HORNEPAYNE COMMUNITY HOSPITAL

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

MARCH 31, 2026

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INDEPENDENT AUDITOR'S REPORT

To the Members of Hornepayne Community Hospital

Opinion

We have audited the financial statements of Hornepayne Community Hospital (the "Hospital"), which comprise the statement of financial position as at March 31, 2026, and the statements of operations, remeasurement gains and losses, changes in net assets 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 Government 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.

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.

INDEPENDENT AUDITOR'S REPORT, (CONT'D)

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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT, (CONT'D)

- 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 9, 2026

HORNEPAYNE COMMUNITY HOSPITAL

FINANCIAL STATEMENTS

MARCH 31, 2026

HORNEPAYNE COMMUNITY HOSPITAL

HOSPITAL OFFICIALS

MARCH 31, 2026

BOARD OF DIRECTORS

ELECTED OFFICIALS

Chairman	Mr. R. Kelly
Vice-Chairman	Mrs. M. Zajac
Treasurer	Ms. L. Verrino
Directors	Mrs. B. Claveau
	Mrs. K. Lewis
	Mr. S. Goutham

APPOINTED OFFICIALS

Chief of Medical Staff	Dr. R. Cameron
President of Medical Staff	Dr. L. Henderson

ADMINISTRATIVE PERSONNEL AND CONSULTANTS

Chief Executive Officer	Mrs. L. Kozlowski
Chief Nursing Officer	Mrs. B. Weisflock
Chief Financial Officer	Hôpital Notre-Dame Hospital (Hearst)
Auditors	Baker Tilly HKC
	Chartered Professional Accountants

HORNEPAYNE COMMUNITY HOSPITAL

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2026

	Budget (Unaudited)	2026 Actual	2025 Actual
REVENUES			
Ontario Health North East, schedule 1	$ 6,804,804	$ 7,610,808	$ 7,524,340
Differential and co-payment	262,720	289,119	300,114
Investment and other	147,155	429,395	237,386
Amortization of deferred capital contribution - equipment	52,378	80,970	68,684
Patient related	61,000	58,410	60,004
	7,328,057	8,468,702	8,190,528
EXPENSES			
Salaries and wages	3,536,320	3,268,299	3,092,623
Employee benefits, schedule 2	988,215	1,042,936	960,618
Referred out and external staffing, schedule 3	1,287,190	1,281,356	1,439,912
Medical staff remuneration	223,694	237,966	565,822
Medical and surgical supplies	55,600	87,002	122,783
Drug and medical gases	63,410	128,810	51,813
Bad debts (recovery)	-	(19,090)	31,097
Equipment repairs and maintenance	289,900	296,077	288,089
Rental / lease of equipment	14,675	10,930	12,570
Interest and bank charges	2,200	1,788	2,178
Amortization of equipment	130,788	128,710	129,956
Building and ground	463,700	450,307	408,978
Supplies and other expenses	806,957	866,877	839,502
	7,862,649	7,781,968	7,945,941
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FROM OPERATIONS BEFORE OTHER PROGRAMS	(534,592)	686,734	244,587
AMORTIZATION OF BUILDINGS			
Amortization of deferred capital contributions	260,000	320,369	309,614
Amortization of capital assets	(383,524)	(422,234)	(393,575)
	(123,524)	(101,865)	(83,961)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE OTHER PROGRAMS	(658,116)	584,869	160,626
OTHER PROGRAMS, schedule 4	-	-	-
SURPLUS (DEFICIT) FOR THE YEAR	$ (658,116)	$ 584,869	$ 160,626

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

HORNEPAYNE COMMUNITY HOSPITAL

STATEMENT OF REMEASUREMENT GAINS AND LOSSES

MARCH 31, 2026

	2026	2025
ACCUMULATED REMEASUREMENT GAINS (LOSSES), BEGINNING OF YEAR	$ 30,133	$ (115,252)
CHANGE IN REMEASUREMENT GAINS FOR THE YEAR		
Unrealized gains (losses) attributable to:		
Foreign exchange	(9,368)	40,751
Designated fair value financial instruments	38,026	104,634
OTHER COMPREHENSIVE EXCESS OF REVENUES OVER EXPENSES	28,658	145,385
ACCUMULATED REMEASUREMENT GAINS, END OF YEAR	$ 58,791	$ 30,133

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

HORNEPAYNE COMMUNITY HOSPITAL

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED MARCH 31, 2026

	Invested in Capital Assets (Note 12)	Unrestricted	2026 Total	2025 Total
NET ASSETS, BEGINNING OF YEAR	$ 1,175,714	$ 1,240,196	$ 2,415,910	$ 2,255,284
SURPLUS FOR THE YEAR	-	584,869	584,869	160,626
NET CHANGES IN INVESTED IN CAPITAL ASSETS (Note 12)	(104,382)	104,382	-	-
NET ASSETS, END OF YEAR	$ 1,071,332	$ 1,929,447	$ 3,000,779	$ 2,415,910

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

HORNEPAYNE COMMUNITY HOSPITAL

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2026

	2026	2025
ASSETS		
CURRENT ASSETS		
Cash	$ 1,930,994	$ 369,123
Accounts receivable (Note 4)	189,203	452,115
Short-term investments (Note 5)	1,470,377	1,010,704
Inventories	95,929	126,287
Prepaid expenses	80,604	97,289
	3,767,107	2,055,518
INVESTMENTS (Note 5)	765,679	1,056,863
CAPITAL ASSETS (Note 6)	4,576,798	4,868,135
	$ 9,109,584	$ 7,980,516
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 8)	$ 1,974,967	$ 1,308,924
Deferred revenues (Note 9)	159,961	136,202
	2,134,928	1,445,126
DEFERRED CAPITAL CONTRIBUTIONS (Note 10)	3,505,466	3,692,421
POST-EMPLOYMENT BENEFITS PAYABLE (Note 11)	409,620	396,926
	6,050,014	5,534,473
NET ASSETS		
ACCUMULATED REMEASUREMENT GAINS	58,791	30,133
INVESTED IN CAPITAL ASSETS (Note 12)	1,071,332	1,175,714
UNRESTRICTED	1,929,447	1,240,196
	3,059,570	2,446,043
	$ 9,109,584	$ 7,980,516

CONTINGENCIES (Note 15)

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

On behalf of the board

Board Chair, _____ Chief Executive Officer, _____

HORNEPAYNE COMMUNITY HOSPITAL

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2026

	2026	2025
OPERATING ACTIVITIES		
Surplus for the year	$ 584,869	$ 160,626
Items not involving cash:		
Amortization of buildings	422,234	393,575
Amortization of equipment	128,710	129,956
Amortization of other programs	4,641	5,235
Amortization of deferred capital contributions - buildings	(320,369)	(309,614)
Amortization of deferred capital contribution - equipment	(80,970)	(68,684)
Amortization of deferred capital contributions - other programs	(4,223)	(4,223)
Realised loss (gains) on disposal of investment	(3,461)	143,748
	731,431	450,619
Change in:		
Accounts receivable	262,912	423,670
Inventories	30,358	7,130
Prepaid expenses	16,685	(17,647)
Accounts payable and accrued liabilities	666,043	(1,244,782)
Deferred revenues	23,759	24,502
Post-employment benefits payable	12,694	10,678
	1,743,882	(345,830)
INVESTING ACTIVITY		
Increase in investments	(136,370)	(133,246)
FINANCING ACTIVITY		
Capital contributions received	218,607	666,591
CAPITAL ACTIVITY		
Capital assets additions	(264,248)	(902,081)
CHANGE IN CASH POSITION	1,561,871	(714,566)
CASH POSITION, BEGINNING OF YEAR	369,123	1,083,689
CASH POSITION, END OF YEAR	$ 1,930,994	$ 369,123

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

HORNEPAYNE COMMUNITY HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2026

1. STATUS AND NATURE OF OPERATIONS

The Hornepayne Community Hospital (the "Hospital"), incorporated under the Ontario Business Corporation Act, without share capital, operates a Hospital under the Charitable Institutions Act in Hornepayne, Ontario. The Hospital is a not-for-profit organization and, as such, is exempt from income taxes under the Income Tax Act (Canada).

2. 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 party:

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 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.

Unrestricted contributions, including 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.

HORNEPAYNE COMMUNITY HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2026

2. SIGNIFICANT ACCOUNTING POLICIES, (CONT'D)

REVENUE RECOGNITION, (CONT'D)

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.

Revenue from 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.

Investment income is recognized as revenue when earned.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and short-term investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These short-term investments are held for the purpose of meeting short-term cash commitments rather than for investing.

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.

INVESTMENTS

Investments are recorded at fair value. Funds are managed by external fund managers. Investments denominated in foreign currencies are translated using rates of exchange in effect at the statement of financial position date.

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.

2. SIGNIFICANT ACCOUNTING POLICIES, (CONT'D)

CAPITAL ASSETS, (CONT'D)

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:

Buildings	20 - 40 years
Major equipment	5 - 20 years
IT equipment	3 - 15 years
Building service equipment	10 - 20 years
Projects 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.

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 and Ontario Health North East. The Hospital is allowed to retain any excess of revenue over expenses derived from its operations and, conversely, retain responsibility for any deficit it may occur.

RETIREMENT AND POST-EMPLOYMENT BENEFIT PLANS

The Hospital provides post-employment benefits for the retirees. The benefits include extended health, 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.

2. SIGNIFICANT ACCOUNTING POLICIES, (CONT'D)

RETIREMENT AND POST-EMPLOYMENT BENEFIT PLANS, (CONT'D)

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.

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.

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 elected to measure cash and investments at fair value to correspond with how they are evaluated and managed.

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.

2. SIGNIFICANT ACCOUNTING POLICIES, (CONT'D)

FINANCIAL INSTRUMENTS, (CONT'D)

Amortized cost

This category includes accounts receivable and accounts payable and accrued liabilities. 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.

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, 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.

3. 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	$ 1,930,994	$ -	$ 1,930,994
Accounts receivable	$ -	$ 189,203	$ 189,203
Short-term investments	$ 1,470,377	$ -	$ 1,470,377
Investments	$ 765,679	$ -	$ 765,679
Accounts payable and accrued liabilities	$ -	$ (1,974,967)	$ (1,974,967)

HORNEPAYNE COMMUNITY HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2026

3. FINANCIAL INSTRUMENT CLASSIFICATION, (CONT'D)

	2025		
	Fair Value	Amortized Cost	Total
Cash	$ 369,123	$ -	$ 369,123
Accounts receivable	$ -	$ 452,115	$ 452,115
Short-term investments	$ 1,010,704	$ -	$ 1,010,704
Investments	$ 1,056,863	$ -	$ 1,056,863
Accounts payable and accrued liabilities	$ -	$ (1,308,924)	$ (1,308,924)

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);

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 (unobservable inputs).

Cash, short-term investments and investments are considered Level 1 fair value.

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

Short-term investments consist of equity instruments, mutual funds and fixed income in public companies.

Maturity profile of investments held is as follows:

	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	2026 Total
Fair Value	$ 1,470,377	$ 501,931	$ -	$ 263,748	$ 2,236,056
Percent of total	49%	26%		25%	100%

HORNEPAYNE COMMUNITY HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2026

4. ACCOUNTS RECEIVABLE

	2026	2025
Grants and others	$ 1,518	$ 187,465
Harmonized sales tax	147,348	199,762
Health services	48,871	130,565
Allowance for doubtful accounts	(8,534)	(65,677)
	$ 189,203	$ 452,115

5. INVESTMENTS

	2026	2025
Cash and cash equivalents	$ 320,532	$ 12,872
Equities and other	1,047,884	930,667
Fixed income, maturing between September 2026 and April 2085	867,640	1,124,028
	2,236,056	2,067,567
Short-term portion	(1,470,377)	(1,010,704)
	$ 765,679	$ 1,056,863

The cost of the investment is $2,312,194 (2025 - $2,181,730).

6. CAPITAL ASSETS

	Cost	Accumulated Amortization	2026 Net	2025 Net
Land improvements	$ 86,826	$ 86,826	$ -	$ -
Buildings	8,370,237	6,504,442	1,865,795	2,153,306
Major equipment	4,248,241	3,735,050	513,191	510,002
IT equipment	1,069,854	783,265	286,589	307,296
Building service equipment	3,314,369	1,403,146	1,911,223	1,897,531
	$ 17,089,527	$ 12,512,729	$ 4,576,798	$ 4,868,135

7. BANK INDEBTEDNESS

The Hospital has an authorized line of credit of $500,000 bearing interest at prime plus 0.5% per year. The Hospital hasn't used any amount of their line of credit as at the year-end date (2025 - $nil).

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2026	2025
Ministry of Health/Ontario Health North East	$ 841,761	$ 143,960
Trades	494,308	544,790
Payroll related	607,025	588,174
Accrued liabilities	31,873	32,000
	$ 1,974,967	$ 1,308,924

9. DEFFERED REVENUES

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

	2026	2025
Balance, beginning of year	$ 136,202	$ 111,700
Revenues received during the year	30,468	24,502
Transfer to capital	(6,709)	-
Balance, end of year	$ 159,961	$ 136,202

Deferred revenues are comprised of the following balances:

	2026	2025
Rural Northern Clinic funding	$ 24,502	$ 24,502
Miscellaneous donations	20,000	-
Miscellaneous grants	115,459	111,700
	$ 159,961	$ 136,202

10. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations. The changes in the deferred capital contributions balances are as follows:

	2026	2025
CAPITAL GRANTS AND CONTRIBUTIONS		
Balance, beginning of year	$ 11,868,232	$ 11,201,641
Received in current year	218,607	666,591
Balance, end of year	12,086,839	11,868,232
ACCUMULATED AMORTIZATION		
Balance, beginning of year	(8,175,811)	(7,793,290)
Amortization for the year	(405,562)	(382,521)
Balance, end of year	(8,581,373)	(8,175,811)
DEFERRED CAPITAL CONTRIBUTIONS	$ 3,505,466	$ 3,692,421

11. 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 May 15, 2026 for the year ending March 31, 2026. The actuarial valuation includes forecast for the years ending March 31, 2027 to 2029, 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	$ 537,753	$ 369,793
Unamortized actuarial gain (loss)	(128,133)	27,133
Accrued employee future benefits liability	$ 409,620	$ 396,926

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

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

	2026	2025
Expected obligation, beginning of year	$ 369,793	$ 355,807
Unamortized actuarial gain	27,133	30,441
Accrued benefit liability, beginning of year	396,926	386,248
Current service costs	33,601	32,343
Interest on accrued benefit obligation	14,412	13,844
Amortization of actuarial gain	(3,119)	(3,309)
Benefit payment	(32,200)	(32,200)
Benefit expense and payment	12,694	10,678
	$ 409,620	$ 396,926

The above amounts exclude contributions to the Hospitals of Ontario Pension Plan, a multi-employer plan, described in Note 13.

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 3.88% (2025 - 3.89%) which is the discount rate recommended by the Ministry of Health and Long-Term Care for the year the actuarial valuation was performed, May 15, 2026.

Extended Health Coverage

Extended Health Coverage is assumed to decrease by 0.5% per year to an ultimate rate of 5%. As of March 31, 2026 the rate is assumed to be 6.0% (2025 - 6.5%).

Dental costs

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

12. INVESTED IN CAPITAL ASSETS

Invested in capital assets is calculated as follows:

	2026	2025
Capital assets	$ 4,576,798	$ 4,868,135
Deferred capital contributions	(3,505,466)	(3,692,421)
	$ 1,071,332	$ 1,175,714

Changes in invested in capital assets is calculated as follows:

	2026	2025
Purchase of capital assets	$ 264,248	$ 902,081
Amounts funded by deferred capital contributions	(218,607)	(666,591)
Amortization of deferred capital contributions	405,562	382,521
Amortization of capital assets	(555,585)	(528,766)
	$ (104,382)	$ 89,245

13. 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 $257,117 (2025 - $245,687) 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.

HORNEPAYNE COMMUNITY HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2026

14. RELATED PARTY

ONE Health Information Technology Services

ONE Health Information Technology Services (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 Hornepayne Community Hospital partnership has a 0.38% 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.

15. CONTINGENCIES

(a) The Hospital participates in the Healthcare Insurance Reciprocal of Canada (HIROC). HIROC is a pooling of the public liability insurance risks of its hospital 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.

(b) 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. In the unlikely event any claims are successful, such claims are not expected to have a material effect on the Hospital's financial position.

16. 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.

17. FINANCIAL INSTRUMENTS RISK MANAGEMENT

CREDIT RISK

Credit risk is the risk of financial loss to the Hospital if a debtor fails to make payments of interest and principal when due. The Hospital is exposed to this risk relating to its cash and accounts receivable.

The Hospital's short-term investment policy puts limits on the bond portfolio including portfolio composition limits, issuer type limits, bond quality limits, corporate sector limits and general guidelines for geographic exposure. All fixed income portfolios are measured for performance on a quarterly basis and monitored by management on a monthly basis.

The maximum exposure to investment credit risk is outlined in Note 3.

The Hospital performs ongoing credit evaluations of their accounts receivable and maintains provisions for potential credit losses to minimize credit risk.

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.

The Hospital measures its exposure to credit based on how long the amounts have been outstanding. An impairment allowance is set-up based on the Hospital's historical experience regarding collections. The amounts outstanding at year-end are as follows:

	Current	31-60 days	61-90 days	90+ days	Total
Grants and others	$ 1,518	$ -	$ -	$ -	$ 1,518
Harmonized sales tax	147,348	-	-	-	147,348
Health services	29,005	4,064	2,933	12,869	48,871
Allowance for doubtful accounts	-	-	-	(8,534)	(8,534)
	$ 177,871	$ 4,064	$ 2,933	$ 4,335	$ 189,203

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

INTEREST RATE RISK

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

The Hospital is exposed to this risk through its investments.

The Hospital's fixed income portfolio has interest rates ranging from 1.85% to 10.32% with maturities ranging from September 2026 to April 2085.

As at March 31, 2026, a 1% fluctuation in interest rates, with all other variables held constant, would have an estimated impact on the fair value of fixed income of $8,676 (2025 - $11,240).

The Hospital's bank indebtedness has a variable interest rate. The company does not use derivative instruments to reduce its exposure to interest rate risk.

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.

LIQUIDITY RISK

Liquidity risk is the risk that the Hospital will not be able to meet all cash outflow obligations as they become due. The Hospital mitigates this risk by monitoring its operations and cash flows to ensure that current and future obligations will be met. All of the Hospital's accounts payable have contractual maturities under one year.

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.

CURRENCY RISK

Foreign currency exposure arises from holdings of foreign currency denominated investments. Fluctuations in the relative value of foreign currencies against the Canadian dollar can result in a positive or negative effect on the fair value of investments. Conservative management is exercised to minimize the impact of any eventual fluctuation of currency work.

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.

HORNEPAYNE COMMUNITY HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2026

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

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 equity risk.

The Hospital's investment policy operates within the constraints of the investment guidelines issued by their board. The policy's application is monitored by management, the investment managers and the board of directors. Diversification techniques are utilized to minimize risk.

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.

18. 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.

19. COMPARATIVE FIGURES

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes did not have an effect on the excess of revenues over expenses and net assets.

HORNEPAYNE COMMUNITY HOSPITAL

SCHEDULES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2026

SCHEDULE OF ONTARIO HEALTH NORTH EAST

Schedule 1

	Budget (Unaudited)	2026 Actual	2025 Actual
Ministry of Health/Ontario Health North East - base allocation	$ 5,537,610	$ 6,163,631	$ 5,401,310
Ministry of Health/Ontario Health North East - one time funding	1,267,194	1,447,177	2,123,030
	$ 6,804,804	$ 7,610,808	$ 7,524,340

SCHEDULE OF EMPLOYEE BENEFITS

Schedule 2

	Budget (Unaudited)	2026 Actual	2025 Actual
Other employee benefits	$ 693,999	$ 759,123	$ 685,017
Pension benefits - HOOPP	256,716	238,277	232,108
Employee future benefits	37,500	45,536	43,493
	$ 988,215	$ 1,042,936	$ 960,618

SCHEDULE OF REFERRED OUT AND EXTERNAL STAFFING

Schedule 3

	Budget (Unaudited)	2026 Actual	2025 Actual
Dietician and other	$ 31,200	$ 24,613	$ 31,102
Agency nurses	848,250	722,710	846,230
Lab testing referred out	249,020	163,844	182,776
Diagnostic imaging referred out	20,000	36,551	124,736
Chief financial officer and accountant	96,720	120,954	96,720
IT services	32,000	105,570	49,828
Medical Records	-	-	8,840
Pharmacy	-	94,754	83,660
Physiotherapy	10,000	12,360	16,020
	$ 1,287,190	$ 1,281,356	$ 1,439,912

HORNEPAYNE COMMUNITY HOSPITAL

SCHEDULES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2026

SCHEDULE OF OTHER PROGRAMS

Schedule 4

	Community Sponsored Program	Municipal Taxes	2026 Total	2025 Total
REVENUES				
Ministry of Health	$ 407,991	$ 1,500	$ 409,491	$ 240,781
Amortization of deferred capital contributions	4,223	-	4,223	4,223
	412,214	1,500	413,714	245,004
EXPENSES				
Amortization of equipment	4,641	-	4,641	5,235
Salaries and wages	212,984	-	212,984	136,337
Other employee benefits	83,275	-	83,275	60,745
Referred out and external staffing	17,821	-	17,821	-
Medical and surgical supplies	3,747	-	3,747	4,200
Supplies and other expenses	89,746	-	89,746	36,987
Municipal taxes	-	1,500	1,500	1,500
	412,214	1,500	413,714	245,004
EXCESS OF REVENUES OVER EXPENSES	$ -	$ -	$ -	$ -