MUSKOKA ALGONQUIN HEALTHCARE

Annual Report

2008-2009

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A Year in Review – *a message from the Board Chair and CEO*

We are pleased to present Muskoka Algonquin Healthcare's (MAHC) Annual Report for the fiscal year ending March 31, 2009. While our organization continues to face significant financial challenges, our commitment to provide the highest quality of service remains firmly in place.

It is gratifying to look back on the past year with a sense of accomplishment on the part of the dedicated people who make MAHC such a valuable resource in our community. Healthcare is a complex balance of medical training and critical support skills, new technology, bricks and mortar, creative administrative management and effective communication – all focused on benefiting you and your family.

We strive to keep quality healthcare close to home where it belongs. As we respond to the changing landscape of healthcare across the province, we look to our Board of Directors to help us remain good stewards of our resources. As a not-for-profit organization, we are governed by a Board of Directors who play a critical role in the growth of the organization and our services. These volunteer boa rd members give their time generously to ensure better healthcare is available for all of our communities. For this we thank each of them.

"The work that we do at MAHC can only be accomplished through teamwork."

The work that we do at MAHC can only be accomplished through teamwork. We are always busy, always building partnerships and alliances, and always moving forward with technologies, training and talent. And because the best healthcare is delivered to you one-on-one, we continue to place priority on empowering our employees to be the best that they can be in service to you. This is where our greatest strength – people – comes into play. Our people are the ones that heal you, who support you and your family, who share the moments of bringing new life into the world, or who share your loss. We work to create a culture where employees not only feel supported, they are supported and empowered to do what is necessary to provide outstanding care.

In this unstable economic environment, astute financial management is essential to our continued ability to provide this service. Over the past year many internal processes have been improved and work continues on this front with a goal of an improved financial position. This does however promise to be one of the most significant challenges for MAHC. MAHC continues to be committed to working with our partners to develop and implement strategies that will help with these pressures in the months ahead.

Our Foundations, Auxiliaries and volunteers continue to be great supporters of MAHC and we thank you for all of your efforts that allow us to ensure we can provide the best patient care with the much needed equipment and technologies.

To our community, we commit that we will strive to provide services reflective of the needs of the areas that we serve.

To our medical staff members, we commit that we will value the key role they play in determining and defining the excellent outcomes we create for patients and families. You are our partners in accomplishing our goals.

To our staff, we commit to endeavor to create the most talented workforce and creating an environment that will allow our staff to contribute to their fullest potential.

Respectfully submitted,

Mike Provan, Board Chair and
Barry Lockhart, CEO

The Board of Directors

As a not-for-profit organization, we are governed by a Board of Directors who play a critical role in the growth of the organization and our services. These volunteer board members give their time generously to ensure better healthcare is available for all of our communities. For this we thank each of them.

MAHC is governed by a 16-member Board of Directors. Twelve (12) directors are elected on a rotational basis for three-year terms by the Members of the Corporation. Four (4) of the sixteen members hold ex-officio positions – these include the Chief Executive Officer, the Chief of Staff, the President of the Medical Staff and the Vice-President of the Medical Staff.

MAHC Board of Directors 2008/09

Mr. Michael Provan, Chair
Mrs. Gayle Mackay, Vice-Chair
Mr. Sven Miglin, Treasurer
Mr. Harry Braun
Mr. Guy Burry
Mr. Chris Everingham
Mr. Peter McBirnie
Mr. Larry Saunders
Mr. John Sinclair
Mrs. Shelly van den Heuvel
Mr. Tim Withey
Mrs. Beth Ward

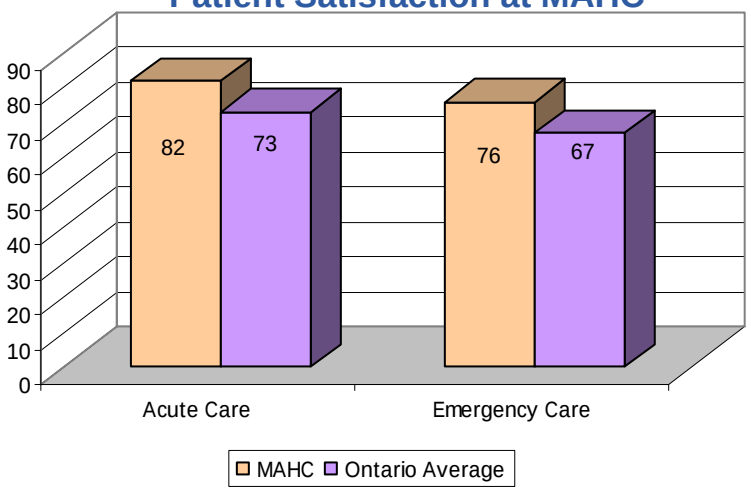
Ex-Officio Members 2008/09

Mr. Barry Lockhart, Chief Executive Officer
Dr. David Mathies, Chief of Staff
Dr. Sheena Branigan, President, Medical Staff
Dr. Tina Kappos, Vice-President, Medical Staff

MAHC at a Glance

Number of Beds	144
Inpatient Admissions	4,709
Patient Days	33,963
Average Length of Stay	5 days
Occupancy Rate	94%
Emergency Room Visits	44,333
Urgent Care Visits	5,264
Day Surgery Procedures	8,861
Ambulatory Care Procedures	44,407
Oncology Treatments	1,760
Volunteer Hours	41,532

Patient Satisfaction at MAHC



A Message from the Chief of Staff

It gives me great pleasure to present this report to the Board. It has been another exciting and challenging year in the life of MAHC. We were especially pleased to receive the news that the G8 will be in Muskoka in 2010. This will certainly be a big challenge over the next year as we meet with the planners of this event to get ready. We hope with our interactions with the army, RCMP, OPP and the Ministry of Health and Federal government that our role will be clarified and we learn how to cope with the security requirements that will be in place.

Pressure for beds created by the high numbers of ALC patients (alternative level of care – people who are in hospital but no longer require an acute care bed) has continued to increase. It seems we are in gridlock almost every week now. As Chief of Staff I participated in the ALC Task Force co-chaired by Mr. Bernie Blais, CEO of the LHIN and Barry Lockhart. Many possible initiatives were examined and it is hoped that those that are implemented will relieve what is becoming a crisis.

A picture archiving and communication system (PACS) is now in place at the Huntsville site and will soon be integrated into the South Muskoka site to replace the old one there. MAHC has engaged the Ellesmere Radiology Group and Dr. April Moore to provide both on-site and remote coverage for the Huntsville site. This has occurred after two years of searching for a solution to the radiology coverage problem. We are hopeful that this arrangement will provide an excellent quality of service.

The Chiefs of Staff in the North Simcoe Muskoka LHIN have continued to meet over the last year and focus especially on how to improve regional services. One of our early successes, that began last April, was the initiation of a regional ophthalmology service. Efforts are now underway to achieve similar results with orthopaedics and plastic surgery, two services that are currently at sub-optimal levels.

Finally, it has been a pleasure to watch the Northern Ontario School of Medicine (NOSM) grow into itself. NOSM now sends four clinical clerks to the Huntsville site and three to the South Muskoka site in addition to the other post graduate residents that are around most of the time. The first class of NOSM has now graduated and were all successfully matched to resident placements around the country, a 100% success rate that no other school in the country can boast. In addition, NOSM is now fully accredited much sooner than expected. We are all very pleased with the progress the school has made and are proud to be a part of it. With the first fully qualified physicians now only two years away, we hope the days of family physician shortages will soon be behind us.

I certainly look forward to another exciting and challenging year at MAHC.

Respectfully submitted,

Dr. David J. Mathies, MD, CCFP, FCFP
Chief of Staff

Medical Advisory Committee 2008/09

Dr. David Mathies, Chair
Dr. Tina Kappos
Dr. Sheena Branigan
Dr. Pierre Mikhail
Dr. Karen Martin
Dr. Brian Murat
Dr. William Caughey
Dr. Michael de Roode
Dr. Graeme Gair
Dr. Megan Stephenson

Strategic Planning & Quality Assurance

The Strategic Planning & Quality Assurance Committee is a standing committee of the Board of Directors whose purpose is to review strategic planning and quality assurance issues. I have had the privilege of leading the following members for this committee for the 2008-2009 fiscal year :

Beth Ward	Shelly van den Heuvel	Dr. Sheena Branigan
Dr. David Mathies	Barry Lockhart	

One of the major accomplishments of the 2008-09 fiscal year was the first ever Muskoka Algonquin Healthcare Accreditation process. On December 19, 2008 Accreditation Canada granted a three year "Accreditation" award for MAHC. This is a significant achievement which demonstrates that the organization is in compliance with national standards and committed to providing quality care and service. The report commended MAHC for its solid work as a learning organization, for many of its programs along with great praise for its "engaged and motivated staff".

Strategic planning provides the Board with the opportunity to determine where the organization is going over the next three to five years and how it will get there. Through the planning process, we consider changes in healthcare and plan for those changes.

The Committee has worked diligently this past year along side the Senior Management Team at reviewing the Strategic Plan that was put in place in 2006. Strategic planning is a critical responsibility of the Board – the only part of the organization charged with the responsibility of thinking about the future. A strategic plan, with priorities for action, gives direction to the management team for the development of an operational plan. Over the past year the Board undertook the task of developing a detailed background document to provide information that helped guide the review of the strategic priorities. In the end five new strategic priorities were identified with the purpose of moving the organization toward its vision:

Strategy #1.	To continue to improve quality of care and patient safety.
Strategy #2.	Determine core and specialty clinical programs.
Strategy #3.	Recruit and retain quality people.
Strategy #4.	Achieve financial stability.
Strategy #5.	Influence and lead change through engaged partnerships.

The Strategic Planning & Quality Assurance Committee has invested much time and energy into the strategic planning initiatives and quality assurance issues as they relate to the achievement of our vision and values. Patients, staff, community and environmental health are all the value drivers for this organization. In the year ahead, we will begin to build on these strategic priorities.

Respectfully submitted,
Tim Withey, Committee Chair

Resources & Accountability

Managing resources efficiently is crucial to achieving the organization's vision, mission, values and goals. Planning for future investments in equipment and facilities as well as human resources is also key to these achievements. The Resources & Accountability Committee works closely with Administration making recommendations to the Board of Directors as they relate to both financial and human resources regarding a number of initiatives such as:

- financial viability for the organization
- appropriate legal, insurance, capital and land use planning
- policy development
- accountability agreements
- human resources planning and objectives
- annual evaluation of the Chief Executive Officer and Chief of Staff
- Board Award of Excellence program.

The fiscal year 2008/09 has been a very challenging year financially at MAHC – a year of belt-tightening and change. The organization continues to look for efficiencies to minimize any impact on direct patient care. Ontario hospitals have entered into a new phase involving increased levels of financial accountability and transparency. Looking forward to the coming year, these issues will continue to be significant challenges. MAHC is committed to working with its partners to find solutions to meet these expectations and obligations while at the same time ensuring that quality healthcare is delivered to patients and the communities.

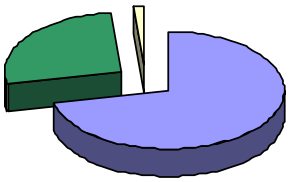
One of the exciting changes happening at MAHC is the complete transition to digital imaging throughout the organization with a Picture Archiving Communication System (PACS). This new system will help address our daily challenges. The image quality, ease of use, automated quantification and workflow solutions will provide us tools that increase confidence in diagnoses with improved patient throughput. The renovation project of the Huntsville Site Diagnostic Imaging Department has now been complete.

With over 700 employees and more than 70 physicians, we recognize people are our most valuable asset. Faced with a worldwide shortage of doctors, nurses and other health care professionals, we are working hard to create an environment where people want to live and work. The Board's focus is on developing strategies that will help to create a healthy workforce that attracts and retains talent.

Strong community and healthcare partnerships continue to be enhanced with various ongoing initiatives. These partnerships are vital to ensuring that quality healthcare services are delivered to our patients. One example is the continuing discussions between MAHC and the regional hospitals in terms of opportunities for integration and collaboration.

My sincere thanks are extended to my fellow committee members and the MAHC staff for their hard work and dedication throughout the past year.

Respectfully submitted,
Guy Burry, Committee Chair



Revenue

Total: $66 (millions of dollars)

Ministry of Health and Long-Term Care

$47.2 72%

Other Revenue

$17.9 27%

Amortization of Deferred Equipment

$0.89 1%

Governance & Community Relations

The Governance and Community Relations Committee is a standing committee of the MAHC Board of Directors comprised of five members that in addition to myself as Chair include:

Harry Braun Sven Miglin Peter McBirnie Barry Lockhart

It is my pleasure to present to you the Governance and Community Relations Annual Report on behalf of these members.

Our Committee met six times through the year to address its two-pronged responsibilities:

1. Governance: Policy Manual revisions and additions; by-law revisions; setting Board goals; planning the Annual General Meeting; interviewing new Board candidates and guiding the Board on Governance topics.

2. Community Relations: assisting staff to develop positive, continuing relations with community persons and other stakeholders.

Early in the year, the Committee studied the use of a Consent Agenda process and subsequently proposed that it be adopted for all Board and Committee meetings. It was approved by the Board and implemented; thereby streamlining discussions at meetings and rendering them more time-efficient.

The self-evaluation process for the Board and Committees was conducted in the spring to assess the effectiveness of the Board and its members - and to point out any perceived weaknesses of governance matters. This is the third year for this process providing comparative assessments. In most measured attributes, the Board scored well and indicated some improvements over last year. Weaknesses reported are currently being addressed by our Committee and MAHC staff.

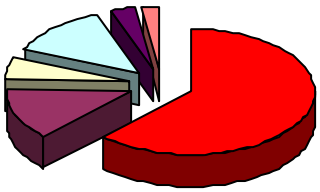
New candidates to fill Board vacancies were solicited and interviewed; leading to the Nominations Report submitted to the Board at the June meeting for ratification by the Members of the Corporation.

It has been a busy and productive year for the Committee. Sincere thanks are due to all staff and Board members who contributed substantially to the Committee deliberations.

Respectfully submitted,
John Sinclair, Committee Chair

Expenditures
Total: $68 (millions of dollars)

Salaries and Benefits
$42.5 63%
Supplies and Other Expenses
$9 13%
Drugs
$3.6 5%
Medical Staff Remuneration
$8.9 13%
Medical and Surgical Supplies
$2.4 4%
Amortization of Equipment
$1.4 2%



Bylaw Amendments

The following revisions were first presented to the Corporation in June 2007, however, unfortunately, the consultation process was not complete at that time. The Professional Staff have had the opportunity to review the following Bylaw revisions that are recommended for approval by the Members of the Corporation.

Article 13.01 *(deletion of (viii) Senior)*

The following change reflects the decision to replace the Senior category with a 'Hospital Succession Planning' model (outlined below). This model will aid in the planning process as physicians approach retirement. Article 13.01 is proposed to read as follows:

Professional Staff Categories

(a) The Professional Staff shall consist of the following categories:
- (i) Active;
- (ii) Associate;
- (iii) Courtesy;
- (iv) Regional Affiliate;
- (v) Locum Tenens;
- (vi) Temporary; and
- (vii) Honorary.

Article 13.02

The following addition reflects the decision to replace the Senior category with a 'Hospital Succession Planning' model. This model will aid in the planning process as physicians approach retirement:

Hospital Succession Planning

Beginning in September of the year in which an applicant turns sixty-three (63) and annually thereafter, the applicant will be approached by the Chief of Staff to prepare a retirement report outlining his proposed plan for retirement, if any, so as to provide the Hospital an opportunity to do succession planning. The retirement report must be submitted to the Chief of Staff. The report will be expected by the end of September in each applicable year, and a meeting shall be convened within two (2) months of its receipt in the event that the Medical Staff member proposes a retirement plan, to finalize the retirement plan. The retirement plan will be developed by the applicant in consultation with the Chief of Staff, and shall be submitted by him/her to the Medical Advisory Committee for consideration and approval.

Article 13.03 *(deletion of (f))*

The following change reflects the decision to replace the Senior category with a 'Hospital Succession Planning' model. This model will aid in the planning process as physicians approach retirement:

(f) The retirement age from the Active Staff category will be the thirty-first (31st) day of December following the member's attainment of the age of sixty-five (65). Upon reaching the age of retirement from Active Staff, the member may retire or apply to the Senior Staff.

Article 13.05 *(deletion of (f))*

The following change reflects the decision to replace the Senior category with a 'Hospital Succession Planning' model. This model will aid in the planning process as physicians approach retirement:

(f) The retirement age from the Active Staff category will be the thirty-first (31st) day of December following the member's attainment of the age of sixty-five (65). Upon reaching the age of retirement from Active Staff, the member may retire or apply to the Senior Staff.

Article 13.06

The following change will ensure that certain designated specialists can fully participate in regional programs throughout the hospitals within the NSM LHIN:

Regional Affiliate

(a) The Medical Advisory Committee may recommend an applicant to the Board for appointment to the Regional Affiliate Staff if the applicant meets the following requirements:
  (i) the applicant has privileges in good standing at another hospital and requires privileges at MAHC so as to fully participate in an approved regional program;
  (ii) the applicant provides an outline of the extent of his privileges at the other hospital and any restrictions;

(b) The Chief of Staff will undertake a search of the College of Physicians and Surgeons of Ontario's website to verify whether the Physician has a license to practice medicine in the Province of Ontario and whether there are any past findings, current referrals or terms and conditions against the Physician;

(c) If there are no past findings, current referrals or terms and conditions against the Physician, the Board may grant privileges to the physician;

(d) If there is an outstanding complaint or adverse findings against the Physician, then the Physician will be required to comply with the Hospital's standard application process.

(e) A member of the Regional Affiliate Staff will
  (i) Undertake such duties in respect to patient care as may be specified by the Chief of Staff to which the member has been assigned, and this may include outpatient services including operative procedures, and consultation to inpatients and assisting in the Operating Room where required, and
  (ii) Will assume on-call responsibilities as determined by the Department to which the member has been assigned.

Article 13.08 *(deletion of (d))*

The following change reflects the decision to replace the Senior category with a 'Hospital Succession Planning' model. This model will aid in the planning process as physicians approach retirement:

(f) The retirement age from the Active Staff category will be the thirty-first (31st) day of December following the member's attainment of the age of sixty-five (65). Upon reaching the age of retirement from Active Staff, the member may retire or apply to the Senior Staff.

Article 13.10

NEW:

Enhanced Peer Review System

All members of the Professional Staff will be subject to an annual enhanced peer review system following the member's attainment of the age of seventy (70). The enhanced peer review system shall be developed by the Chief of Staff with the approval of the Medical Advisory Committee with the express objective of ensuring ongoing competency of the Medical Staff members. The Medical Advisory Committee may choose to require all members to be subject to an enhanced peer review system prior to attainment of the age of seventy (70). The agreed upon system for this shall be set out in the Rules and Regulations of the Medical Staff.

Nominations

One of the duties of the Governance and Community Relations Committee is to conduct the process for succession - interviewing and recommending eligible candidates for the Board of Directors.

The slate has been prepared with consideration of the Corporation Bylaw in these respects:

> Article 4.01 (b) - potential candidates will be identified throughout the year, including at least one advertisement placed in local newspapers.
>
> Article 4.13 (e) - 'shall annually identify specific characteristics that should be sought in recruitment'
>
> Article 4.13 (f) - 'shall consider the mentioned characteristics while balancing the need of ensuing ongoing expertise on the Board'.

In addressing Board resignations and subsequent vacancies, it was established that a nominations slate of three new Board members and two continuing Board members is required for the 2009-10 fiscal year. Unfortunately resignations have been received from Mr. Guy Burry, Mrs. Beth Ward and Mr. Chris Everingham.

A number of applications were received this year and interviews were conducted through the month of May. The proposed slate therefore consists of the following:

> Mike Provan for a three year term ending 2012;
>
> Shelly van den Heuvel for a three year term ending 2012;
>
> Dee Allott for a three year term ending 2012;
>
> Wayne Twaits for a three year term ending 2012;
>
> Leigh Fettes for a one year term ending 2010.

The newly-proposed directors have all displayed a keen interest in joining the Board, have strong business and community-service backgrounds and possess relevant experience and skills.

Respectfully submitted,
John Sinclair, Committee Chair

Partnerships – *a message from our partners*

Huntsville District Memorial Hospital Foundation

This report is traditionally submitted by the Chair of the Huntsville District Memorial Hospital Foundation (HDMHF) for the Muskoka Algonquin Healthcare (MAHC) Annual General Meeting on an annual basis. The 2008-2009 report presented here will outline some of the priorities and activities of the Foundation during what has been a productive and challenging year.

The Foundation Board and Staff are pleased to announce that our annual commitment of funds to respond to the capital needs of MAHC will be met for 2008-2009. The project, which will be the major focus for the Foundation and its donors, will continue to be the Digital Imaging initiative (DII) and the CT Scan improvements.

It is important to note that economic conditions have affected all dimensions of our society including donations through the Foundation for the capital equipment needs of MAHC. It is indeed a challenge to meet our financial commitments and yet maintain a stable base of finances in order to respond to future needs.

We continue to be grateful and impressed with the positive and supportive response of our donors. Through their generosity and the Foundation's special events, we will continue to do our best to contribute to the quality healthcare services of our communities. Some of the notable accomplishments in 2008-2009 include;

- a revision of the Foundation's Mission, Vision, Beliefs and Values
- development of a planning document and action plan to direct the DII and CT Scan fundraising projects
- collaboration with MAHC to develop accurate and positive communication concerning health services in our communities
- ongoing evaluation and refinement of the Foundation's policies and procedures, community outreach to donors and additional fundraising activities.

The Foundation Board members and the staff continue to emphasize our relationships with our donors, volunteers and stakeholders. We value the commitment of the MAHC Board, Administration and Staff and the quality of health services which they deliver. We will continue to do all that we can to support all of those involved.

Respectfully submitted,

Ray Ward, Chair, HDMH Foundation

Every Gift Counts

MAHC is supported by thousands of individuals and organizations that make financial contributions for the health and well-being of others.

Donors and volunteers are philanthropic partners with MAHC through their gifts of time and personal resources.

Our donors are as varied as our patients. Every contribution, no matter what the size, is important. Some people mail a cheque or make gifts online.

South Muskoka Hospital Foundation

As Chair of South Muskoka Hospital Foundation, I am pleased to report another outstanding year of success for the South Muskoka Memorial Hospital Site. Although the Foundation's year-end won't conclude for over a month, we forecast that 2008-2009 will be our best fundraising year ever. As of this writing, over $2.3 million has been raised.

This sort of success speaks to the incredibly generous spirit of our community of South Muskoka.

The highlight of our year was the successful completion of The Picture of Health capital campaign. The Picture of Health provided the South Muskoka Memorial Hospital Site with state-of-the-art diagnostic imaging equipment and facilities. The cornerstone of the campaign was the 16-slice Computed Tomography (CT) scanner. Other project plans included two new radiology rooms, space for ultrasound equipment, and a Wellness Centre.

Our campaign goal was originally $5 million then we increased that amount to $5.5 million to include the Picture Archiving Communication System (PACS) that allows CT images to be sent electronically worldwide.

We set out to raise $5 million, increased that amount to $5.5 million for PACS and when the dust settled, we had raised over $5.8 million. What's even more noteworthy is that this was accomplished in 36 months as opposed to our original projection of 48 months.

This sort of response from the community is quite remarkable and represents a level of achievement far beyond our wildest hopes. From a radio-a-thon to a young girl raising funds by knitting headbands, each gift we received was significant. Particularly motivating for us were the ardent stories of support from our donors for their community hospital – and we heard many such stories from people from all walks in life. Our seasonal residents and local businesses were extremely supportive as well. We are indeed very fortunate to have garnered such strong support across such a broad demographic. The larger gifts, from individuals, families, and corporations included the following: 56 gifts of between $10,000 and $24,999; 38 gifts of between $25,000 and $49,999; 16 gifts of between $50,000 and $99,999; eight gifts of $100,000; one gift of $250,000 and two gifts of $500,000 or more.

This incredible year means we were able to purchase new equipment, expand the service and reach of our programs, and improve the overall healthcare experience for our patients. Having up-to-date medical equipment such as a CT scanner enhances the quality of healthcare in South Muskoka in so many ways – and for so many people - including our permanent and seasonal residents as well as our visitors.

It's also very important to recognize that achievements such as this just don't happen and I must commend the Foundation Board for all their hard work. Their level of commitment and spirited pursuit of our goal are what brought us so far so quickly. The Campaign Cabinet members and the Campaign Planning Committee have given freely of their time and bravely trodden new fronts to ensure the success of our fundraising efforts. The value of this dedication simply cannot be overstated.

This has indeed been a great year, but I know the coming years can be just as successful or more successful. When it comes to financing healthcare, the government funds the basics and philanthropy funds excellence. We need to continue to aim high and push forward to ensure our hospital stays strong and our community well served.

Respectfully submitted,
J. Douglas Lamb
Chair, South Muskoka Hospital Foundation

Huntsville Hospital Auxiliary

Membership for the Huntsville Hospital Auxiliary is 65 with an additional 58 in-hospital volunteers who assist in many areas of the hospital. Together, we volunteered a total of 17,000 hours offering assistance in Chemotherapy, Surgeon's and Day Surgery Clinics, Imaging, Hair Care, office assistance, and portering throughout the hospital. Many volunteers visit South Wing on a regular basis. The Auxiliary also provides long term residents with area bus trips, treats, Christmas presents and a party. This year each hospital patient received a bear on their Christmas breakfast table.

Fundraising events included a Card Party, Fashion Show, Tag Day, Dragonboat Festival, and House Tour as well as two new ventures - a Chocolate and Dessert Fantasy in October and as of January 2009, working one night a month at Rainbow Bingo. The pop and water machines made a profit of $8400.
Branches Gift Shop showed a total of 6,880 volunteer hours with sales of $69,000 providing $ 20,000 for the work of the Auxiliary. We are proud of our tiny, but attractive shop and of those that work to keep it so well organized.

Our by-laws state a percentage of money raised should be spent on education. During the year, two members attended the Region 3 Fall Conference in Midland, four members attended the Hospital Auxiliaries Association of Ontario Convention, and 26 members enjoyed the short drive to Bracebridge for the Region 3 Spring Conference. A newsletter is published 3 times a year and a monthly column is submitted to the Huntsville Forester.

The Auxiliary was saddened by the death of Provincial Life Member Sena Snowden, a very active member for thirty-nine years, and HAAO Region 3 Chair for a two year term. We were very sorry to hear of the death of Bob Nystrom, who volunteered on South Wing whenever he was at his Lake of Bays cottage.

We are pleased that Marion Carswell, Peggy Hern, Ann Hutley, Diane Litchfield, Joan McCaw, and Marion White were honoured for more than thirty years as hospital volunteers at the

Ontario Volunteer Service Awards held at the Algonquin Theatre in May 2009.

We were pleased to present this years $500 Scholarships to student Jessica Nairn and staff member Kristen Horsfield. Jessica and Kristen attended our June 2008 meeting to tell us of their future plans.

The Auxiliary Disaster Emergency Plan is now in place. A representative of the Infection Control Department will speak to us at our June meeting to help us better understand our role in a Pandemic situation.

The Auxiliary appreciates the use of a small meeting room and archive storage space made available to us in March. Ten bridge chairs were purchased and a table was donated by a member.

In November, the Auxiliary paid $1059.24 for one of the lobby washrooms to be painted, and flooring and taps replaced.

A commitment of $250,000 in support of the digital Diagnostic Imaging initiative directed to the Mammography Suite was made at our March meeting. The 2009 installment payment of $50,000 has been made to the HDMH Foundation.

Working together providing volunteer services to patients as well as raising funds for hospital equipment is a rewarding experience. As President I have learned just how many willing hands it takes to make the Auxiliary such a worthwhile organization and I am pleased to have served as their representative.

Arvina Bennett, Past President
Huntsville Hospital Auxiliary

South Muskoka Hospital Auxiliary

I am so pleased to announce that this year our volunteers contributed a total of 24,532 hours in support of our hospital - over 1000 hours more than last year! Bravo!

Sadly, 2009 marked the passing of two valued Auxiliary members. Jean Specht, a Provincial Life Member since 1992, was also the recipient of an Outstanding Service Award. Betty Terry joined the Auxiliary in 1992 after retiring from employment at the hospital and received a Local Life membership in 2007. These women made generous contributions both to our Auxiliary and to the community at large. We honour their memory.

At our Awards Luncheon in September, two of our Auxilians, Olive Tomlinson and Ruth Veitch, were each recognized for 40 years of service. Brigitte Boehm, Bob Harper, Sonja Smith and Patricia Wright each received Local Life memberships and another 25 members were recognized for a combined total of 190 years of service to the Auxiliary!

November 2008 saw four of our members attend the HAAO Annual Convention in Toronto, a most enjoyable and educational event, at which we also had the pleasure of seeing one of our members, Bill MacAskill, who has been with the Auxiliary for over 20 years, receive his Provincial Life Membership at the Banquet and Awards ceremony.

Fundraising events of 2008-2009 met with great success thanks to the efforts to our two Vice Presidents, Lynda Ferguson and Donna Green. These successes enabled our Auxiliary to commit to the purchase a number of important pieces of equipment for the hospital, among them a washer sterilizer for surgical equipment, an up to date cryostat for the Lab, two specialized mattresses, a birthing bed, two epidural machines for Obstetrics, six wheelchairs for use throughout the hospital, and an entertainment system for Chronic Care – a financial commitment of over $125,000.

On April 16th our Auxiliary met the challenge of hosting over 170 delegates and guests at the Hospital Auxiliaries Association of Ontario Region 3 Conference held at the Bracebridge Culture and Recreation Sportsplex. It was the culmination of hundreds of hours of diligent effort on the part of our members whose efforts we greatly appreciate. Once again, our volunteers shone!

We enjoyed a very successful AGM on Tuesday April 16th at The Turner Centre in Bracebridge with our guest speakers Bev MacFarlane, Chief Nursing Officer of MAHC, and Colin Miller, Executive Director of the SMMH Foundation. At that meeting, the membership also received annual reports from the Executive, our Coordinator of Volunteers, Beth Hannah, our Corresponding Secretary, Lisa Kruckel, and all our hard working conveners. Members voted to approve the Auxiliary's donation of $5000 to help support the Muskoka Chaplaincy Association, a non denominational organization made up of representative clergy and faith group leaders from Muskoka. It advocates for the spiritual care of patients and pays the salary of a chaplain who makes visits to hospitals in Bracebridge, Huntsville and Burk's Falls giving help and support to patients and their families. We are pleased that this support will assist them in continuing their valuable work.

2009 marks the 60th Anniversary of our Auxiliary. We celebrate these 60 years of the many contributions our members have made to the hospital and to our community.

Respectfully submitted,
Diane McCaffery,
SMMH Auxiliary President

Report of the Audit Committee

The Audit Committee for fiscal year 2008-09 consisted of four members; two are members of the Board of Directors and two are independent community residents.

The basic function of the Committee is to assist the Board in overseeing the quality and integrity of financial information and reporting for MAHC.

The Committee, management and KPMG met in January 2009 to review the planning report for the audit which included their intended scope of their audit activities and an overview of any changes from the previous year. In addition, discussion took place regarding the preparation by management required for the auditor review of internal controls and business risks faced by the Corporation as well as confirming the time schedule for the audit and receipt of draft audited financial statements.

A post-audit meeting occurred in June 2009 at which time the draft annual financials were received and reviewed in great detail with the auditors and management. An unqualified draft Auditor's Report on the financial statements was also received.

At both of these meetings, the Committee met privately with KPMG and management to determine if there were any issues of concern that arose during the audit process that needed to be raised.

Following our Committee review of the financial statements, the Committee recommended that the Board approve the statements for presentation at the Annual General Meeting. In addition, the Board has recommended that KPMG be re-appointed for the fiscal year ending March 31, 2010.

Through the year, the Committee had the support from Barry Lockhart as well as KPMG. Our thanks to them all for their assistance.

Respectfully submitted,

Chris Everingham,
Committee Chair

Consolidated Financial Statements of

MUSKOKA ALGONQUIN HEALTHCARE

Year ended March 31, 2009

MUSKOKA ALGONQUIN HEALTHCARE

Consolidated Financial Statements Index

Year ended March 31, 2009

KPMG LLP
Chartered Accountants
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AUDITORS' REPORT

To the Board of Directors of Muskoka Algonquin Healthcare

We have audited the consolidated statement of financial position of **Muskoka Algonquin Healthcare** as at March 31, 2009 and the consolidated statements of operations and changes in net assets and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Hospital as at March 31, 2009 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

North Bay, Canada
May 29, 2009

MUSKOKA ALGONQUIN HEALTHCARE

Consolidated Statement of Financial Position

March 31, 2009, with comparative figures for 2008

	2009	2008
Assets		
Current assets:		
Cash and short-term investments	$ 3,164,611	$ 2,834,094
Accounts receivable (note 2)	1,481,019	1,035,916
Inventory	700,867	655,383
Due from related parties (note 3)	156,118	554,618
Prepaid expenses	70,275	103,910
	5,572,890	5,183,921
Long-term investments (note 4)	209,740	159,016
Capital assets (note 5)	48,949,267	43,682,419
	$ 54,731,897	$ 49,025,356
Liabilities, Deferred Contributions and Deficiency in Assets		
Current liabilities:		
Short-term demand loans (note 6)	$ 2,000,000	$ 1,140,000
Accounts payable and accrued liabilities (note 7)	10,377,655	8,571,137
Current portion of obligation under capital leases	567,783	519,771
Current portion of long-term debt	1,022,222	718,333
	13,967,660	10,949,241
Long-term liabilities:		
Long-term debt (note 8)	5,161,352	1,222,463
Obligation under capital leases (note 9)	584,143	1,109,055
	5,745,495	2,331,518
Deferred contributions related to capital assets (note 10)	40,031,088	38,545,586
Post-retirement benefit obligations (note 11)	973,500	799,500
Deficiency in assets:		
Unrestricted	(7,568,525)	(5,167,700)
Invested in capital assets (note 13)	1,582,679	1,567,211
	(5,985,846)	(3,600,489)
Commitments and contingencies (note 14)		
	$ 54,731,897	$ 49,025,356

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Director

Director

MUSKOKA ALGONQUIN HEALTHCARE

Consolidated Statement of Operations

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
Revenue:		
Ministry of Health and Long-Term Care	$ 47,284,448	$ 47,174,303
Other	17,930,142	17,594,518
Amortization of deferred equipment contributions	897,818	817,313
	66,112,408	65,586,134
Expenses:		
Salaries, wages and employee benefits	42,552,393	41,323,813
Supplies and other expenses	9,192,186	9,326,577
Drugs	3,688,050	3,316,496
Medical staff remuneration	8,903,591	8,377,550
Medical and surgical supplies	2,402,404	2,167,158
Amortization of equipment	1,457,793	1,426,362
	68,196,417	65,937,956
Deficiency of revenue over expenses before the undernoted	(2,084,009)	(351,822)
Other programs (schedule):		
Revenue	492,806	467,588
Expenses	(553,471)	(532,984)
	(60,665)	(65,396)
Share of earnings of joint venture (note 4)	127,972	159,016
Deficiency of revenue over expenses from Hospital operations	(2,016,702)	(258,202)
Amortization of building and service equipment net of amortization of deferred capital contributions (note 12)	(368,655)	(325,172)
Deficiency of revenues over expenses	$ (2,385,357)	$ (583,374)

See accompanying notes to consolidated financial statements.

MUSKOKA ALGONQUIN HEALTHCARE

Consolidated Statement of Changes in Net Assets

Year ended March 31, 2009, with comparative figures for 2008

	Invested in capital assets	Unrestricted	2009 Total	2008 Total
Net assets (deficiency), beginning of year	$ 1,567,211	$ (5,167,700)	$ (3,600,489)	$ (3,017,115)
Deficiency of revenues over expenses (note 13)	(938,759)	(1,446,598)	(2,385,357)	(583,374)
Investment in capital assets (note 13)	954,227	(954,227)	–	–
Net assets (deficiency), end of year	$ 1,582,679	$ (7,568,525)	$ (5,985,846)	$ (3,600,489)

See accompanying notes to consolidated financial statements.

MUSKOKA ALGONQUIN HEALTHCARE

Consolidated Statement of Cash Flows

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
Cash flows from operating activities:		
Deficiency of revenue over expenses	$ (2,385,357)	$ (583,374)
Adjustments for:		
Amortization of capital assets	2,765,044	2,637,767
Amortization of deferred contributions related to capital assets	(1,826,285)	(1,692,517)
Gain on transfer of capital assets	–	(4,045)
Share of earnings of joint venture (note 4)	(127,972)	(159,016)
	(1,574,570)	198,815
Change in non-cash working capital:		
Decrease (increase) in accounts receivable	(445,103)	1,066,115
Decrease (increase) in inventory	(45,484)	86,466
Decrease (increase) in due from related parties	398,500	(289,875)
Decrease in prepaid expenses	33,635	23,600
Increase in accounts payable and accrued liabilities	1,806,518	73,434
Increase in post retirement benefit obligations	174,000	57,000
	347,496	1,215,555
Cash flows from financing and investing activities:		
Proceeds of long-term debt	4,965,000	–
Principal repayment on long-term debt	(722,222)	(833,332)
Deferred contributions related to capital assets	3,311,787	3,073,025
Purchase of capital assets	(8,031,892)	(1,622,550)
Increase in short-term demand loans	860,000	300,000
Repayment of obligations under capital lease	(476,900)	(528,113)
Distributions from joint ventures	77,248	55,430
	(16,979)	444,460
Net increase in cash and short-term investments	330,517	1,660,015
Cash and short-term investments, beginning of year	2,834,094	1,174,079
Cash and short-term investments, end of year	$ 3,164,611	$ 2,834,094

See accompanying notes to consolidated financial statements.

Muskoka Algonquin Healthcare (the "Hospital") is incorporated without share capital under the laws of the Province of Ontario. Its principal activity is the provision of health care services to the residents of Burk's Falls, Huntsville, Bracebridge, Gravenhurst, Township of Muskoka Lakes, Township of Georgian Bay, Township of Lake of Bays and the surrounding areas. The Hospital is a registered charity and as such is exempt from income tax under the Income Tax Act.

1. Significant accounting policies:

(a) Basis of presentation:

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The consolidated financial statements include the accounts of the Hospital's wholly-owned subsidiary, South Muskoka Memorial Hospital Gravenhurst Clinic. All significant inter-company balances and transactions have been eliminated on consolidation.

(b) Revenue recognition:

The Hospital accounts for contributions, which include donations and government grants, under the deferral method of accounting as follows:

Operating grants are recorded as revenue in the period to which they relate. Grants and donations approved but not received at the end of a period are accrued. Grants and donations relating to future periods are deferred and recognized in the subsequent period when the related activity occurs. Ministry of Health and Long-Term Care grants are provided to the Hospital by the Local Health Integration Network.

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

Externally restricted contributions are recognized as revenue in the period in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at rates corresponding to those of the related capital assets.

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

(c) Inventory:

During the year, the Hospital adopted CICA Handbook Section 3031, Inventories. Section 3031 establishes standards for the measurement of inventories, recognition of an expense when inventories are sold and identifies the information that should be disclosed about them.

Inventory is stated at the lower of average cost and net realizable value. Cost comprises all costs to purchase, convert and any other costs in bringing the inventories to their present location and condition.

1. Significant accounting policies (continued):

(d) Donated assets:

Donated capital assets are recorded at fair value when received.

(e) Capital assets:

Capital assets are stated at cost. Amortization is provided on the straight-line basis over their estimated useful lives using the following annual rates:

	Rate
Land improvements	5%
Buildings	2.5% and 5%
Gravenhurst clinic license	5%
Major equipment	10% - 33%
Equipment under capital lease	10% - 20%

(f) Employee future benefits:

The Hospital has a defined benefit pension plan and also sponsors a post-retirement defined benefit health and dental plan for certain employees funded on a pay-as-you-go basis. The Hospital has adopted the following policies:

(i) The cost of the accrued benefit obligation for the post-retirement health and dental plans is actuarially determined using the projected benefit method provided on service and management's estimate of retirement age, health and dental care costs.

(ii) Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gains (losses) over 10 percent of the accrued benefit obligation is amortized over the average remaining service period of active employees. The average remaining service period of active employees is 12 years.

(iii) On April 1, 2000, predecessors of the Hospital adopted the new accounting standard on employee future benefits using the prospective application method. The Hospital is amortizing the transitional obligation on a straight-line basis over 13 years, which was the average remaining service period of the active employees expected to receive benefits under the benefit plan as of April 1, 2000.

(iv) The Hospital is an employer member of the Hospitals of Ontario Pension Plan (the "Plan"), which is a multi-employer, defined benefit pension plan. The Hospital has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The Hospital records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the Plan for past employee service.

1. Significant accounting policies (continued):

(g) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Significant items subject to such estimates and assumptions include the carrying value of capital assets and valuation allowances for receivable, inventory and obligations related to employee future benefits. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the Statement of Operations in the year in which they become known.

(h) Investment in joint venture:

The Hospital accounts for its investment in the South Muskoka Pilot Project and Huntsville Pilot Project joint ventures, using the equity method of accounting (note 4). Under the equity method of accounting, the investment is carried at the original cost thereof and adjusted for the Hospital's share of the undistributed earnings since acquisition. The Statement of Operations includes the Hospital's share of the joint ventures' income or loss for the year.

(i) Financial instruments:

The Hospital accounts for its financial assets and liabilities in accordance with Canadian generally accepted accounting principles.

The financial instruments are classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the statement of financial position at fair value except for loans and receivables, held to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in the Statement of Operations; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in the Statement of Changes in Net Assets until the investment is derecognized or impaired at which time the amounts would be recorded in the Statement of Operations.

In accordance with Canadian generally accepted accounting principles the Hospital has undertaken the following:

(i) Designated cash and short-term investments as held-for-trading, being measured at fair value.

(ii) Accounts receivable and due from related parties are classified as loans and receivables, which are measured at amortized cost.

(iii) Short-term demand loans, accounts payable and accrued liabilities and long-term debt are classified as other financial liabilities, which are measured at amortized cost.

1. Significant accounting policies (continued):

(i) Financial instruments (continued):

In its 2008 financial statements, the Hospital had advised that, in 2009, it would be adopting the new accounting standards for financial instruments presentation and disclosure. During 2009, Canada's Accounting Standards Board amended CICA Handbook section 3862 Financial Instruments – Disclosures, to permit not-for-profit organizations to defer the adoption of this section. The Hospital has elected to defer the adoption of section 3862.

(j) Impairment of long-lived assets:

Long-lived assets, including capital assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

2. Accounts receivable:

Accounts receivable consist of:

	2009	2008
Insurers and patients	$ 1,168,010	$ 911,832
Other	466,752	263,383
	1,634,762	1,175,215
Allowance for doubtful accounts	(153,743)	(139,299)
	$ 1,481,019	$ 1,035,916

3. Related party transactions:

(a) Huntsville District Nursing Home Inc.

The Hospital exercises significant influence over the Huntsville District Nursing Home Inc. ("Fairvern") by virtue of a comprehensive management agreement. The Hospital provides Fairvern with certain administrative, nursing, dietary, maintenance, laundry, accounting and physiotherapy services on a cost recovery basis. Fairvern provides nursing home care to elderly patients in Huntsville, Ontario. Fairvern is a corporation without share capital incorporated under the laws of the Province of Ontario. It is exempt from income tax under the Income Tax Act.

Related party transactions during the year not separately disclosed in the consolidated financial statements include $794,761 (2008 - $730,426) for the above noted services. In addition, certain land and buildings of the Hospital have been leased to Fairvern for a nominal fee.

(b) Huntsville District Memorial Hospital Foundation

The Hospital has an economic interest in the Huntsville District Memorial Hospital Foundation ("HDMHF"). HDMHF solicits funds on behalf of the Hospital to be used for approved capital projects. During the year, the HDMHF granted approximately $814,000 (2008 - $1,012,000) to fund operating and capital costs.

(c) South Muskoka Hospital Foundation

The Hospital has an economic interest in the South Muskoka Hospital Foundation ("SMHF"). SMHF solicits funds on behalf of the Hospital and of other organizations in the community with similar objectives. During the year, SMHF granted approximately $1,896,000 (2008 - $1,760,000) to fund capital costs.

(d) Due from related parties

Due from related parties consist of:

	2009	2008
Huntsville District Nursing Home Inc.	$ 120,268	$ 477,474
Huntsville District Memorial Hospital Foundation	35,850	72,215
South Muskoka Hospital Foundation	–	4,929
	$ 156,118	$ 554,618

4. Long-term investments:

In 1997, predecessor corporations of the Hospital entered into a joint venture with Dynacare Gamma Institutional Laboratory Services Limited to provide medical diagnostic tests. The Hospital has accounted for its 50% interest in the joint venture using the equity method. On February 13, 2009, the operations of the joint venture were terminated. The Hospital's share of the joint ventures' assets, liabilities and operations and cash flows as at that date, and for the period then ended is as follows. The 2008 comparative figures are as at March 31, 2008 and for the year then ended.

		2009		2008
Financial Position:				
Assets	$	209,740	$	159,016
Net assets	$	209,740	$	159,016
Results of operations:				
Revenue	$	703,058	$	836,349
Expenses		575,086		677,333
Excess of revenue over expenses	$	127,972	$	159,016
Cash flows:				
Cash from operations	$	77,248	$	55,430
Total increase in cash	$	77,248	$	55,430

5. Capital assets:

	Cost	Accumulated amortization	2009 Net book value	2008 Net book value
Land	$ 672,835	$ –	$ 672,835	$ 672,835
Land improvements	318,242	318,242	–	–
Buildings	52,705,052	15,487,661	37,217,391	37,918,927
Gravenhurst Clinic license	202,582	101,041	101,541	111,670
Equipment	34,651,428	23,693,928	10,957,500	4,978,987
	$ 88,550,139	$ 39,600,872	$ 48,949,267	$ 43,682,419

6. Short-term demand loans:

	2009	2008
Non-revolving Loan - Scotiabank, unsecured, bearing interest at prime payable monthly, principal due August 31, 2009	$ 2,000,000	$ –
Operating line - Scotiabank, bearing interest at prime less 0.75% payable monthly, unsecured, due on demand	–	1,140,000
	$ 2,000,000	$ 1,140,000

Unused facilities related to the operating line amounted to $4,000,000 at March 31, 2009 (2008 - $2,860,000).

7. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities consist of:

	2009	2008
Ministry of Health and Long-Term Care	$ 995,126	$ 259,974
Trade payables	5,469,634	4,488,024
Accrued wages and benefits	3,912,895	3,823,139
	$ 10,377,655	$ 8,571,137

8. Long-term debt:

	2009	2008
Non-revolving line (for PACS equipment), Scotiabank interest payable monthly at prime minus 0.25%. principal repayable $300,000 annually, balance due August 2013	$ 2,950,000	$ –
Non-revolving loan payable (CT Scanner-HDMH), Scotiabank interest payable monthly at prime minus 0.25%, principal repayable $288,889 annually, balance due January 2013	2,011,111	–
Non-revolving loan payable, (CT equipment) Scotiabank interest payable monthly at prime plus .25% principal repayable $433,333 annually, balance due January, 2013	1,222,463	1,655,796
Non-revolving loan payable	–	285,000
	6,183,574	1,940,796
Less current portion	(1,022,222)	(718,333)
	$ 5,161,352	$ 1,222,463

Principal payments to maturity are as follows:

2010	$ 1,022,222
2011	1,022,222
2012	944,686
2013	1,444,444
2014	1,750,000
	$ 6,183,574

Total interest paid on long-term debt during the year was $177,807 (2008 - $153,355).

9. Obligation under capital leases:

	2009	2008
Year ending March 31:		
2009	$ –	$ 608,863
2010	605,205	608,863
2011	584,143	591,601
Total minimum lease payments	1,189,348	1,809,327
Less amount representing interest at various rates from 5.65% to 8.0%	37,422	180,501
	1,151,926	1,628,826
Current portion of obligation under capital lease	567,783	519,771
	$ 584,143	$ 1,109,055

Interest paid on capital lease obligations during the year was $71,280 (2008 - $187,844).

10. Deferred contributions related to capital assets:

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

	2009	2008
Balance, beginning of year	$ 38,545,586	$ 37,392,992
Less amount amortized to revenue	(1,826,285)	(1,692,517)
Add contributions received	3,311,787	3,073,025
Transfers	–	(227,914)
Balance, end of year	$ 40,031,088	$ 38,545,586

11. Employee future benefits:

(a) Health Care Plans:

The Hospital measures its accrued benefit obligations for accounting purposes as at March 31 of each year. The most recent actuarial valuation of the plan for funding purposes was April 1, 2008 and the next required valuation will be as of April 1, 2011.

The reconciliation of the funded status of the defined benefit health care plan and the amounts recorded in the consolidated financial statements is as follows:

	2009	2008
Accrued benefit obligation, beginning of year	$ 799,500	$ 840,500
Current service cost	73,700	71,200
Interest cost	98,000	85,600
Prior service cost	–	866,400
Benefits paid	(91,100)	(92,500)
Settlement of obligation to transferred employees	–	(101,000)
Actuarial (gains) losses	(204,800)	(64,400)
Balance and plan deficit, end of year	675,300	1,605,800
Unamortized net actuarial gain	202,700	61,900
Prior service costs	86,700	(779,700)
Unamortized transitional obligation	8,800	(88,500)
Accrued benefit liability	$ 973,500	$ 799,500

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

	2009	2008
Discount rate	6.00%	5.25%
Initial health care cost trend rate	9%	9%
Dental care cost trend rate	4.0%	4.0%
Health Care cost trend rate declines to	5.0%	5.0%
Year ultimate rate reached	2010	2010

(b) Multi-employer Pension Plans:

Substantially all of the employees of the Hospital are members of the Hospitals of Ontario Pension Plan (the "Plan"), which is a multi-employer defined benefit plan. Employer contributions made to the Plan during the year by the Hospital amounted to $2,590,250 (2008 - $2,528,034).

12. Total revenue and expenses:

	2009	2008
Revenue:		
Hospital operations	$ 66,112,408	$ 65,586,134
Amortization of grants and deferred capital contributions related to building service equipment	891,145	875,204
Other programs	492,806	467,588
Share of earnings of joint ventures	127,972	159,016
Total revenue	67,624,331	67,087,942
Expenses:		
Hospital operations	68,196,417	65,937,956
Amortization of buildings and building service equipment	1,259,800	1,200,376
Other programs	553,471	532,984
Total expenses	70,009,688	67,671,316
Deficiency of revenue over expenses	$ (2,385,357)	$ (583,374)

The Hospital administers a number of independent programs on behalf of the Ministry of Health and Long-Term Care (the “Ministry”). These programs which provide separate and distinct funding for specific mandates and expenditures are limited to the amount of grant provided. Grants are recognized for specified levels of activity and any amounts to be returned to the Ministry are reflected in current liabilities. Expenditures in excess of the grants provided are the responsibility of the Hospital.

13. Invested in capital assets:

(a) The investment in capital assets is calculated as follows:

	2009	2008
Capital assets, net book value	$ 48,949,267	$ 43,682,419
Amounts financed by deferred contributions related to capital	(40,031,088)	(38,545,586)
Amounts financed by long-term debt	(6,183,575)	(1,940,796)
Amounts financed by capital lease obligations	(1,151,925)	(1,628,826)
	$ 1,582,679	$ 1,567,211

(b) The change in investment in capital assets is calculated as follows:

Deficiency of revenue over expenses:		
Amortization of deferred contributions related to capital	$ (1,826,285)	$ (1,692,517)
Amortization of capital assets	2,765,044	2,637,767
Gain on transfer of capital assets	–	(4,045)
	$ 938,759	$ 941,205
Net change in investment in capital assets:		
Purchase of capital assets	$ 8,031,892	$ 1,622,550
Amount funded by deferred contributions related to capital	(3,311,787)	(3,073,025)
Long-term debt advanced during year	(4,965,000)	–
Repayment of long-term debt	722,222	833,332
Repayment of capital lease obligations	476,900	528,113
	$ 954,227	$ (89,030)

14. Commitments and contingencies:

Commitments:

(a) During the year, the Hospital entered into agreements with various vendors for the acquisition of a picture archiving communication system (PACS) and associated renovations. The total value of the agreements entered into is approximately $6,500,000, of which $4,866,136 has been spent as at March 31, 2009. The costs are to be financed with bank borrowings of $2,950,000, with the balance funded by donations from HDMHF and SMHF.

(b) The Hospital has entered into an agreement as at March 31, 2009 for the paving of its parking lot in the amount of $100,000.

Contingencies:

(a) The nature of the Hospital's activities is such that there is usually litigation pending or in process at any given time. With respect to claims at March 31, 2009, management believes the Hospital has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Hospital's financial position.

(b) 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 of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2009.

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 of 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. There are no distributions receivable from HIROC as at March 31, 2009.

15. Fair value of financial assets and liabilities:

The carrying values of cash and short-term investments, accounts receivable, amounts due from related parties, short-term demand loans and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity or because they are due or payable on demand.

The carrying value of long-term debt, which has variable interest rates based on market rates, approximates the fair value of those financial instruments.

The Hospital's financial instruments do not expose the Hospital to a significant concentration of credit or interest rate risk.

16. Comparative figures:

Certain of the 2008 comparative figures have been reclassified to conform with the presentation adopted for the current year.

MUSKOKA ALGONQUIN HEALTHCARE

Consolidated Schedule – Other Programs

Year ended March 31, 2009, with comparative figures for 2008

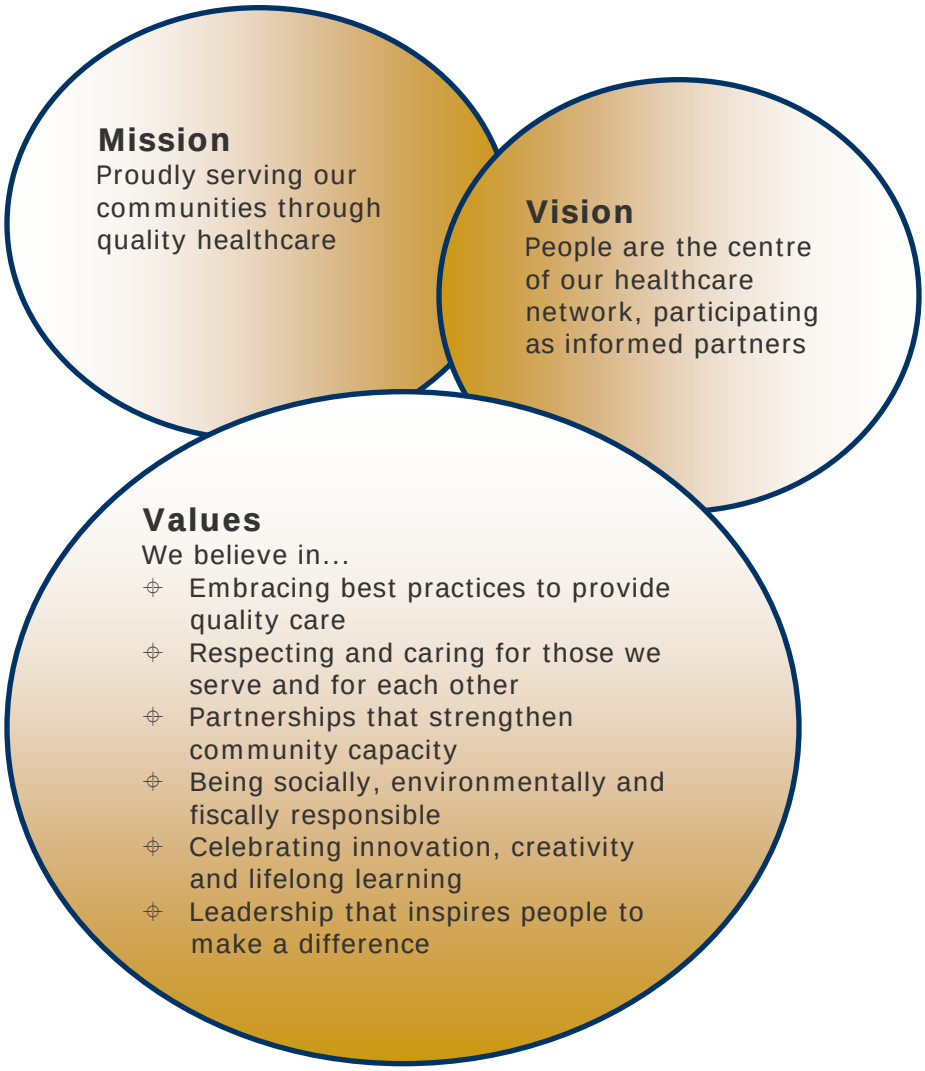
	2009	2008
Revenue:		
Diabetic Education Network – South Muskoka Site	$ 240,199	$ 199,261
Diabetes Education Centre – Huntsville Site	224,375	238,928
Gravenhurst clinic	13,682	15,449
Payments in lieu of taxes	14,550	13,950
	492,806	467,588
Expenses:		
Diabetic Education Network – South Muskoka Site	240,199	199,261
Diabetes Education Centre – Huntsville site	224,375	238,928
Gravenhurst clinic	74,347	80,845
Payments in lieu of taxes	14,550	13,950
	553,471	532,984
Deficiency of revenue over expenses from continuing operations	$ (60,665)	$ (65,396)

Vision, Mission and Values

The environment in the healthcare landscape continues to develop and progress. Over the past four years we have experienced rapid change, shortages of healthcare providers, increasing expectations, advancing technologies and sustainability challenges. Our focus and values must always be in the forefront in order to deal with these realities.

MAHC's vision, mission and value statements reflect the voices of our staff, volunteers, auxiliary members, physicians and Board members from across the organization.

Our vision, mission and values are the foundation that drives and sustains all activities for MAHC. It creates awareness and a shared understanding about why and how each of us contributes to building healthy communities.



Proudly serving our communities through quality healthcare

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