

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

**INDEPENDENT AUDITOR'S REPORT AND
FINANCIAL STATEMENTS**

MARCH 31, 2026

Baker Tilly HKC

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Hôpital de Smooth Rock Falls Hospital

Opinion

We have audited the financial statements of Hôpital de Smooth Rock Falls Hospital (the "Hospital"), which comprise the statement of financial position as at March 31, 2026, and the statements of operations, changes in net assets (net deficit) and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Hospital as at March 31, 2026, and its results of operations and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards for Gouvernement Not-for-Profit Organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Hospital in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the financial statements which describes matters and conditions about the Hospital's ability to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT, (CONT'D)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian Public Sector Accounting Standards for Government Not-for-Profit Organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Hospital's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Hospital or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Hospital's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ♦ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ♦ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control.

INDEPENDENT AUDITOR'S REPORT, (CONT'D)

- ♦ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ♦ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Hospital to cease to continue as a going concern.
- ♦ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Baker Tilly HKC

Chartered Professional Accountants
Licenced Public Accountants
June 10, 2026

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

FINANCIAL STATEMENTS

MARCH 31, 2026

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HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

HOSPITAL OFFICIALS

MARCH 31, 2026

BOARD OF DIRECTORS

ELECTED OFFICIALS

Chairperson	Jean-Marie Couture
Vice-Chairperson	Kathy Taylor
Treasurer	Diane Bernier
Directors	Martine Blanchette
	Clément Desrochers
	Roger Lafrance
	Tracy Tessier

Chief of Staff	Dr. Daniel Lebel (non-voting)
President of Medical Staff	Dr. Jason Essue (non-voting)

ADMINISTRATIVE PERSONNEL AND CONSULTANTS

Chief Executive Officer	Melonie Loubert
Chief Financial Officer	Julie Del Guidice
Chief Nursing Officer	Kristal Prevost
Auditors	Baker Tilly HKC
	Chartered Professional Accountants

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2026

	2026 Budget (Unaudited)	2026 Actual	2025 Actual
REVENUES			
Ontario Health North East, schedule 1	\$ 10,806,731	\$ 10,128,573	\$ 10,101,928
Alternative funding agreement	897,460	1,638,493	918,505
Differential and co-payment	683,400	690,494	709,401
Recoveries and sundry income	173,900	339,273	234,622
Amortization of deferred capital contributions - equipment	143,658	232,242	142,552
Patient revenues	93,850	260,542	238,155
	<u>12,798,999</u>	<u>13,289,617</u>	<u>12,345,163</u>
EXPENSES			
Salaries and wages	5,702,252	5,564,852	5,091,149
Medical staff remuneration	1,047,574	1,799,188	1,374,879
Purchased services	1,350,445	933,952	1,540,952
Employee benefits	1,722,347	1,792,801	1,556,922
Supplies and other expenses	2,393,065	2,473,083	2,660,359
Medical and surgical	144,800	135,956	134,309
Drugs and medicine	117,700	127,956	104,171
Amortization of equipment	246,285	347,619	266,037
Bad debts (recovery)	2,000	3,802	(1,002)
	<u>12,726,468</u>	<u>13,179,209</u>	<u>12,727,776</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FROM OPERATIONS, BEFORE OTHER INCOME AND PROGRAMS	<u>72,531</u>	<u>110,408</u>	<u>(382,613)</u>
AMORTIZATION OF BUILDINGS			
Amortization of deferred capital contributions	449,718	480,456	470,244
Amortization of capital assets	(557,164)	(524,328)	(513,916)
	<u>(107,446)</u>	<u>(43,872)</u>	<u>(43,672)</u>
OTHER PROGRAMS, schedule 2	<u>55</u>	<u>60</u>	<u>55</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>\$ (34,860)</u>	<u>\$ 66,596</u>	<u>\$ (426,230)</u>

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

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

STATEMENT OF CHANGES IN NET ASSETS (NET DEFICIT)

YEAR ENDED MARCH 31, 2026

	Invested in Capital Assets (Note 13)	Unrestricted	2026 Total	2025 Total
NET ASSETS (NET DEFICIT), BEGINNING OF YEAR	\$ 669,735	\$ (2,041,144)	\$ (1,371,409)	\$ (945,179)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	-	66,596	66,596	(426,230)
NET CHANGE INVESTED IN CAPITAL ASSETS (Note 13)	(122,854)	122,854	-	-
NET ASSETS (NET DEFICIT), END OF YEAR	\$ 546,881	\$ (1,851,694)	\$ (1,304,813)	\$ (1,371,409)

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

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2026

	2026	2025
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,515,638	\$ 865,360
Accounts receivable (Note 5)	495,628	822,296
Inventories	113,523	94,403
Prepaid expenses	63,993	61,541
	<u>2,188,782</u>	<u>1,843,600</u>
CAPITAL ASSETS (Note 6)	<u>5,544,808</u>	<u>5,384,481</u>
	<u>\$ 7,733,590</u>	<u>\$ 7,228,081</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 8)	\$ 2,959,006	\$ 2,910,275
Deferred revenues (Note 9)	432,326	353,356
Current portion of capital lease obligations	30,380	29,731
	<u>3,421,712</u>	<u>3,293,362</u>
CAPITAL LEASE OBLIGATIONS (Note 10)	107,909	138,941
DEFERRED CAPITAL CONTRIBUTIONS (Note 11)	4,859,638	4,546,074
POST-EMPLOYMENT BENEFITS PAYABLE (Note 12)	649,144	621,113
	<u>9,038,403</u>	<u>8,599,490</u>
NET ASSETS (NET DEFICIT)		
INVESTED IN CAPITAL ASSETS (Note 13)	546,881	669,735
UNRESTRICTED	<u>(1,851,694)</u>	<u>(2,041,144)</u>
	<u>(1,304,813)</u>	<u>(1,371,409)</u>
	<u>\$ 7,733,590</u>	<u>\$ 7,228,081</u>

CONTINGENCIES (Note 16)

COMMITMENTS AND CONTRACTUAL OBLIGATIONS (Note 17)

On behalf of the board

Director,



Director,



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

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2026

	2026	2025
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ 66,596	\$ (426,230)
Items not involving cash:		
Amortization of deferred capital contribution - equipment	(232,242)	(142,552)
Amortization of deferred capital contributions - buildings	(480,456)	(470,244)
Amortization of deferred capital contributions - other programs	(18,545)	(36,554)
Amortization of equipment	347,619	266,037
Amortization of buildings	524,328	513,916
Amortization of leasehold improvements - other programs	18,485	19,090
Amortization of major equipment - other programs	943	18,352
	226,728	(258,185)
Change in:		
Accounts receivable	326,668	615,351
Inventories	(19,120)	(14,125)
Prepaid expenses	(2,452)	(18,097)
Accounts payable and accrued liabilities	48,731	(389,910)
Deferred revenues	78,970	16,684
Post-employment benefits payable	28,031	24,217
	687,556	(24,065)
FINANCING ACTIVITIES		
Repayment of capital lease obligations	(30,383)	(19,042)
Capital contributions received	1,044,807	508,007
Capital lease proceeds	-	106,619
	1,014,424	595,584
CAPITAL ACTIVITIES		
Capital assets additions	(1,051,702)	(1,295,171)
Capital project in progress additions	-	(82,230)
Transfer of capital project in progress to capital assets	-	790,460
	(1,051,702)	(586,941)
CHANGE IN CASH POSITION	650,278	(15,422)
CASH POSITION, BEGINNING OF YEAR	865,360	880,782
CASH POSITION, END OF YEAR	\$ 1,515,638	\$ 865,360

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

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2026

1. STATUS AND NATURE OF OPERATIONS

The Hôpital de Smooth Rock Falls Hospital (the "Hospital"), incorporated under the Ontario Business Corporation Act, without share capital, operates a Hospital under the Charitable Institutions Act, at 107 Kelly Road, Smooth Rock Falls, Ontario. The Hospital is a not-for-profit organization and, as such, is exempt from income taxes under the Income Tax Act (Canada).

2. GOING CONCERN

These financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Hospital be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The Hospital, which is funded primarily by the Ministry of Health/Ontario Health North East has been having financial difficulties for the past years. The Hospital incurred a surplus of \$66,596 during the year ended March 31, 2026 (2025 - loss of \$426,230) and, as of that date, the Hospital's current liabilities exceeded its current assets by \$1,232,930 (2025 - \$1,449,762). The Hospital has made the Ministry aware of their situation and discussions are being held on an ongoing basis.

The accompanying financial statements do not include any adjustments relating to the recoverability of assets and to the reclassification of asset and liability amounts that might be necessary should the Hospital be unable to continue its operations.

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2026

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards for Government Not-for-Profit Organizations including the 4200 series of standards as issued by the Public Sector Accounting Board and includes the following significant accounting policies:

BASIS OF PRESENTATION

The financial statements include the assets, liabilities and activities of the Hospital.

The notes to the financial statements include information of the following related parties:

Smooth Rock Falls Hospital Foundation
ONE Health Information Technology Services

The revenues, expenses, assets and liabilities with respect to the operations of the related parties are not reflected in these financial statements except to the extent that the funds have been received from or disbursed to them. The financial statements of the related parties are not consolidated in the financial statements of the Hospital.

REVENUE RECOGNITION

The financial statements have been prepared using the deferral method of accounting. Under the deferral method, revenues are recorded in the period to which they relate.

Under the Health Insurance Act and the regulations thereto, the Hospital is funded primarily by the Ministry of Health (MOH)/Ontario Health North East (OH North East) in accordance with the terms and conditions in the Hospital Service Accountability Agreement.

Operating grants are recorded as revenue in the period to which they relate. Grants approved but not yet received at the end of the year 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 recorded as revenue when received or receivable if the amounts can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Grants, donations and other contributions received for the acquisition of specific capital assets are recorded as deferred capital contributions and recognized into revenue at a rate corresponding with the amortization rate for the related capital assets.

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2026

3. SIGNIFICANT ACCOUNTING POLICIES, (CONT'D)

REVENUE RECOGNITION, (CONT'D)

Revenue from the other provinces and uninsured patients, operational revenue and other services and recoveries are recognized as revenue when received or receivable if the amount to be recorded can be reasonably estimated and the collection is reasonably assured.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand and temporary bank overdrafts which forms an integral part of the Hospital's cash management.

INVENTORIES

Inventories of all hospital supplies are valued the lower of average cost and replacement value and include only those supplies located in central storage areas and not supplies that have been issued to departments for direct patient care.

CAPITAL ASSETS

The acquisition of capital assets are recorded at their historical cost less amortization. Contributed capital assets are recorded at fair value at the date of contribution. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Hospital's ability to provide services or the value of future economic benefits associated with the capital asset is less than its net book value, the carrying amount is reduced to reflect the decline in the asset's value. The write-down is recorded in the statement of operations.

Amortization is calculated on a straight-line basis using rates as set out in the Ontario Health Care Reporting System Guidelines. The estimated useful lives of the assets are as follows:

Land	Not amortized
Land improvements	2 - 25 years
Buildings	20 - 40 years
Leasehold improvements - detox	25 years
Furnishing and equipment	3 - 20 years
Information technology	3 - 15 years
Capital project in progress	Not amortized

The cost of capital projects in progress is recorded as capital assets and no amortization is taken until the project is substantially completed and the asset is ready for productive use. The Hospital allocates salary and benefit costs when personnel work directly in managing or implementing the capital project.

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2026

3. SIGNIFICANT ACCOUNTING POLICIES, (CONT'D)

CAPITAL ASSETS, (CONT'D)

Long-lived assets, including capital assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The amount of identified impairment, if any, is recorded as a write-down and is recognized in the statement of operations.

FUNDING

Under the current funding policy, the Hospital is essentially funded by using a budget base approved by the Ministry of Health/Ontario Health North East. The Hospital is allowed to retain any excess of revenue over expenses derived from its operations and, conversely, retains responsibility for any deficit it may occur.

RETIREMENT AND POST-EMPLOYMENT BENEFIT PLANS

The Hospital provides defined retirement and post-employment benefits for certain employee groups and retirees. The benefits include pension, extended health care, dental and life insurance. The Hospital has adopted the following policies with respect to accounting for these employee benefits:

Multi-employer defined benefit plan

Substantially all of the employees of the Hospital are eligible to be members of the Hospitals of Ontario Pension Plan (HOOPP), which is a multi-employer, defined benefit, final average earnings, contributory pension plan. Defined contribution plan accounting is applied to HOOPP, whereby contributions are expensed when due, as the Hospital has insufficient information to apply defined benefit accounting.

Post-employment benefits

- a) The costs of post-employment future benefits are actuarially determined using the projected benefit method prorated on service and management's best estimate of retirement ages, health care costs, disability recovery rates and discount rates. Adjustments to these costs arising from changes in estimates and experience gains and losses are amortized to income over the estimated average remaining service life of the employee groups on a straight line basis.
- b) Past service costs (if any) arising from plan amendments are immediately recognized.
- c) The discount rate used in the determination of the above-mentioned liability is the discount rate recommended by the Ministry of Health.

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2026

3. SIGNIFICANT ACCOUNTING POLICIES, (CONT'D)

FINANCIAL INSTRUMENTS

The Hospital records its financial instruments at either fair value or amortized cost. The Hospital's accounting policy for each category is as follows:

Fair Value

This category includes derivatives and equity instruments quoted in an active market. The Hospital has designated its cash as fair value as it is managed and evaluated on a fair value basis.

They are initially recognized at cost and subsequently carried at fair value. Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Transaction costs related to financial instruments in the fair value category are expensed as incurred.

Where a decline in fair value is determined to be other than temporary, the amount of the loss is removed from accumulated remeasurement gains and losses and recognized in the statement of operations. On sale, the amount held in accumulated remeasurement gains and losses associated with that instrument is removed from net assets and recognized in the statement of operations.

The Hospital does not have any amounts to record on the statement of remeasurement gains and losses and therefore this statement has not been included in their financial statements.

Amortized cost

This category includes accounts receivable, accounts payable and accrued liabilities and capital lease obligations. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Write-downs on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the write-down being recognized in the statement of operations.

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2026

3. SIGNIFICANT ACCOUNTING POLICIES, (CONT'D)

CONTRIBUTED MATERIALS AND SERVICES

Volunteers contribute significant hours of their time each year to assist the Hospital in carrying out certain charitable activities. The fair value of these contributed services is not readily determinable and, as such, is not reflected in these financial statements. Contributed materials are also not recognized in these financial statements.

MEASUREMENT UNCERTAINTY

The preparation of financial statements in conformity with Canadian Public Sector Accounting Standards for Government Not-for-Profit Organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant areas requiring the use of estimates include: the allowance for doubtful accounts receivable, the useful life of capital assets, accrued liabilities, actuarial estimation of post-employment benefits, contingencies and revenue recognition of certain restricted contributions. Actual results may differ from management's best estimates as additional information becomes available in the future.

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2026

4. FINANCIAL INSTRUMENT CLASSIFICATION

The following table provides cost and fair value information of financial instruments by category. The maximum exposure to credit risk and liquidity risk would be the carrying value as shown below:

	2026		
	Fair Value	Amortized Cost	Total
Cash	\$ 1,515,638	\$ -	\$ 1,515,638
Accounts receivable	\$ -	\$ 495,628	\$ 495,628
Accounts payable and accrued liabilities	\$ -	\$ (2,959,006)	\$ (2,959,006)
Capital lease obligation	\$ -	\$ (138,289)	\$ (138,289)

	2025		
	Fair Value	Amortized Cost	Total
Cash	\$ 865,360	\$ -	\$ 865,360
Accounts receivable	\$ -	\$ 822,296	\$ 822,296
Accounts payable and accrued liabilities	\$ -	\$ (2,910,275)	\$ (2,910,275)
Capital lease obligation	\$ -	\$ (168,672)	\$ (168,672)

The following provides details of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;

Level 2: Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and,

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

Cash and cash equivalents is considered Level 1 fair value.

There were no transfers between levels for the year ended March 31, 2026 and March 31, 2025.

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2026

5. ACCOUNTS RECEIVABLE

	2026	2025
Health services	\$ 106,271	\$ 142,549
Grants and others	94,682	50,468
HST rebate	241,006	63,273
Ministry of Health/Ontario Health North East	56,553	571,532
	498,512	827,822
Allowance for doubtful accounts	(2,884)	(5,526)
	\$ 495,628	\$ 822,296

6. CAPITAL ASSETS

	Cost	Accumulated Amortization	2026 Net	2025 Net
Land and land improvements	\$ 102,575	\$ 36,781	\$ 65,794	\$ 65,794
Buildings	14,921,637	11,594,394	3,327,243	3,538,713
Leasehold improvements - detox	505,793	276,881	228,912	203,336
Furnishing and equipment	6,089,163	4,973,067	1,116,096	743,834
Information technology	1,526,036	789,065	736,971	763,012
Capital project in progress	69,792	-	69,792	69,792
	\$ 23,214,996	\$ 17,670,188	\$ 5,544,808	\$ 5,384,481

During the year, the Hospital wrote-off \$nil (2025 - \$16,833) in equipment that was obsolete or damaged and fully amortized.

7. BANK INDEBTEDNESS

The Hospital has an authorized line of credit of \$400,000 as at March 31, 2026, bearing interest at prime + 1% and is secured by a general security agreement. The Hospital has no outstanding balance as at March 31, 2026 (2025 - \$nil).

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2026

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2026	2025
Trade	\$ 1,519,177	\$ 889,211
Payroll related	968,204	931,349
Accrued liabilities	29,922	26,449
Ministry of Health/Ontario Health North East	236,729	665,221
Ministry of Health/Ontario Health North East Detox	204,974	398,045
	<u>\$ 2,959,006</u>	<u>\$ 2,910,275</u>

9. DEFERRED REVENUES

Deferred revenues represent unspent externally restricted funding that has not yet been spent on the related projects.

	2026	2025
Balance, beginning of the year	\$ 353,356	\$ 336,672
Revenues received during the year	145,748	25,996
Transfer to revenues	(66,778)	(9,312)
Balance, end of the year	<u>\$ 432,326</u>	<u>\$ 353,356</u>

Deferred revenues are comprised of the following balances:

	2026	2025
Aging at Home Program	\$ 174,375	\$ 183,687
Detox operations	40,090	38,265
EMR upgrade	94,061	94,061
Physician office integration	7,282	7,282
Foundation and others	116,518	30,061
	<u>\$ 432,326</u>	<u>\$ 353,356</u>

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2026

10. CAPITAL LEASE OBLIGATIONS

	2026	2025
Kubota Canada capital lease, bearing interest at 0%, repayable in monthly payments of \$1,480, including HST, due November 2030, secured by equipment with a net book value of \$85,295.	\$ 85,073	\$ 101,233
Concentra Bank, Commercial Leasing Services capital lease, bearing interest at 4.17%, repayable in blended monthly payments of \$1,545, due August 2029, secured by equipment with a net book value of \$41,927.	53,216	67,439
	138,289	168,672
Less current portion	30,380	29,731
	<u>\$ 107,909</u>	<u>\$ 138,941</u>

Estimated lease payments to be paid over the next six fiscal years are as follows:

2027	\$ 32,281
2028	32,246
2029	32,243
2030	23,928
2031	15,888
2032	<u>5,600</u>
Total future minimum lease payments	142,186
Less amounts representing interest	<u>3,897</u>
	<u>\$ 138,289</u>

Interest charges of \$2,493 (2025 - \$3,061) were expensed to the accounts of the Hospital.

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2026

11. DEFERRED CAPITAL CONTRIBUTIONS

	2026	2025
CAPITAL GRANTS AND CONTRIBUTIONS		
Balance, beginning of year	\$ 18,609,103	\$ 18,101,096
Received in current year	1,044,807	508,007
Balance, end of year	19,653,910	18,609,103
ACCUMULATED AMORTIZATION		
Balance, beginning of year	(14,063,029)	(13,413,679)
Amortization - buildings	(480,456)	(470,244)
Amortization - leasehold improvement - detox	(18,545)	(36,554)
Amortization - equipment	(232,242)	(142,552)
Balance, end of year	(14,794,272)	(14,063,029)
NET DEFERRED CAPITAL CONTRIBUTIONS	\$ 4,859,638	\$ 4,546,074

Included in the capital grants and contributions received in current year, are donations and grants used for the purchase of capital assets projects that are not fully completed. Contributions used for capital projects in progress are not amortized. These contributions are comprised of:

	2026	2025
Health Infrastructure Renewal Fund	\$ 17,574	\$ 17,574

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2026

12. POST-EMPLOYMENT BENEFITS PAYABLE

The Hospital extends post-employment life insurance, extended health coverage and dental benefits to employees subsequent to their retirement. The Hospital recognizes these benefits as they are earned during the employees' tenure of service. The related benefit liability was determined by an actuarial valuation performed on April 30, 2024 for the year ending March 31, 2024. The actuarial valuation included the estimates for the year ending March 31, 2026 which were considered reasonable and applicable in the current year.

The following table outlines the components of the Hospital's accrued post-employment benefit liability:

	2026	2025
Accrued employee future benefits obligation	\$ 576,989	\$ 539,707
Unamortized actuarial gain	72,155	81,406
Accrued employee future benefits liability	<u>\$ 649,144</u>	<u>\$ 621,113</u>

The following table outlines the components of the Hospital's post-employment benefit expense:

	2026	2025
Expected obligation, beginning of year	\$ 539,707	\$ 505,563
Unamortized actuarial gain	81,406	91,333
Accrued benefit liability, beginning of year	621,113	596,896
Current service cost	46,154	44,400
Interest on accrued benefit obligation	21,628	20,245
Amortization of actuarial gain	(9,251)	(9,928)
Benefits payments	(30,500)	(30,500)
Benefit expenses and payments	28,031	24,217
	<u>\$ 649,144</u>	<u>\$ 621,113</u>

The above amounts exclude contributions to the Hospitals of Ontario Pension Plan, a multi-employer plan, described in note 14.

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2026

12. POST-EMPLOYMENT BENEFITS PAYABLE, (CONT'D)

The major actuarial assumptions employed for the valuations are as follows:

Discount rate

The present value as at March 31, 2026 of the future benefits was determined using a discount rate of 3.95% (2025 - 3.95%) which is the discount rate recommended by the Ministry of Health and Long-Term Care for the year the actuarial valuation was performed, April 30, 2024.

Extended Health Coverage

Extended Health Coverage is assumed to decrease by 0.5% per year to an ultimate rate of 4.5%. As of March 31, 2026 the rate is assumed to be 4.5% (2025 - 5.0%).

Dental costs

Dental costs remained stable at 4% per annum (2025 - 4%).

13. INVESTED IN CAPITAL ASSETS

Invested in capital assets is calculated as follows:

	2026	2025
Capital assets	\$ 5,544,808	\$ 5,384,481
Capital lease obligation	(138,289)	(168,672)
Deferred capital contributions	(4,859,638)	(4,546,074)
	<u>\$ 546,881</u>	<u>\$ 669,735</u>

The interfund transfer and the change in invested in capital assets is calculated as follows:

	2026	2025
Amortization of capital assets	\$ (891,375)	\$ (817,395)
Purchase of capital assets	1,051,702	1,295,171
Amounts funded by deferred capital contributions	(1,044,807)	(508,007)
Proceeds of obligations under capital lease	-	(106,619)
Repayment of capital lease obligations	30,383	19,042
Amortization of deferred capital contributions	731,243	649,350
Capitalization of capital projects in progress	-	(790,460)
Capital projects in progress additions	-	82,230
	<u>\$ (122,854)</u>	<u>\$ (176,688)</u>

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2026

14. RETIREMENT BENEFITS

Substantially all of the Hospital's employees 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.

Contributions to the plan made during the year by the Hospital on behalf of its employees amounted to \$507,662 (2025 - \$430,151) and are included in the statement of operations.

As this is a multi-employer pension plan, these contributions are the Hospital's pension benefit expenses. No pension liability for this type of plan is included in the Hospital's financial statements as no contributing employer or employee has any liability, directly or indirectly, to provide the benefits established by this plan beyond the obligation to make contributions pursuant to this pension plan policies. The most recent actuarial valuation of the Plan at December 31, 2025 indicated that the Plan is fully funded on a solvency basis.

15. RELATED PARTIES

Smooth Rock Falls Hospital Foundation

The Smooth Rock Falls Hospital Foundation (the "Foundation") is a corporation without share capital jointly controlled by the Hospital. It has its own Board of Directors. The Foundation was incorporated primarily for the purpose of raising funds for the use of the Hospital.

In the course of the year, the Foundation donated an amount of \$438,704 (2025 - \$152,439) for the Hospital to purchase equipment. The Hospital owes \$26,908 (2025 - \$nil) at year-end to the Foundation.

ONE Health Information Technology Services

ONE Health Information Technology Services (the "ONE HITS") is a shared service organization established for the purposes of providing technology, information systems and related support services on a non-profit basis to participating hospitals in Northeastern Ontario on a full cost recovery basis. As such, ONE Health Information Technology Services' net assets and surplus for the year are nil. The Hôpital de Smooth Rock Falls Hospital partnership has a 0.65% proportionate share in the costs. All operating and capital costs incurred in the year have been expensed or capitalized according to the allocation provided.

Transactions are valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2026

16. CONTINGENCIES

- (a) The nature of the Hospital's activities are such that there is usually litigation pending or in progress at any one time. With respect to claims as at March 31, 2026, it is management's position that the Hospital has valid defences and appropriate insurance coverage in place. No provision has been made in these financial statements to reflect any of these claims. Any settlements which may arise will be reflected in the financial statements in the year the amount is determined.
 - (b) The Hospital participates in the Healthcare Insurance Reciprocal of Canada (HIROC). HIROC is a pooling of the public liability insurance risks of its hospital's members. All members of the HIROC pool pay actuarially determined annual premiums. All members are subject to assessment for losses, if any, experienced by the pool for the years in which they were members. No assessments have been made for the year ended March 31, 2026.
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17. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

- (a) The Hospital, on behalf of the Cochrane District Detoxification Centre, signed a service agreement with the North Cochrane Addiction Services Inc. The Hospital shall pay North Cochrane Addiction Services Inc. an annual fee of \$138,105 in 12 equal monthly instalments. The agreement is effective as of April 1, 2024 up to March 31, 2027. The annual increase is set at 2% on the annual fee.
 - (b) The Hospital, on behalf of the Cochrane District Detoxification Centre, signed a lease agreement with The Corporation of the Town of Smooth Rock Falls. The Hospital shall pay the Town an annual amount of \$62,793 in monthly payments of \$4,671. The agreement is effective as of January 1, 2025 to December 31, 2029. The annual lease will be increased by 2% each year.
 - (c) The Hospital has entered into service agreements with Canon Medical Systems Canada Limited for post-warranty services, with annual payments of approximately \$62,793. The agreements expire on March 31, 2029, and December 31, 2030, respectively.
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18. ECONOMIC DEPENDENCE

The Hospital receives the majority of its revenue through a funding agreement with the Ministry of Health/Ontario Health North East. The Hospital's continued operations are dependent on this funding agreement and on satisfying the terms of the agreement.

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2026

19. FINANCIAL INSTRUMENTS RISK MANAGEMENT

CREDIT RISK

The Hospital is exposed to credit risk in the event of non-payment by their debtors for their accounts receivable. Credit risk arises from the possibility that these individuals may experience financial difficulty and be unable to fulfill their obligations. The Hospital is exposed to this risk relating to its cash and accounts receivable.

Accounts receivable are generally due from patients, insurers, government agencies and other. The Hospital measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is recorded based on the Hospitals' historical experience regarding collections. The amounts outstanding as at March 31, 2025 are as follows:

	Current	31-60 days	61-90 days	90+ days	Total
Health services	\$ 97,587	\$ 5,195	\$ 190	\$ 3,299	\$ 106,271
Grants and others	94,682	-	-	-	94,682
HST rebate	241,006	-	-	-	241,006
MOH/OH North East	55,132	-	-	1,421	56,553
Allowance for doubtful accounts	-	-	-	(2,884)	(2,884)
	<u>\$ 488,407</u>	<u>\$ 5,195</u>	<u>\$ 190</u>	<u>\$ 1,836</u>	<u>\$ 495,628</u>

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

MARKET RISK

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: interest rate risk, currency risk and equity risk. Market risk for the Hospital lies mostly in the potential loss related to the volatility of interest rates and foreign exchange rates as well market price fluctuations of its equity instruments. The Hospital does not use derivative instruments to reduce its exposure market risk. Conservative management is exercised to minimize the impact of the market risk.

The hospital's exposure to interest rate risk increased this year due to the increase of the bank prime rate over the last year.

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2026

19. FINANCIAL INSTRUMENTS RISK MANAGEMENT, (CONT'D)

LIQUIDITY RISK

Liquidity risk results from the Hospital's potential inability to meet its obligations associated with the financial liabilities as they become due. For the past years, short-term liquidity has been in a deficit position. The Hospital believes that with the continued financial support of the Ontario Health North East that its current sources of liquidity are sufficient to cover its currently short-term cash obligations. Management believes that long-term cash obligations will be covered by current funders.

20. FUTURE ACCOUNTING PRONOUNCEMENTS

The Public Sector Accounting Board (PSAB) issued Section PS 1202, Financial Statement Presentation, which establishes a revised financial reporting model for public sector entities. This Section replaces the existing Section PS 1201 and is to be applied in conjunction with PSAB's revised Conceptual Framework.

Section PS 1202 is effective for fiscal years beginning on or after April 1, 2026. Accordingly, the standard will be applicable to the Hospital for its year ending March 31, 2027. The Hospital has not early adopted this standard in the current year.

The adoption of Section PS 1202 will require restatement of comparative information to conform to the new presentation requirements.

The Hospital is currently assessing the impact of adopting Section PS 1202, including changes to financial statement presentation, supporting systems, and disclosures. At this time, the Hospital expects that the standard will have a significant impact on the presentation and classification of amounts reported in the financial statements; however, no material impact on the underlying recognition or measurement of assets, liabilities, revenues, or expenses is anticipated.

21. COMPARATIVE FIGURES

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

SCHEDULES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2026

SCHEDULE OF ONTARIO HEALTH NORTH EAST

Schedule 1

	2026 Budget (Unaudited)	2026 Actual	2025 Actual
Ministry of Health/Ontario Health North East - base allocation	\$ 9,452,617	\$ 8,091,903	\$ 7,713,700
Ministry of Health/Ontario Health North East - one-time funding	1,354,114	2,036,670	2,388,228
	<u>\$ 10,806,731</u>	<u>\$ 10,128,573</u>	<u>\$ 10,101,928</u>

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

SCHEDULES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2026

SCHEDULE OF OTHER PROGRAMS

Schedule 2

	Detox	Municipal Taxes	Aging at Home	Total 2026	Total 2025
REVENUES					
Provincial subsidies	\$ 1,540,495	\$ 2,775	\$ 213,482	\$ 1,756,752	\$ 1,721,523
Amortization of deferred capital contributions	18,545	-	-	18,545	36,554
Other revenues	12,846	-	-	12,846	1,246
	<u>1,571,886</u>	<u>2,775</u>	<u>213,482</u>	<u>1,788,143</u>	<u>1,759,323</u>
EXPENSES					
Amortization of leasehold improvements	18,485	-	-	18,485	19,090
Amortization of major equipment	943	-	-	943	18,352
Employee benefits	274,798	-	40,200	314,998	290,830
Municipal taxes	-	2,775	-	2,775	2,775
Salaries and wages	984,085	-	122,995	1,107,080	1,065,663
Supplies and other expenses	293,515	-	50,287	343,802	362,558
	<u>1,571,826</u>	<u>2,775</u>	<u>213,482</u>	<u>1,788,083</u>	<u>1,759,268</u>
EXCESS OF REVENUES OVER EXPENSES	\$ 60	\$ -	\$ -	\$ 60	\$ 55