QUINTE HEALTHCARE CORPORATION
FINANCIAL STATEMENTS
AS AT MARCH 31, 2010

WILKINSON & COMPANY LLP Since 1964

QUINTE HEALTHCARE CORPORATION

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AS AT MARCH 31, 2010

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AUDITORS' REPORT

To the Directors of
Quinte Healthcare Corporation

We have audited the statement of financial position of the Quinte Healthcare Corporation as at March 31, 2010 and the statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the corporation'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 Quinte Healthcare Corporation as at March 31, 2010 and the results of its operations and the cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Wilkinson & Company LLP

Chartered Accountants
Licensed Public Accountants

Belleville, Canada
May 19, 2010

WILKINSON & COMPANY LLP
Chartered Accountants & Tax Specialists Since 1964

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Since 1964

QUINTE HEALTHCARE CORPORATION
STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2010

	2010 $	2009 $
ASSETS		
CURRENT		
Cash	**16,870,014**	4,545,588
Accounts receivable - Note 4	**6,660,309**	49,531,253
Short-term investments - Note 5	**2,224,475**	12,580,218
Inventories - Note 6	**2,195,191**	1,778,280
Prepaid expenses	**839,889**	1,193,681
	28,789,878	69,629,020
PROPERTY, PLANT AND EQUIPMENT - at cost less accumulated amortization - Note 7	**154,687,149**	127,004,489
	183,477,027	196,633,509
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities - Note 8	**33,981,777**	77,330,372
LONG-TERM DEBT		
Mortgages payable - Note 9	**224,912**	235,830
EMPLOYEE FUTURE BENEFITS - Note 10	**4,700,300**	4,525,600
DEFERRED CONTRIBUTIONS - Note 11	**140,600,155**	110,574,219
NET ASSETS		
Invested in property, plant and equipment - Note 12(a)	**19,489,322**	21,645,224
Restricted for endowments - Note 13	**290,940**	290,940
Unrestricted (deficiency)	**(15,810,379)**	(17,968,676)
	3,969,883	3,967,488
CONTINGENCIES - Note 14		
	183,477,027	196,633,509

APPROVED ON BEHALF OF THE BOARD

Director

Director

The accompanying notes form an integral part of these financial statements

QUINTE HEALTHCARE CORPORATION
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2010

	2010 $	2009 $ (Note 23)
REVENUE		
Ministry of Health and Long-Term Care and South East LHIN - Note 15	**134,684,045**	125,504,729
Patient revenue	**24,500,585**	23,631,623
Marketed services	**2,996,943**	2,877,300
Recoveries and other revenue	**2,452,203**	3,323,805
Investment income	**16,802**	443,656
Other Ministry programs	**4,311,428**	4,154,685
Amortization of deferred contributions	**5,330,514**	5,061,380
	174,292,520	164,997,178
EXPENSES		
Compensation - salaries	**82,387,928**	81,677,376
Compensation - benefits	**20,989,430**	20,425,777
Medical staff remuneration	**19,505,102**	19,778,701
Medical and surgical supplies	**9,674,034**	9,442,109
Drugs and medicine	**5,471,211**	4,850,928
Supplies and other expenses	**22,877,155**	22,936,182
Other Ministry programs	**4,376,996**	4,154,685
Employee future benefits - Note 10	**544,200**	462,400
Amortization of property, plant and equipment	**7,505,456**	7,698,427
	173,331,512	171,426,585
EXCESS OF REVENUE OVER EXPENSES (EXPENSES OVER REVENUE) BEFORE UNDERNOTED	**961,008**	(6,429,407)
Amortization of deferred capital grants/donations for buildings and improvements	**2,625,938**	1,865,007
Amortization - buildings and improvements	**(3,584,551)**	(3,293,391)
	(958,613)	(1,428,384)
EXCESS OF REVENUE OVER EXPENSES (EXPENSES OVER REVENUE)	**2,395**	(7,857,791)

The accompanying notes form an integral part of these financial statements

QUINTE HEALTHCARE CORPORATION
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2010

	2010				2009
	Invested in Property, Plant and Equipment	**Restricted for Endowments**	**Unrestricted**	**Total**	Total
	$	**$**	**$**	**$**	$
BALANCE - Beginning of year	**21,645,224**	**290,940**	**(17,968,676)**	**3,967,488**	12,094,644
Excess of revenues over expenses - Note 12(b)	**(3,133,555)**		**3,135,950**	**2,395**	(7,857,791)
Net change in investment in property, plant and equipment - Note 12(b)	**977,653**		**(977,653)**		
Unrealized (realized gain) on financial assets					(269,365)
BALANCE - End of year	**19,489,322**	**290,940**	**(15,810,379)**	**3,969,883**	3,967,488

The accompanying notes form an integral part of these financial statements

QUINTE HEALTHCARE CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2010

	2010 $	2009 $
OPERATING ACTIVITIES		
Excess of revenue over expenses (expenses over revenue)	**2,395**	(7,857,791)
Items not requiring (not providing) cash from operations		
Amortization of property, plant and equipment	**11,090,007**	10,991,818
Amortization of deferred contributions	**(7,956,454)**	(6,926,385)
Unrealized (realized) gain on financial assets		(269,365)
Change in non-cash operating working capital - Note 16	**9,814,973**	18,727
Net increase in employee future benefits - Note 10	**174,700**	188,100
CASH FLOWS PROVIDED FROM (USED IN) OPERATING ACTIVITIES	**13,125,621**	(3,854,896)
FINANCING AND INVESTING ACTIVITIES		
Decrease in long-term receivables		13,810,379
Deferred contributions received	**37,982,388**	38,636,838
Decrease in long-term debt	**(10,918)**	(20,410,682)
Decrease in long-term investments		9,795,488
Purchase of property, plant and equipment	**(38,772,665)**	(40,788,483)
CASH FLOWS PROVIDED FROM (USED IN) FINANCING AND INVESTING ACTIVITIES	**(801,195)**	1,043,540
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FOR YEAR	**12,324,426**	(2,811,356)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	**4,545,588**	7,356,944
CASH AND CASH EQUIVALENTS - END OF YEAR	**16,870,014**	4,545,588
CASH CONSISTS OF:		
Cash	**16,870,014**	4,545,588
SUPPLEMENTAL INFORMATION:		
Interest paid	**25,261**	14,616
Income taxes paid	**NIL**	NIL

The accompanying notes form an integral part of these financial statements

QUINTE HEALTHCARE CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010

1. PURPOSE OF THE ORGANIZATION

The Quinte Healthcare Corporation was established on November 26, 1998 under the authority of the Health Services Restructuring Commission as part of the Savings and Restructuring Act, 1996. The Quinte Healthcare Corporation is the amalgamated corporation resulting from the amalgamation of the following predecessor corporations:

(a) Belleville General Hospital (including the North Hastings District Hospital)

(b) Trenton Memorial Hospital

(c) Prince Edward County Memorial Hospital

The Quinte Healthcare Corporation is a registered charity under the Income Tax Act and accordingly is exempt from income taxes.

The function of the Quinte Healthcare Corporation is the provision of quality primary and secondary healthcare services to the residents of the City of Belleville, City of Quinte West, Counties of Hastings and Prince Edward and a portion of Northumberland County.

Under the Health Insurance Act and Regulations thereto, the Corporation is primarily funded by the Province of Ontario in accordance with the funding arrangements established by the Ontario Ministry of Health and Long-Term Care (the "Ministry")/Local Health Integration Network ("LHIN"). The financial statements reflect agreed funding arrangements approved by the Ministry. The Corporation has entered into an accountability agreement with the South East LHIN which requires that the Corporation meet certain financial and non-financial performance indicators.

2. ACCOUNTING POLICIES

(a) Investments

Investments are classified as available-for-sale and are initially recorded at their acquisition cost. Investments in publicly-traded securities are subsequently adjusted to fair value as at the date of the balance sheet, and the corresponding unrealized gains and losses are recorded in the statement of changes in net assets.

(b) Inventories

Inventories are valued at the lower of cost and net realizable value.

When the cost of inventories exceeds the net realizable value, the cost of inventories will be written down to net realizable value. Any such write-downs will be included in the cost of goods sold for the year of the write-down.

If circumstances or events lead to a subsequent increase in the net realizable value of the inventory that was written down, the amount of the write-down will be reversed and will reduce the cost of goods sold for the year of the reversal.

QUINTE HEALTHCARE CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010

2. ACCOUNTING POLICIES (Cont'd)

(c) Property, Plant and Equipment

Purchased property, plant and equipment are recorded at cost. Contributed property, plant and equipment are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expenses, while betterments which extend the estimated life of an asset are capitalized. When the property, plant and equipment no longer contributes to the organization's ability to provide services, its carrying amount is written down to its residual value. Any gains or losses on disposal are charged to operations in the year of disposition.

Projects in progress are amortized when they are considered substantially complete and are ready for use by the organization.

Property, plant and equipment are amortized on a straight-line basis using the following annual rates:

Land improvements	10%
Buildings	2.5% - 20%
Furniture and equipment	5% - 33%

(d) Revenue Recognition

The Corporation follows the deferral method of accounting for contributions which include donations and government grants.

Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

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

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of property, plant and equipment are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related property, plant and equipment.

Endowment contributions are recognized as direct increases in endowment net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Revenue from the Provincial Insurance Plan, preferred accommodation, and marketed services is recognized when the goods are sold or the service is provided.

2. ACCOUNTING POLICIES (Cont'd)

(e) Contributed Services

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

(f) Related Entities

Note 19(a) to the financial statements includes a summary of the financial position of the Belleville General Hospital Foundation Inc., the Trenton Memorial Hospital Foundation, the Prince Edward County Memorial Hospital Foundation and the Tri-County Healthcare Foundation.

(g) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include valuation of accounts receivable, inventory, pension obligation and the estimated useful life of building and equipment. Actual results could differ from those estimates.

The amount of revenue recognized from the Ministry and the LHIN requires some estimation. The Corporation has entered into accountability agreements that set out the rights and obligations of the parties in respect of funding provided to the Corporation by the Ministry for the year ended March 31, 2007 and the South East LHIN for the year ended March 31, 2008 and on. The accountability agreements set out certain performance standards and obligations that establish acceptable results for the Corporation's performance in a number of areas.

If the Corporation does not meet its performance standards or obligations, the Ministry and the LHIN have the right to adjust funding received. Neither the Ministry nor the LHIN are required to communicate certain funding adjustments until after submission of year end data. Since this data is not submitted until after the completion of the financial statements, the amount of the Ministry/LHIN funding received during a year may be increased or decreased subsequent to year end. The amount of revenue recognized in these financial statements represents management's best estimates of amounts that have been earned during the year.

(h) Employee Future Benefits

The Corporation accrues its obligation for future employee benefit plans. The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of salary escalation, retirement ages of employees and expected health care costs.

(i) Cash and Cash Equivalent

Cash and cash equivalent consists of cash on hand and cash on deposit.

QUINTE HEALTHCARE CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010

3. FUTURE ACCOUNTING CHANGES

International Financial Reporting Standards

The Accounting Standards Board has confirmed that all publicly accountable enterprises will have to comply with International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. On March 3, 2010, the Accounting Standards Board issued an Exposure Draft which provides non-profit organizations with the option of adopting either International Financial Reporting Standards or those standards outlined in the Exposure Draft. It is expected that there will be differences between the current Canadian GAAP, IFRS and the exposure draft proposed by the Accounting Standards Board and the organization will need to assess how each option affects the Organization.

4. ACCOUNTS RECEIVABLE

	2010	2009
	$	$
Phase I redevelopment		44,948,433
Provincial Ministry of Health	**846,167**	321,770
OHIP	**1,078,568**	995,533
Goods and service tax	**701,247**	258,193
Due from Foundations	**1,784,039**	1,315,518
Other	**2,470,288**	1,911,806
	6,880,309	49,751,253
Less: allowance for doubtful accounts	**(220,000)**	(220,000)
	6,660,309	49,531,253

5. INVESTMENTS

Investments are classified as available for sale and are adjusted to the market value at the balance sheet date.

	2010 Market Value	2009 Market Value
	$	$
Short-term notes	**2,224,475**	12,580,218

The full amount of the investment balance (2009 - $11,454,717) is restricted for amounts that were advanced by the Ministry of Health and Long-Term Care for redevelopment, infrastructure and regional projects.

QUINTE HEALTHCARE CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010

6. INVENTORIES

Inventories consist of the following:

	2010	2009
	$	$
Main	**1,020,203**	922,833
Pandemic	**336,389**	
Pharmacy	**704,069**	769,275
CCAC	**59,659**	31,968
Food	**74,871**	54,204
	2,195,191	1,778,280

7. PROPERTY, PLANT AND EQUIPMENT

	2010		2009	
	Cost	**Accumulated amortization**	Cost	Accumulated amortization
	$	**$**	$	$
Land	**1,118,270**		1,118,270	
Land improvements	**1,168,174**	**1,145,995**	1,168,174	1,143,506
Buildings	**174,675,926**	**45,298,729**	83,891,842	41,656,493
Furniture and equipment	**89,319,229**	**69,924,862**	91,029,336	72,872,929
Projects in progress	**4,775,136**		65,469,795	
	271,056,735	**116,369,586**	242,677,417	115,672,928
Cost less accumulated amortization	**$ 154,687,149**		$ 127,004,489	

During the year, the Corporation wrote-off property, plant and equipment in the amount of $10,393,348 and accumulated amortization of property, plant and equipment in the amount of $10,357,400. This write-off was the result of removing property, plant and equipment which had been disposed of or had no further useful life. The difference amounting to $35,948 was reflected in amortization of property, plant and equipment

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2010 $	2009 $
Phase I redevelopment	**1,901,248**	49,789,424
Trade accounts payable and accruals	**20,949,709**	18,252,743
Accrued - salaries and wages	**4,801,915**	3,271,470
- vacation pay	**6,318,880**	6,007,769
Current portion of long-term debt	**10,025**	8,966
	33,981,777	77,330,372

9. LONG-TERM DEBT

The long-term debt is unsecured and was used to finance the purchase of two residential properties as a possible contingency strategy for future parking requirements. The first loan bears interest at a rate of 4.05% and is repayable in monthly blended instalments of $839 until maturity on April 2, 2015. The second loan bears interest at a rate of 4.14% and is repayable in monthly blended instalments of $786 until maturity on May 1, 2015. The long-term borrowing is expected to be renewed in the normal course of business.

The requirements for future repayment of long-term debt over the next five years are as follows:

	$
2011	**10,025**
2012	**10,486**
2013	**10,924**
2014	**11,379**
2015	**11,854**
Thereafter	**180,269**
	234,937

QUINTE HEALTHCARE CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010

10. EMPLOYEE FUTURE BENEFITS

The Corporation provides extended health care, dental and life insurance benefits (as applicable) to eligible employees upon retirement. An independent actuarial study of the post-retirement and post-employment benefits has been undertaken. The most recent valuation of the employee future benefits was prepared March 2010.

At March 31, 2010, the Corporation's accrued benefit obligation relating to post-retirement and post-employment benefit plans is $4,700,300.

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

Discount rate	5.50%
Dental benefits escalation	4.00%
Health benefits escalation	5.00%

The increase in liability for employee future benefits is comprised of:

	2010 **$**	2009 $
Current period expense	**544,200**	462,400
Funding contributions	**(369,500)**	(274,300)
	174,700	188,100

11. DEFERRED CONTRIBUTIONS

Deferred contributions related to property, plant and equipment represent the unamortized and unspent balances of donations and grants received for property, plant and equipment acquisitions. Details of the continuity of these funds are as follows:

	2010 **$**	2009 $
Balance - Beginning of year	**110,574,219**	78,863,768
Additional contributions received	**37,982,388**	38,636,838
Less amounts amortized to revenue	**(7,956,452)**	(6,926,387)
Balance - End of year	**140,600,155**	110,574,219

QUINTE HEALTHCARE CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010

11. DEFERRED CONTRIBUTIONS (Cont'd)

The balance of unamortized and unspent funds consists of the following:

	2010 $	2009 $
Unamortized capital contributions used to purchase assets	**134,972,915**	105,123,437
Unspent contributions	**5,627,240**	5,450,782
	140,600,155	110,574,219

12. INVESTED IN PROPERTY, PLANT AND EQUIPMENT

(a) The investment in property, plant and equipment is calculated as follows:

	2010 $	2009 $
Property, plant and equipment	**154,687,149**	127,004,489
Amounts financed by:		
Deferred contributions	**(134,972,915)**	(105,123,437)
Long-term debt	**(224,912)**	(235,830)
	19,489,322	21,645,222

(b) The change in investment in property, plant and equipment is calculated as follows:

	2010 $	2009 $
Excess of expenses over revenues		
Amortization of property, plant and equipment	**(11,090,007)**	(10,991,818)
Amortization of deferred capital contributions	**7,956,452**	6,926,387
	(3,133,555)	(4,065,431)
Net change in investment in property, plant and equipment		
Purchase of property, plant and equipment	**38,772,665**	40,788,483
Amounts funded by deferred contributions	**(37,805,930)**	(37,907,099)
Amounts funded by long-term debt	**10,918**	8,966
	977,653	2,890,350

QUINTE HEALTHCARE CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010

13. RESTRICTIONS ON NET ASSETS

All of the net assets restricted for endowment purposes are subject to externally imposed restrictions stipulating that the principal be maintained intact. Investment income on the assets is unrestricted.

14. CONTINGENCIES

(a) The Corporation has received funding from the Ministry and South East LHIN for specific services. Pursuant to the related agreements, if the corporation does not meet specified levels of activity, the Ministry and South East LHIN are entitled to recover funds. Such recoveries are recognized as a liability owing to these parties in the relevant fiscal period.

(b) The nature of the Corporation's activities is such that there may be litigation pending or in prospect at any time. With respect to claims at March 31, 2010, management believes that the Corporation has valid defences and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Corporation's financial position.

(c) In order to provide Shared Support Services ("3SO") with a $5 million line of credit, Quinte Healthcare Corporation has signed a ten-year commitment to the project and has provided a limited guarantee to a maximum of $777,000, representing the Hospital's proportionate share of 15.54%. As at March 31, 2010, 3SO has drawn $1,110,000 (2009 - $0) on this line of credit, of which $172,494 is guaranteed by the Hospital. The line of credit will subsidize 3SO's cash flow requirements during project implementation and roll out and will be funded and reimbursed through supply chain efficiencies achieved over the ten-year period of the business case.

15. MINISTRY OF HEALTH AND LONG-TERM CARE AND SOUTH EAST LHIN FUNDING

Included in Ministry of Health and Long-Term Care and South East LHIN revenue is funding for Hospital On-Call coverage totalling $2,479,460 (2009 - $2,317,434). Included in patient services revenue is funding for the Alternative Funding Plan for emergency services for the year ended March 31, 2010 for $8,078,196 (2009 - $7,947,289).

QUINTE HEALTHCARE CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010

16. CHANGE IN NON-CASH OPERATING WORKING CAPITAL

	2010 $	2009 $
Short-term investments	**10,355,743**	(6,965,386)
Accounts receivable	**42,870,944**	(42,518,479)
Inventories	**(416,911)**	276,291
Prepaid expenses	**353,792**	(110,848)
Accounts payable and accrued liabilities	**(43,348,595)**	49,337,149
	9,814,973	18,727

17. CREDIT FACILITIES

The Corporation has an available operating line of credit facility of $10,000,000. The unsecured, operating line is due on demand and bears interest at the bank prime rate less 0.75%. It also has $4,000,000 of available non-revolving term facility by way of fixed rate term loans at a fixed rate of interest that will be determined at the time of borrowing. Any unused portion of the $4,000,000 in non-revolving facilities may be cancelled by the bank without notice after November 30, 2010.

18. PENSION PLAN

Substantially all of the employees of the Corporation are eligible to be members of the Hospitals of Ontario Pension Plan, which is a multi-employer final average pay contributory pension plan. Employer contributions made to the Plan during the year by the Corporation amounted to $6,640,012 (2009 - $6,525,520). These amounts are included in the statement of operations. The Hospitals of Ontario Pension Plan's most recent actuarial evaluation is that the plan has a surplus of $536 million as of December 31, 2009.

QUINTE HEALTHCARE CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010

19. RELATED PARTY TRANSACTIONS

(a) The Belleville General Hospital Foundation Inc., Trenton Memorial Hospital Foundation, Prince Edward County Memorial Hospital Foundation and Tri-County Healthcare Foundation.

Quinte Healthcare Corporation has an economic interest in the above four foundations. These Foundations hold the following funds, the benefits of which are to be used substantially for building, equipment purchases, and special program costs for Quinte Healthcare Corporation. The 2010 audits of Belleville General Hospital Foundation Inc., Trenton Memorial Hospital Foundation, Prince Edward County Memorial Hospital Foundation, and the Tri-County Healthcare Foundation will be completed following the date of this Audit Report.

	Endowment Fund		Restricted Fund	
	2010	2009	**2010**	2009
	$	$	**$**	$
The Belleville General Hospital Foundation Inc.	**648,000**	515,000	**18,013,000**	24,051,000
Trenton Memorial Hospital Foundation	**1,631,000**	1,478,000	**4,457,000**	5,357,000
Prince Edward County Memorial Hospital Foundation				126,352
Tri-County Healthcare Foundation			**45,268**	182,094
	2,279,000	1,993,000	**22,515,268**	29,716,446

During the year, these Foundations transferred the following to Quinte Healthcare Corporation to fund building and equipment purchases:

	Equipment		Building	
	2010	2009	**2010**	2009
	$	$	**$**	$
The Belleville General Hospital Foundation Inc.	**4,810,620**	643,335	**6,623,926**	562,328
Trenton Memorial Hospital Foundation	**871,773**	401,924	**470,906**	285,582
Prince Edward County Memorial Hospital Foundation	**632,050**	61,068	**159,938**	449,761
Tri-County Healthcare Foundation	**1,725,000**	1,300,000		
	8,039,443	2,406,327	**7,254,770**	1,297,671

QUINTE HEALTHCARE CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010

19. RELATED PARTY TRANSACTIONS (Cont'd)

(b) Belleville General Hospital Auxiliary, Trenton Memorial Hospital Auxiliary, Prince Edward County Memorial Hospital Auxiliary Incorporated, and The North Hastings District Hospital Auxiliary.

Quinte Healthcare Corporation has an economic interest in the Auxiliaries. Quinte Healthcare Corporation Auxiliaries promote and extend the interests of Quinte Healthcare Corporation throughout the City of Belleville, City of Quinte West, Counties of Hastings and Prince Edward and a portion of Northumberland County. They provide volunteer auxiliary services as requested by Quinte Healthcare Corporation through liaison with the Director of Volunteers and the Vice-President, Human Resources of the organization. The Auxiliaries also raise funds for Quinte Healthcare Corporation to be allocated to special gifts in a manner satisfactory to the administration of Quinte Healthcare Corporation and in harmony with the planning of the community. Quinte Healthcare Corporation Auxiliaries supported Quinte Healthcare Corporation through donations to the Tri-County Healthcare Foundation and the Foundations in Belleville, Trenton and Picton to fund equipment purchases and special program costs.

20. COMMITMENTS

(a) Belleville General Hospital Redevelopment

Quinte Healthcare Corporation has submitted to the Ministry of Health and Long-Term Care its final pre-tender documentation for Phase 2 of the expansion and redevelopment of the Belleville General Hospital site. The project will construct a new addition to accommodate the relocation of the Emergency Department and the Laboratory. In addition, there are planned renovations of ambulatory and inpatient space to address long term program needs in Oncology, Cardiology, Perioperative and Mental Health. The project is expected to commence in the fall of 2010 and will require 40 to 44 months to complete. The project will be jointly funded by the Ministry of Health and Long-Term Care and Belleville General Hospital Foundation.

(b) Shared Digital Imaging Infrastructure Program

Quinte Healthcare Corporation is a member of a group of twenty-three hospitals which have voluntarily agreed to enter into a joint project for the purpose of planning, development, implementation and operation of a shared digital diagnostic imaging infrastructure project that will enable timely access to diagnostic imaging information and services and result in improved health status and quality outcomes for patients. A non-profit organization, Hospitals Diagnostic Imaging Repository System (HDIRS), has been created to manage and provide oversight to the project. Each of the twenty-three hospitals is a voting member of HDIRS and has two elected board governors from each of the four geographic areas that are represented by the group of hospitals. The project will be completed by the spring of 2011 and will be cost shared with the Ministry of Health and Long-Term Care and Canada Health Infoway.

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20. COMMITMENTS (Cont'd)

(c) South East LHIN Integrated Supply Chain Management Project

Quinte Healthcare Corporation is a member of a group of six hospitals within the South East LHIN which have voluntarily agreed to enter into a joint project for the purpose of planning, development, implementation and operation of a shared regional supply chain project, consisting of procurement, warehousing, logistics and contract management activities. Shared Support Services ("3SO"), a non-profit corporation, has been created to manage the services and provide procurement oversight on the part of the member hospitals. The project has received start-up funding from the Ministry of Finance. The three-year project implementation period commenced with the signing of a transfer payment agreement in March of 2008 and is targeted for completion by 2011.

Each of the participating hospitals is a voting member of 3SO. Therefore, the Hospital has an economic interest, but not control, over 3SO. The assets, liabilities, net assets and results of operation of 3SO are not included in the financial statements. During the year, Quinte Healthcare Corporation paid $120,801 (2009 - $0) to 3SO for governance/operating costs. These costs are included in Supplies and Other Expenses on the Statement of Operations.

21. CAPITAL MANAGEMENT

The Corporation's objectives with respect to capital management are to maintain a minimum capital base that allows the organization to continue with and execute its overall purpose as outlined in Note 1, and to meet its requirements as outlined in the Hospital Service Accountability Agreement with the South East Local Health Integration Network. The Corporation's Board of Directors perform periodic reviews of the organization's capital needs to ensure that they remain consistent with the risk tolerance that is acceptable to the organization.

22. FINANCIAL INSTRUMENTS

Financial instruments consist of cash, short-term investments, accounts receivable, accounts payable and accrued liabilities and mortgages payable. The carrying amounts approximate their fair market value due to the immediate or short-term maturity of these financial instruments. It is management's opinion that the Quinte Healthcare Corporation is not subject to significant market, currency or equity risk related to its financial instruments.

22. FINANCIAL INSTRUMENTS (Cont'd)

Credit Risk

Credit risk is the risk of financial loss if a debtor fails to make payments of interest and principal when due.

The organization is exposed to this risk relating to its debt holdings in its investment portfolio. This risk is mitigated through the Corporation's investment policy which is risk averse and consists of only fixed income instruments. All fixed income portfolios are monitored by management on a monthly basis and all purchases and sales are reported to the Board of Directors.

Accounts receivable are short-term in nature and the Corporation's collection policy and procedures mitigate any material credit risk.

There have been no significant changes from the previous period in the exposure to risk or policies used to measure risk.

Interest Rate Risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates.

The Corporation is exposed to interest rate risk through its interest-bearing investments, as discussed in Note 5 of these financial statements. As prevailing interest rates increase or decrease, the market value of the interest-bearing investments will change. If the interest rates were to change by 1%, with all other variables being held constant, then the effect on the income earned by these investments would be approximately $22,245.

The Corporation is also exposed to interest rate risk through its credit facilities discussed in Note 17 to these financial statements. As at year-end, the interest rate risk from these credit facilities is not significant, as these credit facilities have not been utilized.

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

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet all cash outflow obligations as they come due. The Corporation mitigates this risk by monitoring cash activities and expected outflows.

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

23. COMPARATIVE FIGURES

In order to conform with the presentation adopted in the current year, certain of the comparative figures for March 31, 2009 have been reclassified.