

**QUINTE HEALTHCARE CORPORATION**  
**FINANCIAL STATEMENTS**  
**AS AT MARCH 31, 2009**

**QUINTE HEALTHCARE CORPORATION**  
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**AS AT MARCH 31, 2009**

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## AUDITORS' REPORT

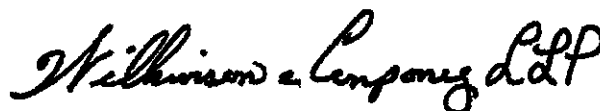
To the Directors of  
Quinte Healthcare Corporation

We have audited the statement of financial position of the Quinte Healthcare Corporation as at March 31, 2009 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, 2009 and the results of its operations and the cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.


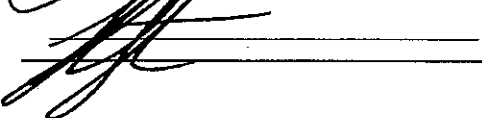
Belleville, Canada  
May 22, 2009



Chartered Accountants  
Licensed Public Accountants

**WILKINSON & COMPANY LLP**  
Chartered Accountants & Tax Specialists Since 1964

**QUINTE HEALTHCARE CORPORATION**  
**STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2009**

	2009	2008
	\$	\$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	4,545,588	7,356,944
Accounts receivable - Note 5	49,531,253	7,012,774
Short-term investments - Note 6	12,580,218	5,614,832
Inventories - Note 7	1,778,280	2,054,571
Prepaid expenses	1,193,681	1,082,833
	69,629,020	23,121,954
<b>LONG-TERM</b>		
Long-term investments		9,795,488
Long-term receivables		13,810,379
	NIL	23,605,867
<b>PROPERTY, PLANT AND EQUIPMENT - at cost</b>		
less accumulated amortization - Note 8	127,004,489	97,207,826
	196,633,509	143,935,647
<b>LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities - Note 9	77,330,372	27,993,223
<b>LONG-TERM DEBT</b>		
Mortgages payable - Note 10	235,830	244,796
Belleville site redevelopment		20,401,716
	235,830	20,646,512
<b>EMPLOYEE FUTURE BENEFITS - Note 11</b>	4,525,600	4,337,500
<b>DEFERRED CONTRIBUTIONS - Note 12</b>	110,574,219	78,863,768
<b>NET ASSETS</b>		
Invested in property, plant and equipment - Note 13(a)	21,645,224	22,820,305
Restricted for endowments - Note 14	290,940	290,940
Unrestricted (deficiency)	(17,968,676)	(11,016,601)
	3,967,488	12,094,644
<b>CONTINGENCIES - Note 15</b>		
<b>APPROVED ON BEHALF OF THE BOARD</b>		
	Director	
	Director	
	196,633,509	143,935,647

The accompanying notes form an integral part of these financial statements

WILKINSON & COMPANY LLP ██████████

**QUINTE HEALTHCARE CORPORATION**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED MARCH 31, 2009**

	2009	2008
	\$	\$
<b>REVENUE</b>		
Ministry of Health - Note 16	126,288,761	125,818,795
Patient revenue	23,631,623	23,289,256
Marketed services	2,877,300	2,735,866
Recoveries and other revenue	2,854,866	2,071,587
Investment income	443,656	477,010
Other Ministry programs	4,154,685	3,990,977
Amortization of deferred contributions	5,061,380	5,559,854
	<u>165,312,271</u>	<u>163,943,345</u>
<b>EXPENSES</b>		
Compensation - salaries	81,720,666	76,608,289
Compensation - benefits	20,425,777	20,466,814
Medical staff remuneration	19,839,118	19,017,031
Medical and surgical supplies	9,442,109	8,876,649
Drugs and medicine	4,850,928	4,756,714
Supplies and other expenses	23,147,568	22,777,723
Other Ministry programs	4,154,685	3,990,977
Employee future benefits - Note 11	462,400	473,300
Amortization of property, plant and equipment	7,698,427	8,057,368
	<u>171,741,678</u>	<u>165,024,865</u>
<b>EXCESS OF EXPENSES OVER REVENUE</b>		
<b>BEFORE UNDERNOTED</b>	<u>(6,429,407)</u>	<u>(1,081,520)</u>
Amortization of deferred capital grants/donations for buildings and improvements	1,865,007	1,654,629
Amortization - buildings and improvements	<u>(3,293,391)</u>	<u>(3,139,235)</u>
	<u>(1,428,384)</u>	<u>(1,484,606)</u>
<b>EXCESS OF EXPENSES OVER REVENUE</b>	<u>(7,857,791)</u>	<u>(2,566,126)</u>

**QUINTE HEALTHCARE CORPORATION  
STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED MARCH 31, 2009**

	2009			2008	
	Invested in Property, Plant and Equipment \$	Restricted for Endowments \$	Unrestricted \$	Total \$	Total \$
<b>BALANCE</b>					
- Beginning of year	22,820,305	290,940	(11,016,601)	12,094,644	14,647,936
Excess of expenses over revenues - Note 13(b)	(4,065,431)		(3,792,360)	(7,857,791)	(2,566,126)
Net change in investment in property, plant and equipment - Note 13(b)	2,890,350		(2,890,350)		
Unrealized (realized gain) on financial assets			(269,365)	(269,365)	12,834
<b>BALANCE</b>					
- End of year	21,645,224	290,940	(17,968,676)	3,967,488	12,094,644

**QUINTE HEALTHCARE CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2009**

	2009	2008
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Excess of expenses over revenues	(7,857,791)	(2,566,126)
Items not requiring (not providing) cash from operations		
Amortization of property, plant and equipment	10,991,818	11,196,603
Amortization of deferred contributions	(6,926,385)	(7,214,483)
Unrealized (realized) gain on financial assets	(269,365)	12,834
Change in non-cash operating working capital - Note 17	18,727	(3,174,485)
Net increase in employee future benefits - Note 11	188,100	233,300
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>	<b>(3,854,896)</b>	<b>(1,512,357)</b>
<b>FINANCING AND INVESTING ACTIVITIES</b>		
Decrease (increase) in long-term receivables	13,810,379	(13,810,379)
Deferred contributions received	38,636,838	20,920,062
Increase (decrease) in long-term debt	(20,410,682)	20,526,392
Decrease in long-term investments	9,795,488	600,485
Change in accounting policy		256,531
Purchase of property, plant and equipment	(40,788,483)	(32,133,526)
<b>CASH FLOWS PROVIDED FROM (USED IN) FINANCING AND INVESTING ACTIVITIES</b>	<b>1,043,540</b>	<b>(3,640,435)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS FOR YEAR</b>	<b>(2,811,356)</b>	<b>(5,152,792)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>7,356,944</b>	<b>12,509,736</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>4,545,588</b>	<b>7,356,944</b>
<b>CASH CONSISTS OF:</b>		
Cash	4,545,588	7,356,944
<b>SUPPLEMENTAL INFORMATION:</b>		
Interest paid	14,616	12,289
Income taxes paid	NIL	NIL

**QUINTE HEALTHCARE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2009**

**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) Board of Governors of the 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.

**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, 2009**

**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.

Under the Health Insurance Act and Regulations thereto, the Corporation is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health. 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. These financial statements reflect agreed arrangements approved by the Ministry with respect to the year ended March 31, 2009.

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.

**QUINTE HEALTHCARE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2009**

**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 20(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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(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.

**QUINTE HEALTHCARE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2009**

**3. CHANGES IN ACCOUNTING POLICY**

**(a) Inventories**

Effective April 1, 2008, the organization adopted the requirements of the new CICA Handbook Section 3031, Inventories, which replaced Section 3030, Inventories. Section 3031 provides more extensive guidance on measurement, and expands disclosure requirements to increase transparency. The organization's standard accounting policy for inventories is consistent with the measurement requirements in the new standard, and as a result, no adjustment was recorded on transition. However, additional disclosure requirements will be described as below.

The main features of the new standard, which impact the organization, include:

- Measurement of inventories at the lower of cost and net realizable value, with guidance on the determination of costs;
- Consistent use of either first-in first-out or weighted average formula to measure the cost of inventories;
- Reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories; and
- Disclosure of the accounting policies used, carrying amounts, amounts recognized as an expense, write-downs, and the amount of any reversal of any write-downs recognized as a reduction in expense.

**(b) Financial Instruments and Capital Disclosures**

On April 1, 2008, the organization adopted three new Canadian Institute of Chartered Accountants (CICA) Handbook Sections: Section 1535, Capital Disclosures; Section 3862, Financial Instruments - Disclosures; and Section 3863, Financial Instruments - Presentation. Prior year financial statements have not been restated.

Section 1535 requires disclosure of any organization's objectives, policies, and processes for managing capital; information about what the organization regards as capital; whether the organization has complied with any external capital requirements; and the consequences of not complying with these capital requirements.

Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments - Disclosure and Presentation. Section 3863 carries forward unchanged the presentation requirements of Section 3861 while Section 3862 requires enhanced financial instrument disclosures focusing on disclosures related to the nature and extent of risks arising from financial instruments and how the organization manages those risks.

Since the purpose of these new standards is to enhance disclosure requirements, they do not have a financial impact on the organization.

**QUINTE HEALTHCARE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2009**

**4. 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. The organization understands there will be differences between current Canadian GAAP and IFRS, and the Accounting Standards Board is looking into how these standards will affect not-for-profit and charitable organizations.

**5. ACCOUNTS RECEIVABLE**

	2009 \$	2008 \$
Phase I redevelopment	44,948,433	
Provincial Ministry of Health	321,770	1,825,576
OHIP	995,533	1,012,042
Goods and service tax	258,193	285,060
Due from Foundations	1,315,518	2,155,950
Other	1,911,806	1,954,146
	<b>49,751,253</b>	<b>7,232,774</b>
Less: allowance for doubtful accounts	<b>(220,000)</b>	<b>(220,000)</b>
	<b>49,531,253</b>	<b>7,012,774</b>

**6. INVESTMENTS**

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

	2009 Market Value \$	2008 Market Value \$
Short-term notes	12,580,218	14,234,663
OHA mutual funds		1,175,657
	<b>12,580,218</b>	<b>15,410,320</b>

**QUINTE HEALTHCARE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2009**

**6. INVESTMENTS (Cont'd)**

The presentation of investments on the statement of financial position is as follows:

	2009 \$	2008 \$
Short-term investments	12,580,218	5,614,832
<u>Long-term investments</u>		<u>9,795,488</u>
	<u>12,580,218</u>	<u>15,410,320</u>

Investments totalling \$11,454,717 are restricted amounts that were advanced by the Ministry of Health and Long-Term Care for redevelopment, infrastructure and regional projects.

**7. INVENTORIES**

Inventories consist of the following:

	2009 \$	2008 \$
Main	922,833	1,079,277
Pharmacy	769,275	895,252
CCAC	31,968	32,261
Food	54,204	47,781
	<u>1,778,280</u>	<u>2,054,571</u>

**8. PROPERTY, PLANT AND EQUIPMENT**

	2009		2008	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Land	1,118,270		1,118,270	
Land improvements	1,168,174	1,143,506	1,168,174	1,140,838
Buildings	83,891,842	41,656,493	81,045,417	38,305,831
Furniture and equipment	91,029,336	72,872,929	86,872,318	65,234,441
Projects in progress	65,469,795		31,684,757	
	<u>242,677,417</u>	<u>115,672,928</u>	<u>201,888,936</u>	<u>104,681,110</u>
Cost less accumulated amortization	<u>\$ 127,004,489</u>		<u>\$ 97,207,826</u>	

**QUINTE HEALTHCARE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2009**

**9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	2009 \$	2008 \$
Phase I redevelopment	49,789,424	
Trade accounts payable and accruals	18,252,743	16,931,073
Accrued - salaries and wages	3,271,470	5,304,361
- vacation pay	6,007,769	5,749,258
Current portion of long-term debt	8,966	8,531
	<b>77,330,372</b>	<b>27,993,223</b>

**10. 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 1.7% and is repayable in monthly blended instalments of \$659 until maturity on May 1, 2010. The second loan bears interest at a rate of 4.88% and is repayable in monthly blended instalments of \$895 until maturity on May 2, 2010. 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 two years are as follows:

	\$
2010	8,966
2011	235,830
	<b>244,796</b>

**QUINTE HEALTHCARE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2009**

**11. EMPLOYEE FUTURE BENEFITS**

The Corporation provides extended health care, dental and life insurance benefits (as applicable) to many employees. 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 April 2007.

At March 31, 2009, the Corporation's accrued benefit obligation relating to post-retirement and post-employment benefit plans is \$4,525,600.

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

Discount rate	5.75%
Dental benefits escalation	4%
Health benefits escalation	5%

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

	2009	2008
	\$	\$
Current period expense	462,400	473,300
Funding contributions	(274,300)	(240,000)
	<b>188,100</b>	<b>233,300</b>

**12. 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:

	2009	2008
	\$	\$
Balance - Beginning of year	78,863,768	65,158,189
Additional contributions received	38,636,838	20,920,062
Less amounts amortized to revenue	(6,926,387)	(7,214,483)
Balance - End of year	<b>110,574,219</b>	<b>78,863,768</b>

**QUINTE HEALTHCARE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2009**

**12. DEFERRED CONTRIBUTIONS (Cont'd)**

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

	2009 \$	2008 \$
Unamortized capital contributions used to purchase assets	105,123,437	74,142,725
Unspent contributions	5,450,782	4,721,043
	<b>110,574,219</b>	<b>78,863,768</b>

**13. INVESTED IN PROPERTY, PLANT AND EQUIPMENT**

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

	2009 \$	2008 \$
Property, plant and equipment	127,004,489	97,207,826
Amounts financed by:		
Deferred contributions	(105,123,437)	(74,142,725)
Long-term debt	(235,830)	(244,796)
	<b>21,645,222</b>	<b>22,820,305</b>

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

	2009 \$	2008 \$
Excess of expenses over revenues		
Amortization of property, plant and equipment	(10,991,818)	(11,196,603)
Amortization of deferred capital contributions	6,926,387	7,214,483
	<b>(4,065,431)</b>	<b>(3,982,120)</b>
Net change in investment in property, plant and equipment		
Purchase of property, plant and equipment	40,788,483	32,133,526
Amounts funded by deferred contributions	(37,907,099)	(28,259,606)
Amounts funded by long-term debt	8,966	(124,676)
	<b>2,890,350</b>	<b>3,749,244</b>



**QUINTE HEALTHCARE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2009**

**14. 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.

**15. CONTINGENCIES**

- (a) The corporation has received grants from the Ministry of Health for specific services. Pursuant to the related agreements, if the corporation does not meet specified levels of activity, the Ministry is entitled to seek refunds. Should any amounts become refundable, the refunds would be charged to operations in the period in which the refund is determined to be payable.
- (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, 2009, 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 3SO with a \$5 million Line of Credit at the Royal Bank of Canada, Quinte Healthcare Corporation has agreed to provide a limited guarantee (up to a maximum of 16%, which represents its proportionate share of operations) of 3SO liabilities. 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.

**16. MINISTRY OF HEALTH AND LONG-TERM FUNDING**

Included in Ministry of Health revenue is funding for Hospital On-Call coverage totalling \$2,317,434 (2008 - \$2,089,873). Included in patient services revenue is funding for the Alternative Funding Plan for emergency services for the year ended March 31, 2009 for \$7,947,289 (2008 - \$7,762,549).

**QUINTE HEALTHCARE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2009**

**17. CHANGE IN NON-CASH OPERATING WORKING CAPITAL**

	2009	2008
	\$	\$
Short-term investments	(6,965,386)	(1,534,495)
Accounts receivable	(42,518,479)	(1,702,565)
Inventories	276,291	(88,235)
Prepaid expenses	(110,848)	594,954
Accounts payable and accrued liabilities	49,337,149	(444,144)
	<u>18,727</u>	<u>(3,174,485)</u>

**18. CREDIT FACILITIES**

The organization 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 \$9,000,000 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 \$9,000,000 in non-revolving facilities may be cancelled by the bank without notice after September 30, 2010 (\$5,000,000) and November 30, 2010 (\$4,000,000).

**19. 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 \$6,525,520 (2008 - \$6,096,729). 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 an unfunded pension liability of \$983 million as of December 31, 2008.

**QUINTE HEALTHCARE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2009**

**20. 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 2009 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.

	<b>Endowment Fund</b>		<b>Restricted Fund</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	\$	\$	\$	\$
The Belleville General Hospital Foundation Inc.	515,000	514,000	24,051,000	26,945,000
Trenton Memorial Hospital Foundation	1,478,000	946,000	5,357,000	6,324,000
Prince Edward County Memorial Hospital Foundation			126,352	724,251
Tri-County Healthcare Foundation			182,094	494,072
	<b>1,993,000</b>	<b>1,460,000</b>	<b>29,716,446</b>	<b>34,487,323</b>

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

	<b>Equipment</b>		<b>Building</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	\$	\$	\$	\$
The Belleville General Hospital Foundation Inc.	643,335	2,552,096	562,328	22,547
Trenton Memorial Hospital Foundation	401,924	1,148,033	285,582	13,986
Prince Edward County Memorial Hospital Foundation	61,068	443,059	449,761	189,797
Tri-County Healthcare Foundation	1,300,000	1,550,000		
	<b>2,406,327</b>	<b>5,693,188</b>	<b>1,297,671</b>	<b>226,330</b>

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**20. 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.

**21. COMMITMENTS**

**(a) Belleville General Hospital Redevelopment**

Quinte Healthcare Corporation has contracted for the Phase 1 expansion and redevelopment of the Belleville General Hospital. The project will add a new six-storey Sills Wing to accommodate the relocation and expansion of the complex continuing care and rehabilitation units, new facilities for the Children's Treatment Centre and a small addition to expand the Intensive Care Unit. The overall budget for the project is \$99.5 million, which will be cost shared with the Ministry of Health and Long-Term Care. The contractor will construct the facilities for a stipulated fixed price of \$72.2 million including their financing costs. The contractor has agreed to reach substantial completion of the project in January of 2010. Quinte Healthcare Corporation's repayment of the construction cost and financing will not commence until substantial completion. At March 31, 2009, the project has been certified as 73.5% complete at a cost of \$49,789,424. Quinte Healthcare Corporation has recognized a short-term liability related to this obligation, with offsetting receivables from the Ministry of Health and Long-Term Care and Belleville General Hospital Foundation to represent their share of these costs.

**(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 2010 and will be cost shared with the Ministry of Health and Long-Term Care and Canada Health Infoway.

**QUINTE HEALTHCARE CORPORATION  
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**21. COMMITMENTS (Cont'd)**

**(c) SE LHIN Integrated Supply Chain Management Project**

Quinte Healthcare Corporation is a member of a group of six hospitals within the SE 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 (procurement, warehousing, logistics and contract management). The initiative will enable timely and efficient access to medical-surgical supplies and services while supporting quality outcomes for patients and providing financial savings. The ten-year business plan has identified a cash flow benefit of \$25.7 million across the hospital group. A non-profit corporation (3SO) has been created to manage and provide oversight of the services. Each of the participating hospitals is a voting member of 3SO with three independent board directors from within the SE LHIN geographic area. The project has received start-up funding from the Ministry of Finance (OntarioBuys). The three-year project implementation commenced with the signing of the transfer payment agreement in March 2008 and is targeted for completion by early 2011.

**22. CAPITAL MANAGEMENT**

The organization'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 I, and to meet its requirements as outlined in the Hospital Service Accountability Agreement with the South East Local Health Integration Network. The organization'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.

**23. 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.

**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 organization'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.

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**23. FINANCIAL INSTRUMENTS (Cont'd)**

Accounts receivable are short-term in nature and are not subject to material credit risk. The maximum exposure to credit risk and concentration of this risk is limited to the carrying value of these instruments.

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 organization is exposed to interest rate risk through its interest bearing investments, as discussed in Note 6 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 \$125,802.

The organization is also exposed to interest rate risk through its credit facilities discussed in Note 18 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 organization will not be able to meet all cash outflow obligations as they come due. The organization 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.

**24. SUBSEQUENT EVENT**

Effective April 15, 2009, the Ministry of Health appointed a Supervisor for Quinte Healthcare Corporation. Pursuant to the Public Hospitals Act, the Supervisor will exercise all the powers of the Board and of Quinte Healthcare Corporation, its officers and its members in governing Quinte Healthcare Corporation in accordance with the Public Hospitals Act, its regulations and all other applicable legislation. Upon appointment, the Board of Directors of Quinte Healthcare Corporation was dissolved.