MUSKOKA ALGONQUIN HEALTHCARE

Annual Report

2007-2008

People ARE THE CENTRE OF OUR HEALTHCARE NETWORK.

Muskoka Algonquin Healthcare includes Burk's Falls & District Health Centre, Huntsville District Memorial Hospital and South Muskoka Memorial Hospital

Muskoka Algonquin Healthcare (MAHC) is a multi-site organization created through the amalgamation of South Muskoka Memorial Hospital in Bracebridge and Algonquin Health Services, which included Huntsville District Memorial Hospital, Burk's Falls and District Health Centre and the Muskoka-East Parry Sound CCAC (Community Care Access Centre).

The amalgamation took place in August 2005 under the temporary name, 'Muskoka-East Parry Sound Health Services". Upon completion of a strategic planning exercise, the name 'Muskoka Algonquin Healthcare' was officially adopted in September 2006.

The individual sites that comprise MAHC have maintained their original names as part of the bigger group in honour of the legacy organizations.

Muskoka Algonquin Healthcare also provides management services to Fairvern Nursing Home in Huntsville.

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A Message from the Board Chair and President & CEO

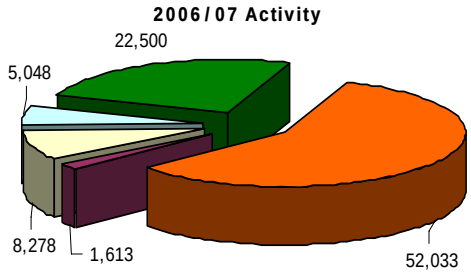
We are pleased to present Muskoka Algonquin Healthcare's (MAHC) annual report for the fiscal year ending March 31, 2008. While our organization continues to face significant financial and manpower challenges, our commitment to provide the highest quality of healthcare possible to the residents of Muskoka and East Parry Sound remains firmly in place.

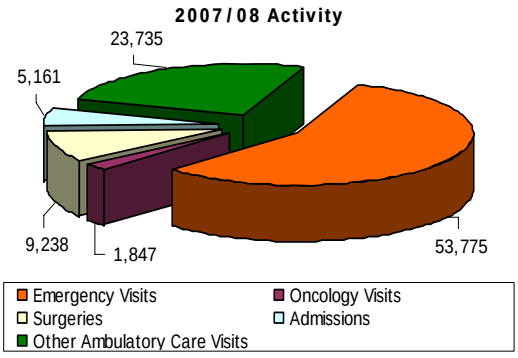
That commitment is clearly evident through the daily interaction that patients and their families have with our dedicated and caring staff, physicians, auxiliaries and volunteers. This has become even more demonstrable with the introduction of our Quality Matters Report, one of our more noteworthy achievements of the past year.

Hospital or community-acquired infections such as C.difficile, MRSA and VRE have been monitored at MAHC for a number of years in keeping with our commitment to patient and community safety. However, beginning in September 2007 MAHC began reporting these infections rates publicly through the development of the Quality Matters Report. This particular initiative was implemented in an effort to help our patients and families understand the importance of reducing the spread of such diseases between patients, from patient to staff or from patient to visitor. This was an exceptionally proactive step on the part of MAHC staff in light of the recent Ministry of Health and Long-Term Care (MOHLTC) announcement requiring all Ontario hospitals to report to the public on a variety of patient safety indicators by the end of April 2009.

The Quality Matters Report is available for viewing anytime on our website, www.mahc.ca. It provides a quarterly snapshot of our progress as an organization on a wide variety of fronts including these infectious disease rates. In total, there are 37 different indicators being tracked that have lead to a variety of projects aimed at improving the services that MAHC provides.

The efforts to maintain those services at equal or enhanced levels in this climate of economic uncertainty and yet still adhere to our fundamental mission to provide quality healthcare to our communities is yet another great success for MAHC. This does however promise to be one of the largest challenges in the months ahead. Increases to service needs and patient volumes were evident in almost every service sector at MAHC with a promise for that trend to continue in the coming year. In addition, the impact of pressures such Alternative Level of Care[1] patients continue to have significant impacts throughout our system. MAHC is committed to working with the North Simcoe Muskoka LHIN to develop and implement strategies that will help with these pressures not only for our organization but for the system as well.





[1] An Alternate Level of Care(ALC) patient has finished the acute care phase of his/her treatment but remains in the acute care bed. ALC patients may be awaiting placement (i.e., extended care facility, hospice, residential care home, community services, etc.) Sometimes the patient is admitted to hospital as an ALC because no alternate care is available (i.e. respite).

Adopting best practices while encouraging a culture of collaboration and integration both internally and externally is instrumental to our ability to meet the unique needs of our communities. Improving access to care remains a top priority and we recognize that there are benefits to service integration by partnering with other healthcare providers. One recent example is our decision to participate in a Regional Complex Continuing Care (CCC) program that will enhance the quality of care provided to CCC patients throughout our region, and will also free up much needed acute care space at Royal Victoria Hospital in Barrie, a benefit to all hospitals that routinely transfer patients to that facility.

We are also taking advantage of staffing efficiencies that can be realized on a regional basis. MAHC and Soldiers' Memorial Hospital in Orillia recently appointed a joint Human Resources position that will provide guidance to both organizations. Recruitment is also underway for a joint Pharmacy Director.

On the physician front, we were pleased to welcome several new physicians such as Dr. John Penswick into our organization. His arrival capped off a two-year recruitment initiative for a full-time pathologist. In addition, a number of talented nursing and allied health professionals joined the MAHC team this past year. However, professional recruitment continues to be a significant issue facing the healthcare industry as a whole. Existing vacancies within our organization in nursing, pharmacy, physiotherapy and other disciplines have created considerable pressures that will require much greater focus in the year ahead. Filling our staffing vacancies will help relieve the significant workload pressures on existing staff as well as help reduce overtime costs and move us closer to balancing our budget, which we have been unable to do in the first three years of our amalgamated organization.

The balance sheet indicates we ended the year in a much better position than originally projected, however, this was only due to some one-time deferred revenue that reduced the projected deficit of $1.2 million to $258,000 as you will see in the audited financial statements at the end of this report. The reality of this financial situation is important to note - without the one-time funding from previous years, our deficit position would be approximately $1.2 million. MAHC remains committed to working towards solutions that will bring the operating budget to a balanced position.

> "Without the one-time funding from previous years, our deficit would be approximately $1.2 million."

These are merely a few examples chosen from many that serve to illustrate the determination of MAHC not only to continue to maintain past successes in delivering healthcare, but to build on new initiatives to achieve even better performance—to "proudly serve our communities through quality healthcare" in the words of the Mission Statement.

We thank the North Simcoe Muskoka LHIN for its support and the cooperative working relationship it has established with our organization. As well, the continued generous support of our Foundations and communities helps ensure we can provide the best programs and services with the highest level of patient care.

We extend our deepest gratitude to our staff, physicians, auxiliary and volunteers. Daily they give their heart and soul and maintain a deep commitment to our patients and communities in the face of all the tremendous challenges facing healthcare today.

Finally, we have the privilege of working with a very talented Management Team and an extremely committed and skilled Board of Directors. Without the trust and support of these individuals so much of what has been accomplished this past year would not have happened. To each of you - thank you.

Respectfully submitted,

Michael C. Provan
Chair of the Board

Barry V. Lockhart
President & CEO

Board Governance

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. The following people hold ex-officio positions on the Board of Directors; Chief Executive Officer, Chief of Staff, President of the Medical Staff, and Vice-President of the Medical Staff.

MAHC Board of Directors 2007/08

Mr. Mike Provan, Chair
Ms. Christine Larkin, Treasurer
Mr. Jack Bowman
Mr. Harry Braun
Mr. Chris Everingham
Mr. Barry Hammond
Mr. Guy Burry, Vice-Chair
Ms. Gayle Mackay
Mr. Sven Miglin
Mr. John Sinclair
Ms. Beth Ward
Mr. Tim Withey

Ex-Officio Members

Mr. Barry Lockhart, President & CEO
Dr. David Mathies, Chief of Staff
Dr. Rob Sansom, President, Medical Staff
Dr. Andy MacMillan, Vice-President, Medical Staff

Committee Structure

For the 2007/2008 fiscal year, MAHC had five standing Board Committees:

- Resources & Accountability
- Governance & Community Relations
- Strategic Planning & Quality Assurance
- Medical Advisory Committee
- Audit Committee

From Left to Right: Mike Provan, Harry Braun, Dr. Andy MacMillan, Tim Withey, Beth Ward, John Sinclair, Gayle Mackay, Chris Everingham, Christine Larkin, Dr. David Mathies, Sven Miglin, Barry Lockhart. Missing from photo is Dr. Rob Sansom, Guy Burry, Jack Bowman, Barry Hammond.

Report of the Chief of Staff

Probably the biggest story in the past year, from my perspective, has been the increasing interaction that Muskoka Algonquin Healthcare (MAHC) has been having with the North Simcoe Muskoka Local Health Integration Network (NSM LHIN).

The NSM LHIN is beginning to find its way and we are working with them on a number of portfolios to improve the care of patients. One of the biggest projects we have started with is accepting responsibility for complex continuing care patients in a more regional fashion. This has involved negotiations with all of the hospitals in the NSM LHIN in planning to improve the services for patients with long stay and rehabilitation problems, such as access to occupational therapy, physiotherapy and speech language pathology. This program is expected to begin during the month of June and we are looking forward to a successful implementation.

Other services being worked on, in collaboration with the NSM LHIN involve the areas of orthopaedics, care of the mentally ill through the establishment of a new mental health registry and dealing with the alternate level of care (ALC) patient. ALC patients, who are individuals that are no longer receiving acute care interventions and are now waiting to either be discharged home or to a nursing home, have risen in number in the last few years, with the past year being especially challenging. The NSM LHIN has made it a priority goal to greatly reduce the impact of this problem. The number of ALC patients within our system significantly interferes with our ability to take care of the more acute care patient; at times it becomes necessary to take such measures as cancelling surgery in order to deal with the ALC patients, a decision which is always very disappointing.

I am excited, however, to be observing the renovation and upgrading of the diagnostic imaging facilities at the Huntsville site. Our capacity to provide better services to the patients, and the physicians caring for them, will be greatly enhanced by this upgrade to digital imaging and picture archiving communication service (PACS). In addition, I think this greatly improves our chances of recruiting a new radiologist, which we have not had on site in Huntsville for the past year.

Speaking of recruitment, this has been otherwise a very successful year. Dr. John Penswick has joined our organization as a Pathologist and Lab Director. I am also pleased to announce the arrival of Dr. Shane Williams at the South Muskoka Memorial Hospital Site. Shane is a Cardiologist and his expertise will be a welcome addition to the medical staff. Also, Dr. Rohit Gupta, a general surgeon, made a timely arrival on the heels of Dr. Monica Chaudhuri's departure. We do wish Dr. Chaudhuri well and we are sorry to see her go. Dr. Hector Roldan, also a general surgeon, arrived late last summer to work at the Huntsville Site and has been a welcomed addition to the medical staff.

After extensive consultation with medical staff, the "Rules and Regulations for the Professional Staff" have been written, and I thank all those who helped me complete this document.

Finally, it was unfortunate but we were unable to find a way to continue the after hours physician coverage of the Urgent Care Centre at the Burk's Falls & District Health Centre Site. MAHC is working with the community to find an alternate solution to enhancing the delivery of primary care services in East Parry Sound.

I 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 2007/08 MEMBERS

Chair
Dr. David Mathies

President, Medical Staff
Dr. Andy MacMillan

Vice-President, Medical Staff
Dr. Rob Sansom

Members
Dr. Brian Murat
Dr. William Caughey
Dr. Graeme Gair
Dr. Sheena Branigan
Dr. Michael de Roode
Dr. Mark Mensour
Dr. Liang Liao

Staff
Barry Lockhart
Harold Featherston
Bev McFarlane

Attracting **THE RIGHT PHYSICIANS**

2007/08 MEMBERS

Chair
Beth Ward

Directors
Gayle Mackay
Sven Miglin
Barry Hammond

Ex-Officio Directors
Mike Provan
Barry Lockhart
Dr. David Mathies

Staff
Harold Featherston
Bev McFarlane
Frankie Dewsbury
Kelly Pender

Ensuring
TOP QUALITY CARE

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.

Strategic Planning must carefully consider change and its impact on MAHC. The most significant trends in healthcare over the past several years have included a shift towards integration and collaboration, a shift that is leading healthcare delivery in new directions. This shift and the changing attitudes and expectations of patients and their families will have a significant impact on the services offered by healthcare facilitators and how those services are delivered.

Consumers demand high quality services, and timely responses to their needs. They want to be well informed as well as having their questions dealt with expediently. Healthcare providers must plan to meet these expectations through strategies such as innovative scheduling, and detailed attention to health and safety issues. The Board has a fundamental responsibility to be accountable for organizational quality. The Board's role in ensuring quality extends to oversight of performance measurement and monitoring and includes communicating that quality to our communities.

The Committee has worked diligently alongside the Chief of Staff, management and staff to continue to implement, monitor and strengthen the quarterly "Quality Matters" Report. This quality program monitors thirty-seven (37) performance indicators using a balanced scorecard approach and framework. Fourteen (14) indicators focus on quality and patient safety initiatives, seventeen (17) indicators were developed to monitor progress in meeting MAHC's strategic goals and objectives while the remaining six performance indicators are identified in the Hospital Accountability Agreement (HAA). Quarterly reporting on the indicators has enabled us to identify a number of opportunities to improve our performance through the development of action plans to address these issues. A prime example of this work stemmed from the indicator that monitors the number of people who left MAHC emergency departments before being seen by a physician. As a result, an ad hoc committee is currently reviewing these cases to determine the causal factors with the intent to develop a plan to address and remedy the situation. For a complete review of the Quality Matters Report and the entire data set, please visit www.mahc.ca.

The 2008 Annual General Meeting (AGM) marks the second anniversary of the release of the Strategic Plan for Muskoka Algonquin Healthcare. 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 direction for action and planning. This direction has come in the form of monitoring the strategies within the Quality Matters Report. In April 2008, the Board met collectively with the sole purpose of examining the strategic initiatives and to determine how well these initiatives were furthering the organization towards the vision, mission and values. At the end of the two-day

review session, consensus showed that the 2006-2011 strategic plan should be re-visited and updated to reflect current realities. Further consideration is needed in terms regarding patient-centred care, risk management and the implications of the new LHIN environment in which we operate.

Finally, one of the great successes of the 2007-08 fiscal year for this Committee were the results of the first ever Muskoka Algonquin Healthcare Patient Satisfaction Survey. Muskoka Algonquin Healthcare participated in the Ontario Hospital Association's (OHA) Patient Satisfaction Survey process for Acute Inpatient and Emergency Department Care Reports. Participation in the program enabled us to measure patient satisfaction for the distinct purpose of quality improvement.

The measurement of standardized patient satisfaction for Acute Inpatient, and Emergency Departments is conducted by the OHA's surveying partner National Research Corporation (NRC) using the Picker Institute survey instrument. The surveying program enables our hospital to compare our patient satisfaction results to facilities within our peer group, across Canada.

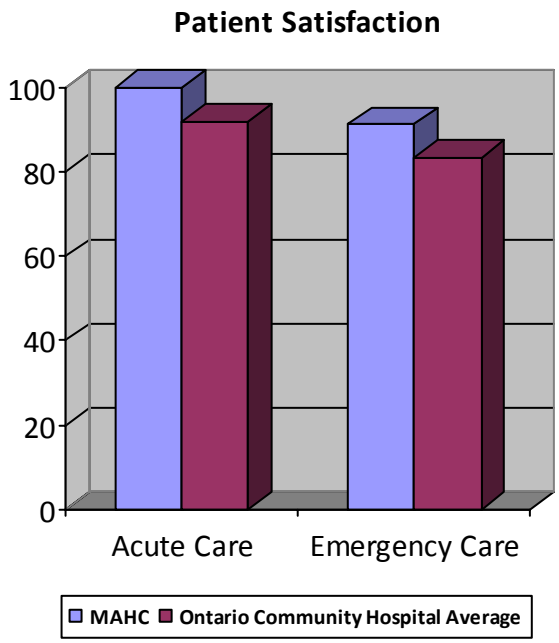
The results of April to June 2007 report show that our organization has risen above the Ontario Community Hospital average, on every dimension of care, for both Acute Care and Emergency Care.

For Acute Care Overall Satisfaction MAHC scored 100%.
The Ontario Community Hospital Average score was 91.8%

All dimension of care-combined MAHC scored 78.7%
The Ontario Community Hospital Average score was 73.2%

For Emergency Care Overall Satisfaction MAHC scored 91.2%
The Ontario Community Hospital Average score was 83.3%

All dimension of care-combined MAHC scored 78.4%
The Ontario Community Hospital Average score was 66.1%



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 continue to build on the progress as outlined above as well as we look at new avenues that will lead to improving patient care for Muskoka and East Parry Sound.

In 2009/10, you will hear more about patient safety initiatives, we will continue to work hard to further reduce hospital-acquired infections as well as other major adverse events. MAHC will also undergo its first ever Accreditation process that will lead to further improvements; patients should not only expect the highest quality of care but the safest as well.

Respectfully submitted,
Beth Ward, Chair

2007/08 MEMBERS

Chair
Guy Burry

Directors
Sven Miglin
Christine Larkin
Jack Bowman
Chris Everingham
Tim Withey

Ex-Officio Directors
Mike Provan
Barry Lockhart
Dr. Rob Sansom

Staff
John Frederick
Kelly Pender

Investing
IN INNOVATION

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 CE and Chief of Staff
- Board Award of Excellence program.

The year began in earnest with the significant challenge of needing to identify a host of operational efficiencies and enhanced revenue streams that would work towards reaching a balanced budget position. To aid in this process the organization underwent a benchmarking review exercise in which MAHC was compared to other healthcare organizations similar in size providing similar services. In many areas, MAHC was identified as being most efficient - in the top 25th percentile. The end result of this project led the organization to identifying $500,000 in further efficiencies.

In addition, the Committee, charged with monitoring of the overall financial performance requested a number of changes to the reporting structure of financial information. The current ratio[2] is now included on the balance sheet; the income statement provides a variance column between the annual budget and year end projection; functional centre reports demonstrate costs by department providing greater detail. All of these changes have allowed the Committee and Board of Directors to work collaboratively with Administration in an effort to ensure MAHC is performing as efficiently as possible.

One of the exciting changes for the 2007/08 fiscal year is the transition to digital imaging throughout the organization. A significant construction project has been initiated at the HDMH Site with a proposed full implementation across all MAHC facilities by the end of 2008. This initiative is the result of a successful partnership with Soldiers' Memorial Hospital in Orillia that will realize significant savings for our corporation as well as improving services for our patients.

With over 800 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

[2] The Current Ratio is an indicator that is required to be monitored as per the Hospital Accountability Agreement. It is a measure of short-term liquidity risk and is intended to indicate the ability of an organization to meet its current obligations. Higher values indicate greater liquidity and lower values indicate lesser liquidity. The target for this indicator is 1.0.

healthy workforce that attracts and retains talent. As a result a new employee recognition program was endorsed by the Board of Directors this year and will be presented for the very first time at this Annual General Meeting. The award is a peer-nominated system for both physicians and staff; it recognizes individuals that have demonstrated significant achievements at MAHC.

In addition, several human resource strategies have been implemented to support staff recruitment and retention, including:

- The creation of a joint board and physician recruitment and retention committee with a mandate to develop and implement proactive recruitment and retention strategies for health professionals for MAHC and the Muskoka East Parry Sound area.
- The development and implementation of new models of staffing on patient care units, including optimization of full scope of practice.
- A nursing job fair was held in May 2008 targeting recruitment of new graduates
- Continued implementation of the staff mentorship program.

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 hospital in terms of opportunities for integration and collaboration such as the recent appointment of the Integrated Vice President of Human Resources. Another partnership that MAHC has harmonized this past year has been with the Northern Ontario School of Medicine (NOSM) with the completion of the inaugural year of the newly developed Community Clerkship Program. MAHC will welcome seven new clerks in the fall of 2008.

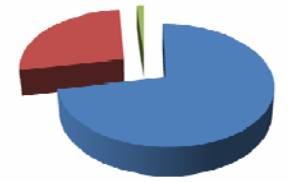
2007/08 was a very challenging year financially at MAHC – a year of belt-tightening and change we have worked hard on finding efficiencies while minimizing the impact on direct patient care. Ontario hospitals have entered into a new phase involving increased levels of financial accountability and transparency.

Looking forward to the coming year, many of the same issues will continue to be significant challenges, however this Board 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.

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

Respectfully submitted,

Guy Burry,
Committee Chair



Revenue

Total: $65.6 (millions of dollars)

Ministry of Health and Long-Term Care
$47.2 71.9%

Other Revenue
$17.6 26.8%

Amortization of Deferred Equipment Contributions
$0.8 1.3%

Expenditures

Total: $65.9 (millions of dollars)

Salaries and Benefits
$41.3 62.7%

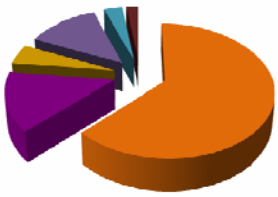
Supplies and Other Expenses
$9.3 14.1%

Drugs
$3.3 5.03%

Medical Staff Remuneration
$8.4 12.7%

Medical and Surgical Supplies
$2.2 3.29%

Amortization of Equipment
$1.4 2.1%



Governance & Community Relations

2007/08 MEMBERS

Chair
John Sinclair

Directors
Harry Braun
Barry Hammond

Ex-Officio Directors
Mike Provan
Barry Lockhart
Dr. Andy MacMillan

Staff
Terry Dyni

Raising
THE QUALITY OF CARE

The Governance and Community Relations Committee is a standing committee of the MAHC Board of Directors comprised of five members and 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.

A self-evaluation of the Board and Committees was conducted in Spring/08 to assess the effectiveness of the Board and its members - and to point out perceived weaknesses of governance matters. This process was initiated a year ago for the first time and now allows 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.

For the first time this year, the Committee established Annual Goals for the Board - a list of specific objectives for the Board to address through the year. Performance will be re-visited at the final Board meeting of the year in order to provide a measurement of satisfactory or unsatisfactory accomplishment during the year.

New candidates to fill Board vacancies were solicited and interviewed; leading to a Nominations Report being submitted to the Board at the June meeting.

The Community Health Bulletin was again published this year - a multi-page newspaper insert outlining newsy MAHC activities and accomplishments. This Bulletin is distributed to thousands of homes within the organization's catchment area.

In addition, regular press releases and meetings with editors continued through the year, supplemented by community engagements by staff and Board members. The MAHC website, www.mahc.ca, continues to experience steady growth in traffic and visits.

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, Chair

Proposed Bylaw Amendments

The Governance Committee has fulfilled its obligation in terms of reviewing the MAHC Bylaws. In conjunction with the review of the Governance Policy and Procedure manual it was discovered that the Bylaws required an addition in terms of a Past Chair position. The following change reflects the Board of Director's decision to include the immediate Past Chair as an officer of the Board:

Article 4.02 Board Composition

(a) The affairs of the Corporation shall be managed by a Board of sixteen (16) voting Directors. The composition of which shall be as follows:

(i) Elected

Twelve (12) Directors shall be elected on a rotational basis for three year terms by the Members of the Corporation. The elected Directors shall be elected in rotation for a three (3) year term and at least four (4) Directors' terms shall expire each year.

(ii) Ex-Officio, Voting

The persons holding the following offices shall be ex-officio Directors of the Corporation:

(A) the Chief Executive Officer;
(B) the President of the Medical Staff;
(C) the Vice-President of the Medical Staff; and
(D) the Chief of Staff of the Corporation.

(b) The Immediate Past-Chair shall be a non-voting ex-officio member of the Board unless the person occupying the office is also one of the twelve (12) elected Directors in which case he shall be entitled to vote.

Article 5.01 Officers

(a) The Board shall elect the following officers at the regular meeting immediately following the annual meeting:

(i) the Chair;
(ii) the Vice-Chair;
(iii) the Treasurer; and
(iv) the Secretary.

(b) The Chief Executive Officer may be the Secretary of the Board.

(c) Ex-officio Directors shall be ineligible for election as Chair or Vice-Chair.

(d) Immediate Board Past Chair position.

Article 5.07 Immediate Board Past Chair

(a) The individual who is the immediate past chair of the corporation shall hold the office of past chair. The past chair is entitled to:

(i) notice of all meetings of the Board and of the members of the Corporation;
(ii) attend all meetings of the Board and the members of the Corporation and to participate in discussion thereat.

(b) The immediate board past chair may but need not be a director of the corporation.

(c) The immediate board past chair shall not be entitled to vote at meetings of the board unless such individual is a director.

Nominations

The final duty 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, plus three continuing Board members, was required. Of the four member's terms that were due to expire this year, three have chosen to continue for a second three year term – Ms. Gayle Mackay, Mr. Tim Withey and Mr. John Sinclair. Unfortunately we have received three resignations from Ms. Christine Larkin, Mr. Jack Bowman and Mr. Barry Hammond.

Numerous applications were received this year and interviews were conducted through the month of April. It was gratifying to receive a high number of qualified applicants and, in fact, the largest challenge was to narrow the field down to the required number of only three candidates.

The proposed slate therefore consists of the following:

Mr. John Sinclair – three term ending June 2011
Mr. Tim Withey – three year term ending 2011
Ms. Gayle Mackay – three year term ending 2011
Mr. Larry Saunders – three year term ending 2011
Ms. Shelley van den Heuvel – one year term ending 2009
Mr. Peter McBirnie – two 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.

Special thanks

goes to departing Board members for their dedication and contribution to the MAHC Board of Directors:

Mr. Dan Brooks,
Ms. Christine Larkin,
Mr. Jack Bowman
Mr. Barry Hammond

Communication

Collaboration with Partners

Opportunities with our partners are continually being explored to help improve the quality of service to our communities.

Well-established, strong partnerships exist at the local, LHIN and provincial levels. These partnerships have proven vital over the past year as we explore opportunities that are value ad in terms of the diverse needs of our communities.

Collaboration with the following organizations have moved MAHC towards fundamental changes and improvements in the ways in which healthcare, is provided in Muskoka and East-Parry Sound:

Huntsville Hospital Foundation
South Muskoka Hospital Foundation
Huntsville Hospital Auxiliary
South Muskoka Hospital Auxiliary
North Simcoe Muskoka LHIN
Musokoka-Simcoe Network Hospitals
Local Municipalities
Northern Ontario School of Medicine
Huntsville Hospice
Muskoka Hospice
One Kids Place
North Simcoe Muskoka Community care Access Centre

HUNTSVILLE HOSPITAL FOUNDATION BOARD OF DIRECTORS 2007/08

Chair
Ray Ward

Vice-Chair
Rob Payne

Treasurer
Sandy Mackay

Secretary
Tracy Robinson

Past Chair
Keith Edmondson

Directors
Dr. John Digby
Chris Edwards
Helena Renwick
Gail Rooke – Fairvern Rep
Jean Wagner – Hospital Auxiliary Rep
Barry Lockhart – Ex-Officio

STAFF
Debi Davis,
Executive Director
Cheryl Perry,
Executive Assistant

A Message from the Chair of the Huntsville Hospital Foundation

This report, for 2007-2008, outlines some highlights for the year, information about the Foundation's strategic planning and a few comments concerning the future.

Donor contributions in 2007-2008 reached the highest level in the history of the Foundation. Interestingly, as in the case of other foundations, the contributions were made by fewer donors. The Foundation was able to meet its commitment to Muskoka Algonquin Healthcare with the contributions of $1.2 million for the Digital Diagnostic Imaging Project, as well as contributing over $500,000 towards priority capital equipment for Huntsville Hospital and Burk's Falls & District Health Centre.

The generous support of our Donors, and several special events such as the car lottery and the Spring Gala and those sponsored by community groups created additional revenue.

The Board and Staff of the Foundation developed a strategic planning initiative in 2007-2008 which has resulted in a first draft of a Mission, Vision and Values statements for the Foundation. Other initiatives during the year included;

- the performance evaluation of the Executive Director and the Executive Assistant to the Executive Director,
- a Board survey focused on the roles and responsibilities and performances of Board Members,
- revision of the Foundation policies and procedures,
- reorganization of the Foundation committee structure,
- addition of volunteer members from the community as advisors to committees and as potential future Board Members,
- revision to the Foundation By-law.

The future holds many exciting and challenging potentials for the Foundation Board and Staff. The current Board will remain almost intact for 2008-2009 with the possibility of additional members. As part of the strategic planning exercise, several directions for the future were addressed. They include;

- contracting a consulting firm to direct the planning and implementation for future capital needs to which include the Digital Diagnostic Imaging Department Project, and annual capital

priorities,

- emphasis on outreach to current and future donors,
- development of new sources of revenue including corporations, business and industry and all levels of government,
- continued attention to the Foundation's relationship with its partners including Muskoka Algonquin Healthcare, Fairvern and Burk's Falls District Health Centre.

The Board and Staff of the Huntsville District Memorial Hospital Foundation believe strongly that the Foundation consist of all of those involved; donors, volunteers, Board members and Staff. Our draft Mission and Vision statements reflect this.

Mission: A community team raising funds to provide quality healthcare for all.

Vision: The Foundation community team of donors, volunteers and staff provide capital healthcare fund for the people we serve.

I wish to express my sincere thanks and appreciation to the Donors, Volunteers, Board Members and Staff who have worked so diligently to achieve our Mission and Vision.

It is with this focus that the Huntsville District Memorial Hospital Foundation celebrates a successful year and looks forward to continued success in 2008-2009

Respectfully submitted,

Ray Ward
Chair, HDMH Foundation

SOUTH MUSKOKA HOSPITAL FOUNDATION BOARD OF DIRECTORS 2007/08

Chair
J. Douglas Lamb

Vice-Chair
George Reid

Treasurer
Chris Gun-Munro

Directors
George Edwards
Jeanette Eland
Helen Fox
Guy Gagnon
Jeff Hodges
Barry Lockhart
Beverley McCarthy
Margaret Michalski
Dr. Kent Phillips
Cathie Turner

Staff
Colin Miller,
Executive Director
Bonnie Veitch,
Executive Assistant
Sue McDonald,
Data Administrator

A Message from the Chair of the South Muskoka Hospital Foundation

As Chair of South Muskoka Hospital Foundation, I am pleased to report another outstanding year of fundraising success for the South Muskoka Memorial Hospital Site.

Our public launch of *The Picture of Health* campaign was one of the past year's highlights as we officially moved from the quiet phase into a high profile public campaign. I'm happy to report that, as a result, we have surpassed our goals ahead of schedule and intend to take the campaign beyond the original $5 million goal. Part of our extended obligation with the campaign will be to help the hospital upgrade its Picture Archiving Communication System (PACS). PACS enables worldwide connectivity for our diagnostic imaging facilities and ensures we can dramatically improve service to our patients.

The *Picture of Health* campaign has garnered widespread support across South Muskoka and includes the following gifts to date: 13 gifts of $100,000 or more, 15 gifts of $50,000 or more, 35 gifts of $25,000 or more and 53 gifts of $10,000 or more. This response from the community is quite remarkable and represents a level of achievement far beyond our wildest hopes.

What speaks to the power of giving and the true spirit of philanthropy in our community is the fact that the Foundation transferred more than $2.1 million to the hospital over the past 12 months. This is truly a staggering level of achievement that has enabled us to purchase new equipment, expand the service and reach of our programs, and improve the overall healthcare experience for our patients. Furthermore, this clearly demonstrates that our community values healthcare and has made supporting their hospital a priority in their lives. When it comes to financing healthcare, the government funds the basics and philanthropy funds excellence.

We have learned over the past year that the support for our hospital is prevalent across all segments of our community. Donations have come from every possible sector in Muskoka - individuals, church groups, local businesses, community associations and service clubs, children, financial institutions and large corporations. The seasonal residents recognize the value of a strong hospital just as do our year-round residents and local businesses. We are indeed very fortunate to have garnered such strong support across such a broad demographic.

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

The Foundation board recently underwent a strategic plan process that we believe will propel us forward to even higher achievements as we progress through a five-year plan. This strategic plan will essentially enhance our ability to position healthcare philanthropy as a top priority in the South Muskoka community.

In closing, I would only add that we need everyone in the community to step forward and support our campaign. Please call us today to learn more about how you can play a role in our community's future through a gift to the South Muskoka Hospital Foundation.

Respectfully submitted,

J. Douglas Lamb
Chair, South Muskoka Hospital Foundation

Report of the President of the Huntsville Hospital Auxiliary

The membership for the Huntsville Hospital Auxiliary was 63 with an additional 56 hospital volunteers who work as porters or in various departments of the Hospital. Together we have volunteered a total of 17,501 hours for patient care and fundraising.

Our Auxiliary held several fund-raising events throughout the year, including Tag Day, the Dragon boat races (in partnership with the "sunrisers" Rotary Club), Cookie Delight, and Card Party. We had our first Fashion Show at Riverside Public School on May 8 with 10 stores participating. We gave out 28 door prizes raising approximately $4,200. We man the Blood Donor Clinic every ten weeks for the Canadian Blood Services.

Our Branches Gift Shop is open from 9:30 a.m.–8:30 p.m. every weekday and from 1:00 p.m. to 4 p.m. on Saturdays and Sundays. The line of "Ezze Wear" clothing is selling very well. It is casual wear that is extremely comfortable and trouble-free to wear anytime.

We were pleased to present a $500 scholarship to a MAHC staff member - Sherri Bullen and a $500 scholarship to high school student - Nicole Reid.

We publish a newsletter two or three times per year and have a monthly column in the Forester newspaper.

Ruth Newell celebrated her 50th Anniversary with our Auxiliary in September. What a great achievement. She was presented with a certificate and gold pendant. Ruth is still a very active member of our Auxiliary.

The Auxiliary purchased three defibrillators from the Wish List amounting to approximately $55,000 and a blanket/fluid warmer for $5,307. The warmer was installed in our Chemo Department and paid for with funds raised by the Silver Ambassadors, Deerhurst Lakeside Ladies Golf and the Auxiliary.

Our House Tours will be on September 28th and our Chocolate Festival fundraising event will be held in October or November.

63 members attend our Appreciation Dinner in May. Our volunteers certainly look forward to this thank you from the organization.

On a personal level, I am pleased to have served as President of the Auxiliary for the past two years. It has been a great learning experience and has provided me with a greater understanding of the tremendous amount of work that is required. With our health care changing so rapidly, it is certainly gratifying to know we have such dedicated members at our hospital.

Respectfully Submitted

Jean Wagner, President, Huntsville Hospital Auxiliary

Report of the President of the South Muskoka Hospital Auxiliary

Over two hundred members of the South Muskoka Memorial Hospital Auxiliary continue to make a valuable contribution to our community hospital providing 23,521 hours of service over the past year - 890 hours more than 2006-2007.

With the support of both our permanent and seasonal residents, we have enjoyed a very successful year of fundraising enabling us to provide our hospital with much needed equipment. Four wheelchairs, three recliner chairs for the Chronic Care Department, and two blood pressure monitors for the Medical-Surgical Department have been provided to the hospital by the Auxiliary. In addition, we will be purchasing a new Cryostat shortly, once the specific model has been approved by our new Pathologist. This year we were also able to meet our financial commitment with the final $20,000 instalment of our $100,000 pledge to the Foundation towards the CT Scanner. In fact, this donation goal was met in only two years rather than the five originally planned.

In September 2007 the Auxiliary held its annual Awards Luncheon where three individuals, Beverley Kahl, Shirley Booth and Betty Terry each received **Local Life Member** recognition. Along with these honourees, twenty eight Auxilians were awarded **Certificates of Appreciation** for their years of service including Judith Fleming who has worked with the Auxiliary for forty years.

Two of our Auxilians, John Aucoin and Joan Cook were honoured as **Provincial Life Members** at the HAAO Convention in November 2007.

Almost one hundred of our volunteers attended the Appreciation Dinner held on May 15th at SMMH. Our members were treated to a delightful meal and were most appreciative of the kind words spoken by CEO Barry Lockhart, Chief Nursing Officer Bev McFarlane, Board Chair Mike Provan and Executive Assistant Tammy Tkachuk. The fact that a number of SMMH staff members from a variety of areas helped to organize and serve at the dinner was an additional pleasure for us.

We are most grateful for the ongoing support given to us by the hospital staff as we perform our duties in the hospital. Our volunteers regularly hear sincere “thank yous” for their efforts.

2009 will mark the **Sixtieth Anniversary** of the SMMH Auxiliary. We are proud of our members’ accomplishments and privileged to be working with such a fine organization.

Respectfully submitted,

Diane McCaffery,
SMMH Auxiliary President

2007/08 MEMBERS

Chair
Chris Everingham

Directors
Jack Bowman

Community Representatives
Barry Stephens
Richard Augustine

Ex-Officio Directors
Mike Provan
Barry Lockhart

Staff
John Frederick

Comprehensive

Report of the Audit Committee

The Audit Committee membership was unchanged in 2008 consisting of four members; two being members of the Board of Directors and two that 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 Audit Committee along with Administration undertook a request for proposals process this past year to identify a new audit firm for the corporation. In November 2007, a special meeting of the corporation was held and a motion was passed that appointed KPMG as the official Auditors for the Corporation for the 2007/08 fiscal year.

Following that appointment, the Committee, management and KPMG met in January 2008 to review the letter-of-engagement for the audit which included their intended scope of their audit activities. 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 May 2008 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. At no time were issues raised and both parties felt that the audit process was one involving complete collaboration and cooperation.

Following our Committee review, approval of the financial statements was recommended to the Board for presentation at the Annual General Meeting. In addition, the Board has recommended that KPMG be reappointed for the fiscal year ending March 31, 2009.

Through the year, the Committee had extensive support and cooperation from John Frederick and Barry Lockhart, as well as Dan Vigna and his staff at KPMG. Our thanks to them all for their assistance.

Respectfully submitted,

Chris Everingham, Chair

Consolidated Financial Statements of

MUSKOKA ALGONQUIN HEALTHCARE

Year ended March 31, 2008

MUSKOKA ALGONQUIN HEALTHCARE

Consolidated Financial Statements Index

Year ended March 31, 2008

KPMG LLP
Chartered Accountants
PO Box 990
925 Stockdale Road Suite 300
North Bay ON P1B 8K3
Canada

Telephone (705) 472-5110
Fax (705) 472-1249
Internet www.kpmg.ca

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, 2008 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 Organization'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 Organization as at March 31, 2008 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Ontario Corporations Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceeding year.

Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplementary information included in the Schedule is presented for the purpose of additional analysis and is not a required part of the basic consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financials statements taken as a whole.

The consolidated financial statements as at and for the year ended March 31, 2007 were audited by another firm of chartered accountants, except for the correction of an error as described in note 17 to the consolidated financial statements.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

North Bay, Canada
May 16, 2008

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative. KPMG Canada provides services to KPMG LLP.

MUSKOKA ALGONQUIN HEALTHCARE

Consolidated Statement of Financial Position

March 31, 2008, with comparative figures for 2007

	2008	2007 (restated – note 17)
Assets		
Current assets:		
Cash and short-term investments (note 4)	$ 2,834,094	$ 1,174,079
Accounts receivable (note 5)	1,035,916	2,102,031
Inventory	655,383	741,849
Due from related parties (note 6)	554,618	264,743
Prepaid expenses	103,910	127,510
	5,183,921	4,410,212
Long-term investments (note 7)	159,016	55,430
Capital assets (note 8)	43,682,419	44,921,506
	$ 49,025,356	$ 49,387,148
Liabilities, Deferred Contributions and Deficiency in Assets		
Current liabilities:		
Short-term demand loans (note 9)	$ 1,140,000	$ 840,000
Accounts payable and accrued liabilities (note 10)	8,571,137	8,497,703
Current portion of obligation under capital leases	519,771	509,213
Current portion of long-term debt	718,333	821,429
	10,949,241	10,668,345
Long-term liabilities:		
Long-term debt (note 11)	1,222,463	1,952,700
Obligation under capital leases (note 12)	1,109,055	1,647,726
	2,331,518	3,600,426
Deferred contributions related to capital assets (note 13)	38,545,586	37,392,992
Post-retirement benefit obligations (note 14)	799,500	742,500
Deficiency in assets:		
Unrestricted	(5,167,700)	(5,614,561)
Invested in capital assets	1,567,211	2,597,446
	(3,600,489)	(3,017,115)
	$ 49,025,356	$ 49,387,148

Commitments and contingencies (note 19)

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, 2008, with comparative figures for 2007

	2008	2007 (restated – note 17)
Revenue:		
Ministry of Health and Long-Term Care	$ 47,174,303	$ 44,202,026
Other revenue	17,594,518	16,138,577
Amortization of deferred equipment contributions	817,313	730,702
	65,586,134	61,071,305
Expenses:		
Salaries, wages and employee benefits	41,323,813	38,470,351
Supplies and other expenses	9,326,577	9,151,037
Drugs	3,316,496	3,000,918
Medical staff remuneration	8,377,550	8,196,384
Medical and surgical supplies	2,167,158	2,233,581
Amortization of equipment	1,426,362	1,383,772
	65,937,956	62,436,043
Deficiency of revenue over expenses before the undernoted	(351,822)	(1,364,738)
Other programs:		
Revenue	467,588	417,819
Expenses	(532,984)	(472,720)
	(65,396)	(54,901)
Share of earnings of joint venture (note 7)	159,016	55,430
Deficiency of revenue over expenses from continuing operations	(258,202)	(1,364,209)
Discontinued operations (note 15)	-	-
Deficiency of revenue over expenses from Hospital operations	(258,202)	(1,364,209)
Amortization of building and service equipment net of amortization of deferred capital contributions (note 16)	(325,172)	(500,133)
Deficiency of revenues over expenses	$ (583,374)	$ (1,864,342)

See accompanying notes to consolidated financial statements.

MUSKOKA ALGONQUIN HEALTHCARE

Consolidated Statement of Changes in Net Assets

Year ended March 31, 2008, with comparative figures for 2007

	Invested in capital assets	Unrestricted	2008 Total	2007 Total (restated – note 17)
Net assets (deficiency), beginning of year				
As previously reported	$ 2,597,446	$(5,459,456)	$(2,862,010)	(1,152,773)
Correction of prior period error (note 17)	-	(155,105)	(155,105)	-
As restated	2,597,446	(5,614,561)	(3,017,115)	(1,152,773)
Excess (deficiency) of revenues over expenses (note 18)	(941,205)	357,831	(583,374)	(1,864,342)
Investment in capital assets (note 18)	(89,030)	89,030	-	-
Net assets (deficiency), end of year	$ 1,567,211	$(5,167,700)	$(3,600,489)	$(3,017,115)

See accompanying notes to consolidated financial statements.

MUSKOKA ALGONQUIN HEALTHCARE

Consolidated Statement of Cash Flows

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007 (restated – note 17)
Cash flows from operating activities:		
Deficiency of revenue over expenses	$ (583,374)	$ (1,864,342)
Adjustments for:		
Amortization of capital assets	2,637,767	2,748,113
Amortization of deferred contributions related to capital assets	(1,692,517)	(1,723,598)
Gain on transfer of capital assets	(4,045)	-
Equity in earnings of joint ventures	(159,016)	(55,430)
	198,815	(895,257)
Change in non-cash working capital:		
Accounts receivable	1,066,115	(289,457)
Due from related parties	(289,875)	263,341
Inventory	86,466	(38,504)
Prepaid expenses	23,600	212,634
Accounts payable and accrued liabilities	73,434	1,329,315
Post retirement benefit obligations	57,000	107,200
	1,215,555	689,272
Cash flows from financing and investing activities:		
Repayment of long-term debt	(833,332)	(578,500)
Deferred contributions related to capital assets	3,073,025	3,722,937
Purchase of capital assets	(1,622,550)	(1,333,137)
Increase (decrease) in short-term demand loans	300,000	(1,490,000)
Repayment of obligations under capital lease	(528,113)	(589,664)
Distributions form joint ventures	55,430	55,430
	444,460	(212,934)
Net increase in cash and short-term investments	1,660,015	476,338
Cash and short-term investments, beginning of year	1,174,079	697,741
Cash and short-term investments, end of year	$ 2,834,094	$ 1,174,079

See accompanying notes to consolidated financial statements.

Muskoka Algonquin Healthcare (the "Organization") 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 Organization 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 Organization's wholly owned subsidiary, South Muskoka Memorial Hospital Gravenhurst Clinic. All significant inter-company balances and transactions have been eliminated on consolidation.

(b) Cash and short-term investments:

Cash and short-term investments are stated at fair value. The Organization has chosen to account for transactions as at the trade date.

(c) Revenue recognition:

The Organization 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 Organization Home 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.

(d) Donated assets:

Donated capital assets are recorded at fair value when received.

1. Significant accounting policies (continued):

(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 licence	5%
Major equipment	10% - 33%
Equipment under capital lease	10% - 20%

(f) Employee future benefits:

The Organization 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 Organization 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 13 years.

(iii) On April 1, 2000, predecessors of the Organization adopted the new accounting standard on employee future benefits using the prospective application method. The Organization 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 Organization is an employer member of the Hospitals of Ontario Pension Plan (the "Plan"), which is a multi-employer, defined benefit pension plan. The Organization has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The Organization 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 consolidated 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 at the date of the Consolidated Financial Statements and the reported amounts of revenue and expenses during the periods specified. Actual results could differ from those estimates.

(h) Investment in joint venture:

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

2. Change in Accounting Policy

Effective April 1, 2007, the Organization adopted CICA Handbook Section 3855, "*Financial Instruments - Recognition and Measurement*" and Section 3861, "*Financial Instruments – Disclosure and Presentation*".

Section 3855 prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet and at what amount, requiring fair value or cost-based measures under different circumstances. Under Section 3855, financial instruments must be classified into one of these 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 balance sheet 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 – Operating Fund; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in deferred contributions for externally restricted investments and the Statement of Fund Balance – Operating Fund for unrestricted investments.

Upon adoption of the new standards on April 1, 2007, the Organization designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Accounts receivable and amounts due from related parties are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and long-term debt are classified as other financial liabilities, which are measured at amortized cost.

2. Change in Accounting Policy: (continued)

Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and therefore, the comparative figures have not been restated.

3. Future pronouncement:

CICA Handbook Section 3862 *"Financial Instruments – Disclosures"*, requires organizations to provide disclosures in their Consolidated Financial Statements that enables users to evaluate the significance of financial instruments for the Organization's financial position and performance, the nature and extent of risks arising from instruments to which the Organization is exposed during the year and at the balance sheet date, and how the Organization manages those risks. CICA Handbook Section 3863, *"Financial Instruments – Presentation"*, carried forward the former presentation requirements included in the CICA Handbook Section 3861. The Organization will be adopting the new standard commencing April 1, 2008.

4. Cash and short-term investments:

Cash and short-term investments consist of:

	2008		2007	
	Cost	Market value	Cost	Market value
Bonds	$ -	$ -	$ 40,777	$ 40,777
Money market fund	-	-	3,478	3,478
Cash	2,834,094	2,834,094	1,129,824	1,129,824
	$ 2,834,094	$ 2,934,094	$ 1,174,079	$ 1,174,079

5. Accounts receivable:

Accounts receivable consist of:

	2008	2007
Insurers and patients	$ 911,832	$ 1,040,391
Other	263,383	1,201,580
	1,175,215	2,241,971
Allowance for doubtful accounts	(139,299)	(139,940)
	$ 1,035,916	$ 2,102,031

6. Related party transactions:

(a) Huntsville District Nursing Home Inc.

The Organization exercises significant influence over the Huntsville District Nursing Home Inc. ("Fairvern") by virtue of a comprehensive management agreement. The Organization 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 taxes under the Income Tax Act.

Related party transactions during the year not separately disclosed in the consolidated financial statements include $730,426 (2007 - $674,681) for the above noted services. In addition, certain land and buildings of the Organization have been leased to Fairvern for a nominal fee.

(b) Huntsville District Memorial Hospital Foundation

The Organization has an economic interest in the Huntsville District Memorial Hospital Foundation ("HDMHF"). HDMHF solicits funds on behalf of the Organization to be used for approved capital projects. During the year, the HDMHF granted approximately $1,012,000 (2007 - $733,000) to fund operating and capital costs.

(c) South Muskoka Hospital Foundation

The Organization has an economic interest in the South Muskoka Hospital Foundation ("SMHF"). SMHF solicits funds on behalf of the Organization and of other organizations in the community with similar objectives. During the year, SMHF granted approximately $1,760,000 (2007 - $1,221,000) to fund capital costs.

(d) Due from related parties:

Due from related parties consist of:

	2008	2007
Huntsville District Memorial Hospital Foundation	$ 72,215	$ 30,375
South Muskoka Hospital Foundation	4,929	6,066
Huntsville District Nursing Home Inc.	477,474	228,302
	$ 554,618	$ 264,743

7. Long-term investments:

In 1997, predecessor corporations of the Organization entered into a joint venture with Dynacare Gamma Institutional Laboratory Services Limited to provide medical diagnostic tests. The Organization has accounted for its 50% interest in the joint ventures using the equity method. The Organization's share of the joint ventures' assets, liabilities and operations and cash flows as at March 31, and for the years then ended is as follows:

	2008	2007
Financial Position:		
Assets:	$ 159,016	$ 55,430
Net assets	$ 159,016	$ 55,430
Results of operations:		
Revenues:	$ 836,349	$ 753,754
Expenses:	677,333	698,324
Excess of revenues over expenses	$ 159,016	$ 55,430
Cash flows:		
Cash from operations	$ 159,016	$ 54,430
Total increase in cash	$ 159,016	$ 54,430

8. Capital assets:

	Cost	Accumulated amortization	2008 Net book value	2007 Net book value
Land	$ 672,835	$ -	$ 672,835	$ 672,835
Land improvements	318,242	318,242	-	-
Buildings	52,146,788	14,227,861	37,918,927	38,664,312
Gravenhurst Clinic license	202,582	90,912	111,670	121,799
Equipment	27,177,800	22,198,813	4,978,987	5,462,560
	$ 80,518,247	$36,835,828	$43,682,419	$ 44,921,506

9. Short-term demand loans:

	2008	2007
Operating line – Scotiabank, bearing interest at prime less 0.75% payable monthly, unsecured, due on demand	$ 1,140,000	$ 840,000

Unused facilities related to the operating line amounted to $ 2,860,000 at March 31, 2008 (2007 - $ 3,010,000).

10. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities consist of:

	2008	2007
Ministry of Health and Long-Term Care	$ 259,974	$ 480,902
Trade payables	4,488,024	4,175,229
Accrued wages and benefits	3,823,139	3,841,572
	$ 8,571,137	$ 8,497,703

11. Long-term debt:

	2008	2007
Non-revolving loan payable, Scotiabank, interest payable monthly at prime plus 0.25%, principal repayable $400,000 annually, balance due September, 2008	$ 285,000	$ 685,000
Non-revolving loan payable, Scotiabank interest payable monthly at prime plus .25% principal repayable $433,333 annually, due January, 2013	1,655,796	2,089,129
	1,940,796	2,774,129
Less current portion	(718,333)	(821,429)
	$ 1,222,463	$ 1,952,700

Principal payments to maturity are as follows:

2009	$ 718,333
2010	433,333
2011	433,333
2012	355,797
	$ 1,940,796

Total interest paid on long-term debt during the year was $153,355 (2007 - $195,766).

12. Obligation under capital leases:

	2008	2007
Year ending March 31:		
2008	$ -	$ 629,557
2009	608,863	627,955
2010	608,863	608,863
2011	591,601	608,863
Total minimum lease payments.	1,809,327	2,475,238
Less amount representing interest at various rates from 5.65% to 8.0%	180,501	318,299
	1,628,826	2,156,939
Current portion of obligation under capital lease	519,771	509,213
	$ 1,109,055	$ 1,647,726

Interest paid on capital lease obligations during the year was $187,844 (2007 - $127,504).

13. 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.

	2008	2007
Balance, beginning of year	$ 37,392,992	$ 35,393,653
Less amount amortized to revenue	(1,692,517)	(1,723,598)
Add contributions received	3,073,025	3,722,937
Transfers (note 15)	(227,914)	-
Balance, end of year	$38,545,586	$ 37,392,992

14. Employee future benefits:

(a) Health Care Plans:

The Organization 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.

14. Employee future benefits: (continued)

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:

	2008	2007
Accrued benefit obligation, beginning of year	$ 840,500	$ 699,800
Current service cost	71,200	94,100
Interest cost	85,600	36,900
Prior service cost	866,400	-
Benefits paid	(92,500)	(23,800)
Settlement of obligation to transferred employees (note 15)	(101,000)	-
Actuarial (gains) losses	(64,400)	33,500
Balance and plan deficit, end of year	1,605,800	840,500
Unamortized net actuarial gain (loss)	61,900	(700)
Prior service costs	(779,700)	-
Unamortized transitional obligation	(88,500)	(97,300)
Accrued benefit liability	$ 799,500	$ 742,500

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

	2008	2007
Discount rate	5.25%	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 Organization 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 Organization amounted to $2,528,034 (2007 - $2,520,583).

15. Discontinued operations:

On May 17, 2007, the Organization approved the divestment of the Muskoka East Parry Sound Community Care Access Centre (the "CCAC"), to the North Simcoe Muskoka Community Care Access Centre. The divestment was completed during the year. The operations of the CCAC meet the criteria to report as discontinued operations. Accordingly, the operating results of the CCAC have been classified as a discontinued operation and comparative figures have been restated. During 2008, the Organization recorded an excess (deficiency) of revenues over expenses of $nil (2007 - $nil) in respect of the CCAC. Revenues applicable to the CCAC were $2,996,093 (2007 - $11,605,094).

No consideration was received for the transfer of the CCAC program. Assets and liabilities transferred consisted of the following balances:

Capital assets	$227,914
Deferred capital contributions	$227,914

16. Total revenue and expenses:

	2008	2007
Revenue:		
Hospital operations	$ 65,586,134	$ 61,071,305
Amortization of grants and deferred capital contributions related to building service equipment	875,204	864,208
Other programs	467,588	417,819
Share of earnings of joint ventures	159,016	55,340
Total revenue	67,087,942	62,408,762
Expenses:		
Hospital operations	65,937,956	62,436,043
Amortization of buildings and building service equipment	1,200,376	1,364,341
Other programs	532,984	472,720
Total expenses	67,671,316	64,273,104
Deficiency of revenue over expenses	$ (583,374)	$ (1,864,342)

16. Total revenue and expenses: (continued)

The Organization 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 Organization.

17. Correction of prior period error:

The Organization's share of earnings reported from its joint ventures has been revised to correct an error incurred in recognizing its share of earnings for 2007. This change has been recorded retroactively and accordingly, the comparative financial statements have been restated as follows:

	Increase (Decrease)
Consolidated Statement of Financial Position:	
Accounts receivable	$(155,105)
Consolidated Statement of Operations:	
Deficiency of revenues over expenses	$155,105

18. Invested in capital assets:

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

	2008	2007
Capital assets, net book value	$ 43,682,419	$ 44,921,506
Amounts financed by deferred capital contributions	(38,545,586)	(37,392,992)
Amounts financed by long-term debt	(1,940,796)	(2,774,129)
Amounts financed by capital lease obligations	(1,628,826)	(2,156,939)
	$ 1,567,211	$ 2,597,446

18. Invested in capital assets: (continued)

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

	2008	2007
Deficiency of revenue expenses:		
Amortization of deferred capital contributions	$ (1,692,517)	$ (1,723,598)
Amortization of capital assets	2,637,767	2,748,113
Gain on transfer of capital assets	(4,045)	-
	$ 941,205	$ 1,024,515
Net change in investment in capital assts:		
Purchase of capital assets	$ 1,622,550	$ 1,333,137
Amount funded by deferred capital contributions	(3,073,025)	(3,722,937)
Repayment of long-term debt	833,332	578,500
Repayment of capital lease obligations	528,113	589,664
	$ (89,030)	$ (1,221,636)

19. Commitments and contingencies:

Commitments:

During the year, the Organization entered into agreements with various vendors for the acquisition of diagnostic imaging equipment, a picture archiving communication system and associated renovations. The total value of the agreements entered into is approximately $6,500,000, of which $416,000 has been spent as at March 31, 2008. The costs are to be financed with bank borrowings of $5,600,000 with the balance funded by capital grants from Fednor and donations from HDMHF and SMHF.

Contingencies:

(a) The nature of the Organization's activities is such that there is usually litigation pending or in process at any given time. With respect to claims at March 31, 2008, 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.

19. Commitments and contingencies: (continued)

(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, 2008.

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, 2008.

20. Fair value of financial assets and liabilities:

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

The carrying values of cash and short-term investments, accounts receivable, amounts due from related parties, short-term demand loans, 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.

21. Comparative figures:

Certain of the 2007 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, 2008, with comparative figures for 2007

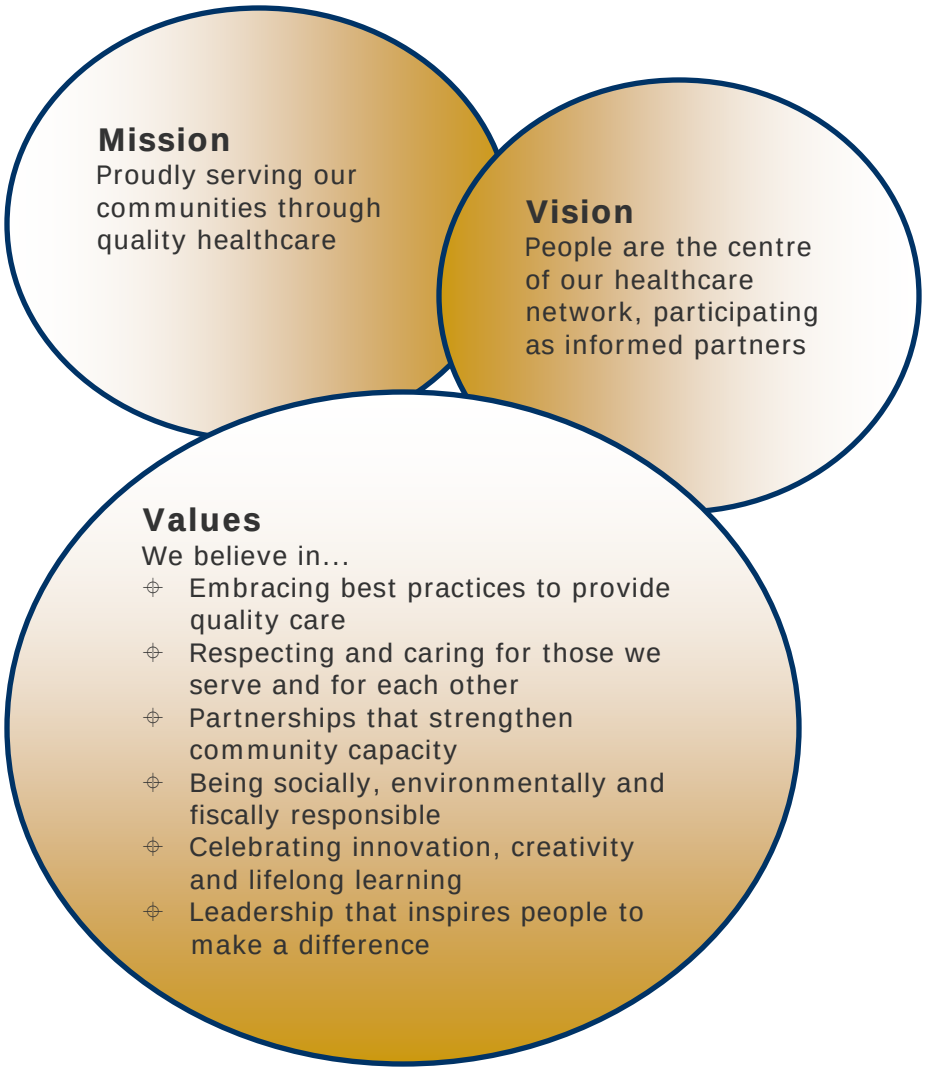
	2008	2007
Revenue:		
Diabetic Education Network – South Muskoka Site	$ 199,261	$ 147,544
Diabetes Education Centre – Huntsville Site	238,928	230,870
Gravenhurst clinic	15,449	25,269
Property taxes	13,950	14,136
	467,588	417,819
Expenses:		
Diabetic Education Network – South Muskoka Site	199,261	147,544
Diabetes Education Centre – Huntsville site	238,928	230,870
Gravenhurst clinic	80,845	80,356
Property taxes	13,950	13,950
	532,984	472,720
Deficiency of revenue over expenses from continuing operations	$ (65,396)	$ (54,901)

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.



MUSKOKA ALGONQUIN HEALTHCARE

Proudly serving our communities through quality healthcare

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