of year	<u>3,764,085</u>	4,561,205
Cash and equivalents, end of year	\$ 3,621,524	\$ 3,764,085
Represented by:		
Cash	\$ 3,620,140	\$ 3,762,671
Restricted cash	1,384	1,415
	<u>\$ 3,621,524</u>	<u>\$ 3,764,086</u>
Supplemental Disclosure of Cash Flow Information:		
Interest received in the year	\$ 210,633	\$ 99,865

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

Four Counties Health Services Notes to Financial Statements

March 31, 2023

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 ("PSAS for Government NPOs"). The Four Counties Health Services Foundation is a separate entity whose financial information is reported separately from the Hospital.

Management Estimates

The preparation of financial statements in conformity with PSAS 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, amortization of capital assets, deferred revenue and significant revenue accruals for pandemic funding (Note 5).

MOHLTC and OH 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 OH. The financial statements reflect agreed funding arrangements approved by the MOHLTC and OH with respect to the year ended March 31, 2023.

Four Counties Health Services Notes to Financial Statements

March 31, 2023

1. Significant Accounting Policies (continued)

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 Ontario Health ("OH"). The Hospital has entered into a Hospital Service Accountability Agreement (the "H-SAA") for fiscal 2023 with the MOHLTC and OH 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/OH. 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.

If the Hospital does not meet its performance standards or obligations, the MOHLTC/OH has the right to adjust funding received by the Hospital. The MOHLTC/OH 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/OH 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 a 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 OH 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.

Four Counties Health Services Notes to Financial Statements

March 31, 2023

1. Significant Accounting Policies (continued)

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, 2023

1. Significant Accounting Policies (continued)

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.

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

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.

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.

Four Counties Health Services Notes to Financial Statements

March 31, 2023

1. Significant Accounting Policies (continued)

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.

Vacation Pay

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

Asset Retirement Obligations

A liability for an asset retirement obligation is recognized when there is a legal obligation to incur retirement costs in relation to a tangible capital asset; the past transaction or event giving rise to the liability has occurred; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability is recorded at an amount that is the best estimate of the expenditure required to retire a tangible capital asset at the financial statement date. This liability is subsequently reviewed at each financial reporting date and adjusted for the passage of time and for any revisions to the timing, amount required to settle the obligation or the discount rate. Upon the initial measurement of an asset retirement obligation, a corresponding asset retirement cost is added to the carrying value of the related tangible capital asset if it is still in productive use. This cost is amortized over the useful life of the tangible capital asset. If the related tangible capital asset is unrecognized or no longer in productive use, the asset retirement costs are expensed.

Four Counties Health Services Notes to Financial Statements

March 31, 2023

2. Change in Accounting Policy

Effective April 1, 2022 the hospital adopted new Public Sector Accounting Handbook Standard, 3280 Asset Retirement Obligations (refer to Note 13 for further details). As a result of the adoption, the presentation of the financial statements changed from the prior year. The standard requires a liability to be recognized as there is a legal obligation to incur retirement costs. This change in accounting policy has been applied using the modified retroactive approach with restatement of prior periods.

The impact of adoption of this standard was as follows:

	2022
Increase in tangible capital assets	\$ 31,291
Decrease in opening accumulated surplus	(278,413)
Increase in asset retirement obligation	304,067
Increase in accumulated amortization	17,836
Increase in accretion expense	11,892
Increase in amortization of buildings and land improvements	313

3. 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, 2023			
Cash	\$3,620,140	\$ -	\$3,620,140
Restricted Cash	1,384	-	1,384
Short-term investments	3,515,035	-	3,515,035
Accounts receivable	-	279,690	279,690
Receivable from related parties	-	615,130	615,130
Accounts payable and accrued liabilities	-	2,649,877	2,649,877
	\$7,136,559	\$3,544,697	\$10,681,256

	Fair Value	Amortized Cost	Total
March 31, 2022			
Cash	\$ 3,762,671	\$ -	\$ 3,762,671
Restricted Cash	1,415	-	1,415
Short-term investments	3,504,279	-	3,504,279
Accounts receivable	-	728,506	728,506
Receivable from related parties	-	782,698	782,698
Accounts payable and accrued liabilities	-	2,179,272	2,179,272
	\$ 7,268,365	\$ 3,690,476	\$10,958,841

**Four Counties Health Services
Notes to Financial Statements**

March 31, 2023

3. Financial Instrument Classification (continued)

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.

4. Accounts Receivable

	Total	Current	Past Due			
			31-60 days	61-90 days	91-120 days	> 120 days
Inpatients	\$ 17,046	\$ 9,084	\$ 1,629	\$ 510	\$ -	\$ 5,823
Outpatients	17,277	9,567	2,692	2,660	1,106	1,252
OHIP	56,960	46,079	10,652	80	-	149
MOHLTC (Note 4)	20,063	20,063	-	-	-	-
Miscellaneous	174,344	174,041	268	75	(40)	-
Gross receivables	285,690	258,834	15,241	3,325	1,066	7,224
Less: Impairment allowances	(6,000)	(6,000)	-	-	-	-
Net receivables	\$ 279,690	\$ 252,834	\$ 15,241	\$ 3,325	\$ 1,066	\$ 7,224

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

Four Counties Health Services Notes to Financial Statements

March 31, 2023

5. COVID-19 Ministry of Health Funding

In response to the ongoing COVID-19 pandemic, the MOH has announced funding programs to assist hospitals with incremental operating and capital costs and revenue decreases as a result of COVID-19. The Hospital has claimed the amounts for each funding program in the year:

March 31, 2023	Received	Accrued	Total
Incremental Expense Reimbursement	\$ 114,091	\$ -	\$ 114,091
Temporary Retention Incentive for Nurses	66,514	-	66,514
	<u>\$ 180,605</u>	<u>\$ -</u>	<u>\$ 180,605</u>
March 31, 2022	Received	Accrued	Total
Incremental Expense Reimbursement	\$ 205,100	\$ 218,100	\$ 423,200
Temporary Retention Incentive for Nurses	-	66,514	66,514
	<u>\$ 205,100</u>	<u>\$ 284,614</u>	<u>\$ 489,714</u>

Management's estimate of the Hospital's MOH revenue is based on guidance which continues to evolve and the impacts of COVID-19 on the Hospital's operations, revenues and expenses. The guidance includes the maximum amount of funding potentially available to the Hospital, as well as the criteria for eligibility. As a result, there is measurement uncertainty associated with the MOH revenue related to COVID-19.

The amount accrued by management for each funding program is based on the financial results of the Hospital for the year, taking into account additional COVID-related cost pressures. The funding is subject to review and reconciliation in subsequent periods, funding recognized as revenue during the period may be increased or decreased in subsequent periods.

6. Short-Term Investments

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
<i>Fair value:</i>				
Investment cash	\$ 110,242	\$ 110,242	\$ 104,260	\$ 104,260
Common shares	373,541	429,234	339,800	434,598
Investment savings accounts	35,354	35,354	35,354	35,354
Foreign securities	937,663	914,480	914,030	906,953
Guaranteed investment certificates	2,190,857	2,025,725	2,158,352	2,023,114
	<u>\$3,647,657</u>	<u>\$3,515,035</u>	<u>\$ 3,551,796</u>	<u>\$ 3,504,279</u>
Total investments				

Four Counties Health Services Notes to Financial Statements

March 31, 2023

6. Short-Term Investments (continued)

Short-term investments guaranteed investment certificates earn interest at 1.10 to 3.75% (2022 - 1.10 to 3.75%) and mature from June 2023 to September 2032 (2022 - June 2022 to March 2031).

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.

7. Accounts payable and accrued liabilities

	<u>2023</u>	<u>2022</u>
Ministry of Health and Long-term Care	\$ 480,355	\$ 373,078
Trade	501,478	300,156
Wages and other accruals	<u>1,668,044</u>	<u>1,506,038</u>
	<u>\$ 2,649,877</u>	<u>\$ 2,179,272</u>

8. Inventory

	<u>2023</u>	<u>2022</u>
Pharmacy inventory	<u>\$ 7,080</u>	<u>\$ 7,067</u>

All inventory is carried at cost.

**Four Counties Health Services
Notes to Financial Statements**

March 31, 2023

9. Capital Assets

	2023		2022	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 2,000	\$ -	\$ 2,000	\$ -
Land improvements	431,725	309,085	431,725	293,805
Building and related service equipment	26,666,781	18,509,459	24,823,173	17,703,033
Construction in progress	580,241	-	1,121,876	-
	\$27,680,747	\$18,818,544	\$ 26,378,774	\$ 17,996,838
 Net book value		\$ 8,862,203		\$ 8,381,936

The amortization charge for the year is as follows:

	2023	2022
Building	\$ 654,170	\$ 572,916
Other votes	10,864	10,192
Equipment	413,806	318,929
	\$ 1,078,840	\$ 902,037

Capital asset additions in 2023 amounted to \$1,544,294 (2022 - \$400,991) in building and related service equipment, \$596,795 in major equipment (2022 - \$112,741), and \$1,561,824 in construction in progress (2022 - \$1,780,650), and \$nil in land improvements (2022 - \$nil), totaling \$3,702,913 (2022 - \$2,294,383). There were transfers of \$2,103,458 (2022 - \$731,417) from construction in progress.

10. Bank Indebtedness

As at March 31, 2023, the Hospital had \$2,000,000 in available credit (2022 - \$2,000,000), consisting of a \$2,000,000 operating line. At year end, the operating line was not drawn upon.

Four Counties Health Services Notes to Financial Statements

March 31, 2023

11. 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.

	2023	2022
Balance, beginning of year	\$ 7,006,402	\$ 6,336,544
Contributions received	1,166,206	1,343,583
Amortized to revenue	(850,402)	(673,725)
Balance, end of year	\$ 7,322,206	\$ 7,006,402

Included in other votes revenue are \$7,610 (2022 - \$8,156) of amortization of capital contributions.

As at March 31, 2023 there was \$597,127 (2022 - \$1,457,485) of deferred capital contributions received which were not spent.

Four Counties Health Services Notes to Financial Statements

March 31, 2023

12. 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 \$421,742 (2022 - \$408,763). Contributions to the plan made during the year by the employees amounted to \$334,715 (2022 - \$324,416). These are included in the "Employee Benefits" section of the Statement of Operations. For 2023, the Hospital had a liability of \$78,092 (2022 - \$76,082), 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, 2023, is as follows:

	2023	2022
Accrued benefit obligation	\$216,700	\$ 213,600
Less unamortized losses:		
Unamortized past services costs	-	-
Unamortized net actuarial loss (gain)	15,700	2,800
Accrued Benefit Liability - End of Year	\$232,400	\$ 216,400

Four Counties Health Services Notes to Financial Statements

March 31, 2023

12. 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	3.89%
End of year	4.04%
Weighted average health care trend rate	
Initial	4.5%
Ultimate	4.0%
Year "Ultimate" reached	2040

The actuarial valuation is for the period April 1, 2022 through March 31, 2023. Included in Employee Benefits on the Statement of Operations is an amount of \$23,100 (2022 - \$23,600) related to employee future benefits.

	2023	2022
Current year benefit cost:	\$ 13,800	\$ 14,600
Interest on accrued benefit obligation	8,500	7,300
Amortization of Past Service Cost	0	0
Amortized actuarial loss (gain)	800	1,700
Total Expense	\$ 23,100	\$ 23,600

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

13. Asset Retirement Obligations

The hospital's financial statements include an asset retirement obligation for the asbestos that had been used in construction of the hospital buildings throughout its course of operations. The related asset retirement costs are being amortized on a straight-line basis. The liability has been estimated using a net present value technique with a discount rate of 4.07% (2022 - 4.07%). The estimated total undiscounted future expenditures are \$316,443 (2022 - \$304,067), which are to be incurred over the remaining useful life of the buildings. The liability is expected to be settled as the building is renovated.

Four Counties Health Services Notes to Financial Statements

March 31, 2023

13. Asset Retirement Obligations (continued)

The carrying amount of the liability is as follows:

	<u>2023</u>	<u>2022</u>
Asset retirement obligation, beginning of year	\$ 304,067	\$ 292,175
Increase due to accretion expense	12,376	11,892
Asset retirement obligation, end of year	<u>\$ 316,443</u>	<u>\$ 304,067</u>

The Hospital is required to provide The Office of the Provincial Controller Division updated information on the asset retirement obligations associated with fully amortized assets still in productive use as at April 1, 2022. This requirement is met through the presentation of the financial statements as at March 31, 2023.

This change in accounting policy has been accounted for using the modified retrospective approach and the comparative statements for the prior year have been restated (see Note 2).

14. 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 \$210,678 (2022 - \$341,842) to the Hospital to be used for the purchase of capital assets and \$12,000 (2022 - \$17,759) 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, 2023

14. Related Entities (continued)

The Four Counties Health Services Foundation has pledged support to the Hospital in the amount of \$20,000 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 three years is as follows:

Year	Amount
2024	10,000
2025	<u>10,000</u>
	<u>\$20,000</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. (2022 - \$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 installments. 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, 2023

14. 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 \$415,628 (2022 - \$300,055) from Strathroy Middlesex General Hospital, and reimbursed Strathroy Middlesex General Hospital \$1,605,402 (2022 - \$1,643,801) for remuneration paid by Strathroy Middlesex General Hospital. Joint purchases of supplies are expensed to each Hospital at point of purchase. At March 31, 2023, \$33,815 (2022 - \$103,236) was included in accounts receivable and \$362,693 (2022 - \$312,382) 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, \$263,196 (2022 - \$413,296) has been advanced as part of this agreement. The loan is to be repaid over seven years, in equal monthly installments. The payments in the year from Strathroy Middlesex General Hospital were \$160,427 (2022 - \$160,446). The loan is being carried at amortized cost.

Receivable from related parties are as follows:

	2023	2022
Four Counties Community Villa (Non-Profit) Inc	\$ 351,935	\$ 369,402
Strathroy Middlesex General Hospital	263,196	413,296
	615,131	782,698
Less: current portion	\$ 168,563	\$ 167,568
	\$ 446,568	\$ 615,130

15. Economic Dependence

The Hospital received 84% of its total revenue for the year ended March 31, 2023 (2022 - 85%) from the MOHLTC.

Four Counties Health Services Notes to Financial Statements

March 31, 2023

16. 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, 2022	Salary	Taxable Benefits
Alasdair Smith, Vice President Finance/Chief Financial Officer	\$139,950	\$571
Paul Thompson, Registered Nurse	\$135,845	\$295
Rachel Jackson, Registered Nurse	\$132,132	\$539
Stephane Ouellet, Vice President Strategic Partnerships	\$127,163	\$521
Melissa Hounsell, Registered Nurse	\$124,492	\$389
Denise Lutz, Registered Nurse	\$115,330	\$389
Debara Pastushuk, Patient Care Manager	\$112,013	\$152
Sheila Cartier, Registered Nurse	\$111,765	\$389
Andrea Wilkinson, Health Records Manager	\$102,756	\$407

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).

17. 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 defence 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 20 regarding HIROC contingencies.

Four Counties Health Services Notes to Financial Statements

March 31, 2023

18. 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 Ontario Health.

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

19. Financial Instrument Risk Management

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

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 (2022- \$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 1 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 3.

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 patient 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 (Note 4).

Four Counties Health Services Notes to Financial Statements

March 31, 2023

19. 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 materially in foreign currency or hold equity financial instruments.

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 interest rate risk primarily through its The Hospital is exposed to the risk through its interest bearing investments (Note 6).

Currency risk

Currency rate risk is the risk to the Hospital's income that arise from fluctuations of foreign exchange rates. The Hospital is exposed to foreign currency exchange risk on foreign investments (Note 6), when sold. The Hospital does not use derivative instruments to reduce its exposure to foreign currency 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 and accrued liabilities	\$ 2,649,877	\$ -	\$ -

Four Counties Health Services Notes to Financial Statements

March 31, 2023

20. 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 the 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. No such disbursements have been made to the current date.

21. Other Votes

Other votes reflects a separate funding stream from the MOHLTC/OH 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.

22. COVID-19

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

From the declaration of the pandemic 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 reductions in non-Ministry funded revenues and increases in operating costs. See Note 5 for year-end accruals of lost revenues and reimbursement of incremental COVID-related operating expenses funded by the Ministry of Health.