

Financial Statements of

**KEMPTVILLE DISTRICT
HOSPITAL**

And Independent Auditor's Report thereon

Year ended March 31, 2026

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying financial statements of the Kemptville District Hospital (the "Hospital") as at and for the year ended March 31, 2026 are the responsibility of the Hospital's management and have been prepared in accordance with Canadian public sector accounting standards. The accounting policies followed by the Hospital are included in the summary of significant accounting policies outlined in note 2 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Hospital's management maintains a system of internal control designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The Audit Committee and Corporate Services Committee of the Board of Directors meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to the Audit Committee's, Corporate Services Committee's and the Board of Directors' approval of the financial statements.

The financial statements have been audited by KPMG LLP, Chartered Professional Accountants, Licensed Public Accountants, independent external auditors appointed by the Hospital. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Hospital's financial statements.



Frank J. Vassallo
Chief Executive Officer



Brittany Rivard, CPA, CA
CFO and VP of Operations



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Kemptville District Hospital

Opinion

We have audited the financial statements of the Kemptville District Hospital (the Entity), which comprise:

- the statement of financial position as at March 31, 2026
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policy information

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2026 and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for 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 auditor’s report.

We are independent of the Entity 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.



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, 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 the 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 Entity's internal control.



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- 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 Entity'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 Entity 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.
- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

June 2, 2026

KEMPTVILLE DISTRICT HOSPITAL

Statement of Financial Position

March 31, 2026, with comparative information for 2025

	2026	2025
Assets		
Current assets:		
Cash	\$ 3,924,002	\$ 2,656,023
Short-term investments (note 3)	1,105,957	1,078,765
Accounts receivable (note 14(a))	3,020,896	4,039,555
Inventories	50,172	78,689
Prepaid expenses	713,560	574,151
	<u>8,814,587</u>	<u>8,427,183</u>
Long-term receivables (note 11(a))	1,170,000	1,350,000
Capital assets (note 4)	36,233,100	36,627,287
	<u>\$ 46,217,687</u>	<u>\$ 46,404,470</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 6,255,584	\$ 6,399,358
Term loan (note 9)	3,603,415	2,834,251
Current portion of long-term debt (note 10)	255,944	237,624
	<u>10,114,943</u>	<u>9,471,233</u>
Long-term debt (note 10)	1,384,765	1,622,340
Deferred contributions related to capital assets (note 6)	32,413,974	32,412,336
Employee future benefits liability (note 7)	690,500	724,000
Asset retirement obligation (note 12)	1,928,428	2,009,939
	<u>46,532,610</u>	<u>46,239,848</u>
Net assets:		
Invested in capital assets	116,758	345,048
Restricted for endowment	28,224	28,224
Unrestricted	(459,905)	(208,650)
	<u>(314,923)</u>	<u>164,622</u>
	<u>\$ 46,217,687</u>	<u>\$ 46,404,470</u>

See accompanying notes to financial statements.

On behalf of the Board:


Erin Bonokoski (Jun 3, 2026 14:12:38 EDT) Director


Gordon Wyse (Jun 3, 2026 15:06:32 EDT) Director

KEMPTVILLE DISTRICT HOSPITAL

Statement of Operations

Year ended March 31, 2026, with comparative information for 2025

	2026	2025
Revenue:		
Ontario Ministry of Health Allocations (Schedule A)	\$ 23,606,017	\$ 21,868,134
Other (Schedules B and D)	11,362,257	9,321,178
Other funding votes (Schedule E)	2,077,554	1,793,215
	<u>37,045,828</u>	<u>32,982,527</u>
Expenses:		
Salaries, wages and purchased services	13,245,478	12,793,907
Employee benefits	3,282,713	3,273,840
Medical staff remuneration	5,750,470	4,038,656
Supplies and other expenses	7,327,988	8,040,160
Medical and surgical supplies	2,721,304	2,374,392
Drugs and medical gases	443,511	424,822
Miscellaneous	83,294	20,129
Bad debts	50,524	40,815
Amortization of equipment	1,137,715	948,668
Other funding votes (Schedule E)	2,501,194	1,843,289
Asset retirement expense	86,024	-
	<u>36,630,215</u>	<u>33,798,678</u>
Excess (deficiency) of revenue over expenses before the undernoted items	415,613	(816,151)
Other revenue and expenses (Schedule C)	(895,158)	(470,924)
Deficiency of revenue over expenses	<u>\$ (479,545)</u>	<u>\$ (1,287,075)</u>

See accompanying notes to financial statements.

KEMPTVILLE DISTRICT HOSPITAL

Statement of Changes in Net Assets

Year ended March 31, 2026, with comparative information for 2025

	Invested in capital assets	Restricted for endowment	Unrestricted	2026 Total	2025 Total
Net assets, beginning of year \$	345,048 \$	28,224 \$	(208,650)\$	164,622 \$	1,451,697
Deficiency of revenue over expenses	-	-	(479,545)	(479,545)	(1,287,075)
Capital asset additions	2,584,911	-	(2,584,911)	-	-
Amortization of capital assets	(2,811,563)	-	2,811,563	-	-
Net change in deferred contributions related to capital assets	(1,638)	-	1,638	-	-
Net assets, end of year	\$ 116,758 \$	28,224 \$	(459,905)\$	(314,923) \$	164,622

See accompanying notes to financial statements.

KEMPTVILLE DISTRICT HOSPITAL

Statement of Cash Flows

Year ended March 31, 2026, with comparative information for 2025

	2026	2025
Cash provided by (used in):		
Operations:		
Deficiency of revenue over expenses	\$ (479,545)	\$ (1,287,075)
Items not involving cash:		
Change in employee future benefits liability	(33,500)	(30,600)
Change in asset retirement obligation	(81,511)	(1,107,164)
Amortization of capital assets	2,811,563	2,559,201
Amortization of deferred capital contributions related to capital assets	(1,877,437)	(1,588,622)
<u>Changes in non-cash operating working capital (note 8)</u>	<u>943,993</u>	<u>580,070</u>
	1,283,563	(874,190)
Capital activities:		
Deferred contributions related to capital assets received	1,879,075	2,511,697
Decrease in the capital asset related to the asset retirement obligation	167,535	1,107,164
<u>Net purchase of capital assets</u>	<u>(2,584,911)</u>	<u>(5,738,362)</u>
	(538,301)	(2,119,501)
Investing activities:		
Proceeds of term loan	769,164	834,251
(Decrease) increase in long-term debt	(219,255)	1,859,964
<u>Net decrease (increase) in investments</u>	<u>(27,192)</u>	<u>(19,203)</u>
	522,717	2,675,012
Increase (decrease) in cash	1,267,979	(318,679)
Cash, beginning of year	2,656,023	2,974,702
<u>Cash, end of year</u>	<u>\$ 3,924,002</u>	<u>\$ 2,656,023</u>

See accompanying notes to financial statements.

KEMPTVILLE DISTRICT HOSPITAL

Notes to Financial Statements

Year ended March 31, 2026

1. Stature and nature of the business:

The Kemptville District Hospital (the "Hospital"), a corporation without share capital, incorporated under the Corporations Act of Ontario, is a not-for-profit organization which provides health care services. As a registered charity, the Hospital is exempt from income taxes under the Income Tax Act (Canada).

These financial statements reflect the assets, liabilities and operations of the Hospital. They do not include the assets, liabilities or operations of the Kemptville District Hospital Auxiliary and the Kemptville District Hospital Foundation, which, although associated with the Hospital, are separately managed, and report to separate Boards of Directors.

2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards including the 4200 standards for government not-for-profit organizations and include the following significant accounting policies:

(a) Basis of presentation:

The Hospital follows the deferral method of accounting for contributions for not-for-profit organizations which includes provincial government allocations, other contributions and grants.

(b) Revenue recognition:

Under the Connecting Care Act, 2019, the Hospital receives the majority of its funding from the Ministry of Health (MOH) and the Ministry of Long-Term Care (MOLTC) through agreements with Ontario Health, as set out in the Hospital's Hospital Service Accountability Agreement (HSAA) and Long-Term Care Service Accountability Agreement (LSAA).

Funding allocations are recorded as revenue in the period to which they relate, provided the amount can be reasonably estimated and collection is reasonably assured. Funding approved but not received at the end of the period is accrued as accounts receivable. When a portion of the funding relates to a future fiscal period, it is deferred and recognized in that subsequent period.

The final amount of revenue cannot be determined until the Hospital's financial and statistical returns are reviewed and reconciled by Ontario Health and the Ministry. Any resulting adjustments are recorded in the period in which they are identified.

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

KEMPTVILLE DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2026

2. Significant accounting policies (continued):

(b) Revenue recognition (continued):

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis over the useful life of the related assets, consistent with the Hospital's capital asset amortization policies. The Hospital follows the deferral method of accounting for contributions.

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

Investment income, including interest, dividends, and realized gains or losses, is recognized as revenue when earned. Interest income is accrued based on the passage of time using the effective interest method, such that income earned but not yet received at year-end is recorded as revenue in the period to which it relates.

Recoveries, miscellaneous revenue, and revenue for services rendered are recognized when received or receivable, if the amount can be reasonably estimated and collection is reasonably assured.

(c) Financial instruments:

All financial instruments are initially recorded on the statement of financial position at fair value. Subsequent to initial recognition, financial instruments are measured at amortized cost, except for investments that are managed and evaluated on a fair value basis. The Hospital has elected to carry its investments at fair value. These include equity instruments that trade in an active market and any freestanding derivatives quoted in an active market.

Unrealized changes in the fair value of financial instruments carried at fair value are recorded in the statement of remeasurement gains and losses. When realized, these gains or losses are transferred to the statement of operations.

Transaction costs related to financial instruments measured at fair value are expensed as incurred. Transaction costs associated with financial instruments measured at amortized cost are added to the carrying value and amortized using the effective interest method.

Financial assets are reviewed annually for indicators of impairment. 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. Upon disposal, any accumulated remeasurement gain or loss associated with the financial instrument is removed from accumulated remeasurement gains and losses and recognized in the statement of operations.

KEMPTVILLE DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2026

2. Significant accounting policies (continued):

(c) Financial instruments (continued):

Fair value measurements are categorized within a three-level hierarchy based on the nature of the inputs used in the valuation techniques:

- Level 1: Fair value measurements based on unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2: Fair value measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Fair value measurements based on inputs for the asset or liability that are not based on observable market data.

(d) Inventories:

Inventories are measured at the lower of cost and net realizable value, with cost being determined using the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less any applicable selling costs.

(e) Donations-in-kind:

The Hospital records significant donations-in-kind at fair value when it can be easily determined.

(f) Capital assets:

Capital assets are accounted for at cost. Amortization is calculated on their respective estimated useful life using the straight-line method over the following periods:

Asset	Rate
Land improvements	8 to 20 years
Building and building service equipment	5 to 40 years
Equipment and equipment under capital lease	3 to 20 years
Software	3 to 5 years

KEMPTVILLE DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2026

2. Significant accounting policies (continued):

(g) Asset retirement obligations:

The Hospital recognizes the fair value of an asset retirement obligation (“ARO”) when all of the following criteria have been met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

ARO liabilities are initially measured at the best estimate of the expenditures required to settle the obligation, which reflects the present value of expected future costs. Upon initial recognition, the corresponding cost is capitalized as part of the related tangible capital asset and amortized over its useful life.

Subsequent to initial recognition, the ARO liability is reviewed at each financial reporting date and remeasured to reflect changes in estimated future costs, inflation, discount rates, or timing of settlement. The liability is also adjusted for the passage of time through accretion expense where the obligation has been discounted. Any change in the liability resulting from remeasurement is recognized as an adjustment to the related asset and amortized prospectively.

Actual costs incurred for retirement activities, including asbestos abatement, are applied against the ARO liability when incurred. These costs are not expensed or capitalized separately when they relate to settlement of the recognized obligation.

The recognition of a liability resulted in an accompanying increase to the cost of the building affected by the asbestos liability and is being amortized with the building. The building and building service equipment are following the amortization accounting policies outlined in Note 2(f).

KEMPTVILLE DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2026

2. Significant accounting policies (continued):

(h) Employee benefits plan:

The Hospital accrues its share of the obligation for the employee benefits plan of the Ontario Nurses Association ("ONA"). 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 the number of years of service and management's best estimate of retirement age of employees and expected health care costs. The most recent actuarial valuation of the benefit plans for funding purposes was as of March 31, 2024, and the next required valuation will be as of March 31, 2027.

Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortized over the average remaining service period of active employees. These defined benefit plans are not funded.

The average remaining service period of active employees covered by the employee benefit plans is 14 years (2025 - 14 years).

Past service costs arising from plan amendments are recognized immediately in the period the plan amendments occur.

The Hospital is an employer member of the Healthcare 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.

(i) Contributed services:

Volunteers donate a considerable number of hours to assist the Hospital in carrying out its activities on a yearly basis. Due to the difficulty in compiling these hours and in determining the fair value, contributed services are not recognized in the financial statements.

KEMPTVILLE DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2026

2. Significant accounting policies (continued):

(j) Use of estimates:

The preparation of the financial statements 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 revenue and expenses during the year. Significant items subject to such estimates and assumptions include the obligations related to employee future benefits. Actual results could differ from those estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period they become known.

In addition, the Hospital's implementation of PS3280 - *Asset Retirement Obligations* has resulted in the requirement for management to make estimates regarding the useful lives of affected tangible capital assets and the expected retirement costs, as well as the timing and duration of these retirement costs.

3. Short-term investments:

During the year, the Hospital purchased guaranteed investment certificates which mature May 30, 2026 and May 6, 2026, and bear interest at 2.12% and 2.7%, respectively (2025 - 4.8% and 4.55%).

4. Capital assets:

			2026
	Cost	Accumulated amortization	Net book value
Land	\$ 399,685	\$ -	\$ 399,685
Land improvements	740,968	676,315	64,653
Building and building service equipment ((a) and (b))	47,791,876	18,919,184	28,872,692
Equipment and equipment under capital lease (a)	19,942,185	14,351,395	5,590,790
Software	2,522,069	1,968,990	553,079
Construction in progress (a)	752,201	-	752,201
	\$ 72,148,984	\$ 35,915,884	\$ 36,233,100

KEMPTVILLE DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2026

4. Capital assets (continued):

	2025		
	Cost	Accumulated amortization	Net book value
Land	\$ 399,685	\$ -	\$ 399,685
Land improvements	731,492	660,148	71,344
Building and building service equipment (a) and (b)	45,474,416	17,267,422	28,206,994
Equipment and equipment under capital lease (a)	16,457,469	13,316,295	3,141,174
Software	2,412,134	1,860,652	551,482
Construction in progress (a)	4,256,608	-	4,256,608
	\$ 69,731,804	\$ 33,104,517	\$ 36,627,287

- (a) Construction-in-progress represents capital expenditures incurred for projects that are not yet substantially completed or placed into service as at year end. Current year additions primarily relate to the purchase and installation of an X-ray unit and Automated Dispensing Cabinets (ADCs), including associated infrastructure, integration, and implementation costs. Upon completion and commissioning, these assets will be reclassified to the appropriate capital asset categories and amortized over their estimated useful lives.

During the prior year, construction-in-progress included costs related to the development and installation of a new Computed Tomography (CT) scanner facility, including equipment installation, integration, training, and related infrastructure improvements. The CT scanner project was completed during the current year and the related assets were transferred to building service equipment and equipment categories and are now being amortized.

- (b) The cost of buildings and building service equipment includes \$1,928,428 (2025 - \$2,009,939) related to the estimated asset retirement obligation. There has been a total reduction of \$1,274,699 (2025 - \$1,107,164) in the asset due to revaluation and direct recognition of costs (note 12).

5. Accounts payable and accrued liabilities:

As at year end, the Hospital had \$457,432 (2025 - \$247,851) payable for government remittances, including amounts relating to harmonized sales tax and payroll-related taxes.

KEMPTVILLE DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2026

6. Deferred contributions related to capital assets:

	2026	2025
Balance, beginning of year	\$ 32,412,336	\$ 31,489,261
Add: contributions received during the year	1,879,075	2,511,697
Less: amortization related to equipment	(477,218)	(454,069)
Less: amortization related to land improvements, buildings, building service equipment and minor equipment	(1,400,219)	(1,134,553)
Balance, end of year	\$ 32,413,974	\$ 32,412,336

7. Employee future benefits liability:

(a) Extended health care benefits:

The Hospital provides extended health care and dental insurance benefits to its employees and extends this coverage to the post-retirement period. The measurement date used to determine the accrued benefit obligation is March 31, 2026. The most recent actuarial valuation for funding purposes for employee future benefits was completed as at March 31, 2024. The next required funding valuation will be completed as at March 31, 2027.

The Hospital's employee future benefits accrued liability and accrued benefit obligation are as follows:

	2026	2025
Accrued benefit obligation:		
Balance, beginning of year	\$ 277,300	\$ 270,100
Current period benefit cost	22,300	21,300
Interest on accrued benefits	11,100	11,000
Benefit payments	(27,800)	(27,000)
Actuarial loss	600	1,900
Balance, end of year	283,500	277,300
Unamortized actuarial losses	407,000	446,700
Employee future benefits liability	\$ 690,500	\$ 724,000

KEMPTVILLE DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2026

7. Employee future benefits liability (continued):

(a) Extended health care benefits (continued):

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

	2026	2025
Discount rate	3.89%	3.89%
Dental cost increases	5.00% for 2024 to 2028	5.00% for 2024 to 2028
Extended healthcare cost escalations, 7% in 2017 decreasing to an ultimate rate of 3.57%	5.97% to an ultimate rate of 3.57%	5.97% to an ultimate rate of 3.57%
Expected average remaining service life of employees	14 years	14 years

(b) Healthcare of Ontario Pension Plan:

Substantially all full time employees of the Hospital are eligible to be members of the Healthcare of Ontario Pension Plan (the "Plan"). This Plan is a multi-employer, defined benefit pension plan. Employer contributions to the Plan during the year amounted to \$1,075,748 (2025 - \$1,050,822). These amounts are included in employee benefits expense in the statement of operations.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount 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 at a constant percentage of employees' 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 triennial actuarial valuation of the Plan was prepared as at March 31, 2024. The most recent update to the triennial plan as at March 31, 2024 indicates the Plan is fully funded.

KEMPTVILLE DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2026

8. Net change in non-cash working capital items:

	2026	2025
Accounts receivable	\$ 1,018,659	\$ (336,888)
Inventories	28,517	18,590
Prepaid expenses	(139,409)	19,304
Long-term accounts receivable	180,000	180,000
Accounts payable and accrued liabilities	(143,774)	699,064
	<u>\$ 943,993</u>	<u>\$ 580,070</u>

9. Short-term borrowing:

The Hospital has an operating line of credit to a maximum of \$2,000,000 which bears interest at prime minus 0.75%. As at March 31, 2026, the Hospital has drawn \$Nil (2025 - \$Nil).

During fiscal year, the Hospital accessed a term loan, a total facility of \$4,000,000. The interest accrues at prime plus 0.5%, with a due date of November 2026, and an outstanding amount of \$3,603,415. The Hospital plans to refinance this term loan.

10. Long-term debt:

	2026	2025
Equipment finance contract, bearing interest at a base annual floating rate of prime + 0.5%, with monthly principal payments of \$30,874 including interest, with a maturity date of January 2029	\$ 1,640,709	\$ 1,859,964
Less current portion	(255,944)	(237,624)
	<u>\$ 1,384,765</u>	<u>\$ 1,622,340</u>

KEMPTVILLE DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2026

10. Long-term debt (continued):

The principal repayments are as follows:

2027	\$	255,944
2028		275,677
2029		296,931
2030		812,157
	\$	1,640,709

11. Related parties:

The Hospital has an economic interest in the Kemptville District Hospital Foundation (the "Foundation") and the Kemptville District Hospital Auxiliary (the "Auxiliary") which are incorporated under the Corporations Act of Ontario. Their objective is to raise, receive, maintain and manage funds and to apply all or part of them and the income derived from them for the development and promotion of the Hospital and the well-being of patients.

(a) Kemptville District Hospital Foundation:

During the year, the Hospital recognized an amount of \$166,247 (2025 - \$174,938) received from the Foundation, representing a reimbursement of expenses incurred on behalf of the Foundation and received an amount of \$1,349,594 (2025 - \$1,075,226) in donations from the Foundation.

As at March 31, 2026, the Hospital had accounts receivable from the Foundation amounting to \$41,405 (2025 - \$31,454) for general expenses and \$78,327 (2025 - \$572,095) in donation receivable, and accounts payable to the Foundation amounting to \$Nil (2025 - \$Nil). The Hospital provides the Foundation with office space without charge.

During fiscal year 2024, the Hospital recognized long-term receivable through the foundation from separate agreements signed with the Municipality of North Grenville and the United counties of Leeds and Grenville for \$900,000 each, for a total of \$1,800,000 towards the computerized tomography (CT) own-funds project. The payments are spread out over 10 years, with 7 years remaining on the county's agreement and 8 years on the Municipality's agreement.

KEMPTVILLE DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2026

11. Related parties (continued):

(a) Kemptville District Hospital Foundation (continued):

	2026	2025
Beginning pledge balance	\$ 1,530,000	\$ 1,710,000
Received in year	(180,000)	(180,000)
	1,350,000	1,530,000
Current receivable	(180,000)	(180,000)
Long-term receivable	\$ 1,170,000	\$ 1,350,000

(b) Kemptville District Hospital Auxiliary:

During the year, the Hospital recognized an amount of \$25,325 (2025 - \$20,096) received from the Auxiliary, representing a reimbursement of expenses incurred on behalf of the Auxiliary and received an amount of \$99,539 (2025 - \$160,000) in donations from the Auxiliary.

As at March 31, 2026, the Hospital had accounts receivable from the Auxiliary amounting to \$2,614 (2025 - \$7,745). During the year, the Hospital has donations receivable in the amount of \$3,522 (2025 - \$Nil) from the Auxiliary.

(c) Eastern Ontario Regional Laboratory Association:

The Hospital is a founding member of Eastern Ontario Regional Laboratory Association ("EORLA"). EORLA was established to provide laboratory services to member hospitals on a cost-of-service basis. EORLA is incorporated without share capital under the Ontario Business Corporations Act. EORLA is a not-for-profit organization under the Income Tax Act (Canada), and as such, is exempt from income taxes. The Hospital maintains an economic interest in EORLA.

EORLA charges member hospitals, including the Hospital, on a cost-per-test basis. Included in supplies and other expenses are \$1,451,381 (2025 - \$1,264,549) in laboratory charges from EORLA.

Included in accounts payable at March 31, 2026 is a payable to EORLA of \$Nil (2025 - \$29,885). Included in accounts receivable at March 31, 2026 is a receivable from EORLA of \$808 (2025 - \$Nil).

KEMPTVILLE DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2026

12. Asset retirement obligation:

The Hospital has recognized an asset retirement obligation (ARO) in accordance with Public Sector Accounting Standard PS 3280 – *Asset Retirement Obligations*. The obligation relates to the legal requirement to safely remove asbestos-containing materials from hospital buildings upon retirement, renovation or demolition.

The ARO was initially recognized based on a third-party asbestos assessment and cost estimate. In the prior year, the Hospital revalued the obligation and discounted the estimated future asbestos removal costs using a present value technique. The revaluation reflected the Ministry of Health's 2024–25 cost escalation index of 2.61% and updated discount rates provided by the Ontario Financing Authority. The revised undiscounted future cost of asbestos removal was estimated at \$5,975,986 and the present value of the ARO at March 31, 2025 was \$2,009,939, using a discount rate of 4.28% over the remaining 26-year estimated useful life of the affected buildings.

During the current year, management reviewed whether there were indicators that the ARO estimate required remeasurement, including changes in expected future remediation costs, timing of settlement, inflation assumptions, discount rate, or remediation activity. No material indicators were identified, and no asbestos remediation work was performed during the year. Accordingly, no remeasurement adjustment was recorded, and the change in the liability relates solely to accretion expense recognized as a result of the passage of time.

The carrying amount of the liability is as follows:

	2026	2025
Asset retirement obligation, beginning of year	\$ 2,009,939	\$ 3,117,103
Remeasurement / change in estimate	(167,535)	(1,048,344)
Remediation work performed	-	(58,820)
Accretion expense	86,024	-
Asset retirement obligation, end of year	\$ 1,928,428	\$ 2,009,939

The related asset retirement cost has been capitalized as part of buildings and building service equipment and is amortized over the remaining useful life of the related tangible capital asset. Actual costs incurred for retirement activities are applied against the ARO liability when incurred.

KEMPTVILLE DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2026

13. Commitments, contingencies and guarantees:

(a) Legal matters and litigation:

The nature of the Hospital's activities is such that there is usually litigation pending or in progress at any time. There were no specific claims noted by management at year-end and any potential claims are covered under the Hospital's insurance policy. No provision has been made for a loss in these financial statements, and any potential claims will not have a material adverse affect on the statement of financial position or results of operations.

(b) Indemnification of Directors:

To the extent permitted by law, the Hospital indemnifies present and former directors and officers against certain claims that may be made against them as a result of their service as directors or officers. The Hospital purchases directors' and officers' liability insurance that may be available in certain instances. The nature and likelihood of these arrangements preclude the Hospital from making a reasonable estimate of the maximum potential amount the Hospital could be required to pay to counterparties. The Hospital believes the likelihood that it will incur significant liability under these arrangements is remote and accordingly, no amount has been recorded in the financial statements for these guarantees.

(c) Employment matters:

During the normal course of operations, the Hospital is involved in certain employment related negotiations and other matters and has recorded accruals based on management's estimate of potential settlement amounts where these amounts are reasonably determinable and deemed likely to occur.

(d) HealthCare Insurance Reciprocal of Canada:

The Hospital is a member of the HealthCare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the liability insurance risk of its members. All members pay annual deposit premiums which are actuarially determined and are subject to further assessment for losses, if any, experienced by the pool for the years in which they are members. As at March 31, 2026, no assessments have been received by the Hospital.

(e) Pay equity obligations:

The Hospital is in the process of developing pay equity plans with certain employee groups. It is not possible at this time to make an estimate of the amount that may be payable to these labour groups and accordingly no provision has been made in these financial statements.

KEMPTVILLE DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2026

13. Commitments, contingencies and guarantees (continued):

(f) Commitments:

The Hospital has signed a memorandum of understanding with The Ottawa Hospital with respect to the purchase of a Hospital Information System. As at March 31, 2026, an amount of \$508,613 (2025 – \$499,736) was paid to The Ottawa Hospital. Payment forecasts under the memorandum of understanding are as follows:

2027	\$	507,247
2028		496,643
2029		506,154
2030		506,846
2031		516,770
	\$	2,533,660

14. Financial risks and concentration of credit risk:

The hospital is subject to the following financial risks from its financial instruments:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Hospital is exposed to this risk relating to its cash and accounts receivable. The Hospital holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation.

The Hospital's receivables are primarily with governments, government funding agencies, patients and residents and corporate entities. The Hospital's largest account receivable from a non-related party is the receivable of \$1,151,631 (2025 - \$853,747) due from the Ottawa Hospital relating to surgical procedures performed. The Hospital believes that its receivables do not have significant credit risk in excess of allowances for doubtful accounts that have been established. An allowance for doubtful accounts has been recognized as at the year ended March 31, 2026 of \$7,170 (2025 - \$Nil).

(b) Liquidity risk:

Liquidity risk is the risk that the Hospital will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Hospital manages its liquidity risk by monitoring its operating requirements. The Hospital prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

KEMPTVILLE DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2026

14. Financial risks and concentration of credit risk (continued):

(b) Liquidity risk (continued):

The Hospital has reported financial deficits in the last few years, including the current year. The budget for the Hospital's 2027 fiscal year reflects a forecasted financial loss. As a result of these losses, the Hospital has incurred a reduction in its net asset position.

Management has identified a number of factors that have contributed to its recurring operating losses including but not limited to the impact of recent wage settlements, inflationary pressures and financial pressures resulting from patient volumes and acuity.

The Hospital continues to identify and consider opportunities to address these financial challenges.

As a result of its ongoing financial deficits, the Hospital has increased level of reliance on the Ministry of Health and Ontario Health to assist in meeting its operating and capital requirements at current levels.

(c) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk and other price risk.

The Hospital believes it is not subject to significant foreign currency, interest rate or other price risks arising from its financial instruments.

(d) Economic and political risk:

Economic and political risk is the risk that changes in government policy, international trade conditions, or geopolitical instability may impact the Hospital's operations, procurement, or strategic planning.

The Hospital operates within a highly regulated healthcare system and receives the majority of its funding from the Ministry of Health, Ontario Health, and other provincial and municipal government sources. As such, changes in political priorities, funding constraints, or the regulatory environment could materially affect the Hospital's operations and financial results.

KEMPTVILLE DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2026

14. Financial risks and concentration of credit risk (continued):

(d) Economic and political risk (continued):

During the year, these risks have increased due to global supply chain volatility, evolving trade policies (including tariff-related costs), and sector-wide workforce challenges. In response, the Hospital has enhanced its risk management procedures by implementing tracking of tariff impacts and increasing collaboration with system partners to advocate for stable funding and sustainable policy frameworks.

KEMPTVILLE DISTRICT HOSPITAL

Additional Information

Year ended March 31, 2026, with comparative information for 2025

Schedule A - Champlain Local Health Integration Network and Ontario Ministry of Health Allocations

	2026	2025
Base allocations	\$ 21,734,201	\$ 20,239,488
One-time payments	1,871,816	1,628,646
	<u>\$ 23,606,017</u>	<u>\$ 21,868,134</u>

Schedule B - Other

	2026	2025
Recoveries and miscellaneous revenue	\$ 4,346,180	\$ 4,894,686
Amortization of deferred contributions related to equipment	582,724	448,916
Other patient services	2,476,847	1,639,393
Room differential and patients' co-payments	80,713	77,056
Funding - paymaster	450,000	-
	<u>\$ 7,936,464</u>	<u>\$ 7,060,051</u>

Schedule C – Other Revenue and Expenses

	2026	2025
Amortization of land improvements, buildings and building service equipment	\$ (1,667,928)	\$ (1,605,477)
Amortization of deferred contributions related to land improvements, building and buildings service equipment	1,289,560	1,134,553
Reconciliation of prior periods' bad debts	(516,790)	-
	<u>\$ (895,158)</u>	<u>\$ (470,924)</u>

KEMPTVILLE DISTRICT HOSPITAL

Additional Information (continued)

Year ended March 31, 2026, with comparative information for 2025

Schedule D – Alternative funding agreement

	2026	2025
Revenue:		
Contributions – Ontario Ministry of Health	\$ 3,425,793	\$ 2,261,127
Expenses:		
Medical staff remuneration	3,400,511	2,201,219
Administration, software, and processing fees	25,282	59,908
	3,425,793	2,261,127
Excess of revenue over expenses	\$ -	\$ -

Schedule E – Other funding votes

Interim long-term care beds

	2026	2025
Revenue:		
Contributions – Ontario Ministry of Health	\$ 1,996,883	\$ 1,717,644
Amortization of deferred contributions related to equipment	5,153	5,153
	71,618	66,518
	2,073,654	1,789,315
Expenses:		
Nursing and personal care	1,287,393	1,361,912
Program and support services	60,658	59,729
Raw food	43,590	41,308
Other accommodations	1,083,865	357,247
Physicians on call	15,869	13,573
Amortization of equipment	5,919	5,620
	2,497,294	1,839,389
Deficiency of revenue over expenses	\$ (423,640)	\$ (50,074)

KEMPTVILLE DISTRICT HOSPITAL

Additional Information (continued)

Year ended March 31, 2026, with comparative information for 2025

Schedule E – Other funding votes
Property taxes

	2026		2025
Revenue:			
Contributions – Champlain Local Health Integration Network	\$ 3,900	\$	3,900
Expenses:			
Medical staff remuneration	3,900		3,900
Excess of revenue over expenses	\$ -	\$	-

Schedule E – Other funding votes
Interim long-term care beds

	2026		2025
Total revenue	2,077,554		1,793,215
Total expenses	2,501,194		1,843,289
Deficiency of revenue over expenses	\$ (423,640)	\$	(50,074)












KemptonvilleHospital - 2026 - FS

Final Audit Report

2026-06-03

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