



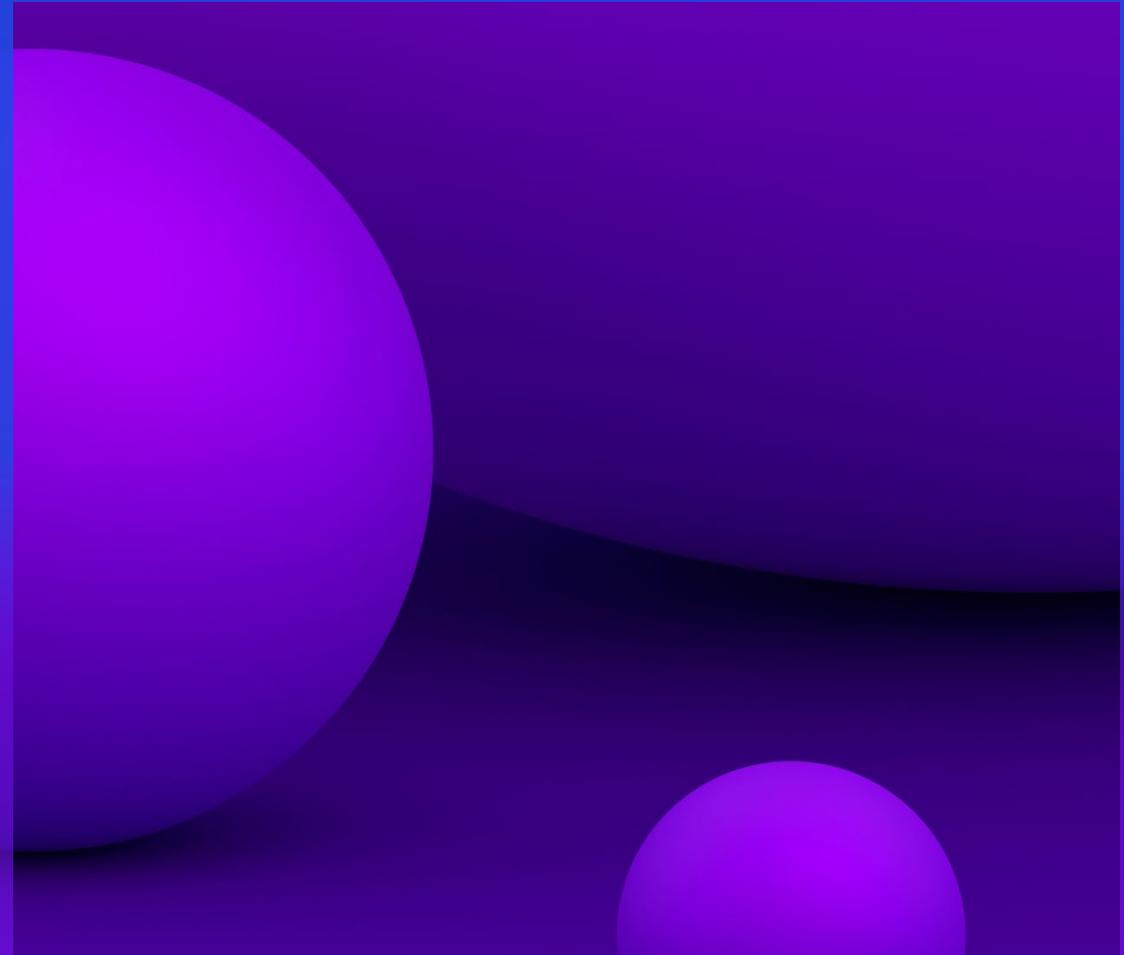
# Perth and Smiths Falls District Hospital

**Audit Planning Report  
for the year ending March 31, 2026**



Prepared as of January 20, 2026, for presentation to the Audit  
Committee on February 19, 2026

[kpmg.ca/audit](https://kpmg.ca/audit)



# KPMG contacts

## Key contacts in connection with this engagement



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## Digital use information

This Audit Planning 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.



Click on any item in the table of contents to navigate to that section.

<b>4</b>	<b>Highlights</b>	<b>5</b>	<b>Audit strategy</b>	<b>9</b>	<b>Risk assessment</b>	<b>15</b>	<b>Key milestones and deliverables</b>
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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 plan for 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 to the Audit Committee 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

## Scope

Our audit of the financial statements of Perth and Smiths Falls District Hospital (the "Hospital") as of and for the year ending March 31, 2026, will be performed in accordance with Canadian generally accepted auditing standards.

 [Engagement letter](#)

## Audit strategy

**Materiality \$1,500,000** 

Involvement of others 

## Newly effective accounting standards

Accounting standards 

- There are upcoming changes to accounting standards.
- We do not anticipate that these changes will have a significant impact on our audit of the Hospital.

## Newly effective auditing standards

Auditing standards 

- There are newly effective changes to auditing standards to bring to your attention.

## Risk assessment

Risk of management override of controls 

Presumed risk of fraudulent revenue recognition

- This is a rebuttable significant risk. We have not identified any risk of material misstatement resulting from fraudulent revenue recognition.

Other significant risks

Other risks of material misstatement 

- Ministry of Health, Ontario Health and Cancer Care Ontario revenue
- Payroll expenses and related accruals
- Non-payroll operating expenses and related accruals
  - Employee future benefit liabilities
- Capital assets and deferred capital contributions
  - Cash and debt
  - Financial reporting

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



# Updates to our prior year audit plan

## New significant risks

No new significant financial reporting risks identified.

## Other significant changes



### Future accounting standards



There are no changes to the accounting standards impacting the fiscal 2026 audit. Refer to [Appendix C](#) for future changes in accounting standards.

Future accounting standards



### Newly effective auditing standards

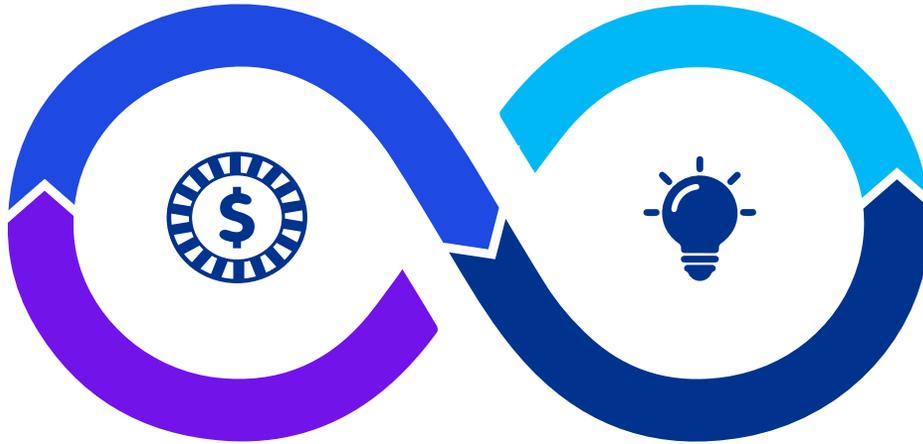


Refer to [Appendix D](#) for new standards impacting the fiscal 2026 audit.

Newly effective auditing standards



# Materiality



We **initially determine materiality** at a level at which we consider that misstatements could reasonably be expected to influence the economic decisions of users. Determining materiality is a matter of **professional judgment**, considering both quantitative and qualitative factors, and is affected by our perception of the common financial information needs of users of the financial statements as a group. We do not consider the possible effect of misstatements on specific individual users, whose needs may vary widely.

We **reassess materiality** throughout the audit and revise materiality if we become aware of information that would have caused us to determine a different materiality level initially.

## Plan and perform the audit

We **initially determine materiality** to provide a basis for:

- Determining the nature, timing and extent of risk assessment procedures;
- Identifying and assessing the risks of material misstatement; and
- Determining the nature, timing, and extent of further audit procedures.

We design our procedures to detect misstatements at a level less than materiality in individual accounts and disclosures, to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

## Evaluate the effect of misstatements

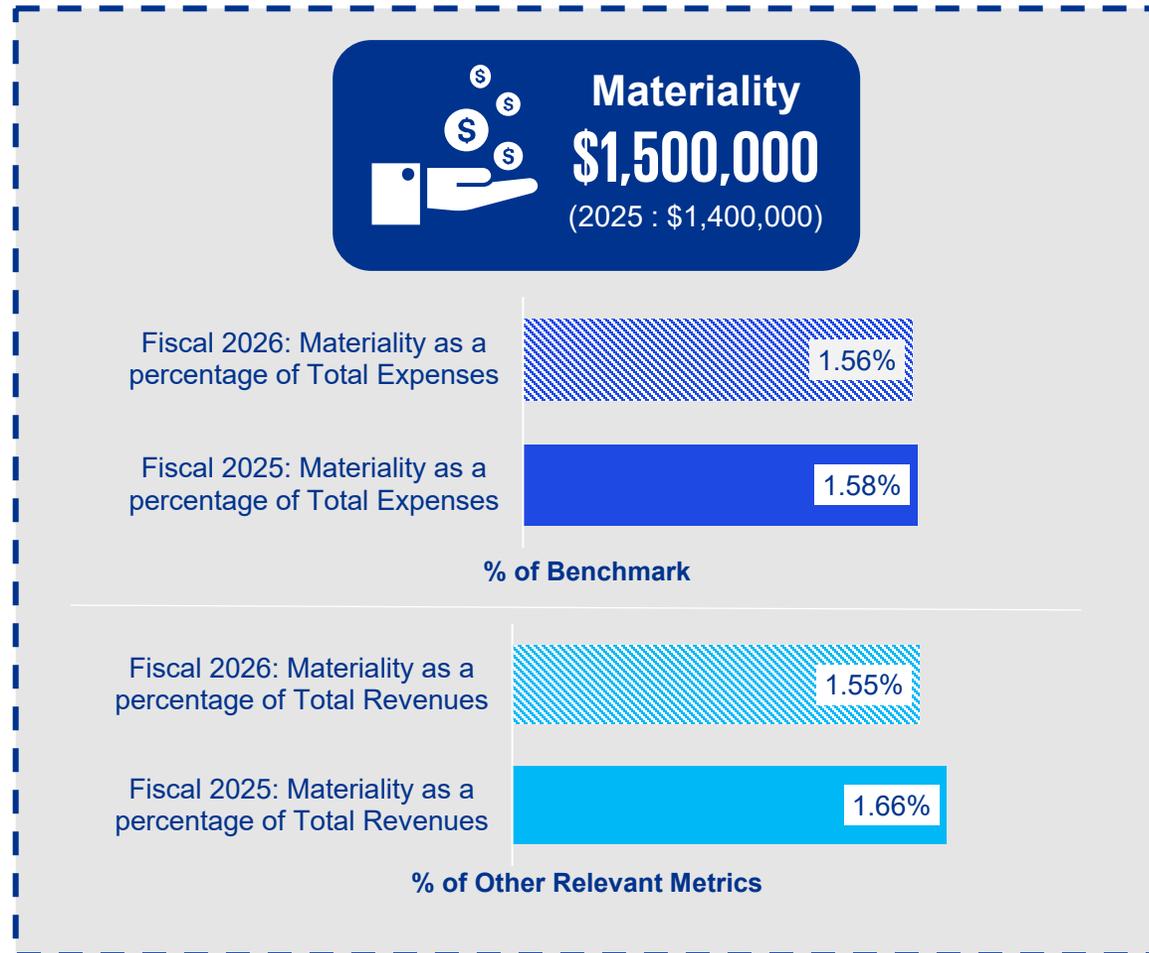
We also **use materiality** to evaluate the effect of:

- Identified misstatements on our audit; and
- Uncorrected misstatements, if any, on the financial statements and in forming our opinion.



# Initial materiality

Initial materiality has been set using the prior year audited financial statements. Performance materiality has been set at 75% of materiality or \$1,125,000. Our assessment of misstatements, if any, in amounts or disclosures at the completion of our audit will include the consideration of both qualitative and quantitative factors.



## We will report:

- Corrected audit misstatements
- Uncorrected audit misstatements
- Errors and omissions in disclosure (corrected and uncorrected)

## Prior Year Total Expenses

# \$96,300,000

(2025 : \$88,500,000)

## Prior Year Total Revenues

# \$96,500,000

(2025 : \$84,400,000)



# Involvement of others

The following parties will be involved in the audit of the financial statements:

Involved party	Nature and extent of planned involvement
Management expert - Actuary	We will obtain and leverage the work of management's expert, the Actuary, related to the calculation of the liability for employee future benefits. Refer to page 12 for additional details.
KPMG specialist - Department of Professional Practice	Based on the planning discussions with management thus far, the continued erosion of the financial health of the Hospital may require a consultation related to our conclusions reached in terms of the Hospital's ability to continue as a going concern.



# Risk assessment summary

Our planning begins with an assessment of risks of material misstatement in your financial statements.

We draw upon our understanding of the Hospital and its environment (e.g. the industry, the wider economic environment in which the business operates, etc.), our understanding of the Hospital's components of its system of internal control, including our business process understanding.

	Risk of fraud	Risk of error	PY risk rating
● Management Override of Controls	✓		<b>Significant</b>
● Ministry of Health, Ontario Health and Cancer Care Ontario revenue		✓	Base
● Payroll expenses (including related accruals)		✓	Base
● Non-payroll operating expenses (including related accruals)		✓	Base
● Employee future benefit liabilities		✓	Base
● Capital assets and deferred capital contributions		✓	Base
● Cash and debt		✓	Base
● Financial reporting		✓	Base

● SIGNIFICANT RISK ● PRESUMED RISK OF MATERIAL MISSTATEMENT ● OTHER RISK OF MATERIAL MISTATEMENT



# Significant risks



Management Override of Controls (non-rebuttable significant risk of material misstatement)

RISK OF



FRAUD

**Presumption  
of the risk of  
fraud resulting  
from  
management  
override of  
controls**

## Why is it significant?

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.

## Our planned response

As this presumed risk of material misstatement due to fraud is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include:

- testing of journal entries and other adjustments,
- performing a retrospective review of estimates
- evaluating the business rationale of significant unusual transactions.

We also make enquiries of senior management personnel and the Audit Committee related to their awareness of fraud risk factors of the organization and whether the organization is currently dealing with any suspected, alleged or known fraudulent activity.

## Advanced technologies

Our KPMG Clara Journal Entry Analysis Tool assists in the performance of detailed journal entry testing based on engagement-specific risk identification and circumstances. Our tool provides auto-generated journal entry population statistics and focusses our audit effort on journal entries that are riskier in nature.



[Click to learn more](#)



# Other risks of material misstatement

Areas	Level of risk due to error	Our planned response
<b>Ministry of Health (“MOH”), Ontario Health (“OH”) and Cancer Care Ontario (“CCO”) revenue</b>	 <p>Base</p>	<ul style="list-style-type: none"> <li>– Update our understanding of the activities over the initiation, authorization, processing, recording and reporting of MOH/OH/CCO revenue.</li> <li>– We will complete substantive audit procedures to address the relevant assertions, including confirmation of cash flows during the year and verification of any significant performance criteria, if any.</li> <li>– We will complete substantive procedures to ensure appropriate recognition of revenue and related payables, deferrals and receivables, as required.</li> <li>– We will perform substantive procedures to address the eligibility of costs incurred.</li> </ul>
<b>Payroll expenses</b> (including related accruals)	 <p>Base</p>	<ul style="list-style-type: none"> <li>– Update our understanding of the activities over the initiation, authorization, processing, recording and reporting of payroll expenses.</li> <li>– We will perform substantive audit procedures over payroll expenses, including related accruals.</li> <li>– Significant payroll-related accruals will be recalculated and vouched to supporting documentation, including grievances, severance costs and retroactive pay, as applicable.</li> </ul>
<b>Non-payroll operating expenses</b> (including related accruals)	 <p>Base</p>	<ul style="list-style-type: none"> <li>– Update our understanding of the activities over the initiation, authorization, processing, recording and reporting of non-payroll operating expenses.</li> <li>– We will perform substantive procedures over operating expenses and accounts payable and accrued liabilities.</li> <li>– We will perform a search for unrecorded liabilities and recalculate significant accruals.</li> <li>– A sample of expenses will be vouched to supporting documentation.</li> </ul>



# Other risks of material misstatement (continued)

Areas	Level of risk due to error	Our planned response
<b>Employee future benefit liabilities</b>	 <p>Base</p>	<ul style="list-style-type: none"> <li>– Update our understanding of the activities over the initiation, authorization, processing, recording and reporting of employee future benefits.</li> <li>– We will obtain the Hospital’s most recent actuarial extrapolation report and will agree the details to the provision and applicable note disclosure related to employee future benefit accruals.</li> <li>– We will perform required accounting estimates procedures per the auditing estimates standards including gaining a detailed understanding of the process used by Management to make the assumptions and develop procedures to test the reasonableness of the assumptions, completeness and accuracy of the data and resulting amount recorded in the Hospital’s financial statements.</li> </ul>
<b>Capital assets and deferred capital contributions</b> (including Health Information System)	 <p>Base</p>	<ul style="list-style-type: none"> <li>– Update our understanding of the activities over the initiation, authorization, processing, recording and reporting of capital assets and deferred capital contributions.</li> <li>– Vouch significant additions and disposals to supporting documentation, including additions to work-in-progress.</li> <li>– Review additional LUMEO costs incurred during the year, and where applicable, ensure the criteria for capitalization have been met.</li> <li>– Review and assess reasonability of the component classification and useful life assigned to LUMEO project assets, and period in which amortization commenced.</li> <li>– Review of repair and maintenance expenses for proper accounting treatment.</li> <li>– Perform analytical audit procedures to ensure adequacy of amortization and amortization of deferred capital contributions.</li> <li>– Inquire as to the status of major capital projects and assess the classification of costs incurred.</li> <li>– Inquire as to the impairment of any capital assets.</li> <li>– Review presentation of capital assets note disclosure.</li> </ul>



# Other risks of material misstatement (continued)

Areas	Level of risk due to error	Our planned response
<p><b>Cash and debt</b></p>	 <p>Base</p>	<ul style="list-style-type: none"> <li>– Update our understanding of the activities over the initiation, authorization, processing, recording and reporting of cash and debt.</li> <li>– Direct confirmation of balances with third parties.</li> <li>– Review of bank reconciliations and vouch significant reconciling items to supporting documentation.</li> <li>– Reviewing of banking agreements, including any new debt arrangements, to ensure any covenants and restrictions are appropriately disclosed, as applicable.</li> <li>– Review the conversion of the Hospital’s LUMEO project loan to a term loan to ensure it is accurately recorded and disclosed in the financial statements.</li> </ul>
<p><b>Financial reporting</b></p>	 <p>Base</p>	<ul style="list-style-type: none"> <li>– Update our understanding of the financial reporting process.</li> <li>– Obtain management’s analysis of the Hospital’s ability to continue as a going concern to at least April 1, 2027.</li> <li>– Review by the engagement partner to ensure the disclosure is consistent with current public sector accounting, disclosure requirements and industry practice.</li> <li>– Incorporate new and emerging items identified throughout the year-end and subsequent to year-end to ensure accurately recorded and disclosed in the financial statements.</li> </ul>



# Required inquiries of the Audit Committee



## Inquiries regarding risk assessment, including fraud risks

- What are the Audit Committee's views about fraud risks, including management override of controls, in the Hospital? And have you taken any actions to respond to any identified fraud risks?
- Is the Audit Committee aware of, or has the Audit Committee identified, any instances of actual, suspected, or alleged fraud, including misconduct or unethical behavior related to financial reporting or misappropriation of assets?
  - If so, have the instances been appropriately addressed and how have they been addressed?
- How does the Audit Committee exercise oversight over management's assessment of fraud risk and the establishment of controls to address/mitigate fraud risks?
- Is the Audit Committee aware of any instances of actual or possible violations of laws and regulations, including illegal acts (irrespective of materiality threshold)?
- Is the Audit Committee aware of any correspondence with regulators or licensing authorities?
- Is the Audit Committee aware of any additional matters relevant to the audit?



## Inquiries regarding corporate processes

- Is the Audit Committee aware of or have they received tips or complaints regarding the Hospital's financial reporting (including those received through the Audit Committee's internal whistleblower program, if such programs exist)? If so, what was the Audit Committee's responses to such tips and complaints?
- Has the Hospital complied with all covenants during the financial statement period and before the date of the auditor's report?
- Have there been any events of default during the financial statement period and before the dates of the auditor's report?



## Inquires regarding related parties and significant unusual transactions

- Is the Audit Committee aware of any instances where the Hospital entered into any significant unusual transactions?
- What is the Audit Committee's understanding of the Hospital's relationships and transactions with related parties that are significant to the Hospital?
- Is the Audit Committee concerned regarding relationships or transactions with related parties? If so, what is the substance of those concerns?



# Key milestones and deliverables

## Fall 2025

### Planning & Risk Assessment

- Planning and initial risk assessment procedures, including:
  - Involvement of others
  - Identification and assessment of risks of misstatements and planned audit response for certain processes
- Obtain and update our understanding of the Hospital and its environment

## Winter 2026

### Interim work

- Kick-off with management
- Complete initial risk assessment
- Communicate audit plan
- Perform process walkthroughs for certain business processes
- Complete interim data extraction and processing activities
- Identify and update understanding of IT applications and environments
- Update planning and initial risk assessment procedures, including the identification and assessment of risks of misstatements and planned audit responses for remaining processes
- Perform interim substantive audit procedures
- Provide update on audit progress

## May 2026

### Year-end work

- Inquire of the Audit Committee, management and others within the Hospital about risks of material misstatement
- Complete year-end data extraction and processing activities
- Perform remaining substantive audit procedures
- Evaluate D&I of controls for certain business processes
- Evaluate results of audit procedures, including control deficiencies and audit misstatements identified
- Review financial statement disclosures
- Closing meeting with management

## June 2026

### Reporting

- Present audit results to the Audit Committee and perform required communications
- Obtain evidence of Board approval of financial statements
- Issue audit report on financial statements



# Our commitment to delivering audit quality

We define 'audit quality' as being the outcome when:

- audits are **executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality management**; and
- all of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics and integrity**.

KPMG is committed to fulfilling our public interest role in providing robust assurance that can benefit investors and other stakeholders.

Businesses are integrating technology in ways once unimaginable. Geopolitical changes and inflationary pressures continue to drive uncertainty, and businesses need to take action to respond to societal threats like climate change.

The pace and scale of change only strengthens our resolve to ensure the quality, consistency and adaptability of our services are fit for this new future. Audit and assurance quality remains the highest priority at KPMG.

Through sustained innovation, we aim to consistently deliver superior audit quality. Across the global organization:

- KPMG firms have implemented a consistent risk-based approach to our system of quality management to drive audit and assurance quality, enabling us to meet the requirements of the International Standard on Quality Management 1 (ISQM 1).
- We are utilising powerful technologies on audit and assurance engagements, including artificial intelligence, and leveraging our alliances with technology leaders such as Microsoft to further enhance quality and provide even more value through deeper analysis of businesses, no matter their size.
- We believe the same level of rigour, quality, consistency and trust that is applied to financial statement information by companies should also apply to ESG reporting. Therefore, across the global organization we have deployed an assurance methodology, KPMG Clara workflow and learning tools to upskill and build teams to provide assurance on ESG reporting that helps our clients build a more sustainable future.

We encourage you to read our Transparency Report to learn more about our system of quality management and our firm's statement on the effectiveness of our SoQM:



[KPMG Canada Transparency Report](#)



# 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.



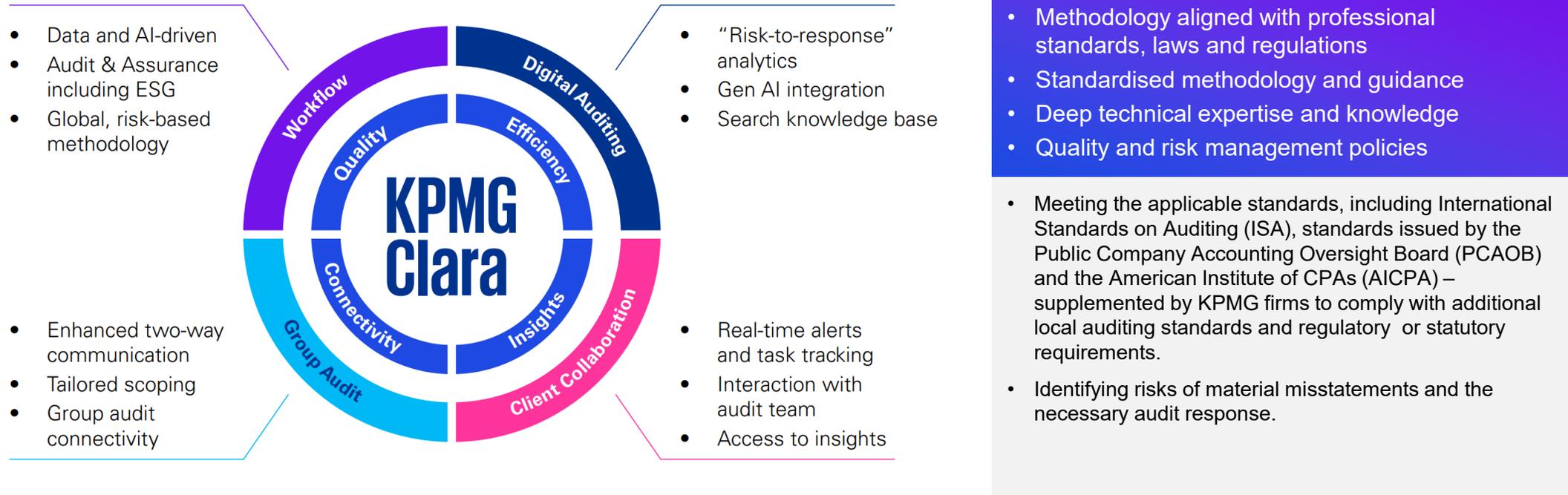
**Doing the right thing. Always.**



# The KPMG Audit

## Globally consistent audit and assurance methodology and tools

As a scalable, intuitive cloud-based platform, KPMG Clara is driving globally consistent execution across all KPMG member firms. It enables delivery of KPMG audit and assurance methodologies through data-enabled workflows, which align with the applicable audit and assurance standards and provide an improved experience to audit and assurance professionals.





# Indicators of audit quality (AQIs)

The objective of these measures is to provide more in-depth information about factors that influence audit quality within an audit process. Below are the AQIs that we have agreed with management are relevant for the audit. We would like to obtain agreement of the Audit Committee that these are the relevant AQIs.

We will communicate the status of the below AQIs on an annual basis on the conclusion of our audit.



## Team composition

### Experience of the team

- Role – number of years experience in the industry, number of years on this engagement



## Technology in the audit

### Implementation of Technology in the Audit

- Increase in use of Software Audit Tools in the audit year over year



## Engagement focus

### Time as a percentage of total time spent by level and phase of the audit

- Proportion of Partner time as a percentage by significant risk, or key audit matter.
- Proportion of Senior Manager and Manager time as a percentage by significant risk or key audit matter.
- Proportion of Staff and Seniors time as a percentage of total time by significant risk or key audit matter.
- Proportion of Professionals time as a percentage of total time with specialized skills and knowledge hours by significant risk or key audit matter.



## Timing of prepared by client (PBC) items

### Timeliness of PBC items

- Number of timely and overdue items received by the audit team.



## Quality reviews

### Results of internal and external reviews

- Number and nature of findings specific to the audit engagement



# Independence: Shared responsibilities

Auditor independence is a shared responsibility and most effective when management, audit committees, and audit firms work together in considering compliance with relevant independence rules. In order for KPMG to fulfill its professional responsibility to maintain and monitor independence, management, the audit committee, and KPMG each play an important role. 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; and
- the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (“IESBA independence rule”) that are relevant to audits of financial statements of public interest entities.



The firm maintains a system of quality control over compliance with independence rules and firm policies. Timely information before the effective date of transactions or other business changes is necessary to effectively maintain the firm’s independence in relation to:

- New related entities
- Any former KPMG professional who are directors, officers, or employee in a position to exert significant influence over the preparation of the client’s accounting records or the financial statements.

- The CPA Code and IESBA independence rules require the audit committee to pre-approve all audit and permitted non-audit services to be provided by the auditor.
- IESBA also has requirements to obtain the audit committee’s concurrence with the provision of non-assurance services and the auditor’s conclusion on the impact to independence.

- We are required report to the audit committee all relationships that may reasonably be thought to bear on our independence, including fees charged, and discuss the potential effects of such relationships on our independence. We are also required report to the related safeguards that have been applied, as applicable, to eliminate identified threats to independence or reduce them to an acceptable level.
- This communication will be provided during our year-end communications, as applicable.



# Anticipated services for the year ending March 31, 2026

We plan to provide the following services for the year ending March 31, 2026. Our fees below align with RFP 2021-JS-007, dated February 11, 2021.

Audit services	Fee
Audit of the annual financial statements	\$ 21,100
Continued audit impact of accounting and auditing standards adopted since the February 11, 2021, proposal	\$ 5,000
Audit of the following special Ministry of Health Programs:  Hospital On-Call Coverage Program (HOCC) Health Infrastructure Renewal Fund (HIRF) Community Mental Health and Additions Program (CMHA)	\$ 4,500



## Matters that could impact our fee

- Significant changes to the relevant financial reporting framework, including new or revised accounting policies or application thereof
- Significant changes to internal control over financial reporting
- Significant unusual and/or complex transactions
- New audit standards or requirements arising as a result of changes in audit standards
- Changes in the timing of our work
- Other significant issues (e.g. cyber security breaches)
- Accounting assistance required to bring the financial statements in accordance with the financial reporting framework



The services above are not prohibited, and threats to our independence, if any, resulting from the provision of the services will be eliminated or reduced to an acceptable level.

# Appendices

**A**

Engagement letter

**E**

Thought leadership  
and insights

**B**

Required  
communications

**F**

Technology

**C**

Future changes in  
accounting standards

**D**

Newly effective and upcoming  
changes to auditing standards





# Appendix A: Engagement letter



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Michael Cohen  
President & CEO  
Perth & Smiths Falls District Hospital  
60 Cornelia Street, West  
Smiths Falls, ON K7A 2N9

January 20, 2026

The purpose of this letter is to outline the terms of our engagement to audit the annual financial statements ("financial statements") of Perth & Smiths Falls District Hospital ("the Entity") commencing for the year ending March 31, 2026, and in the future.

This letter supersedes our previous letter to the Entity dated January 10, 2024.

The terms of the engagement outlined in this letter will continue in effect from period to period, unless amended or terminated in writing. The attached Assurance Terms and Conditions and any exhibits, attachments and appendices hereto and subsequent amendments form an integral part of the terms of this engagement and are incorporated herein by reference (collectively the "Engagement Letter").

#### **Financial Reporting Framework for the Financial Statements**

The financial statements will be prepared and presented in accordance with Canadian public sector accounting standards (hereinafter referred to as the "financial reporting framework").

The financial statements will include an adequate description of the financial reporting framework.

#### **Management's Responsibilities**

Management's responsibilities are described in [Appendix A – Management's Responsibilities](#).

An audit does not relieve management or those charged with governance of their responsibilities.

#### **Auditor's Responsibilities**

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; and
- the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants that are relevant to audits of financial statements.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.



Our responsibilities are described in [Appendix B – Auditor's Responsibilities](#).

If management does not fulfill the responsibilities above, we cannot complete our audit.

#### **Additional Responsibilities regarding "Other Information"**

"Other information" is defined in professional standards to be the financial or non-financial information (other than the financial statements and the auditor's report thereon) included in the "annual report". An "annual report" is defined in professional standards to comprise a document or combination of documents. Professional standards also indicate that:

- an annual report is prepared typically on an annual basis in accordance with law, regulation or custom (i.e., is reoccurring)
- an annual report contains or accompanies the financial statements and the auditor's report thereon
- an annual report's purpose is to provide owners (or similar stakeholders) with information on:
  - operations; and/or
  - financial results and financial position as set out in the financial statements.

Based on discussions with management, there are no documents, or combination of documents, expected to meet the definition of an "annual report" under professional standards.

#### **Auditor's Deliverables**

Unless otherwise specified, our report(s) will be in writing and the expected content of our report(s) are provided in [Appendix C – Expected Form of Report](#). However, there may be circumstances in which a report may differ from its expected form and content.

In addition, if we become aware of information that relates to the information we reported on after we have issued our report, but which was not known to us at the date of our report, and which is of such a nature and from such a source that we would have investigated that information had it come to our attention during the course of our engagement, we will, as soon as practicable:

(1) communicate such an occurrence to those charged with governance; and (2) undertake an investigation to determine whether the information is reliable and whether the facts existed at the date of our report. Further, management agrees that in conducting that investigation, we will have the full cooperation of the Entity's personnel. If the subsequently discovered information is found to be of such a nature that: (a) our report would have been affected if the information had been known as of the date of our report; and (b) we believe that the report may have been distributed to someone who would attach importance to the information, appropriate steps will be taken by KPMG, and appropriate steps will also be taken by the Entity to advise of the newly discovered facts and the impact to the information we reported on.

#### **Non-Audit Service – Certain Assistance Relating to Word Processing and/or Preparation of Financial Statements**

##### **Word Processing**

We will assist management by providing word processing for the Entity's financial statements and related notes.





# Appendix A: Engagement letter (continued)



## Assistance in Preparing Financial Statements

We will assist management in preparing the financial statements and related notes in accordance with the financial reporting framework.

We will use information from the trial balance and/or other source documents provided by management to assist management in preparing the financial statements and related notes. We may also provide advice and recommendations to assist management of the Entity in performing its responsibilities.

We will not assume management responsibilities on behalf of the Entity.

The Entity agrees to:

- Assume all management responsibilities, including determining the accuracy and completeness of the financial statements and notes.
- Assign a suitable employee with appropriate skills, knowledge and/or experience to oversee the financial statement preparation assistance and evaluate the adequacy and results of the services.
- Accept responsibility for the results of the financial statement preparation assistance.

## Income Tax Compliance and Advisory Services

Tax compliance and advisory services are outside the scope of this letter. These services will be subject to the terms and conditions of a separate engagement letter.

## Use of KPMG Clara

The terms and conditions for use of KPMG Clara apply to the use of the collaboration tool and can be found [here](#).

## Fees

[Appendix D – Fees for Professional Services](#) to this letter lists our fees for professional services to be performed under this Engagement Letter.

\*\*\*\*\*



We are available to provide a wide range of services beyond those outlined above. Additional services are subject to separate terms and arrangements.

We are proud to provide you with the services outlined above and we appreciate your confidence in our work. We shall be pleased to discuss this letter with you at any time. If the arrangements and terms are acceptable, please sign the duplicate of this letter in the space provided and return it to us.

Yours very truly,

Katie Mahon, CPA, CA, Licensed Public Accountant  
Partner, responsible for the engagement and its performance, and for the report that is issued on behalf of KPMG LLP, and who, where required, has the appropriate authority from a professional, legal or regulatory body  
613-541-7340

Enclosure

\*\*\*\*\*

The terms of the engagement set out are as agreed:

\_\_\_\_\_  
Michael Cohen, President & CEO  
(having the appropriate authority to engage the Entity)

\_\_\_\_\_  
Date (DD/MM/YYYY)



# Appendix A: Engagement letter (continued)



## *Appendix A – Management’s Responsibilities*

### *Management responsibilities*

Management acknowledges and understands that they are responsible for:

- (a) the preparation and fair presentation of the financial statements in accordance with the financial reporting framework referred to above
- (b) providing us with all information of which management is 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 to be included in such summaries.
- (c) providing us with unrestricted access to such relevant information.
- (d) providing us with complete responses to all enquiries made by us during the engagement.
- (e) providing us with additional information that we may request from component management for the purpose of the engagement
- (f) providing us with unrestricted access to persons within the Entity from whom we determine it necessary to obtain evidence
- (g) 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. Management also acknowledges and understands that they are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
- (h) ensuring that all transactions have been recorded and are reflected in the financial statements.
- (i) ensuring that internal auditors providing direct assistance to us, if any, will be instructed to follow our instructions and that management, and others within the Entity, will not intervene in the work the internal auditors perform for us.
- (j) providing us with written representations required to be obtained under professional standards and written representations that we determine are necessary. Management also acknowledges and understands that, as required by professional standards, we may disclaim an audit opinion when management does not provide certain written representations required.



## *Appendix B – Auditor’s Responsibilities*

### *Auditor’s responsibilities regarding the audit of the financial statements*

Our function as auditors of the Entity is:

- to express an opinion on whether the Entity’s financial statements, prepared by management with the oversight of those charged with governance, are, in all material respects, in accordance with the financial reporting framework referred to above
- to report on the financial statements

We will conduct the audit of the Entity’s financial statements in accordance with Canadian generally accepted auditing standards and relevant ethical requirements, including those pertaining to independence (hereinafter referred to as applicable “professional standards”).

We will plan and perform the audit to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Accordingly, we will, among other things:

- identify and assess risks of material misstatement, whether due to fraud or error, based on an understanding of the Entity and its environment, including the Entity’s internal control. In making those risk assessments, we consider internal control relevant to the Entity’s preparation of the financial statements 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
- obtain sufficient appropriate audit evidence about whether material misstatements exist, through designing and implementing appropriate responses to the assessed risks
- form an opinion on the Entity’s financial statements based on conclusions drawn from the audit evidence obtained
- communicate matters required by professional standards, to the extent that such matters come to our attention, to the appropriate level of management, those charged with governance and/or the board of directors. The form (oral or in writing) and the timing will depend on the importance of the matter and the requirements under professional standards.



# Appendix A: Engagement letter (continued)



## Appendix C – Expected Form of 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.

#### 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.



# Appendix A: Engagement letter (continued)



- 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 D – Fees for Professional Services

Regarding our audit of the annual financial statements as described in this letter, the Entity and KPMG agree to an estimated fee for this service as outlined in our proposal dated February 11, 2021 and fee quote dated November 26, 2025.

Our fees will be billed as the work progresses for this service.

KPMG will notify management should there be any risk that the engagement cannot be completed within the original fee quoted due to change in scope or unforeseen circumstances.

Interest on overdue invoices as described in the Assurance Terms and Conditions (“Fee and Other Arrangements”) shall be (1)% per month, calculated and compounded monthly (effective annual rate of (12.683)%).

## Assumptions

Our proposed professional fees are based on the assumption that management and employees are fully available throughout the audit period, that all necessary information is provided at the beginning of the first day of the audit work as agreed upon with management, and that this information is appropriate for us to perform our audit under Canadian Auditing Standards. Furthermore, these proposed professional fees assume the following:

- The assets, liabilities, revenues and expenses reported on the financial statements and other schedules to be audited will not change significantly from the prior year;
- There are no retroactive changes required to the prior year financial statements;
- We are not required to provide accounting assistance, preparation of correcting accounting entries or accounting advisory services;
- Your financial records are in good order, are appropriately adjusted at the start of the audit, and are prepared in accordance with the appropriate accounting framework;
- Your internal controls around financial reporting operated effectively throughout the fiscal year under audit;
- There are no changes to Accounting Standards, or Canadian Auditing Standards (CAS) requirements that significantly impact the financial statements; and
- There are no impairment issues nor adjustment on any investments or capital assets.

If these assumptions are not met, our professional fees will be subject to revision, and will be discussed with management during the audit process.



# Appendix A: Engagement letter (continued)



## Terms and Conditions for Assurance Engagements (Private Company Clients)

These Terms and Conditions are an integral part of the Engagement Letter. In the event of conflict between the Engagement Letter and these Terms and Conditions, these Terms and Conditions shall prevail unless specific reference to a provision of the Terms and Conditions being varied is made in the Engagement Letter.

### 1. Definitions.

"Agreement" means the contract formed by the Engagement Letter and any attachments thereto, including these Terms and Conditions.

"Claims" means actions, damages, claims, fines, penalties, complaints, demands, suits, proceedings, liabilities, costs, expenses, or losses.

"Confidential Information" means any information made available, directly or indirectly, by one party to the other in connection with the Services or otherwise pursuant to this Agreement that is marked or communicated as confidential or that due to its nature a reasonable person under like circumstances would consider it confidential. Confidential Information includes, without limitation, Personal Information, business plans, proprietary software code and specifications, information about a party's products, processes, services, finances and customers, and the terms of this Agreement, except (but not as regards Personal Information) to the extent such information: (i) is or hereafter enters the public domain through no fault of the receiving party; (ii) is already or hereafter becomes known to the receiving party free of any obligation of confidence; or (iii) is developed by the receiving party independently of the disclosing party's Confidential Information.

"Engagement Letter" means the engagement letter or other document referencing these Terms and Conditions.

"Entity" has the meaning set out in the Engagement Letter.

"KPMG" means the KPMG entity that issued the Engagement Letter.

"KPMG Parties" means KPMG, other Member Firms, the legal entities comprising KPMG International (which do not provide services to clients) and their respective partners, directors, officers, employees, agents, subsidiaries, affiliates and related entities. KPMG Parties may be in or outside of Canada.

"KPMG Resources" means KPMG, other Member Firms and third-party contractors and suppliers engaged by KPMG or a Member Firm. KPMG Resources may be in or outside of Canada.

"Legal Demand" means a demand, request, subpoena or other legal process issued by a legal, regulatory, professional or government authority having jurisdiction.

"Management" means the management of Entity.

"Member Firms" means the members of the KPMG international network of independent firms and entities controlled by, or under common control with, one or more of such members.

"Personal Information" means any information supplied by or on behalf of Entity that meets the definition given to that term or analogous terms under Privacy Laws.

"Privacy Laws" means, in respect of a party, all privacy legislation and regulation applicable to such party, in each case as may be updated, amended or replaced from time to time.

"Report" means the report(s) issued by KPMG pursuant to this Agreement, as set out in the Engagement Letter.

"Services" means the services to be provided by KPMG as set out in the Engagement Letter.

"Terms and Conditions" means these Terms and Conditions for Assurance Engagements.

Other capitalized words in these Terms and Conditions shall have the meanings given to them in the Engagement Letter.

### 2. Services.

a. KPMG may engage other KPMG Resources to assist KPMG in the performance of the Services, provided that KPMG remains responsible to Entity for the performance of any Services by KPMG Resources. Entity agrees that any Claim relating to the Services, the Report or this Agreement may only be made against KPMG and not against any other KPMG Resources.

b. All working papers, files, correspondence and other internal materials created or produced by KPMG in relation to the engagement, and all methodologies, know-how and technologies licensed or owned by KPMG and used or developed by KPMG in the performance of the Services, including in each case all intellectual property rights therein, are and shall remain the property of KPMG.

### 3. Entity Responsibilities.

a. All management responsibilities will be performed by Entity and all management decisions will be made by Entity, and not by KPMG. Entity shall provide KPMG with timely access to and use of Entity's equipment, systems, data, information, materials, personnel and facilities as necessary for KPMG to perform the Services. The Engagement Letter sets forth additional responsibilities of Entity in connection with the engagement. Entity acknowledges that Entity's failure to perform its obligations under this Agreement could adversely impact KPMG's ability to perform the Services, and/or to perform them in accordance with the fees and timelines set out in the Engagement Letter.

b. Management agrees to promptly provide KPMG with a copy of any comment letter or request for information issued by any securities or other regulatory authority in respect of information on which KPMG reported or will report, including without limitation any continuous disclosure filings.

c. Entity agrees to notify KPMG promptly of any request received by Entity from any third party with respect to the Services, KPMG's Confidential Information, KPMG's advice or Report or any related document.

d. Entity understands and acknowledges that KPMG's independence may be impaired if any KPMG partner, employee or contractor accepts any offer of employment from Entity.

### 4. Use of Report.

a. Except as otherwise specifically agreed in the Engagement Letter, KPMG does not consent to:

- i. the use of the Report in connection with an offering document or other securities filing, including continuous disclosure filings; or

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## Terms and Conditions for Assurance Engagements (Private Company Clients)

- ii. the use of KPMG's interim review report, unless such interim review report is in writing and contains a modified conclusion, in which case our interim review report will accompany the interim financial statements.

Where KPMG's consent is sought, KPMG will be required to perform procedures as required by applicable professional standards, and such procedures would be the subject of a separate engagement letter.

b. KPMG does not assume any responsibility to any party other than Entity in respect of the Services or Report. Accordingly, in the event of a Claim by any third party (including any Entity affiliate) against KPMG that arises out of or relates to the Services or Report, Entity will indemnify and hold harmless KPMG from all such Claims, including, without limitation, reasonable legal fees. For purposes of this Section 4(b), the term KPMG shall include KPMG Parties.

c. Where Entity discloses the Report to third parties, it may only be disclosed in whole, unless otherwise agreed to or required by KPMG. Reports may not be modified or translated into another language.

### 5. Confidentiality.

a. Except with the disclosing party's prior written consent, or as otherwise expressly provided in this Agreement, each party will hold the other party's Confidential Information in confidence and use it only to perform or receive the Services, as applicable, or to exercise its rights and perform its obligations under this Agreement. The receiving party shall protect the disclosing party's Confidential Information as it protects its own Confidential Information, but in no event shall exercise less than reasonable care.

b. KPMG may share Confidential Information of Entity with other KPMG Resources who are assisting KPMG in the performance of the Services.

c. The receiving party may disclose Confidential Information of the disclosing party: (i) to the extent required by law or professional standards or otherwise pursuant to a Legal Demand; and (ii) to its professional advisors and insurers in relation to any Claim or Legal Demand concerning the Services or this Agreement, provided in each case that the receiving party will exercise commercially reasonable efforts to afford the Confidential Information available confidentiality protections.

d. KPMG is regulated by various professional and regulatory bodies both in Canada and abroad, such as the Canadian Public Accountability Board (CPAB), the Public Company Accounting Oversight Board, securities regulators, and provincial CPA bodies. KPMG may receive requests or orders from these bodies to access or obtain documents and information in KPMG's files, and/or the files of any foreign component auditor, related to the Services. Entity acknowledges, on its own behalf and on behalf of its subsidiaries and affiliates, that such documents and information will be disclosed by KPMG or the foreign component auditor to these bodies without further notice to Entity. If applicable, pursuant to National Instrument 52-108, Entity agrees, and will cause its subsidiaries and affiliates to agree, that a component auditor may enter into a "CPAB access agreement" if requested by CPAB.

e. KPMG will use reasonable efforts to withhold from disclosure under Section 5(c)(i) or 5(d) any documents which, at the time of their provision to KPMG, are marked by Entity as "privileged".

f. Each party may share Confidential Information of the other party (in the case of KPMG, with other KPMG Resources and KPMG Parties, and in the case of Entity, with third parties engaged by Entity), as reasonably required to facilitate the operation of its business or support its infrastructure, including for the performance of administrative, clerical and technological operations and functions, to manage its relationship with the other party and, in the case of KPMG, to comply with its professional obligations and standards (including for quality assurance and risk management purposes). Any such disclosure shall be under obligations of confidentiality to the same or similar extent as the parties have agreed to hereunder, and each party shall be responsible to the other for any failure to comply with such conditions of confidentiality.

g. KPMG Parties and KPMG Resources may use information obtained while performing engagements for business-related purposes including developing new or improving existing services, technologies, data sets and benchmarks, conducting analytics and training cognitive systems. Where this involves Confidential Information of Entity, it will not be disclosed to other third parties unless de-identified, anonymized and/or aggregated so as not to be attributable to Entity.

h. KPMG may disclose the general nature of its engagement for Entity as reasonably required in order to assess and address conflicts of interest.

### 6. Privacy.

a. Each party will comply with Privacy Laws in connection with the engagement. Additionally, KPMG shall process Personal Information in accordance with this Agreement and KPMG's Privacy Policy available at [www.kpmg.ca](http://www.kpmg.ca). Entity will provide all notifications and obtain all consents required by Privacy Laws to permit KPMG Resources and KPMG Parties to process such Personal Information in connection with the engagement. Upon request, each party shall provide the other with information and co-operation relating to its processing of Personal Information as reasonably required in order for the other to satisfy its obligations under Privacy Laws.

b. KPMG will use reasonable technical and organizational measures to protect against unauthorized or unlawful processing of Personal Information and accidental loss or destruction of, or damage to, Personal Information. Subject to each party's standard internal archival and information back-up processes and except as required to comply with applicable laws or professional standards, each party will destroy Personal Information when no longer needed for the uses set out in this Agreement.

### 7. Fees.

a. KPMG's estimated fee is based in part on the quality of Entity's records, the agreed-upon level of preparation and assistance from Entity's personnel, and adherence by Entity to the agreed-upon timetable. KPMG's estimated fee also assumes that Entity's financial statements and/or other financial information, as applicable, are prepared in accordance with the relevant financial reporting framework or the relevant criteria, as applicable, and that there are no significant changes to the relevant financial reporting framework or the relevant criteria, as applicable; no significant new or changed accounting policies; no significant changes to internal control; and no other significant issues. Additional time may be incurred for such matters as significant issues, significant unusual and/or complex transactions, informing Management about new professional standards, and any related accounting advice. Where these matters arise and require research, consultation and work beyond that included in the estimated fee, Entity and KPMG agree to revise the estimated fee.

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# Appendix A: Engagement letter (continued)



## Terms and Conditions for Assurance Engagements (Private Company Clients)

- b. KPMG's professional fees are subject to an additional technology and support charge which covers costs such as client service personnel computer hardware and customized KPMG software, telecommunications equipment, client service professional administrative support, IT programming, professional services and other client support services. CPAB participation fees, when applicable, are also charged to Entity based on the annual fees levied by CPAB. Other direct out-of-pocket costs and expenses, such as travel, will be charged separately based on actual costs. KPMG's professional fees and other charges do not include any applicable federal, provincial or other sales taxes, tariffs or duties, which shall be added to the invoice and paid by Entity.
- c. Invoices will be rendered on a regular basis or otherwise specified in the Engagement Letter. Accounts are due when rendered. In order to avoid the possible implication that unpaid fees might be viewed as creating a threat to KPMG's independence, it is important that KPMG's bills be paid promptly when rendered. If a situation arises in which it may appear that KPMG's independence is threatened because of significant unpaid bills, KPMG may be prohibited from signing any applicable report and/or consent.
- d. KPMG may be requested by Entity or be subject to a Legal Demand to produce documents or personnel as witnesses or for interviews in a proceeding or investigation. Where KPMG is not a named party in such proceeding or investigation, KPMG may charge Entity at its standard billing rates for professional time and expenses, including reasonable legal fees, incurred in responding to such request or Legal Demand.
- 8. Limitation on Liability.**
- a. KPMG shall not be liable to Entity for any Claims in any way arising out of, or in any way relating to, the performance of the Services, including without limitation the termination thereof, for an aggregate amount in excess of the lesser of one million dollars (\$1,000,000) and two times the fees paid by Entity to KPMG under the engagement, except to the extent finally determined to have resulted from KPMG's fraud or willful misconduct. On a multi-year engagement, KPMG's liability shall be based on the amount actually paid to KPMG for the particular work that gives rise to the Claim.
- b. KPMG shall not be liable to Entity for consequential, special, indirect, incidental, punitive or exemplary damages, or any loss of revenue or profit or other commercial or economic loss, even if advised of the possibility thereof.
- c. Where Entity has suffered a Claim in relation to the Services and parties other than KPMG Resources are partially responsible for such Claim, then KPMG is only liable for, and Entity may only claim from KPMG, KPMG's share of the total liability based on degree of fault or negligence, subject to the limitations set out in Sections 8(a) and (b) above.
- d. For purposes of this Section 8, the term KPMG shall include KPMG Parties. The provisions of this Section 8 shall apply regardless of the form of claim, whether in contract, statute, tort (including, without limitation, negligence) or otherwise.
- 9. Termination and Survival.**
- a. KPMG may terminate this Agreement upon written notice to Entity if there is a change of laws or professional standards or a change in circumstances or information that would, in KPMG's opinion, cause the continued provision of Services to violate such laws or professional standards. Except where prohibited by professional standards, KPMG may also terminate this Agreement for any reason upon 30 days written notice to Entity.
- b. Entity may terminate the engagement at any time upon written notice to KPMG. Upon termination of the engagement prior to its completion, Entity shall be responsible for the payment of KPMG's time and expenses incurred up to the effective date of termination, as well as reasonable time and expenses to bring the engagement to a close in a prompt and orderly manner. Otherwise, neither party will be responsible for any loss, cost or expense resulting from termination of this Agreement in accordance with its terms.
- c. These Terms and Conditions, other than Section 10, shall survive the expiration or termination of the engagement and this Agreement.
- 10. Force Majeure.**
- Neither party shall be liable for any delays in the performance of its obligations hereunder, other than payment obligations, arising out of or caused by, directly or indirectly, circumstances or causes beyond its control, including, without limitation, fire or other casualty, strike or labour dispute, war or other violence, any law, order or requirement of any governmental agency or authority, or any epidemic, pandemic or quarantine.
- 11. Conflicts of Interest.**
- In accordance with applicable professional standards, based upon the information provided by Entity, KPMG performs a search for any conflicts of interest in connection with the Services. Where such a conflict of interest is identified, KPMG will, subject to confidentiality, disclose the nature of the conflict to Entity, the ethical dividers and other safeguards to be implemented, and seek Entity's consent. Notwithstanding the foregoing, KPMG may advise any other client making a competing bid or proposal to Entity, whether or not KPMG is advising Entity in respect of Entity's bid or proposal. For certainty, a conflict of interest does not arise solely because KPMG or another Member Firm is, was or will be engaged by another client who is a business competitor, customer or supplier of Entity.
- 12. Publicity and Use of Logo.**
- Neither party shall acquire any right to use the name or logo (or any part thereof) of the other party in any manner or medium, except that Entity gives KPMG a limited, revocable, non-exclusive, paid-up, royalty free right to use Entity's name and logo in presentations and reports to Entity and for internal KPMG presentations and intranet sites. KPMG may also reference Entity's name as a customer in KPMG proposals and marketing materials, including KPMG websites and social media, indicating the general services rendered.
- 13. Miscellaneous.**
- a. Entity acknowledges that it has had the opportunity to obtain legal advice with respect to Entity's rights and obligations under this Agreement.
- b. The parties consent and agree to the use of electronic signatures with respect to this Agreement and any other agreements, notices or communications contemplated hereby, where permissible by law.
- c. This Agreement shall be binding upon and enure to the benefit of the parties hereto and their respective successors, executors, administrators, heirs and permitted assigns, as applicable. Except as expressly provided herein, neither party may assign or transfer any of its rights or obligations hereunder without the prior written consent of the other party. KPMG may assign its rights and obligations hereunder to any affiliate or successor in interest to all or substantially all of the assets or business of the relevant KPMG practice, without the consent of Entity.

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## Terms and Conditions for Assurance Engagements (Private Company Clients)

- d. The provisions of this Agreement shall only apply to the extent that they are not prohibited by a mandatory provision of applicable law, regulation or professional standards. If any of these provisions shall be held to be invalid, void or unenforceable, the remaining provisions shall not be affected, impaired or invalidated, and each such provision shall be valid and enforceable to the fullest extent permitted by law.
- e. KPMG is a registered limited liability partnership (LLP) established under Ontario laws. A partner in an LLP is not personally liable for any debts, obligations or liabilities of the LLP, including those that arise from any negligent act or omission by another partner or by any person under that other partner's direct supervision or control. Partners of an LLP are personally liable only for their own actions and omissions, and for the actions and omissions of those they directly supervise or control.
- 14. Entire Agreement.**
- This Agreement constitutes the entire agreement between KPMG and Entity with respect to the engagement and supersedes all other oral and written representations, understandings or agreements relating to the Services. Except as expressly stated in this Agreement, KPMG expressly disclaims and makes no representations, conditions or warranties of any kind or nature with respect to the Services or Reports, express or implied, including warranties of merchantability, fitness for a particular purpose or use, or non-infringement. Any changes to this Agreement must reference this Agreement, be in writing and be signed by an authorized signatory of each party.
- 15. Governing Law and Disputes.**
- a. This Agreement shall be subject to and governed by the laws of the Province in which KPMG's principal Canadian office performing the engagement is located (without regard to such Province's rules on conflicts of law).
- b. All disputes arising out of or in connection with this Agreement or the Services, or in respect of any legal relationship associated with or derived from this Agreement, shall be finally resolved by arbitration under the Arbitration Rules of the ADR Institute of Canada, Inc. The seat of arbitration will be the city in Canada in which KPMG's principal office performing the Services is located. The arbitration shall be conducted in English.

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# Appendix B: Required communications



## CPAB communication protocol

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

- [CPAB Audit Quality Insights Report: 2023 Interim Inspections Results](#)
- [CPAB Regulatory Oversight Report: 2023 Annual Inspections Results](#)
- [CPAB Audit Quality Insights Report: 2024 Interim Inspections Results](#)
- [CPAB Regulatory Oversight Report: 2024 Annual Inspections Results](#)



## Matters pertaining to independence and confidentiality

We are independent of the Hospital, and we have a robust and consistent system of quality control.

Confidentiality of our clients' information is an on-going professional and business requirement of both KPMG and our overall profession. In addition to our internal confirmation of independence of team members, we will request confirmation and acknowledgement of our policies regarding confidentiality of the Hospital's information.



## Report

A draft report will be provided at the completion of the audit which will highlight the form and content of the report.



## Engagement terms

Unless you inform us otherwise, we understand that you acknowledge and agree to the terms of the engagement set out in the engagement letter.



## Representations of management

We will obtain from management certain representations at the completion of the audit engagement.



## Control deficiencies

On a timely basis, identified significant deficiencies will be communicated to the Committee in writing. Other control deficiencies identified that do not rise to the level of a significant deficiency will be communicated to management.



# Appendix C: Future changes in accounting standards

Standard	Summary and implications
<b>Financial Statement Presentation</b>	<ul style="list-style-type: none"> <li>The proposed section PS 1202 <i>Financial statement presentation</i> will replace the current section PS 1201 <i>Financial statement presentation</i>. PS 1202 <i>Financial statement presentation</i> will apply to fiscal years beginning on or after April 1, 2026 (<i>the Hospital's March 31, 2027, year-end</i>) to coincide with the adoption of the revised conceptual framework. Early adoption will be permitted.</li> <li>The section includes the following: <ul style="list-style-type: none"> <li>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.</li> <li>Separating liabilities into financial liabilities and non-financial liabilities.</li> <li>Restructuring the statement of financial position to present total assets followed by total liabilities.</li> <li>Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities).</li> <li>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".</li> <li>A new provision whereby an entity can use an amended budget in certain circumstances.</li> <li>Inclusion of disclosures related to risks and uncertainties that could affect the entity's financial position.</li> </ul> </li> </ul>
<b>Concepts Underlying Financial Performance</b>	<ul style="list-style-type: none"> <li>The revised conceptual framework is effective for fiscal years beginning on or after April 1, 2026 (<i>the Hospital's March 31, 2027, year-end</i>) with earlier adoption permitted.</li> <li>The framework provides the core concepts and objectives underlying Canadian public sector accounting standards.</li> <li>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.</li> </ul>



# Appendix C: Future changes in accounting standards (continued)

Standard	Summary and implications
<b>Employee benefits</b>	<ul style="list-style-type: none"> <li>The Public Sector Accounting Board has initiated a review of sections PS 3250 <i>Retirement benefits</i> and PS 3255 <i>Post-employment benefits, compensated absences and termination benefits</i>.</li> <li>The intention is to use principles from International Public Sector Accounting Standard 39 <i>Employee benefits</i> as a starting point to develop the Canadian standard.</li> <li>Given the complexity of issues involved and potential implications of any changes that may arise from the review of the existing guidance, the new standards will be implemented in a multi-release strategy. The first standard will provide foundational guidance. Subsequent standards will provide additional guidance on current and emerging issues.</li> <li>The proposed section PS 3251 <i>Employee benefits</i> will replace the current sections PS 3250 <i>Retirement benefits</i> and PS 3255 <i>Post-employment benefits, compensated absences and termination benefits</i>.</li> <li>This proposed section would result in public sector entities recognizing the impact of revaluations of the net defined benefit liability (asset) immediately on the statement of financial position. Organizations would also assess the funding status of their post-employment benefit plans to determine the appropriate rate for discounting post-employment benefit obligations.</li> <li>Final approval of the standard is expected in Spring 2026, with an effective date of April 1, 2029 (<i>the Hospital's March 31, 2030, year-end</i>).</li> </ul>
<b>Tangible Capital Assets</b>	<ul style="list-style-type: none"> <li>The Public Sector Accounting Board has issued amendments to Section PS 3150 in May 2025 as part of implementing its Government Not-for-Profit Strategy, which incorporates the PS 4200 series into public sector accounting standards with potential customizations.</li> <li>The amendments add:             <ul style="list-style-type: none"> <li>a new criterion to the definition of a tangible capital asset;</li> <li>a new definition of a collection;</li> <li>new disclosure requirements for works of art, historical treasures and/or collections;</li> <li>new guidance for situations where an entity purchases a tangible capital asset at substantially below fair value; and</li> <li>new guidance for situations where an entity receives contributed materials and/or labour when constructing or developing a tangible capital asset</li> </ul> </li> <li>For public sector entities that have not applied the PS 4200 series, the amendments to this Section are effective for fiscal periods beginning on or after April 1, 2030 (<i>the Hospital's March 31, 2031, year-end</i>).</li> <li>The amendments would be applied retroactively with restatement of prior periods except for the amendments related to purchases of tangible capital assets at substantially below fair value and including in the cost of a constructed or developed tangible capital asset, the contributed materials and/or labour, which are applied only to new transactions or events from the date of change.</li> </ul>



# Appendix D: Newly effective and upcoming changes to auditing standards

Effective for periods beginning on or after December 15, 2024

## 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.

## ISA 700/CAS 700

.....  
Forming an  
opinion and  
reporting on the  
financial  
statements

### Summary of Changes:

New requirements for the auditor to publicly disclose when the auditor applied independence requirements specific to audits of financial statements of certain entities WHEN the ethical requirements require public disclosure.



# Appendix E: 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 E: Thought leadership and insights (continued)

Our latest thinking on the issues that matter most to Committees, Boards of Directors and management.

## KPMG Audit & Assurance Insights

Curated research and insights for audit committees and boards.

## Board Leadership Centre

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 centre 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 F: Technology

## 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.



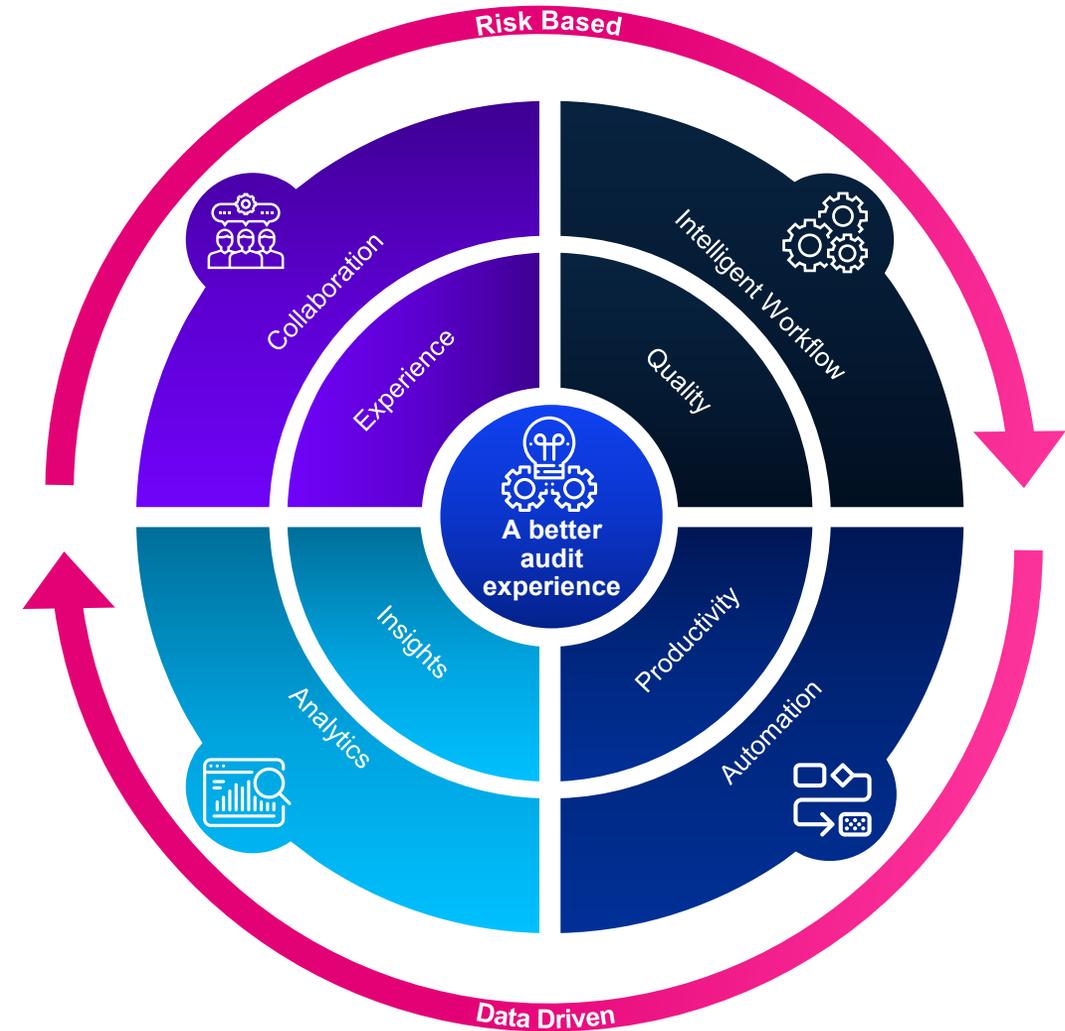
### Intelligent workflow

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 F: Technology (continued)

## Expanding the use of audit technology



### 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



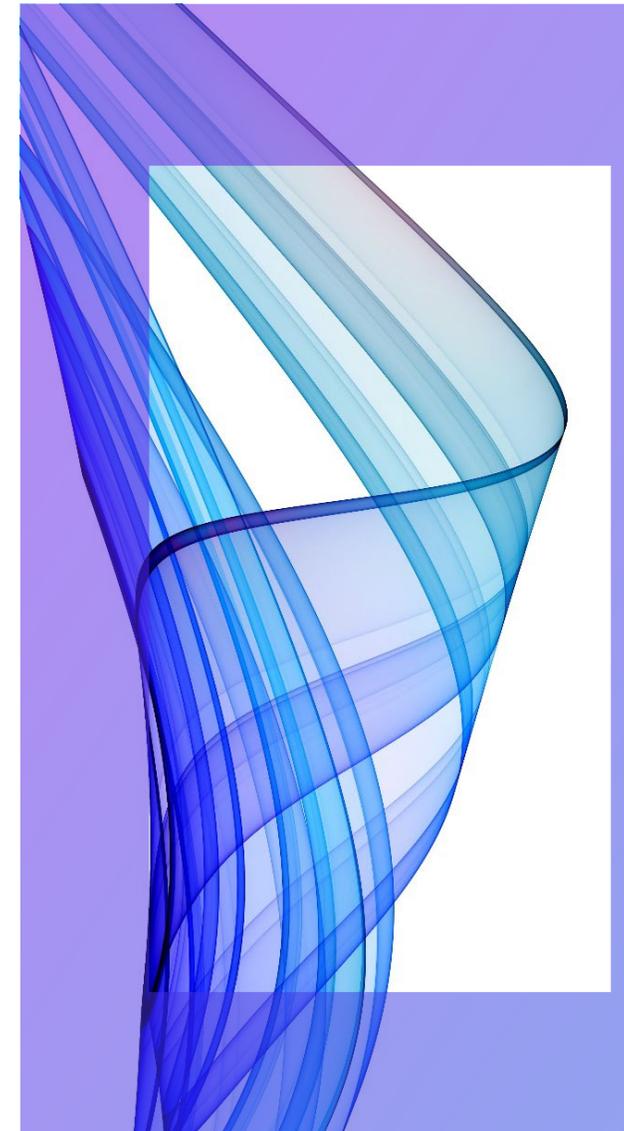
### Collaboration

- DocuSign™
- KPMG Clara for Clients



### Workflow

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





# Appendix F: Technology (continued)

## Next-generation technology

### AI empowerment leading to focused insights

#### Insights

#### Now

#### Near

#### Next

#### AI boosting Insights

- Generative AI Chat embedded directly in the workflow
- AI enabled assistants (compare, prepare, summarize, review)
- AI Transaction scoring and D&A to provide targeted insights

#### A better audit experience

#### AI Agents working to enhance the audit experience

- AI agents embedded in the workflow
- Expanded AI transaction scoring and D&A
- AI generated process documentation

#### AI Vision

- Automated data extraction maximizing algorithmic testing approach
- AI enabled workflow for enhanced real-time insights
- A data driven audit that leverages embedded knowledge to help the audit team design a customized audit approach

**We maximize quality and insights through a data-enabled, AI-powered platform**



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