

Muskoka-East Parry Sound Health Services

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**Burk's Falls & District Health Centre
Huntsville District Memorial Hospital
Muskoka-East Parry Sound Community Care Access Centre
South Muskoka Memorial Hospital**

**Annual
Report
2006**

Muskoka-East Parry Sound Health Services

ANNUAL REPORT 2006

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AGENDA

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| 1. <u>Call to Order</u> | Mr. Ken Black |
| 2. <u>Approval of the Agenda</u> | Mr. Ken Black |
| 3. <u>Introduction of the MEPSHS Board of Directors</u> | Mr. Ken Black |
| 4. <u>Report of the Board Chair</u> | Mr. Ken Black |
| 5. <u>Report of the President & Chief Executive Officer</u> | Mr. Barry Lockhart |
| 6. <u>Board Committee Reports</u> | |
| i) Governance & Community Relations | Mrs. Gayle Mackay |
| ii) Strategic Planning & Quality Assurance | Mr. Guy Burry |
| iii) Resources & Accountability | Ms. Anne Cool |
| 7. <u>Auditor's Report</u> | Mr. Glenn Gordon |
| 8. <u>Report of the Audit Committee</u> | Mr. John Sinclair |
| 9. <u>Report of the Chief of Medical Staff</u> | Dr. David Mathies |
| 10. <u>Affiliated Organization Remarks</u> | |
| i) Huntsville Hospital Foundation | Mr. Keith Edmondson |
| ii) South Muskoka Hospital Foundation | Mr. George Reid |
| iii) South Muskoka Memorial Hospital Auxiliary | Mrs. Eleanor Kerfoot |
| iv) Huntsville Hospital Auxiliary | Mrs. Beryl Clayson |
| 11. <u>New Business</u> | |
| i) Proposed Bylaw Revisions | Mrs. Gayle Mackay |
| ii) Nomination Committee Report | Mr. John Sinclair |
| iii) Presentation of Draft Strategic Plan | SPQA Committee |
| iv) Organizational Branding | Mr. Barry Lockhart |
| 12. <u>Recognition of Directors</u> | Mr. Ken Black |
| 13. <u>Adjournment</u> | Mr. Ken Black |


 Leadership

MESSAGE FROM THE BOARD CHAIR

Although MEPSHS board has been in office for only 10 months, this annual meeting provides an excellent opportunity for some reflections.

I must acknowledge up front the very sound foundation provided for the new board's operations by the two legacy boards in their preparations for the amalgamation of health services in this region. The months of hard work and thoughtful preparation by the Joint Governance Steering Committee appointed by the legacy boards have served us well.

Several factors combined to ease the transition. Your board of directors offers a balance of experience and fresh perspectives, broad representation from across the region, and a wide range of skills and insights that have been invaluable as we have faced our challenges.

Even more important has been the complete absence of parochialism as we have debated policies, staff selection, planning and budgets. I believe our board has been able to make decisions with one clear

over-riding priority in mind – meeting the healthcare needs of people in all of the communities we serve.

What has also become increasingly clear as we have worked together is that the pace of change in Ontario healthcare continues to increase.

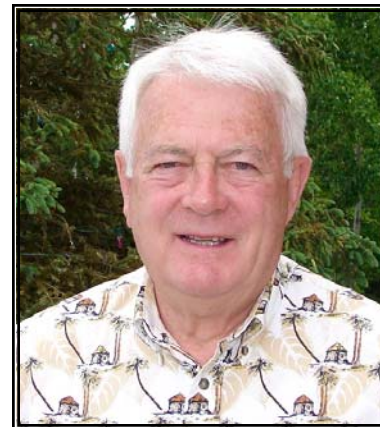
Multi-year planning and funding commitments have become a fact of life. We were pleased to complete our first HAPS agreement with the Ontario Ministry of Health and Long Term Care that allows us to achieve a balanced budget over a two-year period. It also includes recognition of the need for assistance from the MOHLTC related both to the carrying costs and eventual retirement of the long-term debt assumed by the new board.

Change will continue in the months ahead as the new Local Health Integration Networks (LHIN) and North Simcoe/Muskoka Community Care Access Centre begin to impact on healthcare in our area. We were pleased to reach an agreement with the MOHLTC that will allow our board to continue to

have responsibility for the operation of Community Care Access in this region. I can also report positively on our relationship with both our LHIN and the North Simcoe/Muskoka CCAC as we begin working together toward enhanced health services for the people of this area.

At this first annual meeting, we will be sharing with you the results of several months of planning for the future delivery of healthcare. Our strategic plan is a work in progress, a journey not a destination. It will require ongoing input, updating and revision. The assistance and support of the members of this organization will be essential in that process.

Finally, I know I speak on behalf of every member of the MEPSHS board when I acknowledge the contributions of our partners, the hospital foundations and the hospital auxiliaries during our first year. Their contributions and commitment have been invaluable. As well, we have benefited from strong leadership from our CEO Barry Lockhart



Ken Black

and Chief of Medical Staff Dr. David Mathies and the excellent management team they have put together.

Although the future will undoubtedly bring additional challenges and changes in the delivery of healthcare services not only in Muskoka and East Parry Sound, but across Ontario and throughout this country, we are confident that with the continuing support of our dedicated staff at each of our sites, we can and will meet those challenges successfully.

Respectfully submitted,

Ken Black, Chair

MUSKOKA-EAST PARRY SOUND HEALTH SERVICES BOARD OF DIRECTORS 2005 - 2006



(L-R): Barry Lockhart, Gayle Mackay, Dan Brooks, Rob Sansom, Guy Burry, John Sinclair, Mike Provan, Jack Bowman, Dr. David Mathies, Chris Everingham, Harry Braun, Anne Cool, Ken Black

Missing : Dr. David Johnstone, Beth Ward



MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

The amalgamation of South Muskoka Memorial Hospital and Algonquin Health Services in August of 2005 has created a vibrant and dynamic organization with a dedicated staff of 800 caring people and a network of 71 physicians with active medical staff privileges and 59 courtesy staff. We now serve a growing population base in excess of 65,000 - a number that easily doubles in the busy summer months as well as on weekends throughout the year.

The benefits of amalgamation are already becoming evident. The recent gastroenteritis outbreak at Huntsville District Memorial Hospital Site provided a prime example of the enhanced spirit of co-operation between the hospital sites in Huntsville and Bracebridge. While containment measures went into effect at Huntsville, Bracebridge opened its doors to patients that had to be transferred or re-directed.

The teamwork was evident. Hospital staff and physicians at both hospital sites should be commended for the way they handled a difficult situation.

One of the early amalgamation goals was to build a strong administrative team to lead us through this very critical time in our history. We have assembled our new team and our management group has begun to tackle the challenges ahead.

In January, the Board embarked on a 'strategic planning process' to help guide our organization through the next five years. The first part of the process is nearing completion with the adoption of our new mission, vision and values, which will serve as guiding principles for everyone to follow. I would like to thank all participants for contributing to the strategic planning process over the past six months.

Our direction is clear and the next step is to develop action plans to meet our objectives.

There are many challenges facing our organization in the months and years ahead. As part of our two-year accountability agreement signed with the Ministry of Health and Long-Term Care we have the mandate to balance our budget by March 2007 and this remains a priority. We are committed to making it happen. In the first year, we

managed to reduce our deficit from \$2.6 million to \$1.9 million and we will reach a balanced position by the end of year two.

The re-structuring of the Community Care Access Centres across Ontario is another challenge. In the coming months, 42 CCACs will be amalgamated into 14 with the Muskoka-East Parry Sound CCAC working with the North Simcoe Muskoka CCAC and the North East CCAC. We will continue to work effectively within this new structure to ensure delivery of quality care.

The Network One Hospital Group has provided excellent opportunities for improvement over the years and we look forward to developing a strong working relationship with our newly-formed LHIN (Local Health Integration Network).

The Fairvern Nursing Home remains a valued and integral part of our healthcare network. Not only an important part of the community, Fairvern is a leader in the nursing home industry and we are fortunate to have such a close working relationship.

Once again, our hats are off to the Huntsville District



Barry Lockhart

Memorial Hospital Foundation and the South Muskoka Hospital Foundation who continue to do outstanding work in support of funding capital projects. Without their efforts, much needed capital improvements to facilities and equipment would not be possible.

Thanks are also extended to the members of the hospital auxiliaries and other volunteers. These are the volunteers who log countless hours in our hospitals, enhancing the lives of people in a myriad of ways on a daily basis. Most people would be surprised to learn of the number of hours volunteered in our hospitals each year. It is easily in the tens of thousands. Your efforts are gratefully acknowledged and appreciated.



MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

As we take time to focus on the big picture at our Annual General Meeting, I would like to relate an incident that took place within our organization during the past year. It is one of many similar stories that illustrate the compassion and quality of service that we strive to achieve on a daily basis.

A family, gathered to celebrate the birth of a baby in one area of the hospital, was also coping with the potential loss of the newborn's grandfather

just one floor away. Sensing the need to provide additional comfort, one of our nurses made arrangements to have the newborn brought into the grandfather's room. She also took a photo of the event. After her night shift, and before she went home to bed, the nurse took it upon herself to have the photo printed and framed, returning to present it to the very appreciative grandfather and family.

It is stories like this that make everyone proud to be

part of our organization and remind us all of the reason we work in health care in the first place.

I would like to commend the Board for the appointment of Dr. David Mathies to the position of Chief of Staff. Dr. Mathies' vision and leadership is evident and will go a long way to ensuring quality patient care and developing a strong relationship between hospitals and physicians.

I would like to thank the Board for the confidence

they have shown in me through my appointment as CEO. I'm honoured to serve in this role and will do everything I can to meet and surpass the goals of the organization. I believe we have an outstanding team and will be able to meet the challenges before us.

Respectfully submitted,

**Barry Lockhart,
President & CEO**



Some of the lucky door prize winners at the HDMH Volunteer Appreciation Dinner
May 31, 2006!



Committee Reports...

Audit Committee

Membership

John Sinclair (Chair)
Chris Everingham
Barry Lockhart
Tim Withey

The Audit Committee was appointed by the Board in the Fall of 2005 and consists of one Board member as Chair and two financially literate community members. The basic function of the Committee is to assist the Board in overseeing the quality and integrity of

financial information and reporting for the corporation. Specifically, through its first year, the Audit Committee organized the search for an audit firm for the new corporation, reviewed the letter of engagement for the audit and, following the submission of draft statements, reviewed the performance of the auditor and the audited financial statements prepared by the auditor.

The search in Fall 2005 had concluded with the appointment of Cull, Gordon, Gingrich & Harris of Bracebridge as audit firm for the corporation. The letter of engagement was satisfactorily completed and accepted by the committee and Cull, Gordon submitted draft financial statements for committee review in late May 2006. Following review by the committee, it was recommended that the Board approve the financial

statements for presentation at the Annual General Meeting.

Through the year, the committee had active support from committee members Chris Everingham and Tim Withey - and excellent cooperation from John Frederick and Barry Lockhart. Thanks are due to all of them for their assistance.

**Respectfully submitted,
John Sinclair, Chair**



Left:: The new CT scanner at SMMH

Right:: CT Technician, Sylvia Johnson





Committee Reports...

GOVERNANCE & COMMUNITY RELATIONS COMMITTEE

Membership

Gayle Mackay (Chair)
Dan Brooks
Barry Lockhart
Rob Sansom
John Sinclair

The decision by both the South Muskoka Memorial Hospital Corporation and the Huntsville District Memorial Hospital Corporation to recommend to the Province of Ontario, a single organization providing integrated regional healthcare for the people of the Muskoka-East Parry Sound catchment area received approval in June 2005. The Muskoka East Parry Sound Health Services (MEPSHS) Board of Directors held its first meeting July 2005.

The Governance & Community Relations Committee is a Standing Committee of the new MEPSHS Board of Directors. Its purpose is to review governance issues and make recommendations to the board regarding: amendments/additions

to the bylaws; review and elaboration of policies; preparation of the Annual General Meeting; procedures for the nomination of new Board members; composition of Board Committees; Board education; and processes for the annual evaluation of the board; its committees; CEO and Chief of Staff. The work of the Governance & Community Relations Committee in this year has focused on the inaugural governance issues for Muskoka- East Parry Sound Health Services (MEPSHS).

The members of the Committee have met six times since the inception of MEPSHS in July 2005. This report will address some of the Committee's activities for this year.

The Committee developed new policies related to the work of the Board which included: Code of Conduct; Procedural Guidelines; Board Officers Succession; Board Evaluation Process; and, Minute Taking

Standards. The revised policies were approved by the Board. Significant work was done in reviewing and amending bylaws which will be brought forward to the 2006 AGM.

With unanimous support of the Board, the Board Award of Excellence Policy was reviewed. There is continuing work in progress to improve and revise the approach for this award with the goal of taking the new policy forward for Board approval in September 2006.

Education for Directors is another important role of the Committee. This year the Directors received education programs and services offered by the legacy organizations, the roles and responsibilities of Board members, the annual budgeting process and information from the Ministry of Health and Long-Term Care on the health care system transformation initiatives and the role of Local Health

Integration Networks (LHINs).

It has been a busy and productive year for the Committee and I would like to thank all Committee Members for their valuable time and active participation.

**Respectfully submitted,
Gayle Mackay, Chair**



Committee Reports...

STRATEGIC PLANNING & QUALITY ASSURANCE COMMITTEE

Membership:

Guy Burry (Chair)
 Barry Lockhart
 Dr. David Mathies
 Mike Provan
 Beth Ward

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 as they relate to the achievement of our vision and values. The Committee will make recommendations to the Board regarding:

Strategic Planning

- Development, Implementation and Monitoring of a Strategic Plan
- Monitor and report to the Board on initiatives through the Local Health Integration Network, OHA, OACCAC, MOHLTC, Simcoe/Muskoka Health Network to ensure implementation of best practices and new initiatives.

Quality Assurance and Continuous Quality Improvement

- Accreditation Participation with the Canadian Council

- on Health Services Accreditation Program
- Monitor Continuous Improvement and Management of the Ethical Dimensions of Patient/Client Care

The Committee, in consultation with the Chief of Staff and the Medical Advisory Committee has been responsible for the development and monitoring of the Board's Quality Assurance and Continuous Improvement Plans as they relate to Quality of Care, Patient / Client Safety and Access. In each case we are ensuring the appropriate indicators

are developed and monitored on a quarterly basis. We will ensure quality of care and continuous quality improvement are being met and that our commitment to accountability is maintained.

The 2006 Annual General Meeting (AGM) marks the release of the first Strategic Plan for Muskoka-East Parry Sound Health Services. Created with broad input from across the organization, the new plan is designed to guide the organization through the

Strategizing!
 L-R: Dan Diver, Beryl Clayson, Haydee Traviss





Committee Reports...

**STRATEGIC PLANNING & QUALITY ASSURANCE COMMITTEE
CONT'D**

next five years to 2011.

Work on the plan began in January 2006 with the Board setting general planning parameters and target dates. One of their foundational principles was that planning had to begin with broad and meaningful input from staff, physicians and volunteers.

In February, all staff members, physicians, Board members and volunteers were invited to participate in focus groups held during the month March. One hundred people jumped on board, participating in ten

focus group sessions. Working in groups of 6-14, participants shared their thoughts on the question of: "What do we want to see going on at Muskoka-East Parry Sound Health Services in 2011"? For those who didn't attend a focus group, a survey questionnaire was available at all sites.

In addition to the focus groups, there have been six planning sessions where the latest input was considered for inclusion in the plan. In April and May, managers shared the latest version of the plan with their staff members for further input. All

of these efforts came to a head on June 1st when the Board approved the latest draft for presentation at the AGM.

Strategic plans are, by definition, high-level and enduring. They answer fundamental questions such as: Who are we? What do we believe in? What do we want to look like in the future? And, what do we need to do to get there? A strategic plan gives an organization its sense of purpose and helps everyone in the organization focus their energies appropriately. It provides

the direction for action planning. Implementation teams will be assembled in June to begin developing action plans that will move us towards our new vision. By identifying specific, measurable accomplishments for each of the strategic directions, the teams will be able to demonstrate real, observable progress. Over time, regular reports of performance measures will allow the Board to monitor successes in making our vision a reality.

**Respectfully submitted,
Guy Burry, Chair**



Silver Safety Award
L-R: Mike Stanford, Michael Spence, Heather Ryner, Karen Moore, Michelle Bracken

Our Board **Committee Reports...**
RESOURCES & ACCOUNTABILITY COMMITTEE

Membership
 Anne Cool (Chair)
 Jack Bowman
 Harry Braun
 Chris Everingham
 Dr. David Johnstone
 Barry Lockhart

The Resources & Accountability Committee makes recommendations to the Board as they relate to the achievement of our vision, mission and values, regarding:

Financial Resources:

- financial viability for the organization
- appropriate legal, insurance, capital and land use planning
- policy development accountability agreements

Human Resources:

- human resources planning and objectives
- policy development
- annual evaluation of the Chief Executive Officer and Chief of Staff
- Board Award of Excellence program

Muskoka-East Parry Sound Health Services ended the fiscal year with a deficit of \$1.9 million.

Cull Gordon Gingrich & Harris were the auditors appointed for the fiscal year ending March 31, 2006.

A new legal firm was hired. Physician remuneration at both hospital sites was re-negotiated with an overall

positive outcome.

Both the Lease and Management agreements for Fairvern were re-negotiated.

Laundry Services for the South Muskoka Memorial Hospital Site were outsourced.

The CT Scan project at the South Muskoka Memorial Hospital Site was completed.

Rationalization of bargaining units for the new organization is underway.

The Signing Authority Policy was revised to reflect the new organization.

The Ministry targeted four procedures, for shortening wait times. MEPSHS qualified for one of the procedures - cataract and lens insertion operations.

A 5 year capital plan is being worked on that will

dovetail with the Strategic Plan. In the interim, the next 18 months' capital priorities will be presented to the Board shortly for approval.

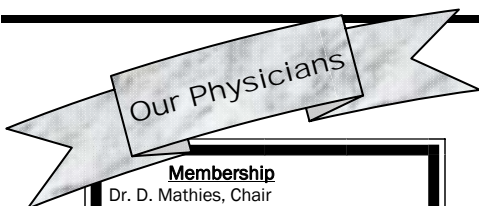
The Hospital Accountability Agreement was signed by all parties at the end of April with an agreement to have a balanced budget by March 31, 2007. This will be a challenge based on some unplanned cost increases outside of our control, as well as some of the identified cost savings initiatives taking longer to implement.

CEO / COS Evaluation - A process for the evaluation of both the CEO and COS. is being developed that would involve establishing goals, achievement of those goals and how these goals were achieved.

**Respectfully submitted,
 Anne Cool, Chair**



**2005 HDMH OFI Winner
 Roberta Oram with CEO Barry Lockhart**



| Membership |
|-----------------------|
| Dr. D. Mathies, Chair |
| Dr. W. Caughey |
| Dr. K. Cross |
| Dr. G. Gair |
| Dr. D. Johnstone |
| Dr. M. Mensour |
| Dr. B. Murat |
| Dr. R. Sansom |
| Dr. R. Vohra |

REPORT FROM THE CHIEF OF STAFF / MEDICAL ADVISORY COMMITTEE

Last year, 2004/05, efforts were focussed on transforming the two legacy organizations into one. This year, much time and effort has been spent implementing those changes. Many challenges were met and successfully overcome. I am pleased to present some of the highlights of the 2005 - 2006 year.

To begin, a new medical staff committee structure has been put in place and among this is a mechanism of peer review. Medical Quality Assurance committees have been established in both sites and meet monthly. The work that these committees complete is brought forward to the entire medical staff for educational purposes. Also included in this exercise is an organization-wide Quality Council which meets once per month. Its membership involves all aspects of the organization. A Pharmacy & Therapeutics Committee has been established as well. Unfortunately, we have not had a full time Pharmacy Director to lead this exercise but hope to have that in place relatively soon. Finally, the first Annual General Meeting of the new medical staff is scheduled to take place Tuesday, June 13, 2006, the day after the Annual General Meeting of this Board.

Coincident with the amalgamation of Algonquin Health Services and South Muskoka Memorial Hospital has been the establishment of the Local Health Integration Network (LHIN #12). The Chiefs of Staff are now participating in regular meetings to discuss common interests and a governance structure for these overlapping interests is under development. The Chiefs of Staff are eager to establish a mechanism to improve regional access to specialty and sub-specialty services and I am proud to report that the relationship with the LHIN governance is strong and growing.

Ongoing issues with adequate Medical Human Resources continue. Certainly Internal Medicine and Emergency Room staffing has improved in Bracebridge. The ER improvements are thanks, in no small part, to the appointment of a new ER Director, Dr. Mark Mensour. He has been busy implementing new policies to improve the care in our emergency rooms and has been an invaluable help with recruitment, education, and managing the ER services at both sites. There have also been challenges in Gravenhurst with adequate access to

family practice. Further, our search for an on-site pathologist continues and as a result we need to go off-site for many of these services. We also continue to look for a psychiatrist to move to the community; however, there are changes occurring in psychiatric services with the opening of beds in Orillia and we hope that this will provide better access to psychiatric care for our population.

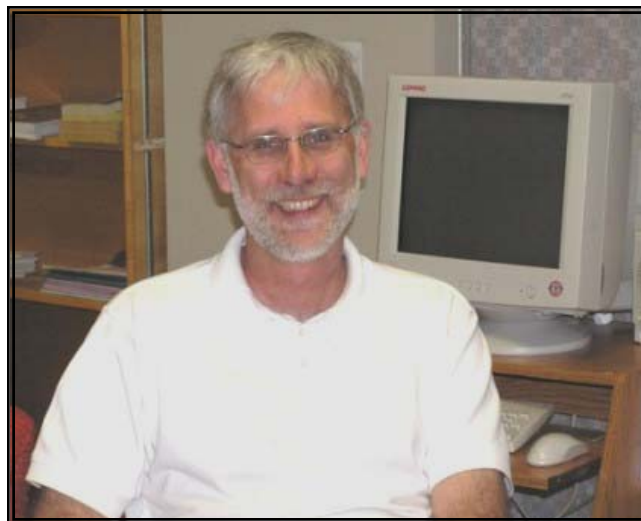
The new CT scan is now operating in Bracebridge. This state-of-the-art machine has been a fine addition to our imaging capabilities.

The final item of note is our District Stroke Program in Huntsville. Under the guidance of Dr. Blaine Foell, this program is now being implemented after over a year of planning.

As I said at the outset, this has been a challenging year in the new life of this organization. I very much appreciate the confidence placed in me by the Board of Directors and look forward to another successful year.

Respectfully submitted,

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



Dr. David Mathies
Chief of Staff



HUNTSVILLE HOSPITAL AUXILIARY

President's Remarks.....

For the year 2005-2006 the membership in the Huntsville Hospital Auxiliary was 60 with an additional 62 hospital volunteers who worked for the Hospital in many ways, including some who worked in their homes. Together we volunteered a total of 19,032 hours.

Throughout the year we held several fund-raising events our Plant Sale, Tag Day, Card party, our 2nd Family Jamboree at the Ski Club and in August we held our 2nd Dragonboat festival, which was a great success. Some new ideas this year were the pancake breakfast and the children's entertainment, both of which received many compliments.

At our June meeting we presented a \$500 scholarship to Heather Punkari, a Physiotherapist at our hospital, and on June 30th I attended the High School

Graduation ceremonies and presented a \$500 scholarship to Lilly Cadeau.

well song to the tune of "My Bonnie lies over the Ocean".

the Holiday Inn with entertainment by Gord Lessard and Georgina Gregory. It was a very very special evening.



Four of us attended the HAAO Convention in October, and we were thrilled to be there to see Pauline Avdeeff receive her Provincial Life Membership. At our November meeting, two members of the OPP gave us a very informative presentation on "Travelling Alone". On November 16th, which was the actual date of our 50th anniversary, we held a celebration in the Cafeteria to which the Hospital and

Foundation office staff were invited. We were pleased to present our cheque for \$100,000 to the Foundation, as part of our pledge to the Day Surgery.

DRAGON BOAT FESTIVAL VOLUNTEERS
'Best Tourist Business of the Year' Award

Standing: L-R Shirley Neil, Marion Caswell, Ann Semademi, Shirley Farnsworth, Shirley Woodard, Liz Locke, Marg Gibbard, Gwen Todd,, Joan McCaw, Arvina Bennett, Helen Prager
Sitting: Beryl Clayson, Ann Hutley, Mary Ray Ward

In September we held a pot luck for our opening meeting and Jean Wagner (Vice President) and I attended the Region 3 Fall Conference in Meaford. We also said a very fond farewell to our CEO Vaughn Adamson. At the reception for her held at the hospital, we turned the tables on her and sang her a fare-

Our new CEO Barry Lockhart attended our October meeting and spoke about the amalgamation of the two hospitals, Bracebridge and Huntsville. Throughout the year many members had been working and planning the event to celebrate our 50th Anniversary, and on October 22nd a very wonderful dinner was held at

In December we decorated the hospital for Christmas, and organized the South Wing Christmas Party. Our Christmas Lunch was held at the Presbyterian Church and was well attended.

During February and March the Hospital held "Focus Groups" to get



HUNTSVILLE HOSPITAL AUXILIARY

President's Remarks.....

At our March meeting we had a guest speaker - Judith Ruan- who spoke on backpacking through Northern Spain. On March 29th Ann Hutley and I attended the Chamber of Commerce Awards for business excellence. The Bell Huntsville Dragonboat festival had been nominated for Best Tourism Business of the year, and we were so excited when we won. Winning this award was a wonderful way to finish up my term as President.

Throughout the year the Gift Shop has continued to be a great fund-raiser for us. A community project that the Auxiliary undertakes is the Blood Donor Clinics held every two months.

We are represented on the Foundation Board and report monthly to the Hospital Board.

I said at the beginning that this has been an exciting year, it certainly has been, but we have had some sad moments as well. We have

attended as a group, the funerals of Dr. David Allan, June Gibson's husband Gord, and Diane Litchfield's husband Ron. Many of our members have had illnesses or surgeries themselves or in their families, and our condolences and best wishes go to all these members.

I would like to thank all the many volunteers that so willingly help at our fund-raising events and all those who work in various departments of the

hospital.

The work we do in the Hospital would not be possible without the co-operation of the Hospital's CEO Barry Lockhart, and the Management Teams, members of the hospital staff, and members of the Hospital Board. We thank them most sincerely for their help.

**Respectfully submitted,
Beryl Clayson, President.**

**HDMH Long Service
Awards 2005
35 Plus Years of Service**



**L-R: Ken Black, Sharon Dalrymple, Vaughn Adamson,
Marjorie Wickman, Barry Lockhart**



SOUTH MUSKOKA HOSPITAL AUXILIARY

President's Remarks.....

During the past year our Auxiliary maintained a membership of approximately 195 men and women. We had a few retirements and were saddened by the death of two members. It was a pleasure to welcome both men and women as new members.

Four of our devoted members were honoured to be made Provincial Life Members. We are inspired by the long, faithful service and responsibilities assumed by these fine members.

It was our pleasure that five (5) members contributed at the focus Groups arranged by the Board of Directors and the senior staff. It is enriching and meaningful for the volunteers to be included in this process.

Our fundraising events over the past year were successful so that we could respond effectively to the Diagnostic Imaging and Women's Health Project currently nearing completion at our hospital. We have pledged \$100,000 over five (5) years and have given immediately \$20,000. We gave \$22,000 toward the cost of the ophthalmology department YAG

3000 LE laser. It is our custom to give a donation to our hospital foundation as bereavement and appreciation remembrances. During the past year 19,548 hours of service were recorded.

A highlight of our year was the delightful Appreciation Tea held by the SMMH staff for the volunteers. Again we were pleased and grateful for the presence and thoughtful remarks from Mr. Black and Mr. Barry Lockhart.

The president was totally taken aback by the comments and presentation of a beautiful bouquet of roses. We, and especially the now past-president, appreciate the kindness extended to us.



SMMH Volunteers
L-R : Jean Parker and Jack Webster

It was the pleasure of the volunteers to receive a letter from Mr. Ken Black, Chair of the Board of Directors. We were pleased also that both Mr. Black and Mr. Lockhart attended our Annual General Meeting. Their comments were gratifying and encouraging.

Respectfully submitted,
Eleanor Kerfoot, President.



HUNTSVILLE HOSPITAL FOUNDATION

It seems hard to believe that the anniversary is approaching since the major change in the delivery of health care in Muskoka and East Parry Sound. In conjunction with the creation of Muskoka East Parry Sound Health Services a sub-committee was created to review the rolls and

are confident that an unparalleled working relationship in fundraising between the groups has been created.

With the merger of the various sites it was prudent to review the ongoing and changing requirements for capital

information the Foundation will be in a position to transfer funds on a prearranged schedule for regular equipment acquisitions. The information on major acquisitions, equipment for new or expanded services and any building changes will be available

Finance and Investment Committee revamped the investment policy. They are currently reviewing proposals which will ensure that the income is optimized whilst preserving the capital that is invested.



We

relationships between MEPSHS, Fairvern, and the Foundation. This

committee has met several times throughout the year with a final draft now completed for presentation to all Boards. Subject to some minor tweaking by the respective organizations we

needs at the sites served by our Foundation. The hospital administration is in the process of finalizing both their short and long term objectives. With this

enabling fundraising campaigns to start well in advance of the arrival.

In conjunction with these developments the

continued with the work of preparing for our future and our role in serving Donors. The by-laws

have had further minor changes pending approval at the AGM. The governance policy manual is reaching completion and written procedures supporting

HUNTSVILLE HOSPITAL FOUNDATION
 Standing L-R: Debi Davis, Cheryl Perry, Hank Klodnicki, Larry Mitchell, Ray Ward, Sandy Mackay, Tracy Robinson, Rob Payne, Deanna Foell
 Sitting L-R: Keith Edmondson, Beryl Clayson, Barry Lockhart



HUNTSVILLE HOSPITAL FOUNDATION

them are being developed. With a stronger administration we will be in a position to increase our efforts in raising charitable contributions to meet our mandate.

It was an extremely successful year for the Foundation. Donations almost matched the previous year which was the last year of the capital campaign. Investment income was double the previous maximum and operating expenses were down. The net income in excess of \$1,000,000 was the largest in the history of the Foundation. We are blessed that we have a community that continues to support excellence in health care.

A highlight for us is the completion of the Garden of Honour. Work is underway that will see it being unveiled on July 20. It will be available for both patients and visitors to have quiet walks to appreciate the Muskoka vista. At the same time, they will see how others before them have appreciated having this natural setting through the honouring of family and friends. We invite you to join with us at the dedication.

Debi Davis, with Cheryl Perry's assistance, has now been managing the affairs of the Foundation for over a year. It has

been a challenging year with the changes in health care. They have continued to represent the Foundation superbly through these changes. The staff continues to provide innovative new ideas for fund raising. These will be unveiled as the months proceed. At the same time, they are dedicated to our donor partners, assisting them in meeting their needs with the provision of funds for the delivery of health care. We congratulate them on a very successful year and remain very proud of the efforts that they make on behalf of the Foundation

The ongoing capital needs throughout our family healthcare divisions continue to grow. The Foundation is committed to ensuring that the message is delivered to our community. We currently are blessed with a quality of healthcare second to none. Our efforts will continue to raise the necessary funds for the capital equipment that the professionals require to deliver that quality.

Respectfully submitted,

**Keith Edmondson,
Chair**



**Raven—Huntsville Hospital Garden of Honour
Donated by Murray & Mary Sinclair**



SOUTH MUSKOKA HOSPITAL FOUNDATION

As we stand on the threshold between the past year and look into the next, I feel pride for the incredible year we've just had and, at the same time, great anticipation for the exciting year to come.

I'm proud to report that this past year has been one of our best fundraising years in many years, providing financial

support for nursing and physician education, new equipment, and other sundry items that enhance patient care at the South Muskoka Memorial Hospital Site. In addition to remarkable leadership in fundraising activity, our board has also managed to find time to

focus on important governance issues. One of those issues, in particular, is the recruitment of new members. These new members have already contributed by adding a fresh perspective and infusing new energy into the board's activities.

I wish to express, once again, a warm welcome to our new members. I sincerely hope that, as we go about our

business of fundraising activities in support of our hospital and while working on the development of policies and procedures, you will find serving on this board as rewarding and invigorating as do our seasoned members.

The major undertaking this year has been the launch of

campaign in their roles as co-chairs. With a strong team of 40 campaign cabinet members from both the local and seasonal community, success has already been realized. I'm pleased to announce that, at the time of writing, over \$1.5 million has been raised toward our \$5 million campaign goal. This

Under the capable and skilful leadership of our executive director, Colin Miller, all of our fundraising programs have shown a marked increase over the last year. For the first time in our direct mail program, we included a mailing to former patients who have used the hospital in the last two years and we have received a most encouraging response in its inaugural year.

Finally, I must acknowledge those individuals and groups who have landmarked not only this past year for us, but have helped establish and build the South Muskoka Memorial Hospital site over the years into what we have here today. Our success would simply not have been possible were

it not for the many dedicated donors who choose to support us each year. On behalf of the entire board, staff and the community, a heartfelt thank you.

**Respectfully submitted,
Paul Davidson, Chair**



Permanent Residents' Campaign Cabinet
Standing: L-R : Doug Lamb, Ron Austin, George Reid, Paul Hammond, Bob Kerr, Ron Doty, Kent Phillips
Sitting: Peter Rickard, Jan Rickard
Missing: Leon Braithwaite, Guy Gagnon, Murray Maw

our capital campaign – *The Picture of Health* – for the new CT scanner and facilities. We're fortunate to have Aubrey Baillie (Toronto), Gord Young (Toronto) and Paul Hammond (Muskoka) - a dynamite trio - leading the

response has been heart-warming. This coming year, as the campaign continues and our profile is raised even further within the community, will be a busy, challenging, and exhilarating one.



PROPOSED BYLAW REVISIONS

Article 1.01 (t) & (ff) - Definitions

The following change reflects the location of the Head Office of the corporation:

- (t) 'Corporation means Muskoka-East Parry Sound Health Services operating HDMH, SMMH, MEPS CCAC and BFDHC with Head Office in a location designated by the Board from time to time.
- (ff) 'Head Office' means a location designated by the Board from time to time.

Article 4.04 (b) – Terms of Office Restrictions

The following change reflects the need to ensure that there is constant refreshment of the board:

“A former Director may serve as a Director following a break in continuous service of at least three (3) years.”

Article 5.04 – Duties of the Treasurer

Originally, the Treasurer was to act as Chair of either the Audit Committee or the Finance Committee, but not both.

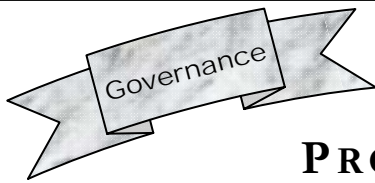
The following change to the wording of the Article is as follows:

“ensure that the chairs of the Audit and the Finance committees are two different individuals”

Article 7.05 - Medical Advisory Committee

To make the membership of the MAC consistent (see Article 21.01), the following change is proposed:

- (a) The Medical Advisory Committee shall consist of the following voting Physicians:
 - the Chief of Staff, who shall be chair;
 - the President of the Professional Staff Association;



PROPOSED BYLAW REVISIONS CONT'D

- the Vice-President of the Professional Staff Association;
 - the Secretary of the Professional Staff Association;
 - the Treasurer of the Professional Staff Association;
 - a Physician from the General/Family Practice group;
 - a Physician from the Specialist group;
 - the Heads of Service, if any;
 - the Director of the Emergency Services; and
 - such other members of the Medical Staff as the Medical Advisory Committee may deem appropriate from time to time.
- (b) The Chief Executive Officer, Chief Nursing Officer and the Chief Professional & Diagnostic Services Officer shall have the right to attend meetings of the Medical Advisory Committee without the power to vote.
- (c) The Medical Advisory Committee may invite others to attend the Medical Advisory Committee as voting or non-voting members.
- (d) The terms of reference for the Medical Advisory Committee are set out in Article 21 of this By-Law.

Article 8.03 (a) – Signing Officers

Originally, the bylaws identified the Chair and Vice-Chair together with the CEO as the signing officers for the corporation. The following change reflects the addition of both the Treasurer and CFO as officers:

‘Either the Chair, Vice-Chair or Treasurer of the Board, together with either the Chief Executive Officer or the Chief Financial and Support Services Officer shall sign on behalf of the Corporation ...’

Article 12.01 – Appointment to the Professional Staff

The change in the fourth line of the article corrects the term of the privileges to be for the calendar year:



PROPOSED BYLAW REVISIONS CONT'D

- (a) The Board will appoint annually a Professional Staff for the Corporation. Unless revoked by the Board, appointments to the Professional Staff shall be for the period from January 1st or any date thereafter, of any year until December 31st of the same year or for such shorter period of time as the Board may determine, and appointments shall continue until the Board has made the appointments for the ensuing year.

Article 12.02 (d) (xx) (B) – Application for Appointment to the Professional Staff

Proposed revision:

“if appointed, the applicant will, where appropriate, serve on Committees or subcommittees to which he/she is appointed by the Board or the Medical Advisory Committee;”

Article 12.03 (h) – Criteria for Appointment to the Professional Staff

Proposed revision:

“The applicant must understand the mission, vision and values of the Corporation and agree in writing to abide by the *PHA*, the Legislation, the Corporation’s By-Laws, Policies and Rules.”

Article 12.05 (f) – Re-appointment to the Professional Staff

Proposed revision:

“The Board may, in accordance with the *PHA*, By-Laws, Policies and Rules,

- refuse to reappoint any applicant to the Professional Staff;
- reduce, change or alter the applicant’s privileges;

on reasonable grounds, including, but not limited to, the following...”



PROPOSED BYLAW REVISIONS CONT'D

Article 13.02 (e) (iii) – Active Staff

Proposed revision:

Each member of the Active Staff shall:

- provide on-call coverage in accordance with the Corporation's Policy;
- attend patients and undertake treatment and operative procedures only in accordance with the kind and degree of privileges granted by the Board; and
- act as a Supervisor of a member of the Professional Staff as and when reasonably requested by the Chief of Staff."

Article 13.03 (i) (iii) – Associate Staff

This addition clarifies the privilege process for the midwives:

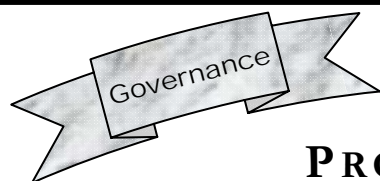
(iii) At the end of the one (1) year probationary period, the recommendation of appointment of a midwife to Active staff shall be reviewed by the Medical Advisory Committee provided that six (6) deliveries have occurred in Hospital. If there have been less than six (6) deliveries at the end of one year, then the recommendation of appointment to Active staff will be reviewed again at the end of an additional six (6) month period, for an aggregate total of eighteen (18) months.

(jjj)

Article 14.01 (b) (v) – Duties, General

Proposed revision:

“participate with other members of the Professional Staff to provide on call services as may be determined appropriate by the Medical Advisory Committee, and as specified in the Medical Staff Rules and Regulations, in consultation with the Professional Staff members participating on the call rota;”



PROPOSED BYLAW REVISIONS CONT'D

Article 14.01 (b) (vii)

Proposed revision:

“comply with the *PHA*, the Legislation, and the Corporation’s By-Laws, Policies and Rules and understand the mission, vision and values;”

Article 14.01 (b) (xiii)

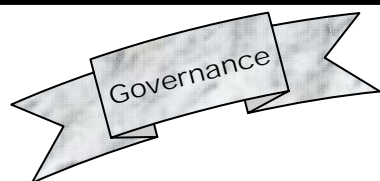
Proposed revision:

“serve as reasonably required on various hospital and Professional Staff Committees;”

Article 14.01 (b) (xviii)

Proposed revision:

“not undertake or make prejudicial or adverse public statements with respect to the Corporation’s operations which have not first been addressed through the proper communication channels identified above and such official channels have not satisfactorily resolved the Professional Staff member’s concerns;”



NOMINATIONS COMMITTEE REPORT

The following is a report from the Nominations Committee covering a slate of board nominees and a proposal for officers for the coming year.

Upon review and approval of the Governance & Community Relations Committee, this report will go to the June 1st board meeting and, assuming their support, will be presented at the Annual General Meeting on June 12th.

Slate of Directors – Annual General Meeting

Our group followed the direction of the Corporation By-law in these respects:

- Article 4.01 (a) - written nominations will be requested from Members of the Corporation;
- 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’; and,
- Article 4.13 (f) – ‘shall consider the mentioned characteristics while balancing the need of ensuing ongoing expertise on the Board and the need to plan for the succession of the Board officer positions’.

In addressing the board vacancies, it was established that a nominations slate of seven board members was required. This number is composed of:

- four directors whose one-year term has now expired – Jack Bowman, Guy Burry, Mike Provan, Beth Ward;
- one director who was elected mid-year to fill a vacancy until the next AGM – Chris Everingham; and,
- two vacancies caused by resignations – Lyndsay Jeanes and Gayle Mackay.

We are pleased to report that the four one-year term directors have applied for re-election to the Board. These four persons are the first four persons on the proposed slate for the AGM - **Jack Bowman, Guy Burry, Mike Provan and Beth Ward** and are each proposed for a three-year term.

In addition, **Chris Everingham** has also applied for re-election to the Board and is endorsed by the Nominations Committee. Chris is proposed for a one-year term (as a replacement for Graham Butler's term).

Two new director nominations are required and we are pleased to propose candidates who have applied, who have relevant experience and skills and who have suitable business and volunteer backgrounds. The two new director nominees are:

**Cull,
Gordon,
Gingrich &
Harris**

Chartered
Accountants

152-3 Manitoba Street
Bracebridge, ON, P1L 1Z9
(705) 645-5255 Tel.
(705) 645-7686 Fax
cullgordonging@bellnet.ca

**MUSKOKA - EAST PARRY SOUND
HEALTH SERVICES**

FINANCIAL STATEMENTS

MARCH 31, 2006

Bracebridge

F. Glenn Gordon, C.A.

Parry Sound

Donald T. J. Cull, C.A.

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SERVICES**

FINANCIAL STATEMENTS
MARCH 31, 2006

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Bracebridge

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Stephen L. Gingrich, C.A., CFP

Brandy L. Harris, B.ACC., C.A.



NOMINATIONS COMMITTEE REPORT CONT'D

Christine Larkin, Bracebridge. Christine is a chartered accountant employed as Senior Manager, BDO. She grew up in Rosseau and is an Honours graduate B. Comm from McMaster University. She worked in Calgary for fourteen years where she was heavily involved in accounting for medical and dental professionals, was a regular speaker at medical/dental conferences and was invited by the Alberta Medical Association to assist in developing methodology for new Primary Care Initiatives.

Tim Withey, Huntsville. Tim is an accredited insurance broker, employed as Branch Manager, Canada Brokerlink Inc. A B.A. graduate of Trent University, Tim has served on healthcare boards for over ten years at HDMH, Fairvern Nursing Home, District Health Council, AHS and is currently on the Audit Committee of MEPSHS. Because of his service last year on the AHS Board, Tim will be a legacy member of the MEPSHS Board.

Christine Larkin and Tim Withey are each proposed for a two-year term.

**Cull,
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Gingrich &
Harris**

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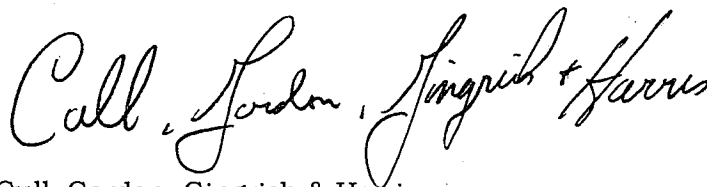
AUDITORS' REPORT

To the Chair and Members of the Governing Body of the Muskoka - East Parry Sound Health Services

We have audited the Statement of Financial Position of the Muskoka - East Parry Sound Health Services as at March 31, 2006, and the Statements of Operations and Fund Balances and the Statement of Cash Flows for the year then ended. These Financial Statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these Financial Statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 Financial Statements present fairly, in all material respects, the financial position of the organization as at March 31, 2006, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Cull, Gordon, Gingrich & Harris
Chartered Accountants
May 19, 2006
Bracebridge, Ontario

Bracebridge

F. Glenn Gordon, C.A.

Parry Sound

Donald T. J. Cull, C.A.

Stephen L. Gingrich, C.A., CFP

Brandy L. Harris, B.ACC., C.A.

MUSKOKA – EAST PARRY SOUND HEALTH SERVICES

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2006

| | 2006 | Note 1 2005 |
|---|----------------------|----------------------|
| ASSETS | | |
| <i>Current</i> | | |
| Cash | \$ 384,287 | \$ 1,927,894 |
| Accounts Receivable – Note 3 | 2,592,265 | 3,586,182 |
| Inventory | 703,345 | 629,695 |
| Prepaid Expenses | 340,144 | 301,443 |
| | \$ 4,020,041 | \$ 6,445,214 |
| <i>Long Term Investments - Note 4</i> | 313,454 | 294,532 |
| <i>Capital Assets – Note 5</i> | 46,336,482 | 43,069,741 |
| | \$ 50,669,977 | \$ 49,809,487 |
| LIABILITIES | | |
| <i>Current</i> | | |
| Short-Term Demand Loans – Note 6 | \$ 2,330,000 | \$ 2,900,000 |
| Accounts Payable and Accrued Liabilities – Note 7 | 7,364,565 | 6,975,388 |
| Current portion of Obligation under Capital Leases | 576,864 | 106,193 |
| Current portion of Long Term Debt – Note 10 | 750,000 | 400,000 |
| | \$ 11,021,429 | \$ 10,381,581 |
| <i>Long Term</i> | | |
| Obligation under Capital Leases – Note 8 | \$ 2,169,739 | \$ 826,388 |
| Deferred Contributions related to Capital Assets – Note 9 | 35,393,653 | 35,787,649 |
| Long Term Debt – Note 10 | 2,602,629 | 1,085,000 |
| Employee Future Benefits – Note 14 | 635,300 | 477,700 |
| | \$ 40,801,321 | \$ 38,176,737 |
| NET ASSETS | | |
| Operating Fund | \$ (3,796,349) | \$ (1,789,083) |
| Capital Fund | 2,643,576 | 3,040,252 |
| | \$ (1,152,773) | \$ 1,251,169 |
| | \$ 50,669,977 | \$49,809,487 |

On behalf of the Board

Director

The accompanying notes are an integral part of these Financial Statements.

MUSKOKA – EAST PARRY SOUND HEALTH SERVICESSTATEMENT OF OPERATIONS AND FUND BALANCE – OPERATING FUND
FOR THE YEAR ENDED MARCH 31, 2006

| | 2006 | Note 1 2005 |
|--|-----------------------|-----------------------|
| REVENUE | | |
| Approved Ministry of Health and Long – Term Care Allocation | \$ 42,077,522 | \$ 40,832,608 |
| Other Revenue | 13,551,634 | 12,062,130 |
| Amortization of Deferred Contributions | 826,934 | 504,438 |
| Other Programs, Schedule A | 11,727,985 | 10,714,895 |
| Total Revenue | \$ 68,184,075 | \$ 64,114,071 |
| EXPENDITURES | | |
| Amortization | \$ 1,527,998 | \$ 1,119,440 |
| Drugs | 2,585,323 | 2,262,712 |
| Employee Benefits | 6,979,826 | 6,486,039 |
| Medical and Surgical Supplies | 2,098,947 | 2,260,640 |
| Medical Staff Remuneration | 5,868,512 | 4,530,427 |
| Salaries and Wages | 30,309,952 | 29,988,282 |
| Supplies and Other Expenses | 8,857,675 | 8,276,415 |
| Total Expenditures | \$ 58,228,233 | \$ 54,923,955 |
| Other Programs – Schedule A | (11,775,460) | (10,755,637) |
| Net Expenditures for the year | \$ 70,003,693 | \$ 65,679,592 |
| Deficiency of Revenue Over Expenditures | \$ (1,892,366) | \$ (1,565,521) |
| Fund Balance, Beginning of Year | \$ (1,789,083) | \$ (223,562) |
| Employee Future Benefits – Note 14 | (114,900) | 0 |
| Adjusted Beginning Balance | \$ (1,903,983) | \$ (223,562) |
| Fund Balance, End of Year | \$ (3,796,349) | \$ (1,789,083) |

The accompanying notes are an integral part of these Financial Statements.

MUSKOKA - EAST PARRY SOUND HEALTH SERVICESSTATEMENT OF OPERATIONS AND FUND BALANCE - CAPITAL FUND
FOR THE YEAR ENDED MARCH 31, 2006

| | 2006 | Note 1 2005 |
|--|----------------------------|----------------------------|
| REVENUE | | |
| Amortization of Deferred Government Grants | \$ 534,319 | \$ 829,981 |
| Amortization of Deferred Huntsville District Memorial Hospital Foundation Grants | 29,900 | 98,203 |
| Amortization of Deferred South Muskoka Hospital Foundation Grants | 257,825 | 249,128 |
| <i>Total Revenue</i> | <u>\$ 822,044</u> | <u>\$ 1,177,312</u> |
| EXPENDITURES | | |
| Amortization | \$ 1,218,720 | \$ 1,575,426 |
| Loss on Disposal of Nuclear Medicine License | 0 | 505,950 |
| <i>Total Expenditures</i> | <u>\$ 1,218,720</u> | <u>\$ 2,081,376</u> |
| <i>Deficiency of Revenue Over Expenditures</i> | \$ (396,676) | \$ (904,064) |
| <i>Fund Balance, Beginning of Year</i> | <u>3,040,252</u> | <u>3,944,316</u> |
| <i>Fund Balance, End of Year</i> | <u>\$ 2,643,576</u> | <u>\$ 3,040,252</u> |

The accompanying notes are an integral part of these Financial Statements.

MUSKOKA – EAST PARRY SOUND HEALTH SERVICESSTATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2006

| | 2006 | Note 1 2005 |
|--|---------------------|---------------------|
| CASH PROVIDED BY (USED IN): | | |
| OPERATIONS | | |
| Deficiency of Revenue over Expenditures for the year | | |
| - Operating Fund | \$ (1,892,366) | \$ (1,565,521) |
| - Capital Fund | (396,676) | (904,064) |
| <u>Employee Future Benefits - Note 14</u> | <u>(114,900)</u> | <u>0</u> |
| Restated Deficiency of Revenue over Expenditures | \$ (2,403,942) | \$ (2,469,585) |
| Items not involving cash: | | |
| Amortization | 2,757,112 | 2,694,865 |
| Amortization of Deferred Contributions | (1,648,978) | (1,681,750) |
| <u>Loss on Disposal of Nuclear Medicine License</u> | <u>0</u> | <u>505,950</u> |
| | \$ (1,295,808) | \$ (950,520) |
| Changes in non-cash working capital balances: | | |
| Accounts Receivable | 993,917 | 538,404 |
| Inventory | (73,650) | 168,331 |
| Prepaid Expenses | (38,701) | 39,161 |
| Accounts Payable and Accrued Liabilities | 389,177 | 1,178,715 |
| <u>Employee Future Benefits</u> | <u>157,600</u> | <u>40,100</u> |
| <u>Net Increase in Cash from Operations</u> | <u>\$ 132,535</u> | <u>\$ 1,014,191</u> |
| FINANCING | | |
| Proceeds of Long Term Debt | \$ 2,267,628 | \$ 0 |
| Repayment of Long Term Debt | (400,000) | (400,000) |
| Increase in Obligation under Capital Leases | 1,844,301 | 848,769 |
| Repayment of Obligation under Capital Leases | (30,279) | (168,931) |
| Contributions related to Capital Assets - | | |
| Donations | 580,712 | 1,311,688 |
| Capital Grants Received | 674,570 | 1,946,776 |
| Increase Short Term Demand Loans | 0 | 1,900,000 |
| <u>Repayment of Short Term Demand Loans</u> | <u>(570,000)</u> | <u>(670,000)</u> |
| <u>Net Increase in Cash from Financing</u> | <u>\$ 4,366,932</u> | <u>\$ 4,768,302</u> |

MUSKOKA - EAST PARRY SOUND HEALTH SERVICESSTATEMENT OF CASH FLOWS - CONTINUED
FOR THE YEAR ENDED MARCH 31, 2006

| | 2006 | Note 1 2005 |
|--|-------------------|---------------------|
| INVESTING | | |
| Change in Investments | \$ (18,919) | \$ (16,404) |
| Purchase of Capital Assets | (6,024,155) | (4,361,406) |
| <i>Net Decrease in Cash from Investing</i> | \$ (6,043,074) | \$ (4,377,810) |
| <i>Net change in Cash and Equivalents</i> | \$ (1,543,607) | \$ 1,404,683 |
| <i>Cash and Equivalents, Beginning of Year</i> | 1,927,894 | 523,211 |
| CASH AND EQUIVALENTS, END OF YEAR | \$ 384,287 | \$ 1,927,894 |
| <i>Represented by</i> | | |
| Cash | \$ 384,287 | \$ 1,927,894 |
| CASH AND EQUIVALENTS, END OF YEAR | \$ 384,287 | \$ 1,927,894 |

The accompanying notes are an integral part of these Financial Statements.

MUSKOKA – EAST PARRY SOUND HEALTH SERVICES

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2006

On August 1, 2005 South Muskoka Memorial Hospital Corporation and Huntsville District Memorial Hospital were amalgamated to form Muskoka – East Parry Sound Health Services.

Muskoka – East Parry Sound Health Services is a non-profit organization incorporated without share capital under the laws of the Province of Ontario. The organization provides 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 organization controls the Muskoka – East Parry Sound Health Services – Gravenhurst Clinic through common control. The clinic is incorporated without share capital and provides X-ray services under license from the Province of Ontario to the residents of Gravenhurst and the surrounding area. The assets, liabilities and results of operations have been consolidated in the organization's financial statement. The organization is a registered charity and as such, is exempt from income tax and may issue income tax receipts to donors.

1. SIGNIFICANT ACCOUNTING POLICIES

The Financial Statement of the Muskoka – East Parry Sound Health Services is the representation of management prepared in accordance with Canadian generally accepted accounting principles. Significant aspects of the accounting policies adopted by the Organization are as follows:

(a) Basis of Accounting

These Statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as the result of receipt of goods or services and the creation of a legal obligation to pay.

(b) Contributions related to Capital Assets

The organization follows the deferral method of accounting for contributions received related to capital assets. These contributions are deferred and amortized on a straight-line basis at a rate corresponding with the amortization rate for the related building or equipment purchased. Unrestricted contributions are recognized as revenue when received, or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(c) Contributed Services

A substantial number of volunteers contribute a significant amount of their time each year to the organization. Because of the difficulty of determining the fair value, contributed services are not recognized in these financial statements.

(d) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, bank balances, overdrafts, and investments in money market instruments with maturities of three months or less.

MUSKOKA – EAST PARRY SOUND HEALTH SERVICES

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2006

(e) Inventory

Inventory consists of general supplies, pharmaceuticals, and laboratory supplies. Inventory is stated at the lower of average costs and replacement value.

(f) Capital Assets

Capital assets are recorded at cost. Amortization based on the estimated useful life of the asset is provided for as follows:

| | | |
|----------------------------|---|--|
| Land improvements | - | straight line basis over 20 years |
| Buildings | - | straight line basis over 20 and 50 years |
| Gravenhurst Clinic Licence | - | straight line basis over 20 years |
| Capital lease equipment | - | straight line basis over 5 years |
| Major equipment | - | straight line basis varying from 3 to 10 years |

(g) Capital Leases

Equipment leased on terms which substantially transfer all of the benefits and risks of ownership to the organization are treated as Capital Leases, and are therefore accounted for as though an asset has been purchased and a long term liability incurred.

(h) Provincial Allocations

Allocations from the Province of Ontario are recognized in the financial statement as revenues in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

(i) Employee Benefits

Employees are entitled to compensation for unused vacation credits when they leave the organization's employ. These benefits are accrued in the period in which they are earned. Employees may accumulate sick time credits during the term of their employment. Unused sick time at retirement or termination of employment is forfeited.

(j) Use of Estimates

Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements in accordance with generally accepted accounting principles necessarily involves the use of estimates and approximations. These have been made using careful judgments.

(k) Comparative Figures

The comparative figures are the March 31, 2005 ending balances of the two previous entities, South Muskoka Memorial Hospital Corporation and Huntsville District Memorial Hospital.

Huntsville District Memorial Hospital was audited by another auditing firm in the previous year.

MUSKOKA – EAST PARRY SOUND HEALTH SERVICES

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2006

2. FINANCIAL INSTRUMENTS

The organization's financial instruments consist of cash, accounts receivable, bank indebtedness, accounts payable and long term debt. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments.

3. ACCOUNTS RECEIVABLE

Accounts Receivable consists of the following:

| | <u>2006</u> | <u>Note 1 2005</u> |
|---|----------------------------|----------------------------|
| Ministry of Health and Long-Term Care | \$ 196,177 | \$ 805,577 |
| Insurers and Patients | 1,128,017 | 909,077 |
| Huntsville District Memorial Hospital Foundation | 64,081 | 121,159 |
| Laboratory Pilot Project | 320,000 | 744,000 |
| Huntsville District Nursing Home Inc. | 464,003 | 485,396 |
| Other | 528,885 | 609,900 |
| | <u>\$ 2,701,163</u> | <u>\$ 3,674,109</u> |
| Allowance for Doubtful Accounts | (108,898) | (87,927) |
| | <u>\$ 2,592,265</u> | <u>\$ 3,586,182</u> |

4. LONG-TERM INVESTMENTS

| | <u>2006</u> | <u>Note 1 2005</u> |
|---|--------------------------|--------------------------|
| Ontario Savings Bonds, bearing Interest at rates ranging from 4.25% to 6.75% depending on length of time held, maturing June 2006 | \$ 267,293 | \$ 266,309 |
| G.M.A.C. Savings Bond, bearing Interest at 6.2%, maturing August 2007 | 26,106 | 26,106 |
| Money Market Fund with a variable Rate of return | 3,837 | 2,117 |
| TD Mortgage Bond, bearing interest at 6.46%, maturing October 2007 | 16,218 | 0 |
| | <u>\$ 313,454</u> | <u>\$ 294,532</u> |

MUSKOKA – EAST PARRY SOUND HEALTH SERVICES

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2006

5. CAPITAL ASSETS

| | <u>2006</u> | | Note 1 <u>2005</u> | |
|----------------------------|-----------------------------|-------------------------------------|-----------------------------|-------------------------------------|
| | <u>Cost</u> | <u>Accumulated Amortization</u> | <u>Cost</u> | <u>Accumulated Amortization</u> |
| Land | \$ 672,835 | \$ 0 | \$ 410,945 | \$ 0 |
| Land improvements | 318,242 | 318,242 | 318,242 | 317,057 |
| Buildings | 50,775,358 | 11,663,142 | 47,383,077 | 10,445,606 |
| Gravenhurst Clinic License | 202,582 | 70,654 | 202,582 | 60,525 |
| Equipment | 26,924,210 | 20,504,707 | 24,554,525 | 18,976,442 |
| | <u>\$ 78,893,227</u> | <u>\$ 32,556,745</u> | <u>\$ 72,869,371</u> | <u>\$ 29,799,630</u> |
| NET BOOK VALUE | | <u>\$ 46,336,482</u> | | <u>\$ 43,069,741</u> |

6. SHORT-TERM DEMAND LOANS

| | <u>2006</u> | Note 1 <u>2005</u> |
|---|----------------------------|----------------------------|
| Operating line – Scotiabank, interest at prime less 0.5% payable monthly, due on demand | \$ 430,000 | \$ 1,000,000 |
| Bridge financing – Scotiabank, interest due at prime less 0.5% payable monthly, to be repaid in full by June 30, 2006 | <u>1,900,000</u> | <u>1,900,000</u> |
| | <u>\$ 2,330,000</u> | <u>\$ 2,900,000</u> |

The above loans provided assistance with general operating requirements. Unused facilities related to the operating line amounted to \$ 2,384,000 at March 31, 2006 (2005 - \$1,814,000). Security for this loan includes a Banker's Acceptance Agreement.

MUSKOKA – EAST PARRY SOUND HEALTH SERVICES

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2006

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES*Accounts Payable and Accrued Liabilities* consists of the following:

| | <u>2006</u> | Note 1 <u>2005</u> |
|---|---------------------|-----------------------|
| Due to Ministry of Health And Long Term Care | \$ 727,200 | \$ 1,087,826 |
| Accounts Payable – Trade | 3,684,358 | 2,688,943 |
| Wages and Benefits | 2,953,007 | 3,198,619 |
| | <u>\$ 7,364,565</u> | <u>\$ 6,975,388</u> |

8. OBLIGATION UNDER CAPITAL LEASES

| | <u>2006</u> | Note 1 <u>2005</u> |
|---|---------------------|-----------------------|
| Urology table – repayable at \$12,423 per month including interest at 7.2%, expiring April, 2005 | \$ 0 | \$ 9,719 |
| Medirex – repayable at \$1,128 per month including interest at 8.5%, expiring August, 2005 | 0 | 5,507 |
| Telephone system – repayable at \$1,725 per month including interest at 8%, expiring March, 2009 | 53,548 | 68,601 |
| Honeywell Energy Performance –repayable at \$17,265 per month including interest at 6%, expiring February, 2011 | 893,055 | 848,754 |
| CT Scanner – repayable at \$401,683 per annum including interest at 5.65% expiring April, 2010. | <u>1,800,000</u> | <u>0</u> |
| | \$ 2,746,603 | \$ 932,581 |
| Less current portion | <u>(576,864)</u> | <u>(106,193)</u> |
| | <u>\$ 2,169,739</u> | <u>\$ 826,388</u> |

MUSKOKA - EAST PARRY SOUND HEALTH SERVICES

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2006

8. OBLIGATION UNDER CAPITAL LEASES - Continued

Future minimum lease payments under existing contracts over the next five fiscal years are as follows:

| | | |
|-----------------------|---|----------------------------|
| 2007 | - | \$ 629,557 |
| 2008 | - | 629,557 |
| 2009 | - | 627,955 |
| 2010 | - | 608,863 |
| 2011 | - | <u>608,863</u> |
| | | \$ 3,104,795 |
| Less imputed interest | | <u>(358,192)</u> |
| | | <u>\$ 2,746,603</u> |

9. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

| | Ministry of Health and Other | South Muskoka Hospital Foundation and Auxiliary | Huntsville District Memorial Foundation Grants | 2006 | Note 1 2005 |
|----------------------------------|------------------------------------|---|--|----------------------------|----------------------------|
| Balance, beginning | | | | | |
| Of year | \$22,284,167 | \$11,606,653 | \$1,896,829 | \$35,787,649 | \$34,210,935 |
| Grants received | | | | | |
| In the year | <u>674,270</u> | <u>567,220</u> | <u>13,492</u> | <u>1,254,982</u> | <u>3,258,444</u> |
| Total Contributions | \$22,958,437 | \$12,173,873 | \$1,910,321 | \$37,042,631 | \$37,469,379 |
| Less Accumulated Amortization | <u>(1,186,031)</u> | <u>(342,665)</u> | <u>(120,282)</u> | <u>(1,648,978)</u> | <u>(1,681,730)</u> |
| Balance, End of Year | <u>\$21,772,406</u> | <u>\$11,831,208</u> | <u>\$1,790,039</u> | <u>\$35,393,653</u> | <u>\$35,787,649</u> |

MUSKOKA – EAST PARRY SOUND HEALTH SERVICES

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2006

10. LONG TERM DEBT

| | <u>2006</u> | Note 1 <u>2005</u> |
|---|----------------------------|----------------------------|
| Non-revolving loan payable – Scotiabank, interest payable monthly at prime plus 0.5%, principal repayable \$400,000 annually, expiring September, 2008 | \$ 1,085,000 | \$ 1,485,000 |
| Non-revolving loan payable – Scotiabank interest payable monthly at prime, principal repayable \$350,000 annually expiring January, 2011 | <u>2,267,629</u> | <u>0</u> |
| | \$ 3,352,629 | \$ 1,485,000 |
| Less current portion | <u>(750,000)</u> | <u>(400,000)</u> |
| | <u>\$ 2,602,629</u> | <u>\$ 1,085,000</u> |

Principal payments over the next five years are as follows:

| | | |
|------|---|----------------|
| 2007 | - | \$ 750,000 |
| 2008 | - | 750,000 |
| 2009 | - | 635,000 |
| 2010 | - | 350,000 |
| 2011 | - | <u>867,629</u> |

\$ 3,352,629

MUSKOKA – EAST PARRY SOUND HEALTH SERVICES

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2006

11. PENSION AGREEMENTS

Substantially all of the employees of the organization are members of the Hospitals of Ontario Pension Plan (the "Plan"), which is a multi-employer defined contribution pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the five consecutive years prior to retirement, termination or death that provide the highest earnings. For 2006, employee contributions were based on 6.9% (2005 – 6.9%) of earnings up to \$ 42,100 (2005 – \$41,100), and 9.2% (2005 – 9.2%) on earnings above that level. The organization contributes 1.26 times the employee contribution.

The amount contributed to the Plan on behalf of current service for the year ended March 31, 2006, was approximately \$ 2,464,647 (2005 - \$2,327,743).

12. RELATED PARTY TRANSACTIONS

- (a) The organization has entered into a management contract with the Huntsville District Nursing Home Inc. whereby the organization provides management and administrative services to the Nursing Home. During the year, the Nursing Home paid direct operating costs, recorded at their exchange amount, to the Huntsville District Memorial Hospital, consisting of the following:

| | 2006 | Note 1 2005 |
|------------------------------------|-------------------|-------------------|
| Executive Office | \$ 14,630 | \$ 28,170 |
| Other Administration | 18,867 | 23,619 |
| Laundry and Linen | 111,306 | 110,888 |
| Wages and Benefits | 478,660 | 469,240 |
| Nursing Supplies and Miscellaneous | 10,877 | 16,731 |
| | <u>\$ 634,340</u> | <u>\$ 648,648</u> |

In addition, as part of the terms of the agreement between the organization and the Nursing Home, the organization pays accounts payable invoices of the Nursing Home for which it is reimbursed. During the year the organization paid invoices on behalf of the Nursing Home in the amount of \$ 1,778,112 (2005 - \$ 1,594,991)

Certain land and buildings of the organization have been leased to the Huntsville District Nursing Home Inc. The Huntsville District Nursing Home Inc. has incurred leasehold improvement to the property in the amount of \$ 2,258,643 (2005 - \$ 2,208,265). A formal lease agreement is in place with rent of \$ 12.00 per annum.

MUSKOKA – EAST PARRY SOUND HEALTH SERVICES

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2006

12. RELATED PARTY TRANSACTIONS - Continued

- (b) The organization has an economic interest in the Huntsville District Memorial Hospital Foundation. The Foundation solicits funds on behalf of the organization to be used for approved capital projects. During the year, the organization received donations from the Foundation as disclosed in Note 9 as well as approximately \$ 230,339 (2005 - \$ 375,894) for direct operating and capital costs incurred by the organization on behalf of the Foundation.
- (c) The organization has an economic interest in the South Muskoka Hospital Foundation (the Foundation), which was established to raise funds for the use of the organization and of other organizations in the community with similar objectives. The Foundation is incorporated by Letters Patent without share capital under the laws of Ontario, and is a registered charity under the Income Tax Act. During the year, the organization received the following donations from the Foundation: \$ 500,000 (2005 - \$400,000), which is included in Deferred Contributions, to assist with the Phase II construction expenses, and \$ 0 (2005 - \$44,670) for staff education and development.

13. COMMITMENTS AND CONTINGENCIES

- (a) The nature of the organization's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2006, management believes the organization 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 organization'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, 2006.

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 Directions of HIROC. There are no distributions receivable from HIROC as at March 31, 2006.

MUSKOKA – EAST PARRY SOUND HEALTH SERVICES

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2006

14. EMPLOYEE FUTURE BENEFITS

The organization sponsors a defined benefit plan covering substantially all full time employees. Effective April 1, 2005, the South Muskoka Site changed its method of accounting for employee future benefits to conform with the new CICA accounting policy and now costs for employee future benefits are accrued over the periods in which employees earn the benefits.

The change in policy has been applied retroactively, on a cumulative adjustment basis, with no restatement of 2005 financial statements. As a result of the adoption at April 1, 2005 liabilities for employee future benefits were increased by \$ 114,900 and the remaining surplus was decreased. The adoption of the new standard increased the deficit for 2006 by \$ 11,500.

Post retirement benefit costs have been actuarially determined using the projected benefit method prorated on service and management's best estimates of salary increases and ages of employees upon retirement.

Actuarial valuations for accounting purposes are performed triennially using the projected benefit method prorated on services. The most recent actuarial report was prepared at April 1, 2005. The accrued benefit obligation of \$ 635,300 shown for 2006 is based on an extrapolation of the April 1, 2005 valuation.

Accrued Benefit Obligation

| | 2006 | Note 1 2005 |
|--|-------------------|-------------------|
| Balance, Beginning of Year South Muskoka Site | \$ 477,700 | \$ 437,600 |
| Adjustment | 114,900 | 0 |
| Restated Balance, Beginning of Year | \$ 592,600 | \$ 437,600 |
| Current Service Expense | 29,600 | 22,400 |
| Interest cost | 36,900 | 27,000 |
| Benefits paid during year | (23,800) | (9,300) |
| Balance, End of Year | \$ 635,300 | \$ 477,700 |

MUSKOKA – EAST PARRY SOUND HEALTH SERVICES

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2006

14. EMPLOYEE FUTURE BENEFITS - Continued

The actuarial valuation was based on a number of assumptions about future events, such as inflation rates, interest rates, medical inflation rates, wage and salary increases, and employee turnover and mortality. The assumptions used reflect the hospital's best estimates. The expected inflation rate is 5.75%, the discount rate used to determine the accrued benefit obligation is 5.25%, the dental cost increase is 4.0% and Extended Health care increase is 10.5% in 2006. The % rate for Extended Health Care is decreasing by 1% increments per annum to an ultimate rate of 4.5% per annum in 2012.

The post employment benefit expense is reported as a component of current expenditures on the statement of financial activities. Composition of the amount is as follows:

| | 2006 | Note 1 2005 |
|---|------------------|------------------|
| Current Service Costs | \$ 29,600 | \$ 22,400 |
| Interest on post-employment Benefit liability | 36,900 | 27,000 |
| Recovery from Affiliated Programs | (25,517) | (12,900) |
| Total Expense Related to Post- Employment Benefits | \$ 40,983 | \$ 36,500 |

MUSKOKA – EAST PARRY SOUND HEALTH SERVICESSCHEDULE A – OTHER PROGRAMS
FOR THE YEAR ENDED MARCH 31, 2006

| | 2006 | Note 1 2005 |
|---|---------------------|---------------------|
| REVENUE | | |
| Diabetic Education Network – South Muskoka Site | \$ 133,222 | \$ 133,601 |
| Diabetes Education Centre – Huntsville Site | 210,919 | 206,492 |
| Designated Assessment Centre | 121,557 | 101,353 |
| Ontario Breast Screening | 27,154 | 63,404 |
| Gravenhurst Clinic | 49,303 | 68,416 |
| Community Care Access Centre | 11,171,880 | 10,127,679 |
| Property Taxes | 13,950 | 13,950 |
| Total Revenue | \$11,727,985 | \$10,714,895 |
| EXPENDITURES | | |
| Diabetic Education Network – South Muskoka Site | \$ 140,274 | \$ 134,808 |
| Diabetes Education Centre – Huntsville Site | 210,919 | 206,492 |
| Designated Assessment Centre | 106,695 | 101,353 |
| Ontario Breast Screening | 27,154 | 63,404 |
| Gravenhurst Clinic | 104,588 | 107,951 |
| Community Care Access Centre | 11,171,880 | 10,127,679 |
| Property Taxes | 13,950 | 13,950 |
| Total Expenditures | \$11,775,460 | \$10,755,637 |
| NET OTHER INCOME (EXPENSE) | \$ (47,475) | \$ (40,742) |
