

**FINANCIAL STATEMENTS
MARCH 31, 2010**

CONTENT

Auditors' Report	1
Statement of Financial Position	2
Statement of Changes in Net Assets	3
Statement of Financial Activities and Net Assets	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 16

**Perth and Smiths Falls
District Hospital
Financial Statements
March 31, 2010**

Allan

Chartered Accountant Professional Corporation

AUDITORS' REPORT

To the Board of Directors and Members of Perth and Smiths Falls District Hospital:

We have audited the statement of financial position of Perth and Smiths Falls District Hospital as at March 31, 2010 and the statement of financial activities and new assets, statement of changes in net assets and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Hospital'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 Hospital as at March 31, 2010 and the results of its operations and its 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 preceding year.



Chartered Accountants
Licenced Public Accountants

Perth, Ontario
May 5, 2010.

**Perth and Smiths Falls District Hospital
Statement of Financial Position**

March 31	2010	2009
	\$	\$
Assets		
Current Assets		
Cash	1,501,367	1,812,589
Accounts receivable (note 2)	1,358,507	1,028,887
Inventories (note 3)	724,997	620,429
Prepaid expenses	321,270	283,621
	3,906,141	3,745,526
Property, Plant and Equipment (note 4)	55,803,835	35,475,305
Restricted Cash (note 5)	6,049,871	1,805,545
	65,759,847	41,026,376
Liabilities		
Current Liabilities		
Bank indebtedness (note 5)	2,818,944	2,715,877
Accounts payable and accrued liabilities	5,638,996	6,817,745
Deferred funding	457,083	576,783
Current portion of long term debt	74,455	78,229
	8,989,478	10,188,634
Long Term Liabilities		
Long term debt (note 7)	95,500	168,682
Employee future benefits (note 6)	1,280,989	1,273,773
Construction holdback	2,724,644	607,105
	4,101,133	2,049,560
Deferred Contributions (note 8)		
Capital grants	47,741,159	23,373,349
Capital donations	6,567,523	6,545,623
	54,308,682	29,918,972
Net (Liabilities) Assets		
Invested in property, plant and equipment	7,375,069	7,114,967
Unrestricted	(9,014,515)	(8,245,757)
	(1,639,446)	(1,130,790)
	65,759,847	41,026,376

Commitments, Contingencies and Guarantees (note 16)

On behalf of the Board:



_____, Chairperson

The accompanying notes are an integral part of these financial statements.

**Perth and Smiths Falls District Hospital
Statement of Changes in Net Assets**

Year Ended March 31	Investment in Property, Plant and Equipment	Unrestricted	2010	2009
	\$	\$	\$	\$
Balance, Beginning of Year	7,114,967	(8,245,757)	(1,130,790)	721,959
(Deficiency) Excess of Revenue Over Expenses	---	(508,656)	(508,656)	(1,852,749)
Net Change in Investment in Property, Plant and Equipment	260,102	(260,102)	---	---
Balance, End of Year	7,375,069	(9,014,515)	(1,639,446)	(1,130,790)

The accompanying notes are an integral part of these financial statements.

**Perth and Smiths Falls District Hospital
Statement of Financial Activities and Net Assets**

For the year ended March 31	2010	2009
	\$	\$
Revenues		
Ministry of Health	33,837,838	33,796,984
Other patient income	6,459,433	6,453,281
Other revenue	2,865,702	2,191,309
	<u>43,162,973</u>	<u>42,441,574</u>
Expenditures		
Salaries, wages and benefits	27,319,436	27,747,999
Medical staff remuneration	5,383,743	5,176,705
Supplies and other	6,086,271	6,140,449
Medical and surgical supplies	2,294,227	2,696,979
Drugs	810,766	831,257
Amortization ▶ equipment and software	1,377,401	1,296,533
	<u>43,271,844</u>	<u>43,889,922</u>
Net Expenditures from Operations	(108,871)	(1,448,348)
Other Programs (note 10)	(1,980)	4,888
Net Expenditures Before Capital Income and Expense	<u>(110,851)</u>	<u>(1,443,460)</u>
Capital Income and Expense		
Amortization ▶ building and service equipment	(982,832)	(961,337)
Capital interest on long term debt	(7,395)	(17,542)
Capital grants and donations	592,422	569,590
	<u>(397,805)</u>	<u>(409,289)</u>
Net Expenditures for the Year	(508,656)	(1,852,749)
Net Liabilities, Beginning of Year	<u>(1,130,790)</u>	721,959
Net Liabilities, End of Year	<u>(1,639,446)</u>	<u>(1,130,790)</u>

The accompanying notes are an integral part of these financial statements.

**Perth and Smiths Falls District Hospital
Statement of Cash Flows**

For the year ended March 31	2010	2009
	\$	\$
Cash Flows Provided From:		
Operating Activities		
Net expenditures for the year	(508,656)	(1,852,749)
Amortization of capital donations and grants	(1,701,665)	(1,525,461)
Amortization of property, plant and equipment	2,360,233	2,257,870
	149,912	(1,120,340)
Net Change in Non-Cash Working Capital Balances Related to Operations		
Accounts receivable	(329,620)	114,093
Inventories	(104,568)	20,064
Prepaid expenses	(37,649)	(58,244)
Accounts payable and accrued liabilities	(1,178,749)	1,124,958
Deferred funding	(119,700)	113,052
Employee future benefits	7,216	(61,576)
	(1,763,070)	1,252,347
Net Change from Operations	(1,613,158)	132,007
Investing Activities		
Restricted cash	(4,244,326)	(1,162,575)
Construction holdbacks	2,117,539	607,105
Capital expenditures (net)	(22,688,763)	(9,799,115)
	(24,815,550)	(10,354,585)
Financing Activities		
Repayment of long term debt	(76,956)	(206,680)
Capital donations and grants	26,091,375	9,809,416
	26,014,419	9,602,736
Change in Cash and Equivalents, During the Year	(414,289)	(619,842)
Cash and Equivalents, Beginning of Year	(903,288)	(283,446)
Cash and Equivalents, End of Year	(1,317,577)	(903,288)
Cash and Equivalents Represented By:		
Cash	4,818,054	720,855
Bank indebtedness	---	(2,286,572)
Outstanding items	(6,135,631)	662,429
	(1,317,577)	(903,288)

The accompanying notes are an integral part of these financial statements.

Perth and Smiths Falls District Hospital Notes to the Financial Statements

March 31, 2010

Purpose of Organization

These financial statements reflect the assets, liabilities and operations of Perth and Smiths Falls District Hospital. They do not include the assets, liabilities or operations of its Auxiliaries, Smiths Falls Community Hospital Foundation and The Great War Memorial Hospital of Perth District Foundation or other entities, which, although associated with the Hospital, are separately managed, and report to separate Board of Trustees.

The Hospital is principally involved in providing health care services to the Towns of Perth, Smiths Falls and surrounding area. The Hospital is a registered charity under the Income Tax Act and accordingly is exempt from income taxes.

1. Significant Accounting Policies

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

(a) Revenue Recognition

The Hospital follows the deferral method of accounting for contributions.

Under the Health Insurance Act and Regulations thereto, the Hospital is funded, primarily by the Province of Ontario, and allocated by the South East Local Health Integration Network, in accordance with budget arrangements established by the Ministry of Health and Long-Term Care. 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 the 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, such as trust funds are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of property, plant and equipment are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related property, plant and equipment.

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

(b) 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.

(c) Inventories

Inventories are valued at the lower weighted average costs and replacement cost, less a provision for any obsolete or unusable inventory on hand.

Perth and Smiths Falls District Hospital

Notes to the Financial Statements

March 31, 2010

1. Significant Accounting Policies / continued

(d) Deferred Revenues

Perth and Smiths Falls District Hospital receives certain amounts for which the related services have yet to be performed. These amounts are recognized as revenues in the fiscal year the related expenditures are incurred or services performed.

(e) Property, Plant and Equipment

Purchased property, plant and equipment, other than minor equipment are recorded at cost. Assets acquired under capital leases are initially recorded at the present value of future minimum lease payments and amortized over the estimated life of the assets. When an asset no longer contributes to the Hospital's ability to provide services, its carrying amount is written down to its residual value.

Minor equipment replacements are expensed in the year of replacement. Construction in progress is not amortized until the project is complete and the facilities come into use. Property, plant and equipment are amortized on a straight-line basis over their expected useful lives at rates varying from 2% to 30% per annum.

(f) Employee Benefit Plans

The Hospital accrues its obligations for 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 retirement ages of employees and expected health care costs.

Adjustments arising from plan amendments, including past service costs, are amortized on a straight-line basis over the average remaining service period of employees active at the date of the amendment. The excess of the net actuarial gain or loss over 10% of the greater of the benefit obligation is amortized over the average remaining service period of the active employees.

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

(g) Financial Instruments

All financial instruments are initially recognized at fair value on the balance sheet. The Hospital has classified each financial instrument into one of the following categories: held-for-trading financial assets and liabilities, loans and receivables, held-to-maturity financial assets and other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

Held-for-trading financial assets and liabilities are subsequently measured at fair value with changes in those fair values recognized in net earnings.

**Perth and Smiths Falls District Hospital
Notes to the Financial Statements**

March 31, 2010

1. Significant Accounting Policies / continued

(g) Financial Instruments / continued

Loans and receivables, held-to-maturity financial assets and other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The Hospital classifies cash and cash equivalents as held-for-trading financial assets, accounts receivable as loans and receivables, and accounts payable and accrued liabilities as other financial liabilities.

(h) 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 expenditures during the period. Actual results could differ from these estimates.

2. Accounts Receivable

Accounts receivable are comprised of the following:

	2010	2009
	\$	\$
Ministry of Health	---	---
Other	1,386,057	1,033,831
Due from other funds	1,558	26,086
	1,387,615	1,059,917
Less: allowance for doubtful accounts	29,108	31,030
	1,358,507	1,028,887

3. Inventories

	2010	2009
	\$	\$
Medical and surgical	388,487	308,532
Other	336,510	311,897
	724,997	620,429

**Perth and Smiths Falls District Hospital
Notes to the Financial Statements**

March 31, 2010

4. Property, Plant and Equipment

	2010		2009	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Land and Land Improvements	431,684	188,515	243,169	239,785
Software, Licences and Fees	2,127,719	2,016,712	111,007	151,135
Building and Service Equipment	36,336,710	16,841,220	19,495,490	19,650,211
Major Equipment	17,840,289	13,473,272	4,367,017	5,220,693
Capital Projects in Progress	31,587,152	---	31,587,152	10,213,481
	88,323,554	32,519,719	55,803,835	35,475,305

5. Bank Indebtedness

The Hospital has an available line of credit of \$5,500,000, with its corporate bankers, of which \$Nil was drawn against at March 31, 2010 (2009 \$2,286,572). This line of credit is unsecured and bears interest at prime less 0.75%.

Restricted cash is comprised of funds retained for the purpose of the redevelopment project. These funds are externally restricted to be used for the purpose intended by the contributor of the funds.

6. Employee Future Benefits

The Hospital provides extended health care and dental insurance benefits to certain of its employees and extends this coverage to the post-retirement period. The most recent actuarial valuation of employee future benefits was completed as at March 31, 2010.

At March 31, the Hospital's employee future benefits accrued liability and benefit obligation is as follows:

	2010	2009
	\$	\$
Accrued benefit obligation March 31, 2008	1,273,773	1,335,349
Benefits accrued in the period	51,597	54,427

**Perth and Smiths Falls District Hospital
Notes to the Financial Statements**

March 31, 2010

6. Employee Future Benefits / continued

	2010	2009
	\$	\$
Benefits paid in the period	(86,933)	(89,706)
Interest on accrued benefit obligation during the period	58,911	67,862
Experience gain	(16,359)	(94,159)
Accrued liability	1,280,989	1,273,773

Similar to most post-employment benefit plans (other than pension) in Canada, the Hospital's plan is not pre-funded, resulting in a plan deficit equal to the accrued benefit obligation.

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

Discount rate	6.00%
Dental benefits cost escalation	2.75%
Medical benefits cost escalation – extended health care	4.25%
Inflation	2.25%
Expected average remaining service life of employees	Ranges between 6 and 13 years depending on employer group

7. Long Term Debt

	2010	2009
	\$	\$
Bank of Montreal loan, (5.64%), repayable in blended monthly instalments of \$5,734, due 2015.	117,722	177,467
Bank of Montreal loan, (5.06%), repayable in monthly instalments of \$6,760, due April 2009.	---	6,053
Bank of Montreal loan, (5.25%), repayable in blended monthly instalments of \$1,054, due 2013.	52,233	63,391
	169,955	246,911
Less: current portion	74,455	78,229
	95,500	168,682

**Perth and Smiths Falls District Hospital
Notes to the Financial Statements**

March 31, 2010

7. Long Term Debt / continued

Principal payments fall due as follows:

	\$
2011	74,455
2012	64,551
2013	11,816
2014	12,324
2015 and after	6,809
	169,955

8. Deferred Contributions

The Corporation, the Government of Ontario and the Ontario Financing Authority (OFA) entered into an agreement whereby certain capital assets were funded by loan advances from OFA. The corporation received the loan which was recorded on the balance sheet as a deferred capital grant. Effective December 1, 1995, OFA has forgiven the Corporation's indebtedness under this agreement and converted the loan to a grant. This forgiveness has had no affect on the method of accounting for the funds previously advanced by OFA.

	2010	2009
	\$	\$
Capital Provincial Grants (net of amortization of \$6,955,152 (2009: \$6,200,501)	47,716,159	23,373,349
Capital Donations (net of amortization of \$4,746,070 2009: \$4,391,494)	6,567,523	6,545,623

9. Service Contract with the Ministry of Community and Social Services

The Perth and Smiths Falls District Hospital has a Service Contract with the Ministry of Community and Social Services. One requirement of the Service Contract Approval is the production by Management of a T-PAR report, which shows a summary by service of all revenues and expenditures and any resulting surplus or deficit that relates to the Service Contract.

Perth and Smiths Falls District Hospital Notes to the Financial Statements

March 31, 2010

10. Other Programs

Other programs represent funding and related expenses for Lanark County Mental Health, Lanark County Support Services and municipal taxes.

	2010	2009
	\$	\$
Income	5,508,849	5,438,623
Expenses	5,510,829	5,433,735
	<u>(1,980)</u>	<u>4,888</u>

11. Financial Instruments

The Hospital's financial instruments consist of cash, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, holdbacks payable and long term debt. The carrying values of these financial instruments approximate their fair values due to the relatively short periods to maturity of the instruments or the near current market interest rates applicable. The fair values of the loans are not readily determinable.

(a) Credit Risk

Credit risk arises from the possibility that the entities to which the Hospital provides services may experience difficulty and be unable to fulfill their obligations. The Hospital is exposed to financial risk that arises from the credit quality of the entities to which it sells its services. The Hospital does not believe it has significant exposure as there is no one significant client from whom it is owed funds.

(b) Interest Rate Risk

Interest rate risk arises from the possibility that the value of, or cash flows related to a financial instrument will fluctuate as a result of changes in market interest rates. The Hospital is exposed to financial risk that arises from the interest rate differences between the market interest rate and the rates on its cash and cash equivalents, operating loan and long term debt. Changes in variable interest rates could cause unanticipated fluctuations in the Hospital's operating results.

(c) Liquidity Risk

Liquidity risk is the risk that the Hospital will not be able to meet its obligations as they fall due. The Hospital requires working capital to meet day-to-day operating activities. Management expects that the Hospital's cash flows from operating activities will be sufficient to meet these requirements. The Hospital also has available unused credit facilities in the amount of \$5,500,000 at March 31st, 2010 to meet fluctuations in working capital requirements.

**Perth and Smiths Falls District Hospital
Notes to the Financial Statements**

March 31, 2010

11. Financial Instruments / continued

The company's financial instruments consist of the following::

	2010		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	\$	\$	\$	\$
Held-For-Trading Financial Assets				
Cash and cash equivalents	(1,317,577)	(1,317,577)	(903,288)	(903,288)
Loans and Receivables				
Accounts receivable	1,358,507	1,358,507	1,028,887	1,028,887
Other Financial Liabilities (not held-for-trading)				
Accounts payable and accrued liabilities	5,638,996	5,638,996	6,817,745	6,817,745
Construction holdbacks	2,724,644	2,724,644	607,105	607,105
Long term debt	169,955	169,955	246,911	246,911

12. Pension Plan

Substantially all of the employees of the Facility are members of the Hospitals of Ontario Pension Plan (the 'Plan'), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the five consecutive years prior to retirement, termination or death, that provide the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk of these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount together with the 6.9% (low) and 9.2% (high) of salary effective January 1, 2009 contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employee's contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2009 indicated the plan is fully funded on a solvency basis. Contributions to the plan made during the year by the Facility on behalf of its employees amounted to \$1,910,939 (previous year \$1,926,112) and are included in the statement of operations.

Perth and Smiths Falls District Hospital Notes to the Financial Statements

March 31, 2010

13. Related Party Transactions

The corporation has an economic interest in the Great War Memorial Hospital of the Perth District Foundation and the Smiths Falls Community Hospital Foundation. The Foundations were established to raise funds for the use of the corporation. The Foundations are incorporated under the Business Corporations Act and are registered charities under the Income Tax Act.

The net assets and results from operations of the Foundations are not included in the statement of the corporation.

Contributions received during the year amount to:

	2010	2009
	\$	\$
Great War Memorial Hospital of Perth District Foundation	571,472	768,700
Smiths Falls Community Hospital Foundation		
▶ Redevelopment	6,813,196	---
▶ Equipment	27,609	315

At March 31, 2010 there were amounts due from the Smiths Falls Community Hospital Foundation of \$Nil (2009 \$26,029) and amounts due from the Great War Memorial Hospital of Perth District Foundation of \$1,558 (2008 \$Nil).

14. Segmented Information

	Salaries, Wages & Benefits	Medical Staff Remuneration	Supplies & Other	Medical & Surgical Supplies	Drugs	Amortization Equipment & Software	Total
	\$	\$	\$	\$	\$	\$	\$
Administration & Support	6,846,557	256,803	3,524,303	76,004	882	173,757	10,878,306
Inpatient Care	11,120,405	1,224,526	514,059	1,916,086	606,829	439,451	15,821,356
Ambulatory Care	3,488,265	2,756,391	145,085	250,074	166,847	74,370	6,881,032
Diagnostic	5,394,006	1,146,023	1,596,360	47,703	35,600	684,715	8,904,407
Others	470,203	---	306,464	4,360	608	5,108	786,743
2010	27,319,436	5,383,743	6,086,271	2,294,227	810,766	1,377,401	43,271,844
2008 / 2009	27,747,999	5,176,705	6,140,449	2,696,979	831,257	1,296,533	43,889,922

**Perth and Smiths Falls District Hospital
Notes to the Financial Statements**

March 31, 2010

15. Capital Disclosures

- (a) The Hospital defines capital as unrestricted net assets and investment in property, plant and equipment. The Hospital's objective with respect to capital is to fund ongoing operations, capital asset acquisitions and future projects.

The Hospital's overall strategy with respect to capital remains unchanged from the year ended March 31, 2009. The Hospital is not subject to externally imposed capital requirements.

- (b) Investment in property, plant and equipment is calculated as follows:

	2010	2009
	\$	\$
Property, Plant and Equipment	55,803,835	35,475,305
Less: amounts financed by deferred grants and contributions	54,308,682	29,918,975
amounts financed by long term debt	169,955	246,911
Add: cash restricted for investment in property, plant and equipment	6,842,294	1,805,545
	8,167,492	7,114,964

- (c) Net change in investment in property, plant and equipment is calculated as follows:

	2010	2009
	\$	\$
Purchase of Property, Plant and Equipment	22,688,763	9,799,115
Change in Cash Restricted for Investment in Property, Plant and Equipment	4,244,326	1,162,575
Deferred Contributions Received	(26,091,375)	(9,809,416)
Amortization of Deferred Grants and Contributions Related to Property, Plant and Equipment	1,701,665	1,525,461
Amortization of Property, Plant and Equipment	(2,360,233)	(2,257,870)
Principal Repayment of Long Term Debt Incurred for Purchase of Property, Plant and Equipment	76,956	206,680
	260,102	626,545

16. Commitments, Contingencies and Guarantees

The Perth and Smiths Falls District Hospital (Lanark County Mental Health) has entered into lease arrangements as follows:

- ▶ Smiths Falls property commencing July 1, 2006 to June 30, 2011 with an optional 5 year renewal.

Perth and Smiths Falls District Hospital Notes to the Financial Statements

March 31, 2010

16. Commitments, Contingencies and Guarantees / continued

- ▶ Carleton Place property, commencing December 1, 2009 to November 20, 2012.

	\$
2011	80,376
2012	56,754
2013	34,320

The Perth and Smiths Falls District Hospital is undertaking a \$43.2 million dollar redevelopment project at the Smiths Falls site. The Ministry of Health and Long Term Care has approved a grant of up to \$36.1 million dollars towards the project. The remaining \$7.1 million dollars is the hospital's community share of the project costs.

The Smiths Falls Community Foundation, in conjunction with the Hospital's Capital Campaign Committee (now discontinued), will oversee the raising of the Hospital's \$7.1 million share.

Construction of the three (3) Phase Redevelopment Project commenced in September 2008 and will end in early 2011. Phase 1 was the demolition of the 1904 wing which was completed in the fall of 2008. Phase 2 is currently in progress and consists of the construction of a new 58,000 sq. ft. wing scheduled to open May 30, 2010. Phase 3 is the renovation of the remaining 70,000 sq. ft. of the hospital space to be completed by June 2011.

As at March 31, 2010 project costs incurred totalled \$31.5 million. The costs to complete the project is estimated to be approximately \$11.7 million dollars.

The Perth and Smiths Falls District Hospital has entered into a lease agreement for the relocation of certain services during the re-development of the Smiths Falls site of the Hospital. The lease commenced April 1st, 2010 ending October 31, 2010 with an agreement to extend the lease on a month to month basis should it be required. Monthly lease payments are \$2,467.

The Perth and Smiths Falls District Hospital is a member of a non-profit organization that has been created to manage a joint project for the purpose of developing a shared regional supply chain. Each of the participating six hospitals located in the SE LHIN is a voting member of 3SO with three independent board directors from within the SE LHIN. The project has received start up funding from the Ministry of Finance. The Perth & Smiths Falls District Hospital has agreed to provide a limited guarantee to a maximum of \$287,504 or 5.75% of the \$5 million dollar line of credit obtained by 3SO. At March 31, 2010, the line of credit accessed by 3SO was \$1.1 million (2009 \$nil).

At March 31, 2010 the Hospital had a \$20,000 Commercial Letter of Credit outstanding in favour of the Corporation of the Town of Mississippi Mills for site plan agreement completion with Lanark County Support Services, a fully sponsored agency of the Hospital.