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Financial Statements of



Perth and  
Smiths Falls  
District Hospital

And Independent Auditor's Report Thereon

Year ended March 31, 2026

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# PERTH AND SMITHS FALLS DISTRICT HOSPITAL

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Year ended March 31, 2026

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## Independent Auditor’s Report

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## INDEPENDENT AUDITOR'S REPORT

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

### ***Opinion***

We have audited the financial statements of Perth and Smiths Falls 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 (deficiency) 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 policies.

(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, its cash flows and the remeasurement gains and losses for the year then ended in accordance with Canadian public sector accounting standards.

### ***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.
- 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.

Chartered Professional Accountants, Licensed Public Accountants

Perth, Canada

(date)

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# PERTH AND SMITHS FALLS DISTRICT HOSPITAL

Statement of Financial Position

As at March 31, 2026, with comparative figures for 2025

	2026	2025
<b>Assets</b>		
Current assets:		
Cash (note 7(a))	\$ 6,479,452	\$ 5,812,663
Accounts receivable (note 2)	7,287,619	7,787,123
Prepaid expenses	1,336,128	1,309,514
Inventories (note 3)	909,526	812,184
	16,012,725	15,721,484
Restricted cash (note 7(a))	3,126,342	1,112,750
	19,139,067	16,834,234
Capital assets (note 4)	71,489,409	72,651,383
	\$ 90,628,476	\$ 89,485,617
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 26,160,759	\$ 18,918,620
Deferred revenue	745,059	773,477
Current portion of long-term debt (note 7(d))	5,544,279	492,767
Current portion of post-employment benefits (note 8(b))	240,015	216,685
	32,690,112	20,401,549
Loan facility (note 7(c))	–	9,411,024
	32,690,112	29,812,573
Long-term debt (note 7(d))	10,818,198	4,981,624
Post employment benefits (note 8(b))	2,056,915	1,993,891
Deferred capital contributions (note 9)	56,367,175	55,952,391
Asset retirement obligations (note 13)	363,492	348,874
	102,295,892	93,089,353
Net deficiency:		
Invested in capital assets (note 5)	478,881	2,942,135
Unrestricted	(12,146,297)	(6,545,871)
	(11,667,416)	(3,603,736)
Commitments and contingent liabilities (notes 10 and 14)		
	\$ 90,628,476	\$ 89,485,617

See accompanying notes to the financial statements.

Approved by the Board of Directors:

\_\_\_\_\_ Chair

\_\_\_\_\_ President

# PERTH AND SMITHS FALLS DISTRICT HOSPITAL

Statement of Operations

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

	2026	2025
<b>Revenue:</b>		
Ministry of Health/Ontario Health	\$ 74,845,589	\$ 72,662,004
Other patient services	20,463,031	18,152,997
Recoveries and other	4,019,292	3,189,925
Amortization of deferred capital contributions - equipment	2,422,128	2,473,524
	<u>101,750,040</u>	<u>96,478,450</u>
<b>Expenses:</b>		
Salaries, wages and benefits	66,156,855	60,452,170
Medical staff remuneration	12,040,513	10,265,962
Medical and surgical supplies	5,703,730	5,190,028
Drugs	1,268,415	1,272,499
Other supplies and services	20,336,511	16,026,491
Interest (note 7(d))	452,622	609,464
Amortization of equipment	3,375,983	2,512,488
	<u>109,334,629</u>	<u>96,329,102</u>
Excess of revenues over expenses (expenses over revenues) before the undernoted	(7,584,589)	149,348
Amortization of deferred contributions – building and improvements	2,230,237	2,199,898
Amortization of building and improvements	(2,709,328)	(2,655,234)
	<u>(479,091)</u>	<u>(455,336)</u>
Excess of expenses over revenues	<u>\$ (8,063,680)</u>	<u>\$ (305,988)</u>

See accompanying notes to the financial statements.

# PERTH AND SMITHS FALLS DISTRICT HOSPITAL

Statement of Changes in Net Assets (Deficiency)  
Year ended March 31, 2026, with comparative figures for 2025

	Invested in capital assets (note 5)	Unrestricted	Total
Balance, April 1, 2025	\$ 2,942,135	\$ (6,545,871)	\$ (3,603,736)
Excess (deficiency) of revenue over expenses	(1,399,733)	(6,663,947)	(8,063,680)
Net change in investment in capital assets	(1,063,521)	1,063,521	–
<b>Balance, March 31, 2026</b>	<b>\$ 478,881</b>	<b>\$ (12,146,297)</b>	<b>\$ (11,667,416)</b>

	Invested in capital assets (note 5)	Unrestricted	Total
Balance, April 1, 2024	\$ 4,855,008	\$ (8,152,756)	\$ (3,297,748)
Excess (deficiency) of revenue over expenses	(500,809)	194,821	(305,988)
Net change in investment in capital assets	(1,412,064)	1,412,064	–
<b>Balance, March 31, 2025</b>	<b>\$ 2,942,135</b>	<b>\$ (6,545,871)</b>	<b>\$ (3,603,736)</b>

See accompanying notes to the financial statements.

# PERTH AND SMITHS FALLS DISTRICT HOSPITAL

## Statement of Cash Flows

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

	2026	2025
Cash provided by (used in):		
Operating activities:		
Excess of expenses over revenues	\$ (8,063,680)	\$ (305,988)
Adjustments for:		
Amortization of deferred capital contributions	(4,652,365)	(4,673,422)
Amortization of capital assets	6,085,311	5,167,722
Loss on disposal of capital assets	15,510	6,509
Loss on disposal of deferred capital contributions	(48,723)	–
Transfer of deferred capital contributions	–	(25,000)
Increase in asset retirement obligation	14,618	8,874
Increase in post-employment benefits	86,354	108,133
Changes in non-cash operating working capital:		
Decrease in accounts receivable	499,504	4,842,054
Increase in inventories and prepaid expenses	(123,956)	(37,229)
Increase/(decrease) in accounts payable and accrued liabilities	7,242,139	(210,736)
Increase in deferred revenue	28,418	146,142
Increase in post-employment benefits	86,354	108,133
	1,026,294	5,027,059
Capital activities:		
Purchase of capital assets	(4,938,847)	(10,137,037)
Receipt of deferred capital contributions	5,115,872	2,578,750
	(177,025)	(7,558,287)
Financing activities:		
Proceeds from loan facility and long-term debt	1,970,325	9,411,024
Principal payments on long-term debt	(493,263)	(440,673)
	1,477,062	8,970,351
Increase in cash	2,680,381	6,439,123
Cash, beginning of year	6,925,413	486,290
Cash, end of year	\$ 9,605,794	\$ 6,925,413
Cash consists of:		
Unrestricted cash	\$ 6,479,452	\$ 5,812,663
Restricted cash	3,126,342	1,112,750
	\$ 9,605,794	\$ 6,925,413

See accompanying notes to the financial statements.

# PERTH AND SMITHS FALLS DISTRICT HOSPITAL

Notes to the Financial Statements  
Year ended March 31, 2026

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Perth and Smiths Falls District Hospital (the “Hospital”) is an acute care community Hospital focused on patient-centered care strengthened with the involvement of the Patient Family Advisory Committee, a compassionate health care team, and solid partnerships throughout the region. The Hospital provides high quality of care at two sites, as well as Lanark County Mental Health and Lanark County Support Services, operating in multiple locations serving the residents and their families from the County of Lanark and the United Counties of Leeds and Grenville, and surrounding areas.

The Hospital operates as a public hospital pursuant to The Public Hospitals Act and is incorporated without share capital under the Canada Business Corporations Act as a charitable organization and is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) are met.

Under the Health Insurance Act and the regulations thereto, the Hospital is funded primarily by the Province of Ontario, in accordance with budget arrangements established by the Ministry of Health (the “MOH”) and Ontario Health (the “OH”). The Board of Directors recognizes the Hospital’s ongoing dependency on the MOH as the primary funding source for the Hospital’s operating activities.

## 1. Significant accounting policies:

Basis of presentation:

The financial statements of the Perth and Smiths Falls District Hospital have been prepared by management in accordance with Canadian Public Sector Accounting Standards including the 4200 series for government not-for-profit organizations. The more significant accounting policies are summarized as follows:

### (a) Revenue recognition:

The Hospital follows the deferral method of accounting for contributions, which includes government grants and reimbursements and donations. Unrestricted contributions are recognized 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 recognized. Contributions received for capital assets are deferred and amortized into revenue over the same term and on the same basis as the related capital asset.

Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in the subsequent period. Operating grants are recorded as revenue in the period to which they relate. Unspent operating grants that are subject to MOH or OH claw back are recorded as a liability.

Revenue from patients and other services is recognized when the goods are sold or the services are provided, performance obligations fulfilled, and future economic benefits are measurable and expected to be obtained.

# PERTH AND SMITHS FALLS DISTRICT HOSPITAL

Notes to the Financial Statements  
Year ended March 31, 2026

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## 1. Significant accounting policies (continued):

### (b) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. Due to the difficulty of determining fair value, contributed services are not recognized in the financial statements.

### (c) Inventories:

Inventories are valued at the lower of average cost and net realizable value.

### (d) Capital assets:

Purchased capital assets are recorded at cost. Contributed assets are recorded at fair value at the date of the contribution. Assets acquired under capital leases are amortized over the estimated useful life of the assets or over the lease term, as appropriate. Repairs and maintenance costs are expensed.

Betterments, which extend the estimated life of an asset, are capitalized. Where the Hospital secures a credit facility specific to the development of a capital asset that capitalizes interest to the principal balance of the facility during the asset development period, the Hospital capitalizes the associated interest costs to the cost of the asset until the asset is ready for its intended use. When a capital asset no longer contributes to the Hospital's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortization on a straight-line basis over their useful lives as follows:

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Land improvements	3 - 25 years
Buildings	10 - 50 years
Equipment	3 - 25 years
Software and license fees	2 - 15 years

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Projects in progress are not amortized until the project is available for productive use.

### (e) Retirement and post-employment benefits:

The Hospital accrues its obligations for employees benefit plans. The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of retirement ages of employees and expected health care costs.

Actuarial gains (losses) arise from changes in actuarial assumptions used to determine the accrued benefit obligation. These are amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the employee benefit plan is 9.55 years (2025 - 8 years). Past service costs arising from plan amendments are recognized immediately in the period the plan amendments occur.

# PERTH AND SMITHS FALLS DISTRICT HOSPITAL

Notes to the Financial Statements  
Year ended March 31, 2026

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## 1. Significant accounting policies (continued):

### (e) Retirement and post-employment benefits (continued):

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. Contributions to the multi-employer defined benefit plan are expensed when due.

The most recent regulatory funding valuation of this multi-employer pension plan conducted as at December 31, 2025 disclosed actuarial assets of \$131,936 million (2024 - \$123,017 million) with accrued pension liabilities of \$120,833 million (2024 - \$112,579 million), resulting in a surplus of \$11,103 million (2024 - \$10,438 million). This filing valuation also confirmed that the plan was fully funded on a solvency basis as at December 31, 2025 based on the assumptions and methods adopted for the valuation.

### (f) Use of estimates:

The preparation of the financial statements in accordance with Canada public sector accounting standards requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of certain revenues and expenses during the reporting period. Actual results could differ from these estimates.

### (g) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and reported on the Statement of Financial Position.

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 incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

All financial assets are assessed for impairment on an annual basis. Where a decline is determined to be other than temporary, the amount of the loss is reported in the Statement of Operations and any unrealized gain is adjusted through the Statement of Remeasurement Gains and Losses. On sale, the statement of remeasurement gains and losses associated with that instrument are reversed and recognized in the Statement of Operations.

### (h) Statement of remeasurement gains and losses:

A statement of remeasurement gains and losses has not been provided as there are no significant unrealized gains or losses at March 31, 2026 or 2025.

# PERTH AND SMITHS FALLS DISTRICT HOSPITAL

Notes to the Financial Statements  
Year ended March 31, 2026

## 1. Significant accounting policies (continued):

### (i) 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.

Actual remediation costs incurred are charged against the ARO to the extent of the liability recorded. Differences between the actual remediation costs incurred and the associated liability are recognized in the Statement of Operations at the time of remediation.

## 2. Accounts receivable:

	<b>2026</b>	<b>2025</b>
Perth and Smiths Falls District Hospital Foundation	\$ 1,044,240	\$ 3,096,480
Other	2,015,893	1,759,214
MOH/OH	2,271,004	1,468,436
Insurers and patients	1,956,482	1,462,993
<b>Balance, end of year</b>	<b>\$ 7,287,619</b>	<b>\$ 7,787,123</b>

## 3. Inventories:

	<b>2026</b>	<b>2025</b>
Medical and surgical	\$ 385,716	\$ 414,624
Pharmacy	312,513	177,739
Other	110,048	124,410
Laboratory	101,249	95,411
<b>Balance, end of year</b>	<b>\$ 909,526</b>	<b>\$ 812,184</b>

# PERTH AND SMITHS FALLS DISTRICT HOSPITAL

Notes to the Financial Statements  
Year ended March 31, 2026

## 4. Capital assets:

	Cost	Accumulated amortization	2026 Net book value	2025 Net book value
Land	\$ 253,892	\$ –	\$ 253,892	\$ 253,892
Land improvements	1,431,988	1,339,998	91,990	216,950
Buildings	96,892,341	51,031,287	45,861,054	46,839,700
Equipment	43,704,915	33,866,810	9,838,105	9,570,097
Software and license fees	16,115,695	4,102,895	12,012,800	67,638
Projects in progress	3,431,568	–	3,431,568	15,703,106
	<b>\$ 161,830,399</b>	<b>\$ 90,340,990</b>	<b>\$ 71,489,409</b>	<b>\$ 72,651,383</b>

Cost and accumulated amortization of capital assets at March 31, 2025 amounted to \$157,084,301 and \$84,432,918, respectively.

## 5. Net assets invested in capital assets:

(a) Investment in capital assets is calculated as follows:

	2026	2025
Capital assets	\$ 71,489,409	\$ 72,651,383
Less: amounts financed by deferred capital contributions	(54,648,051)	(54,823,833)
Less: amounts financed by long-term debt	(16,362,477)	(5,474,391)
Less: amounts financed by other debt	–	(9,411,024)
<b>Balance, end of year</b>	<b>\$ 478,881</b>	<b>\$ 2,942,135</b>

(b) Net change in investment in capital assets is calculated as follows:

	2026	2025
Excess of expenses over revenue:		
Amortization of capital assets	\$ (6,085,311)	\$ (5,167,722)
Loss on disposal of capital assets	(15,510)	(6,509)
Amortization of deferred capital contributions	4,652,365	4,673,422
Loss on disposal of deferred capital contributions	48,723	–
	<b>\$ (1,399,733)</b>	<b>\$ (500,809)</b>

	2026	2025
Net change in investments in capital assets:		
Purchase of capital assets	\$ 4,938,847	\$ 10,137,037
Amounts funded by deferred capital contributions	(4,525,306)	(2,578,750)
Amounts funded by debt	(1,970,325)	(9,411,024)
Repayments of long-term debt	493,263	440,673
	<b>\$ (1,063,521)</b>	<b>\$ (1,412,064)</b>

# PERTH AND SMITHS FALLS DISTRICT HOSPITAL

Notes to the Financial Statements  
Year ended March 31, 2026

## 6. Accounts payable and accrued liabilities:

	2026	2025
Payroll liabilities	\$ 7,472,551	\$ 7,118,145
Other accounts payable and accrued liabilities	13,603,372	7,970,417
MOH/OH	5,052,757	3,798,869
Funds held in trust	32,079	31,189
<b>Balance, end of year</b>	<b>\$ 26,160,759</b>	<b>\$ 18,918,620</b>

## 7. Cash and long-term debt:

### (a) Cash and restricted cash:

Restricted cash is comprised of funds retained for the purpose of future capital projects and infrastructure renewal. These funds are externally restricted to be used for the purpose intended by the contributor of the funds.

Included in restricted cash is \$1,375,140 (2025 - \$674,314) related to Health Infrastructure Renewal Funding relating to invoices payable at March 31, 2026.

Restricted cash also includes funds received for future capital projects of \$1,719,124 (2025 - \$407,247) as well as funds held in trust by Lanark County Support Services on behalf of various clients, totaling \$32,078 (2025 - \$31,189). The use of the funds held in trust and all transactions are independent of Hospital operations.

	2026	2025
Cash	\$ 6,479,452	\$ 5,812,663
Restricted cash	3,126,342	1,112,750
<b>Balance, end of year</b>	<b>\$ 9,605,794</b>	<b>\$ 6,925,413</b>

### (b) Operating credit:

The Hospital has an operating line of credit to a maximum of \$9,000,000 with its corporate bankers. At March 31, 2026, the Hospital has \$9,000,000 in credit facility available (2025 - \$9,000,000). The operating line of credit is unsecured and bears interest at prime less 1.1%. Interest paid on this credit facility in fiscal 2026 amounted to \$5,597 (2025 - \$226,026).

### (c) Loan facility:

Effective January 9, 2025 the Hospital entered into two unsecured credit agreements with the Ontario Financing Authority (OFA) to fund a portion of the costs related to the Hospital's Lumeo Regional Health Information System (RHIS) project to replace its core clinical system and Business Information System (BIS) project to replace back office support systems. Each credit agreement includes two separate credit facilities.

# PERTH AND SMITHS FALLS DISTRICT HOSPITAL

Notes to the Financial Statements  
Year ended March 31, 2026

## 7. Cash and long-term debt (continued):

### (c) Loan facility (continued):

The RHIS facility one balance at March 31, 2025 was \$9,411,024. During the year, the hospital advanced an additional \$1,786,000 on facility one. On December 31, 2025, the hospital advanced \$11,381,349 on facility two, a fifteen year term loan, which was used to repay facility one in its entirety, including \$184,325 of accrued interest capitalized to the principal. The facility charges interest at 4.08% and is repayable in semi-annual instalments of principal and interest as disclosed in note 7(d).

The BIS facility one provides for a non-revolving loan up to a maximum of \$2,000,000. The facility bears interest at a variable rate equal to the ninety-day Ontario Treasury Bill rate plus 3 basis points. Principal and interest must be repaid in full by December 31, 2027. Facility two provides for a thirteen year term loan up to a maximum of \$2,000,000 plus the amount of any interest owing on facility one at the repayment date. The facility bears interest at a fixed rate equal to the Province of Ontario's cost of funds for a thirteen year amortizing bond, inclusive of fees and commissions, plus 3 basis points, calculated as of the date of advance. Principal and interest are repayable in equal semi-annual instalments. At March 31, 2026, the balance of both facilities was \$nil (2025 – \$nil).

### (d) Long-term debt:

The hospital has the following long-term debt:

	2026	2025
OFA fixed rate term loan (4.08%) repayable in semi-annual blended payments of \$511,081, maturing December 2040	\$ 11,381,349	\$ –
MRI fixed rate term loan (6.31%), repayable in blended monthly payments of \$68,676, due November 2026	4,981,128	5,474,391
	16,362,477	5,474,391
Less: current portion of long term debt	5,544,279	492,767
<b>Balance, end of year</b>	<b>\$ 10,818,198</b>	<b>\$ 4,981,624</b>

The Hospital is committed to the principal repayment on long-term debt in each of the next five years and thereafter approximately as follows:

2027	\$ 5,544,279
2028	586,380
2029	610,566
2030	635,750
2031	661,972
Thereafter	8,323,530
	<b>\$ 16,362,477</b>

# PERTH AND SMITHS FALLS DISTRICT HOSPITAL

Notes to the Financial Statements  
Year ended March 31, 2026

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## 7. Cash and long-term debt (continued):

### (d) Long-term debt (continued):

Interest paid on long-term debt for fiscal 2026 amounted to \$331,345 (2025 – \$383,438), of which \$184,325 has been capitalized as a component of software and \$147,020 has been recorded as a component of interest expense on the Statement of Operations (2025 – fully capitalized).

## 8. Post-employment benefits:

### (a) Pension plan:

Substantially all of the employees of the Hospital are members of the Healthcare 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. The Plan specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

Contributions to the Plan made during the year by the Hospital on behalf of its employees amounted to \$3,892,623 (2025 - \$3,558,723) and are recorded in the Statement of Operations. Pension expense is based on the 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 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 Plan's 2025 Annual Report indicates that the Plan is fully funded at 109%.

### (b) Non-pension plans:

The Hospital provides extended health care, dental and life insurance benefits to eligible employees upon retirement. An independent actuarial study of the post-retirement and post-employment benefits has been undertaken. The most recent valuation of the employee future benefits was prepared as at March 31, 2024.

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

Discount rate	3.88% (3.89% in 2025)
Inflation	2.25% (2.25% in 2025)
Dental benefits escalation	2.75% (2.75% in 2025)
Healthcare benefits escalation	4.25% (4.25% in 2025)

# PERTH AND SMITHS FALLS DISTRICT HOSPITAL

Notes to the Financial Statements  
Year ended March 31, 2026

## 8. Post-employment benefits:

(b) Non-pension plans (continued):

The continuity of the Hospital's accrued benefit obligations is as follows:

	2026	2025
Accrued benefit obligation, beginning of the year	\$ 2,325,220	\$ 2,362,971
Current service cost	144,589	146,300
Benefits paid	(158,876)	(156,209)
Interest	89,049	92,247
Actuarial (gain) loss	(113,427)	(120,089)
<b>Accrued benefit obligation, end of year</b>	<b>\$ 2,286,555</b>	<b>\$ 2,325,220</b>

The expense for the year related to these plans is \$245,230 (2025 - \$264,343).

Reconciliation of the accrued benefit obligation to the accrued benefit liability is as follows:

	2026	2025
Accrued benefit obligation	\$ 2,286,555	\$ (2,325,220)
Unamortized actuarial gain (loss)	10,375	(114,644)
Accrued benefit liability	2,296,930	2,210,576
Less: current portion of benefit liability	240,015	216,685
<b>Long-term portion of post-employment benefits</b>	<b>\$ 2,056,915</b>	<b>\$ (1,993,891)</b>

## 9. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount of contributions, grants and donations utilized for additions to capital assets. The amortization of capital contributions is recorded as revenue in the Statement of Operations.

	2026	2025
Balance, beginning of year	\$ 55,952,391	\$ 58,072,063
Add: contributions received	4,364,688	2,578,750
Less: amounts amortized to revenue	(4,652,365)	(4,673,422)
Less: loss on disposal of deferred capital contributions	(48,723)	-
Less: transfer of unspent deferred capital contributions	-	(25,000)
<b>Balance, end of year</b>	<b>\$ 55,615,991</b>	<b>\$ 55,952,391</b>

The balance of deferred contributions for capital assets consists of the following:

	2026	2025
Unamortized contributions used to purchase capital assets	\$ 54,648,051	\$ 54,823,383
Unspent contributions	1,719,124	1,129,008
<b>Balance, end of year</b>	<b>\$ 56,367,175</b>	<b>\$ 55,952,391</b>

# PERTH AND SMITHS FALLS DISTRICT HOSPITAL

Notes to the Financial Statements  
Year ended March 31, 2026

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## 10. Operating lease:

The Hospital has various operating leases and service agreements with future minimum payments. The Hospital has committed to leases from third parties over the next four years amounting to \$479,084 plus operating costs.

2027	\$	223,389
2028		214,389
2029		34,455
2030		6,851

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## 11. Related entities:

This section addresses disclosure requirements regarding the Hospital's relationships with related entities.

### (a) Foundation:

The Hospital has an economic interest in the Perth and Smiths Falls District Hospital Foundation (the "Foundation"). The primary purpose of the Foundation is to act as a single fundraiser for the Hospital in order to maximize fundraising revenues and program efficiency to raise funds by way of public appeal for the benefit of the Hospital. The Foundation determines the amount of unrestricted funds that are available for distribution and in collaboration with the Hospital determines how the funds are distributed. The Foundation is incorporated under the Ontario Corporation Act as a not-for-profit organization, without share capital and is a registered charity under the Income Tax Act.

During the year, the Foundation provided the Hospital \$2,266,380 (2025 - \$1,797,237) to fund capital equipment projects.

### (b) Auxiliaries:

The Hospital has an economic interest in the Great War Memorial Hospital Auxiliary and the Smiths Falls Community Hospital Auxiliary, (the "Auxiliaries"). The Auxiliaries promote and extend the interests of the Hospital locally. The Hospital does not exercise control or significant influence over the Auxiliaries and consequently these financial statements do not include assets, liabilities and activities of the Auxiliaries. During the year, the Auxiliaries provided the Hospital \$37,000 (2025 - \$18,603) to fund equipment.

### (c) Shared Digital Imaging Infrastructure Program:

The Hospital is a member of a group of several Hospitals and independent health facilities that together have formed a shared digital diagnostic imaging repository. The shared repository enables timely access to diagnostic imaging information and services with the goal of improved health status and quality outcomes for patients. Hospitals Diagnostic Imaging Repository System (HDIRS) is an independent, not-for-profit corporation funded by Ontario Health which manages the development, implementation and operation of the shared system.

# PERTH AND SMITHS FALLS DISTRICT HOSPITAL

Notes to the Financial Statements  
Year ended March 31, 2026

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## 12. Financial instruments and risk management:

The Hospital is exposed to various risks through its financial instruments. The following analysis provides a measure of the risks at the Hospital.

### (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 credit risk with respect to the accounts receivable and other investments. The Hospital assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance of doubtful accounts. The maximum exposure to credit risk of the Hospital at March 31, 2026 is the carrying value of these assets.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the Statement of Operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the Statement of Operations. The balance of the allowance for doubtful accounts at March 31, 2026 is \$1,734,060 (2025 - \$487,457).

There have been no significant changes to the credit risk exposure from 2025.

### (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. Accounts payable and accrued liabilities are generally due within 60 days of receipt of an invoice. The Hospital prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. At March 31, 2026, the Hospital's current liabilities exceed its current assets by \$13,551,045 (2025 - \$12,978,339).

The Hospital has reported financial deficits in each of the last five years, including the current year, with the Hospital's budget for the year ending March 31, 2027 reflecting a forecasted financial loss. As a result of these losses, the Hospital has incurred a reduction in its working capital and 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 cost increases and financial pressures resulting from patient volumes and capital commitments.

The Hospital continues to identify and consider opportunities to address these financial challenges. In the short-term, the Hospital intends to rely on financing through its existing credit facilities, restricted cash and cost savings resulting from efficiency measures.

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

# PERTH AND SMITHS FALLS DISTRICT HOSPITAL

Notes to the Financial Statements  
Year ended March 31, 2026

## 13. Asset retirement obligations:

The Hospital's asset retirement obligations relate to the legally required removal or remediation of asbestos-containing materials in certain buildings. The obligation is determined based on the estimated undiscounted cash flows that will be required in the future to remove or remediate the asbestos containing material in accordance with current legislation.

The change in the estimated obligation during the year consists of the following:

	2026	2025
Balance, beginning of year	\$ 348,874	\$ 340,080
Add: Inflationary adjustment	14,618	8,794
Less: obligations settled during the year	—	—
<b>Balance, end of year</b>	<b>\$ 363,492</b>	<b>\$ 348,874</b>

## 14. Commitments and contingencies:

### (a) Liability insurance:

The Hospital is a member of the Healthcare Insurance Reciprocal of Canada (the "HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts which permit persons to exchange with other person's reciprocal contracts of indemnity insurance. Subscribers pay annual premiums that are actuarially determined. Subscribers are subject to assessment for losses, if any, experienced by the pool for the years in which they were a subscriber.

Since its inception in 1987 HIROC has accumulated an unappropriated surplus, which is the total of premiums paid by all subscribers plus investment income less the obligation for claims reserves and expenses and operating expenses. Each subscriber which has an excess of premium plus investment income over the obligation for their allocation of claims reserves and expenses and operating expenses may be entitled to receive distributions of their share of the unappropriated surplus at the time such distributions are declared by the Board of Directors of HIROC.

### (b) Contingencies:

The nature of the Hospital's activities is such that there may be litigation pending or in prospect at any time. With respect to claims at March 31, 2026, management believes that the Hospital has valid defenses and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Hospital's financial position.

### (c) Employment matters:

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

# PERTH AND SMITHS FALLS DISTRICT HOSPITAL

Notes to the Financial Statements  
Year ended March 31, 2026

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## 15. Comparative figures:

Certain prior year figures have been reclassified to conform to the financial statement presentation adopted in the current year.

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**The Perth and Smiths Falls District Hospital**  
**Statement of Financial Position**  
**As at March 31, 2026**

	Note	March 2026 \$	March 2025 \$	Variance \$	Variance %
<b>Assets</b>					
<b>Current Assets</b>					
Cash	1	\$ 6,479,452	\$ 5,812,663	\$ 666,789	11%
Accounts receivable	2	7,287,619	7,787,123	(499,504)	-6%
Prepaid expenses		1,336,128	1,309,514	26,614	2%
Inventories	3	909,526	812,184	97,342	12%
		16,012,725	15,721,484	291,241	2%
Restricted cash	1	3,126,342	1,112,750	2,013,592	181%
		19,139,067	16,834,234	2,304,833	14%
Capital assets	4	71,489,409	72,651,383	(1,161,974)	-2%
		\$ 90,628,476	\$ 89,485,617	\$ 1,142,859	1%
<b>Liabilities and Net Assets</b>					
<b>Current Liabilities</b>					
Accounts payable and accrued liabilities	5	26,160,759	18,918,620	7,242,139	38%
Deferred revenue		745,059	773,477	(28,418)	-4%
Current portion of long-term debt	6	5,544,279	492,767	5,051,512	1025%
Current portion of post employment benefits		240,015	216,685	23,330	11%
		32,690,112	20,401,549	12,288,563	60%
Loan facility	7	-	9,411,024	(9,411,024)	-100%
		32,690,113	29,812,573	2,877,540	10%
Long-term debt	7	10,818,198	4,981,624	5,836,574	117%
Post employment benefits		2,056,915	1,993,891	63,024	3%
Deferred capital contributions	8	56,367,175	55,952,391	414,784	1%
Asset retirement obligations		363,491	348,874	14,617	4%
		102,295,892	93,089,353	9,206,539	10%
<b>Net deficiency</b>					
Invested in capital assets		478,881	2,942,135	(2,463,254)	-84%
Unrestricted		(12,146,297)	(6,545,871)	(5,600,426)	86%
		(11,667,416)	(3,603,736)	(8,063,680)	224%
<b>Commitments and contingent liabilities</b>					
		-	-	-	
		\$ 90,628,476	\$ 89,485,617	\$ 1,142,859	1%
Current Ratio		0.59	0.56	0.02	
Working Capital		(13,551,046)	(12,978,339)	(572,707)	4%

**Notes: Year-over-year variance analysis completed on variances > +/- \$225,000 and +/- 10%**

**1. Cash & Restricted Cash:** Cash received for anonymous donation & HIRF funding unspent. Timing of payables payment due to Ministry recommendation to demonstrate cash flow management. See cash flow statement.

**2. Accounts Receivable:** Prior year Ministry receivables received plus current year HIRF \$1.75M receivable at March 31, 2026. Patient receivables increased due to higher manual processing requirements, offset by the \$2.0M Foundation MRI payment, along with a increased allowance for doubtful accounts.

**3. Inventories:** Relates to year-over-year increase in pharmacy inventory.

**4. Capital Assets:** Capital asset additions (\$4.9M) net of current year amortization (\$6.1M).

**5. Accounts Payable and Accrued Liabilities:** The Ministry continues to experience delays in settlement of outstanding payables, with some amounts aging back to fiscal year 2022. The current-year increase is mainly due to unrecognized QBP revenues and unrecognized MRI funding for expanded hours that began mid-October 2025. Increase in other payables due to timing of payments to demonstrate cashflow management, along with current year HIRF payables mainly relating to funding received late in the fiscal year. Increased labour relations accrual reflecting ongoing grievance costs, the accrual for the expired OPSEU contract pending negotiation, and other accrued benefit obligations related to the surplus from the previous benefits provider.

**6. Current Portion of Long-Term Debt:** Includes the current-year OFA loan commitment and the total principal outstanding on the MRI loan, which is due in November 2026.

**7. Loan facility & Long-Term Debt:** OFA Loan Facility #1 was converted to Loan Facility #2 in December 2025, transitioning the balance into long-term debt, net of the current portion.

**8. Deferred Capital Contributions:** Donation and grant additions (\$5.1M), net of current year amortization (\$4.7M).

# The Perth and Smiths Falls District Hospital

## Statement of Operations

For the year ended March 31, 2026

	Note	March 2026 \$	March 2025 \$	Variance \$	Variance %
<b>Revenue</b>					
Ministry of Health, Ontario Health, Cancer Care Ontario	1	\$ 74,845,589	\$ 72,662,004	\$ 2,183,585	3%
Other patient services	2	20,463,031	18,152,997	2,310,034	13%
Recoveries and other	3	4,019,292	3,189,925	829,367	26%
Amortization deferred capital equipment contributions		2,422,128	2,473,524	(51,396)	-2%
		101,750,040	96,478,450	5,271,590	5%
<b>Expense</b>					
Salaries, wages and benefits	4	\$ 66,156,855	\$ 60,452,170	\$ 5,704,685	9%
Medical staff remuneration	5	12,040,513	10,265,962	1,774,551	17%
Medical and surgical supplies	6	5,703,730	5,190,028	513,702	10%
Drugs		1,268,415	1,272,499	(4,084)	0%
Other supplies and services	7	20,336,511	16,026,491	4,310,020	27%
Interest		452,622	609,464	(156,842)	-26%
Amortization expense	8	3,375,983	2,512,488	863,495	34%
		109,334,629	96,329,102	13,005,527	14%
Excess of revenues over expenses (expenses over revenues) before the undernoted		(7,584,589)	149,348	(7,733,937)	-5178%
Amortization of deferred contributions - building and improvements		2,230,237	2,199,898	30,339	1%
Amortization of building and improvements		(2,709,328)	(2,655,234)	(54,094)	2%
		(479,091)	(455,336)	(23,755)	5%
<b>Excess of expenses over revenues</b>		\$ (8,063,680)	\$ (305,988)	\$ (7,757,692)	2535%

Notes: Year-over-year variance analysis completed on variances > +/- \$225,000 and +/- 10%

**1. Ministry of Health, Ontario Health, Cancer Care Ontario:** Reflects a \$2.0M increase in base funding from the initial allocation. PSFDH continued to receive various one-time operating pressures funding in the current year totalling \$8.7M (2025 - \$6.8M Operating Pressures + \$4.0M Structural adjustment).

**2. Other Patient Services:** Received a base funding increase and one-time funding totalling \$0.9M in ER AFA program, along with a base increase and prior-year one-time HOCC funding of \$0.3M. Additional revenue reflects the full-year impact of the Lanark County Mental Health Bridgehouse program (\$0.5M) and higher OHIP professional fees related to the MRI expansion and the OHIP relativity payment. Revenue increases are offset by corresponding expenses in Medical Staff Remuneration and Other Supplies and Services.

**3. Recoveries and Other:** Reflects the current-year reclassification of the WSIB return-of-premium to a recovery account of \$0.3M, along with Lanark County Mental Health LIFT program recoveries of \$0.3M and the MCRT program. Also includes higher rebates, rental income, and other recoveries.

**4. Salaries, Wages and Benefits:** Increased salaries reflect grid step progression and COLA of approximately 3% year-over-year, along with approved 2025/26 budget additions and temporary staffing supports tied to post go-live Lumeo workload increases, hospital capacity pressures, and surge staffing, along with associated benefit costs totalling \$6.0M. Reductions in overtime were offset by higher sick time of (\$0.2M), along with lower purchased services of (\$0.2M) and increased maternity costs of \$0.1M.

**5. Medical Staff Remuneration:** Reflects offsetting expenses associated with base and one-time funding for the ER AFA, HOCC, and the OHIP relativity payment, as well as higher MRI professional fees resulting from expanded MRI hours.

**6. Medical and Surgical Supplies:** Inflationary pressures continue to drive costs upward. Year-over-year increases in knee replacements resulted in an additional \$0.13M in knee joint costs, while increase shoulder surgery volumes contributed another \$0.15M in shoulder joint costs. For much of the year, the hospital operated at or above capacity, with additional surge spaces open from mid-November to mid-January, leading to greater utilization of medical-surgical supplies.

**7. Other Supplies and Services:** Cost increases reflect ongoing inflationary pressures, including a \$0.9M rise in bad debts, a \$1.039M increase in Lumeo operating expenses, and first-year costs for LCMH programs: LIFT \$0.2M and Bridgehouse rents and security \$0.4M. Additional costs include first-year MRI maintenance/contract costs \$0.2M, MRI hours expansion driving higher supply use \$0.1M, increased IT supplies to replace aging technology and support the digital EMR \$0.1M, and higher repair costs associated with aging equipment.

**8. Amortization Expense:** First partial year of Lumeo amortization \$1.0M (July 2025 - March 2026)