



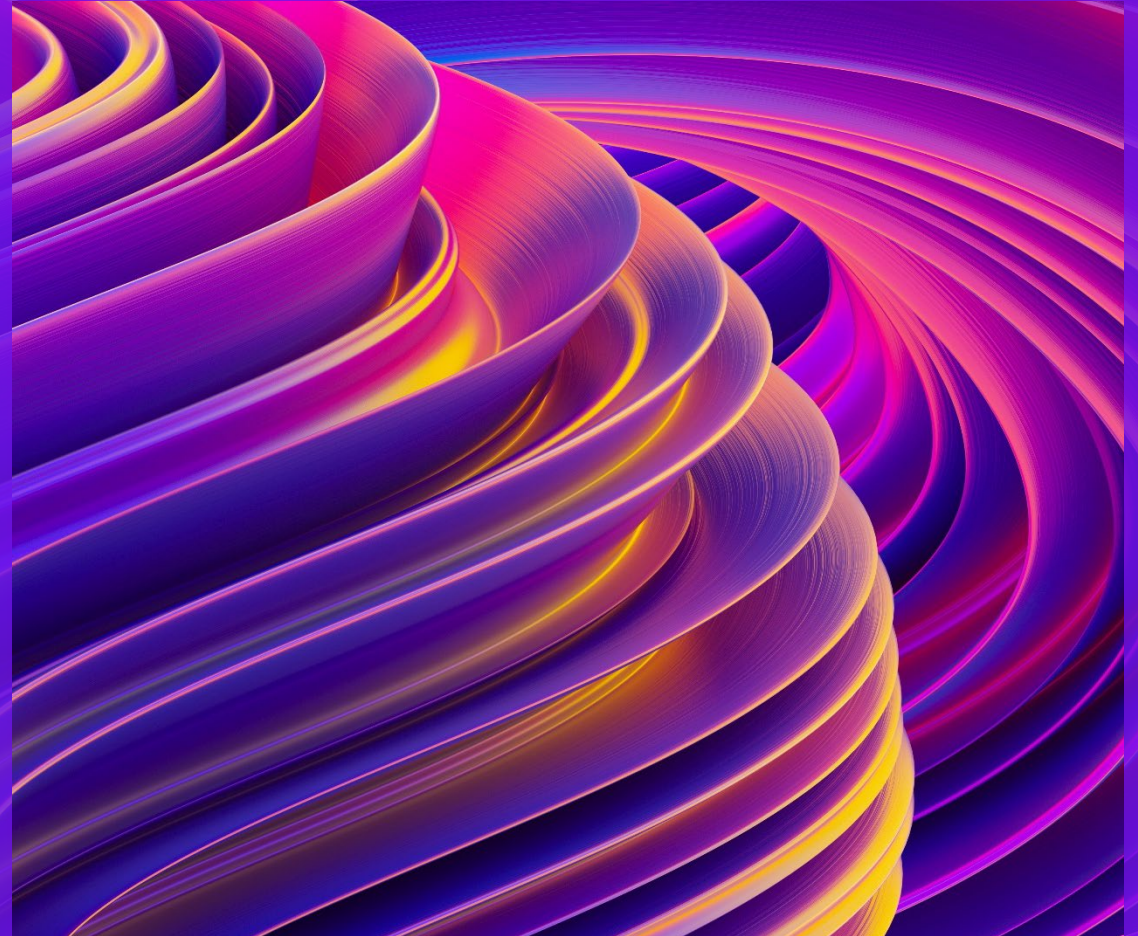
Perth and Smiths Falls District Hospital

Audit Findings Report for the year ended
March 31, 2026

KPMG LLP

Prepared as of May 19, 2026, for presentation to the Audit
Committee on May 21, 2026

kpmg.ca/audit



KPMG contacts

Key contacts in connection with this engagement



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Digital use information

This Audit Findings Report is also available as a “hyper-linked” PDF document.

If you are reading in electronic form (e.g. In “Adobe Reader” or “Board Books”), clicking on the home symbol on the top right corner will bring you back to this slide.



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The purpose of this report is to assist you, as a member of the Audit Committee, in your review of the results of our audit of the financial statements. This report is intended solely for the information and use of Management, the Audit Committee, and the Board of Directors and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.



Audit highlights

Status

We have completed the audit of the financial statements of Perth and Smiths Falls District Hospital (the "Hospital") with the exception of certain remaining outstanding procedures, which are highlighted on the 'Status' slide of this report.

Significant changes

Significant changes since our audit plan

Risks and results & Significant unusual transactions

Significant risks

- We did not identify any significant financial reporting risks other than the presumed risk of management override of controls.

Other risks of material misstatement

Going concern matters

Significant unusual transactions

No matters to report Matters to report – see link for details

Misstatements

Corrected misstatements

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Audit Quality

Learn more about how we deliver audit quality.

Status

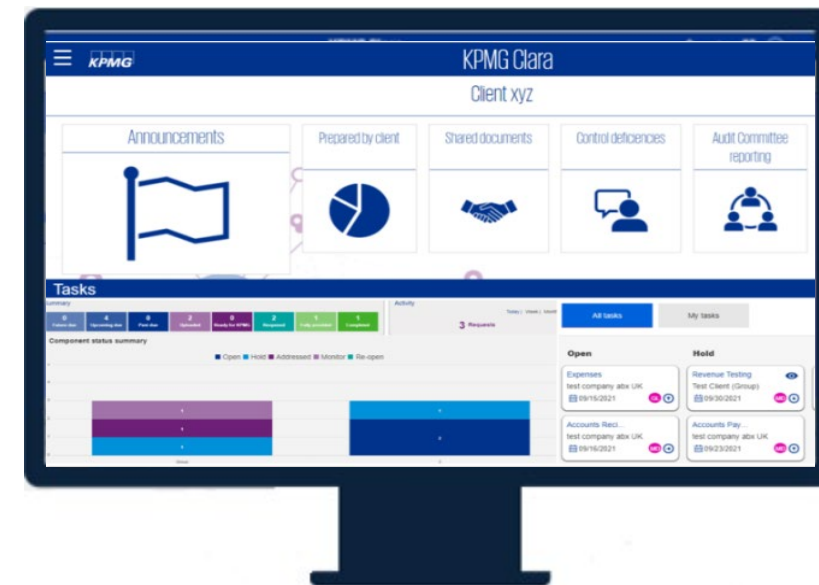
As of the date of this Audit Findings Report, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- Receipt of response to our legal inquiry letter, to be dated closer to the audit report date;
- Completing the final documentation requirements in our audit file;
- Completing our discussions with the Audit Committee of the Board of Directors;
- Completion of our subsequent events review procedures up to the date of our auditor's report;
- Obtaining evidence of the Board of Director's approval of the financial statements; and
- Receipt of signed management representation letter.

We will update the Audit Committee, and not solely the Chair, on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures.

A draft of our auditor's report is provided in [Appendix 1a: Draft Auditor's Report](#).

KPMG Clara for Clients (KcC)



Real-time collaboration and transparency











We leveraged **KcC** to facilitate real-time collaboration with management and provide visual insights into the status of the audit!

On our audit we used KcC to coordinate requests with management.



Significant changes

We have not made any significant changes to our audit strategy which was communicated to you in the audit planning report, and note that:

 Management and the KPMG audit team	 There were no key Management team member changes from the Audit Plan. Management were consistently available as needed to assist the Audit Team. The senior audit team remained consistent from the team presented in the Audit Plan.
 Materiality	 Materiality was set at \$1,500,000 in our audit planning report, which represented approximately 1.6% of prior year total expenses. Current year actual expenses increased to \$109,300,000, therefore, materiality represented 1.4% of current year expenses. This falls within the acceptable range of our required benchmark of between 0.5% -3.0%.
 Fraud risk	 We performed our required audit procedures in professional standards over fraud risk as communicated to the Committee in the Audit Plan and did not identify any additional fraud risks from our audit work. As part of our unpredictable procedure, we reviewed a sample of EFT payment batches to ensure the proper approvals are in place. We have no findings to report from this procedure.
 Other areas of audit focus	 We identified certain areas of audit focus in our Audit Plan. We did not identify any additional areas of audit focus and have no significant findings to report as a result of these procedures.
 Key milestones and deliverables	 There were no changes to key milestones and deliverable timing from our previous communications.



Significant risks and results

We highlight our significant findings in respect of **significant risks**.



Presumed Risk Management Override of Controls

RISK OF



FRAUD

Significant risk

Estimate?

Key audit matter?

Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities.

No

No

Our response

- Our procedures included:
 - We tested the design and implementation of controls surrounding the review of journal entries, and the business rationale for significant entries.
 - Using our KPMG software tools, we analyzed the journal entries posted during the year for completeness.
 - In responding to risks of fraud and management override of controls, we set specific criteria to isolate high risk journal entries and adjustments in order to analyze for further insights into our audit procedures and findings.
 - We have not identified any specific additional risks of management override relating to this audit.

Findings

No issues were noted.

Other matters



Liquidity Risk

- As part of our audit of the financial statements, we performed procedures to support the appropriateness of the going concern assumption at March 31, 2026, which included an analysis of whether events or circumstances indicate that there is a material uncertainty related to the going concern assumption. The following factors were considered:
 - The working capital deficiency is \$13.5 million (2025 - \$12.9 million)
 - The unrestricted net deficiency is \$12.1 million (2025 - \$6.5 million)
 - There is a deficiency of revenue over expenses of \$8 million (2025 –\$306,000)
 - There are negative cash flows from operations of \$6.6 million (2025 - positive cash flows from operations of \$179,000)
- The Hospital has received a HSAA waiver for fiscal 2026 and 2027 from Ontario Health.
- As a result of the factors described above, we reviewed and discussed management’s assessment of the current financial state, including the Hospital’s Hospital Sector Stabilization Plan (HSSP) submission. KPMG also discussed the current strategies in place to fund the continued impacts of payroll rate increases, inflationary cost pressures and future capital commitments. Cash flow management, ongoing discussions with the Ministry and utilizing existing credit facilities to ensure funds are available for these payments will continue to be taken for the 2027 fiscal year and beyond. Subsequent to year-end, we note that the Ministry has approved a \$9 million cash advance for fiscal 2027.
- KPMG reviewed the CPA Handbook PS 1202.025 to ensure the financial statements and related disclosures are prepared in accordance with the appropriate guidance. KPMG also considered CAS 570, *Going concern* which outlines certain indicators to utilize in assessing an entity’s ability to continue as a going concern. These indicators were evaluated, and we discussed management’s assessment of the current financial state and ensured it was appropriately reflected in the liquidity risk disclosure in note 12(b) to the financial statements.
- We concur with management’s assessment that there are no events or conditions that raise a material uncertainty related to the Hospital’s ability to continue as a going concern.



Other matters (continued)



Outstanding Labour Relations Matters

- Accruals for labour relations matters such as outstanding collective agreements and union grievances are estimates included in the Hospital's financial statements. Using the best available information, including recently settled agreements, comparable industry wage rates, and consultation with external legal counsel, management has accrued for rate increases (since the date of expiry) and estimated grievance settlements. The Hospital's accruals related to these matters amounted to \$753,000 in fiscal 2026.
- We assessed the reasonableness of management's assumptions and underlying data used in estimating the accrual. Our procedures also included a retrospective review of prior year estimates, comparing the March 31, 2025, accruals to actual settlements, which did not identify significant variances.
- KPMG notes that these accruals are estimates and are contingent upon settlement in the future. Any differences between the actual settlements and the accruals will be recorded in the year of settlement.
- We have reviewed the employment matters contingency disclosure in note 14(c) to the financial statements to ensure it appropriately reflects the Hospital's risk exposure related to these accruals.



Allowance for Doubtful Accounts

- During the audit, we noted a significant increase in OHIP, out-of-province and out-of-country patient receivable balances over the past three fiscal years, accompanied by a corresponding increase in management's allowance for doubtful accounts impairment provision ("AFDA") related to aged balances.
- The AFDA provision represents a significant accounting estimate in the Hospital's financial statements. Accordingly, we have assessed the reasonableness of management's methodology and key assumptions, including consistency of application year-over-year, which did not identify significant variances.
- KPMG notes that this provision is an estimate and is contingent upon settlement in the future. Any differences between the actual settlements and the AFDA provision will be recorded in the year of settlement.
- We have reviewed the credit risk disclosure in note 12(a) to the financial statements to ensure it appropriately reflects the Hospital's risk exposure related to these receivables and includes the allowance for doubtful accounts balance as at March 31, 2026.



Other matters (continued)



Regional Health Information System Project ("LUMEO")

- KPMG performed audit procedures over the accounting treatment and related disclosures for the LUMEO project. Management determined that substantial completion was achieved in July 2025, at which time \$14.9 million of project costs were transferred from projects in progress to capital assets in service. Amortization commenced on July 1, 2025, based on estimated useful lives determined by management.
- Management applied a componentization approach in capitalizing the project costs, reflecting the presence of significant identifiable components with differing useful lives. Software assets totaling \$12.6 million were assigned a useful life of 15 years for core IT components and 4 years for physician related soft costs, while equipment totaling \$2.3 million was assigned a useful life of 5 years. Based on the nature of the assets and comparison to other regional hospital partners, we concur that this approach is reasonable.
- In addition, we reviewed the project financing agreement with the Ontario Financing Authority, including the conversion to an unsecured, non-revolving facility effective December 31, 2025. We assessed the covenant requirements and management's evaluation of compliance and noted no instances of non-compliance as at year-end. Financial covenants become effective in fiscal 2027; accordingly, compliance will be monitored in future periods. We also concur with management's presentation and disclosures related to this financing arrangement in the March 31, 2026, financial statements.



Audit misstatements

As stated earlier in our report, materiality for fiscal 2026 was set at \$1,500,000 (2025 - \$1,400,000) which translated into an audit misstatement posting threshold of \$75,000 (2025 - \$70,000). As such, all misstatements identified during the audit greater than \$75,000 have been recorded on our summary of adjustments and differences.

Adjustments and differences identified during the audit have been categorized as “Corrected adjustments” or “Uncorrected differences”. These include disclosure adjustments and differences.

Professional standards require that we request of management and the Audit Committee that all identified adjustments or differences be corrected, if any.



Uncorrected differences

- We did not identify any differences that remain uncorrected.



Impact of corrected misstatements

- We did identify a misstatement that was subsequently corrected by management. See the management representation letter in [Appendix 1b: Management representation letter](#) for more detail.

Control deficiencies

Consideration of internal control over financial reporting (ICFR)

In planning and performing our audit, we considered ICFR relevant to the Hospital's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on ICFR.

Our understanding of internal control over financial reporting was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies. The matters being reported are limited to those deficiencies that we have identified during the audit that we have concluded are of sufficient importance to merit being reported to those charged with governance.

Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors. Had we performed more extensive procedures on internal control over financial reporting, we might have identified more significant deficiencies to be reported or concluded that some of the reported significant deficiencies need not, in fact, have been reported.

A deficiency in internal control over financial reporting

A deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

We have identified a control observation related to processes in place at the Hospital. See [page 13](#).

Significant deficiencies in internal control over financial reporting

A deficiency, or a combination of deficiencies, in internal control over financial reporting that, in our judgment, is important enough to merit the attention of those charged with governance.

We have not identified any significant deficiencies in internal control over financial reporting.



Control deficiencies – other observations

Description	Status	Observation	Recommendation
Financial Reporting: manual reconciliations	In Progress	<p>Management relies on a high volume of manual reconciliations across key financial reporting processes, which increases the complexity and work required to produce timely and accurate financial information.</p> <p>This approach places strain on finance staff resources, particularly during peak reporting periods, and results in additional time and effort to prepare supporting documentation for transactions subject to year-end audit procedures, as well as to compile and draft the financial statements.</p> <p>The manual nature of these processes also elevates the risk of errors in data aggregation, classification, and transfer between systems and reporting schedules.</p>	<p>Management should seek to reduce reliance on manual reconciliations across key financial reporting processes through increased system integration, automation, and standardization of data flows. Priority should be directed toward high-risk and high-volume areas, with the implementation of system-enabled controls and workflow-based review processes to enhance efficiency, consistency, and overall control effectiveness.</p> <p>In the interim, management should continue to strengthen review controls and maintain standardized documentation practices to mitigate the risk of error.</p> <p>KPMG understands that management has initiated a transformation of its back-office processes to address these matters and encourages continued progress in advancing these initiatives.</p>

Significant accounting policies and practices



Initial selection of significant accounting policies and practices

No new significant accounting policies and practices were selected and applied during the period.



Description of new or revised significant accounting policies and practices

No new or revised significant accounting policies and practices were selected and applied during the period.




Significant qualitative aspects

There are no significant qualitative aspects to note with respect to the accounting policies and practices. The engagement team reviewed the accounting policies and practices disclosed in note 1 to the financial statements as part of the audit work performed and agreed with management's assertion that the accounting policies and practices were appropriate and applied correctly throughout the period.



Other financial reporting matters


We also highlight the following:



Financial statement presentation - form, arrangement, and content




No matters to report.



Concerns regarding application of new accounting pronouncements



No matters to report.



Significant qualitative aspects of financial statement presentation and disclosure



No matters to report.



Specific topics

We have highlighted the following that we would like to bring to your attention:

Topic title	Finding
Significant matters subject to correspondence with management	No matters to report.
Issues with sending external confirmation requests	No matters to report.
Concerns about the quality of a component auditor's work	Not applicable.
Concerns about the refusal of group management to communicate with component management	Not applicable.



Specific topics (continued)

We have highlighted the following that we would like to bring to your attention:

Matter	Finding
Illegal acts, including noncompliance with laws and regulations, or fraud (identified or suspected)	No matters to report.
Other information in documents containing the audited financial statements	Not applicable.
Significant difficulties encountered during the audit	No matters to report.
Difficult or contentious matters for which the auditor consulted	No matters to report.
Management's consultation with other accountants	No matters to report.
Disagreements with management	No matters to report.
Related parties	No matters to report.
Significant issues in connection with our appointment or retention	No matters to report.
Other matters that are relevant matters of governance interest	No matters to report.



Independence

As a firm, we are committed to being and being seen to be independent. We apply the following ethical requirements, including independence requirements, in:

- the rules of professional conduct / code of ethics applicable to the practice of public accounting issued by various professional accounting bodies in Canada (“CPA code”) that are relevant to audits of financial statements of reporting issuers or listed entities; and
- the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (“IESBA independence rules”) that are relevant to audits of financial statements of public interest entities.

The following processes and procedures have been established by the firm to ensure independence is maintained:



Dedicated ethics & independence partners



Process for reporting breaches of professional standards and policy, and documented disciplinary policy



Ethics, independence and integrity training for all staff



International proprietary system used to evaluate and document threats to independence and those arising from conflicts of interest



Operating policies, procedures and guidance contained in our quality & risk management manual



Mandated procedures for evaluating independence of prospective audit clients



Restricted investments and relationships



Annual ethics and independence confirmation for staff

Statement of Compliance

We confirm that, as of the date of this communication, **we are in compliance** with relevant ethical requirements regarding independence in Canada.

Appendices

1

Required communications

2

Audit Quality

3

Newly effective and upcoming changes to auditing standards

4

Future changes to accounting standards

5

Thought leadership and insights

6

Technology





Appendix 1: Other required communications



Engagement terms

A copy of the engagement letter and any subsequent amendments was provided to the Audit Committee as part of our Audit Planning Report.



Report

A draft report is provided in [Appendix 1a](#).



Representations of management

We will obtain from management certain representations at the completion of the audit engagement. Refer to [Appendix 1b](#).



CPAB communication protocol

CPAB Communications Protocol

The reports available through the following links were published by the Canadian Public Accountability Board (CPAB) to inform Audit Committees and other stakeholders about the results of quality inspections conducted over the past year:

- [CPAB Audit Quality Insights Report: 2024 Interim Inspections Results](#)
- [CPAB Regulatory Oversight Report: 2024 Annual Inspections Results](#)
- [CPAB Audit Quality Insights Report: 2025 Interim Inspections Results](#)
- [CPAB Regulatory Oversight Report: 2025 Annual Inspections Results](#)

CPAB Public Inspection Report

The report available through the following link was published by CPAB and includes firm specific inspection results:

- [2025 Public Inspection Report - KPMG LLP](#)



Appendix 1a: Draft auditor's report

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.



Appendix 1a: Draft auditor's report (continued)

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.



Appendix 1a: Draft auditor's report (continued)

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
Kingston, Canada
(Date)



Appendix 1b: Management representation letter

KPMG LLP
863 Princess Street, Suite 400
Kingston, ON K7L 5N4
Canada

DATE

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the financial statements (hereinafter referred to as "financial statements") of Perth and Smiths Falls District Hospital ("the Entity") as at and for the period ended March 31, 2026.

General:

We confirm that the representations we make in this letter are in accordance with the definitions as set out in [Attachment I](#) to this letter.

We also confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Responsibilities:

- We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated January 20, 2026, including for:
 - the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.
 - providing you with all information of which we are aware that is relevant to the preparation of the financial statements ("relevant information"), such as financial records, documentation and other matters, including:
 - the names of all related parties and information regarding all relationships and transactions with related parties;
 - the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements. All significant actions are included in such summaries.

- providing you with unrestricted access to such relevant information.
- providing you with complete responses to all enquiries made by you during the engagement.
- providing you with additional information that you may request from us for the purpose of the engagement.
- providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.
- such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
- ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.
- ensuring that internal auditors providing direct assistance to you, if any, were instructed to follow your instructions and that we, and others within the Entity, did not intervene in the work the internal auditors performed for you.

Internal control over financial reporting:

- We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which we are aware.

Fraud & non-compliance with laws and regulations:

- We have disclosed to you:
 - the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - all information in relation to fraud or suspected fraud that we are aware of that involves:
 - management;
 - employees who have significant roles in internal control over financial reporting; or
 - others where such fraud or suspected fraud could have a material effect on the financial statements.



Appendix 1b: Management representation letter (continued)

- all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, short sellers, or others.
- all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements or illegal acts, whose effects should be considered when preparing financial statements.
- all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Subsequent events:

- All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment, or disclosure, in the financial statements have been adjusted or disclosed.

Related parties:

- We have disclosed to you the identity of the Entity's related parties.
- We have disclosed to you all the related party relationships and transactions/balances of which we are aware.
- All related party relationships and transactions/balances have been appropriately accounted for, and disclosed, in accordance with the relevant financial reporting framework.

Estimates:

- The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

Going concern:

- We have provided you with all information relevant to the use of the going concern assumption in the financial statements.
- We confirm that we are not aware of material uncertainties related to events or conditions that may cast significant doubt upon the Entity's ability to continue as a going concern.

Misstatements:

- We approve the corrected misstatements identified by you during the audit described in [Attachment II](#).

Non-SEC registrants or non-reporting issuers:

- We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002).
- We also confirm that the financial statements of the Entity will not be included in the group financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

Yours very truly,

Michael Cohen, President & Chief Executive Officer

Erin Farrell, Vice-President, Corporate Services and Chief Financial Officer



Appendix 1b: Management representation letter (continued)

Attachment I – Definitions

Materiality

Certain representations in this letter are described as being limited to matters that are material.

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgments about materiality are made in light of surrounding circumstances, and are affected by perception of the needs of, or the characteristics of, the users of the financial statements and, the size or nature of a misstatement, or a combination of both while also considering the entity's own circumstances.

Fraud & error

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Attachment II – Summary of Audit Misstatements Schedule

For the year ended March 31, 2026 – Summary of corrected audit misstatements:

Description	Statement of Financial Position effect ¹			Statement of Operations effect ¹ \$
	Assets \$	Liabilities \$	Net Deficiency \$	
Audit misstatements greater than \$75,000 individually				
Dr. Amortization of equipment	-	-	550,985	550,985
Cr. Capital assets	(550,985)	-	-	-
To adjust amortization on Lumeo assets to commence on July 1, 2025.				
TOTAL CORRECTED AUDIT MISSTATEMENTS	(550,985)	-	550,985	550,985

¹ Debit (Credit)

Appendix 2: Audit Quality

How do we deliver audit quality?

Quality essentially means doing the right thing and remains our highest priority. We have strengthened the consistency and robustness of our system of quality management to meet the requirements of ISQM 1 (CSQM 1), issued by the International Audit and Assurance Standards Board. Foundational for quality management, KPMG's globally consistent approach to ISQM 1 drives compliance with the standard and our efforts to strengthen trust and transparency with clients, the capital markets and the public we serve.

Aligned with ISQM 1 (CSQM 1), our SoQM meets the requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA) and the relevant rules of professional conduct / code of ethics applicable to the practice of public accounting in Canada, which apply to professional services firms that perform audits of financial statements.

Our **Global Quality Framework** outlines how we deliver quality and how every KPMG professional contributes to its delivery.



'Perform quality engagements' sits at the core, along with our commitment to continually monitor and remediate to fulfil our quality drivers.



Our **quality value drivers** are the cornerstones to our approach underpinned by the **supporting drivers** and give clear direction to encourage the right behaviours in delivering audit quality.



Doing the right thing. Always.

Appendix 2: Audit Quality (continued)

Indicators of audit quality (AQIs)

The objective of these measures is to provide the Audit Committee and management with more in-depth information about factors that influence audit quality within an audit process. Below you will find the current status of the AQIs that are relevant for the audit.



Team composition



- Experience, commitment and knowledge of the broader not-for-profit sector
- A combination of continuity and fresh perspectives
- Access to specialist resources with not-for-profit sector experience



Technology in the audit



- Increase in use of technology in the audit year over year
- Use of secure KPMG portal for transfer of electronic documents



Independence



- We will not put ourselves in a situation where we would audit our own work.
- We apply the most rigorous standards to our professional services in order to ensure our continued independence in our role.



Timing of prepared by client (PBC) items




- There was a delay in the completion of audit fieldwork for fiscal 2026 as certain client-prepared documentation was not fully prepared on day one of our scheduled fieldwork. In addition, the draft financial statements were not provided until end of day on our last day of fieldwork.





Audit Committee



- Committee members participate fully in the discussion with auditors, including meeting in camera with the auditors
- KPMG provides current industry trends and updates to accounting and audit standards

 Nothing to report

 Some matters to report

 Specific matters to report



Appendix 3: Newly effective and upcoming changes to auditing standards

Effective for periods beginning on or after December 15, 2024 (for the year ended March 31, 2026)

ISA 260/CAS 260

.....

Communications
with those
charged with
governance

Summary of Changes:

New requirements for the auditor to communicate:

- about the relevant ethical requirements, including those related to independence, that the auditor applied to the audit of the financial statements; and
- any enhanced independence requirement that the auditor applied specific to the audit of financial statements of certain entities.



Appendix 3: Newly effective and upcoming changes to auditing standards (continued)

Effective for periods beginning on or after December 15, 2026 (for the year ended March 31, 2028)

Revised CAS 570, Going Concern

.....

Enhance Auditor's responsibilities in the audit of financial statements related to going concern

A key change in the revised CAS 570 is the commencement date of the 12-month period of management's going concern assessment, shifting from the date of the balance sheet to the date of approval of the financial statements. What has not changed is the minimum period to be covered, which remains 12 months.

Amendments to CAS 240, The Auditor's Responsibilities Relating to Fraud in an Audit of the Financial statement

The key changes will clarify the auditors' responsibilities regarding fraud in financial statement audits, strengthen procedures and include additional details about fraud in the Auditors' Report.



Appendix 4: Future changes in accounting standards

Conceptual Framework for Financial Reporting in the Public Sector

Effective for years commencing on or after April 1, 2026, with early adoption permitted.

- The framework provides the core concepts and objectives underlying Canadian public sector accounting standards.
- The ten-chapter conceptual framework defines and elaborates on the characteristics of public sector entities and their financial reporting objectives. Additional information is provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts are introduced.

Financial Statement Presentation

Effective for years commencing on or after April 1, 2026, with early adoption permitted.

- The proposed section PS 1202 *Financial statement presentation* will replace the current section PS 1201 *Financial statement presentation*.
- The proposed section includes the following:
 - Relocation of the net debt indicator to its own statement called the statement of net financial assets/liabilities, with the calculation of net debt refined to ensure its original meaning is retained.
 - Separating liabilities into financial liabilities and non-financial liabilities.
 - Restructuring the statement of financial position to present total assets followed by total liabilities.
 - Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities).
 - Removal of the statement of remeasurement gains (losses) with the information instead included on a new statement called the statement of changes in net assets (liabilities). This new statement would present the changes in each component of net assets (liabilities), including a new component called “accumulated other”.
 - A new provision whereby an entity can use an amended budget in certain circumstances.
 - Inclusion of disclosures related to risks and uncertainties that could affect the entity’s financial position.

Example of a Typical Implementation Approach

Phase 1

- Understand the existing financial reporting processes.
- Examine chart of accounts and trial balance.
- Review accounting policy.
- Gap assessment and implementation plan.

Phase 2

- Data gathering and financial data analysis.
- Budget and performance reporting.
- System and software impacts.
- Implementation and compliance adjustments



Appendix 4: Future changes in accounting standards (continued)

Employee Benefits

Effective for years commencing on or after April 1, 2029 with early adoption permitted.

- The Public Sector Accounting Board has issued a new standard PS 3251 *Employee benefits* which will replace the current sections PS 3250 *Retirement benefits* and PS 3255 *Post-employment benefits, compensated absences and termination benefits*.
- The standard uses principles from International Public Sector Accounting Standard 39 *Employee benefits* as a basis for the Canadian standard.
- The standard results in public sector entities recognizing the impact of revaluations of the net defined benefit liability (asset) immediately on the statement of financial position.
- The standard also requires that fully funded post-employment benefit plans use a discount rate based on the expected market-based return of plan assets and underfunded plans use a discount rate based on the market yield of government bonds, high-quality corporate bonds or another appropriate financial instrument. A simplified approach to determining a plan's funding status is provided.
- The standard also requires that:
 - Deferral provisions – Remeasurement gains and losses are presented as part of accumulated remeasurement gains and losses.
 - Valuation of plan assets – Upon adoption, public sector entities may continue to recognize non-transferable financial instruments balances that meet the definition of plan assets under existing PS 3250 guidance. This transitional provision does not permit the recognition of additional amount after adoption that do not meet the revised definition of plan assets.
 - Joint defined benefit plans – Defined benefit accounting is used for measurement of the proportionate share of the plan, instead of previously proposed multi-employer plan accounting which permitted accounting based on defined contribution concepts where insufficient information exists to use defined benefit accounting.
 - Disclosure of other long-term employee benefits and termination benefits – The standard does not include prescriptive disclosure requirements for other long-term employee benefits and termination benefits.
- The standard's guidance will be applied retroactively, with or without prior period restatement.



Appendix 4: Future changes in accounting standards (continued)

Intangible Assets

Proposed to be effective for years commencing on or after April 1, 2030 with early adoption permitted.

- The Public Sector Accounting Standards Board has issued proposed new standard PS 3155 *Intangible Assets* which would replace Public Sector Guideline 8 *Purchased Intangibles*.
- The standard will include foundational guidance on acquired and internally generated intangibles. It excludes intangible assets addressed in other public sector accounting standards and other intangible items such as exploration and extraction costs for non-renewable resources or intangible assets related to insurance contracts.
- The definition of “intangible assets” requires an intangible resource to be separate and identifiable from goodwill. It also requires that the entity has control over the intangible resource, future economic benefits flow from the intangible resource, and the intangible resource is the result of a past transaction and/or other events.
- Internally generated goodwill is not permitted to be recognized as an asset.
- An intangible resource is recognized when it meets the definition of an intangible asset and the asset’s cost can be measured in a faithfully representative way. The generation of the asset is classified into a research phase and a development phase. Expenditures from the research phase of an internally generated project are expensed. An intangible asset arising from the development phase can be recognized if it meets certain requirements.
- Intangible assets are initially measured at cost and subsequently carried at cost less accumulated amortization and accumulated impairment losses. Intangible assets acquired through a non-exchange transaction are measured at fair value as of the date it is acquired.

Cloud Computing Arrangements

- As part of its intangible assets project, the Public Sector Accounting Standards Board is also developing guidance on cloud computing arrangements. To ensure the development of this accounting guidance reflects current practices and needs, a survey was used to gather insights. The survey will inform the Public Sector Accounting Board about the types of cloud computing arrangements being encountered, magnitude of costs, key arrangement terms, current accounting policies and unique challenges in practice.



Appendix 5: Thought leadership and insights

Half of Public Servants Turn to AI Raising Risks

KPMG survey finds public sector unready for AI, low literacy, need for digital sovereignty.

While less than a quarter (**22 per cent**) of Canadian public sector organizations have adopted artificial intelligence (AI), half of the public servants who use AI in their jobs rely on publicly available AI tools, exposing governments to potential risks including data privacy and security breaches, intellectual property theft and exposure to biased or inaccurate information that can lead to legal and ethical issues, finds a new KPMG in Canada research.

[Click here for more information](#)

Intelligent Government

The emergence of generative AI, alongside advanced autonomous and agentic systems, is transforming how government and the public sector innovate and operate. Our findings reveal an actionable blueprint for governments and organizations aiming to leverage AI's potential to drive efficiency, reduce time-to-market and improve patient outcomes. This report provides insights into how they can take a value-based approach to AI that helps to accelerate innovation, unlock new growth opportunities, and maximize the impact of their AI investments.

[Click here for more information](#)

KPMG 2025 Canadian CEO Outlook

Our 2025 CEO Outlook survey reveals a compelling paradox: Canadian CEOs are increasingly confident in the growth of their companies and industries, yet their optimism about the Canadian and global economies is waning.

Despite the evolving pressures, CEOs alike are proactively focusing on making their organizations more resilient to external shocks. They are not just reacting to changes, but are actively seeking ways to mitigate external risks, improve productivity and optimize revenue.

[Click here for more information](#)

Midyear Observations on the 2025 Board Agenda

Disruption, volatility, and uncertainty aren't new operating conditions by any means. But the assumptions that have long driven corporate thinking - the role of government, geopolitical norms, and consistency in US policies as administrations change, and the speed of technological advances—are being upended. Few business leaders have experienced the scope, complexity, and combination of issues companies are facing today—and many will earn their stripes in the months ahead.

[Click here for more information](#)

Accelerate – Delving Deeper: The New Standing Items on Audit Committee Agendas

Geopolitical risks are continuing to evolve, generative artificial intelligence (AI) is reshaping the work world and ESG reporting is now mandatory for some organizations. At the same time, cyberattacks are becoming more frequent and sophisticated, but so are the tools to fight them.

Until recently, many of the biggest drivers of this new era were of only cursory interest to audit committees. Now, AI, ESG and cyber are being examined more rigorously and increasingly becoming standing items on the audit committee agenda.

[Click here for more information](#)

Appendix 5: Thought leadership and insights (continued)

Our latest thinking on the issues that matter most to Audit Committees, board of directors and management.

KPMG Audit & Assurance Insights

Curated research and insights for audit committees and boards.

Board Leadership Hospital

Leading insights to help board members maximize boardroom opportunities

Current Developments

Series of quarterly publications for Canadian businesses including Spotlight on IFRS, Canadian Assurance & Related Services, Canadian Securities Matters, and US Outlook reports.

Accelerate - The key issues driving the audit committee agenda

Discover the most pressing risks and opportunities that face audit committees, boards and management teams.

Sustainability Reporting

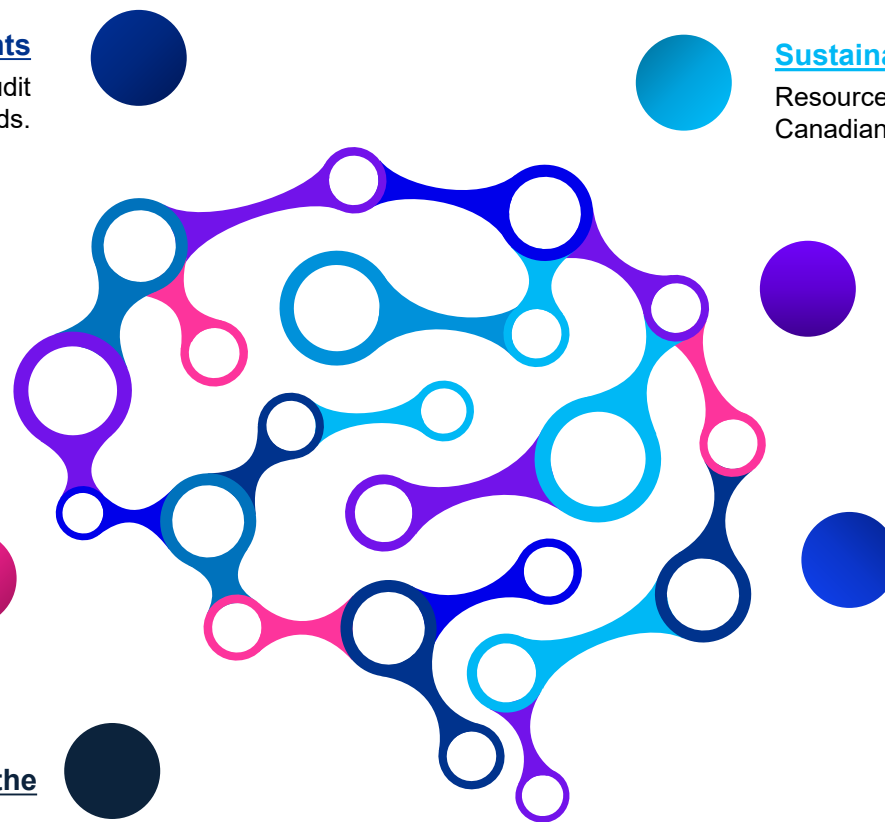
Resource Hospital on implementing the new Canadian reporting standards

IFRS Breaking News

A monthly Canadian newsletter that provides the latest insights on accounting, financial reporting and sustainability reporting.

Audit Committee Guide – Canadian Edition

A practical guide providing insight into current challenges and leading practices shaping audit committee effectiveness in Canada.



Appendix 6: Technology Highlights

Our technology story



Streamlined client experience

And deeper insights into your business, translating to a better audit experience.



Secure

A secure client portal provides centralized, efficient coordination with your audit team.



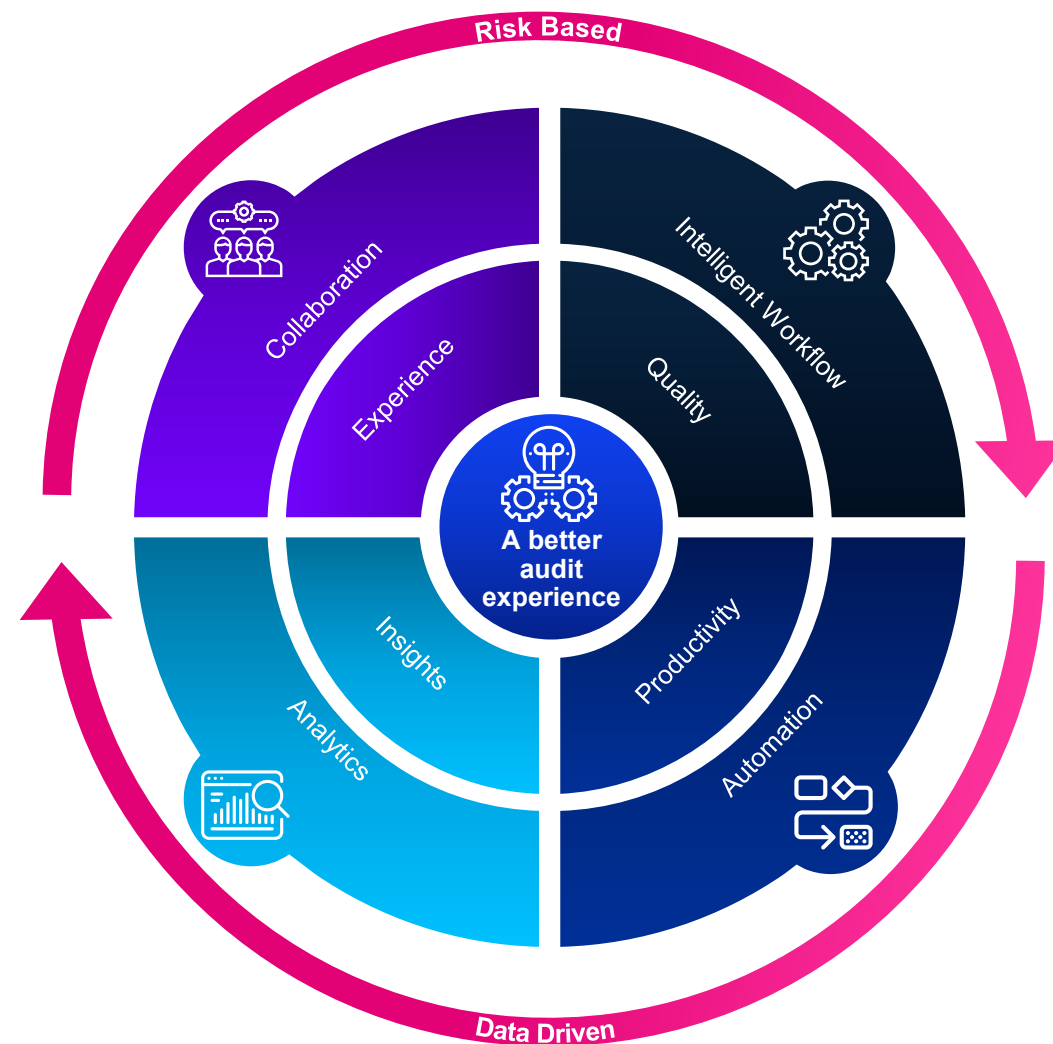
Intelligent workflow

An intelligent workflow guides audit teams through the audit.



Increased precision

Advanced data analytics and automation facilitate a risk-based audit approach, increasing precision and reducing your burden.





Appendix 6: Technology Highlights (continued)



Analytics

- AI Transaction Scoring
- Audit Routine Catalogue
- Data Visualization
- Group Scoping Tool
- Matching Routines
- Process Mining Analytics
- KPMG Forecast Analytics Suite



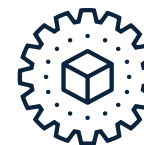
Automation

- Agentic AI with Clara AI - Chat
- Automated Industry Routines
- Confirmation
- Data Extraction Scripts
- DataShare
- DataSnipper
- Inventory Counter App
- iRadar and iNav
- Offset Remover



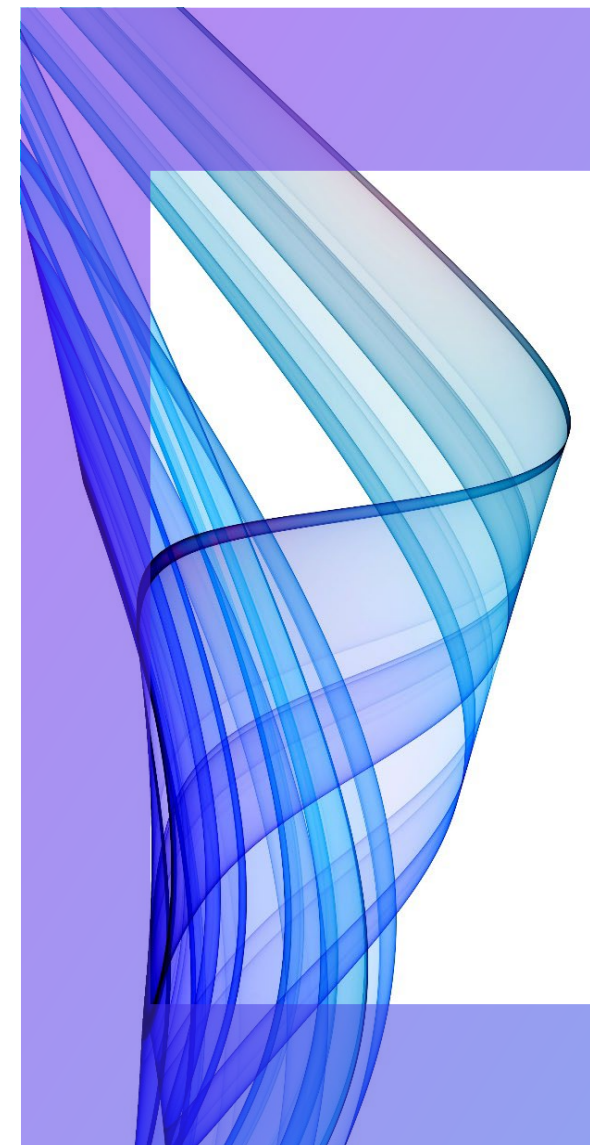
Collaboration

- DocuSign™
- KPMG Clara for Clients



Workflow

- KPMG Clara Workflow
- Account Analysis
- Journal Entry Analysis
- Planning Analytics





<https://kpmg.com/ca/en/home.html>

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