Financial Statements of

LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL

Year ended March 31, 2026

LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL

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Year ended March 31, 2026

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Lennox and Addington County General Hospital

Opinion

We have audited the financial statements of Lennox and Addington County General Hospital (the Entity), which comprise:

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

(Hereinafter referred to as the "financial statements").

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

June 5, 2026

LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL

Statement of Financial Position

March 31, 2026, with comparative information for 2025

	2026	2025
Assets		
Current assets:		
Cash	$ 1,825,007	$ 2,324,462
Short-term investments (note 4(b))	–	10,000,000
Accounts receivable (note 2)	6,248,482	4,693,121
Inventories (note 3)	1,099,485	897,404
Prepaid expenses	1,269,467	394,248
	10,442,441	18,309,235
Investments (note 4(a))	18,770,683	23,036,176
Capital assets (note 5)	120,794,627	107,960,540
	$ 150,007,751	$ 149,305,951
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Ministry of Health payable	$ 1,616,955	$ 1,541,249
Accounts payable and accrued liabilities	10,596,319	10,582,089
Accrued compensation	2,698,471	3,401,987
Current portion of loan facilities (note 18)	1,106,467	39,502,786
	16,018,212	55,028,111
Loan facilities (note 18)	39,246,039	–
Liability for future employee benefits (note 6)	1,408,000	1,362,200
Asset retirement obligation (note 20)	307,957	295,569
Deferred contributions (notes 8 and 10(a))	44,369,038	40,943,034
Net assets:		
Invested in capital assets (note 9(a))	27,489,770	18,931,407
Reserve for future expenditures (note 12(a))	9,685,766	7,762,683
Internally restricted (note 12(b))	6,193,974	5,770,388
Unrestricted	2,860,885	16,907,869
	46,230,395	49,372,347
Accumulated remeasurement gains	2,428,110	2,304,690
	48,658,505	51,677,037
Contingent liabilities (note 11)		
	$ 150,007,751	$ 149,305,951

See accompanying notes to financial statements.

On behalf of the Board

________________ Director ________________ Director

LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL

Statement of Operations

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

	2026	2025
Revenue:		
Ministry of Health & Ontario Health	$ 41,755,317	$ 39,299,508
Convalescent care (note 15)	3,904,619	3,701,878
Long-term care (note 16)	978,295	–
Other-patient revenue	5,533,284	5,228,351
Other revenue	2,931,633	3,423,004
Amortization of deferred contributions	800,843	903,312
	55,903,991	52,556,053
Expenses:		
Salaries and wages	26,380,136	23,898,469
Benefits	5,925,096	5,092,540
Medical staff remuneration	4,969,089	3,089,371
Drugs	9,211,468	7,313,178
Medical and surgical supplies	1,268,095	1,131,962
Supplies and other expenses	10,048,750	9,254,566
Amortization	2,392,524	2,010,948
	60,195,158	51,791,034
Excess (deficiency) of revenue over expenses before the undernoted	(4,291,167)	765,019
Capital activity:		
Amortization of deferred contributions - building	1,042,227	884,748
Gain (loss) on disposal of investments	866,466	(283,870)
Investment income	663,071	1,289,047
Other expenses	(48,920)	(59,032)
Amortization - building	(1,373,629)	(1,139,683)
	1,149,215	691,210
Excess (deficiency) of revenue over expenses	$ (3,141,952)	$ 1,456,229

See accompanying notes to financial statements.

LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL

Statement of Changes in Net Assets

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

	Invested in Capital Assets	Reserve for Future Expenditures	Internally restricted	Unrestricted	2026 Total	2025 Total
Balance, beginning of year	$ 18,931,407	$ 7,762,683	$ 5,770,388	$ 16,907,869	$ 49,372,347	$ 47,916,118
Excess (deficiency) of revenue over expenses (note 9(b))	(1,923,083)	1,923,083	–	(3,141,952)	(3,141,952)	1,456,229
Net change in investment in capital assets (note 9(b))	10,481,446	–	–	(10,481,446)	–	–
Interfund transfer	–	–	423,586	(423,586)	–	–
Balance, end of year	$ 27,489,770	$ 9,685,766	$ 6,193,974	$ 2,860,885	$ 46,230,395	$ 49,372,347

See accompanying notes to financial statements.

LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL

Statement of Cash Flows

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

	2026	2025
Cash provided by (used in):		
Operating activities:		
Excess of (deficiency) of revenue over expenses	$ (3,141,952)	$ 1,456,229
Items not involving cash:		
Amortization of deferred contributions	(1,843,070)	(1,788,060)
Amortization of capital assets	3,766,153	3,150,631
Increase in liability for future employee benefits	45,800	28,100
Increase (decrease) in asset retirement obligations	12,388	(115,431)
Change in non-cash operating working capital:		
Accounts receivable	(1,896,147)	(642,187)
Ministry of Health receivable	340,786	755,848
Inventories	(202,081)	(16,036)
Prepaid expenses	(875,219)	(35,383)
Accounts payable and accrued liabilities	14,230	5,284,935
Accrued compensation	(703,516)	(192,674)
Ministry of Health payable	75,706	(151,100)
	(4,406,922)	7,734,872
Capital activities:		
Purchase of capital assets	(16,600,240)	(38,553,870)
Additions to deferred contributions	5,269,074	4,282,864
	(11,331,166)	(34,271,006)
Investing activities:		
Redemption of short-term investments	10,000,000	14,000,000
Redemption (purchase) of long-term investments	4,388,913	(10,819,743)
Repayment of loan facilities	(355,833)	–
Proceeds from loan facilities	1,205,553	21,478,839
	15,238,633	24,659,096
Decrease in cash	(499,455)	(1,877,038)
Cash, beginning of year	2,324,462	4,201,500
Cash, end of year	$ 1,825,007	$ 2,324,462

See accompanying notes to financial statements.

LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL

Statement of Remeasurement Gains and Losses

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

		2026		2025
Accumulated remeasurement gains, beginning of the year	$	2,304,690	$	2,255,149
Unrealized gains attributable to:				
Long-term investments:				
Designated fair value		123,420		49,541
Accumulated remeasurement gains, end of the year	$	2,428,110	$	2,304,690

See accompanying notes to financial statements.

The Lennox and Addington County General Hospital was incorporated under the Corporations Act of Ontario and its principal activity is the provision of health services.

These financial statements present the financial position and results of operations of Lennox and Addington County General Hospital (the “Hospital”), which is a registered charity under the Income Tax Act (Canada) and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) are met.

1. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations:

(a) Revenue recognition:

The Hospital follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Insurance Act and Regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health/Ontario Health (the “Ministry”). Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect arrangements approved by the Ministry with respect to the year ended March 31, 2026.

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

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Revenue from the Ontario Hospital Insurance Plan, in-patient and out-patient services, preferred accommodation and marketed services and recoveries and other revenue are recognized when the goods are sold or the services are provided, performance obligations fulfilled, and future economic benefits are measurable and expected to be obtained.

1. Significant accounting policies (continued):

(b) Capital assets:

Purchased capital assets are recorded at cost while contributed capital assets are recorded at fair value at the date of contribution. When capital assets are abandoned or sold, their costs are removed from the accounts. Amortization is recorded when the assets are put in use. Amortization of the building and building service equipment is recorded as an expense of the capital fund while amortization of major equipment is recorded as an expense of the revenue fund.

Capital assets are amortized on a straight-line basis using the following annual rates:

Asset	Rate
Land improvements	7% to 10%
Building	3% to 9%
Major equipment	4% to 33.3%
Building service equipment	5% to 20%
Software	20% to 33.3%

Costs of construction in progress are capitalized and include the carrying cost of any related debt during the construction phase. Amortization is not recognized until construction is complete and the assets are ready for productive use.

(c) Volunteer services:

The Hospital benefits from the voluntary services of many members of the community. Since these services are not normally purchased by the Hospital and because of the difficulty of determining their fair value, volunteer services are not recognized in these financial statements.

(d) Inventories:

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

(e) Employee future benefits:

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

1. Significant accounting policies (continued):

(e) Employee future benefits (continued):

Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience from changes in actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the employee benefit plan is 13 years (2025 - 13 years).

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

The Hospital participates in a defined benefit multi-employer pension plan. The plan is accounted for on a defined contribution plan basis as contributions to the benefit plan are determined by the plan administrator and are expensed when due. The most recent regulatory funding valuation of this multi-employer pension plan conducted as at December 31, 2025 disclosed actuarial assets of $132 billion (2024 - $123 billion) with accrued pension liabilities of $121 billion (2024 - $113 billion), resulting in a surplus of $11 billion (2024 - $10 billion). This filing valuation also confirmed that the plan was fully funded on a solvency basis as at December 31, 2025 based on the assumptions and methods adopted for the valuation.

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Unrealized changes in fair value are recognized in the Statement of Remeasurement Gains and Losses until they are realized, when they are transferred to the Statement of Operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the Statement of Operations and any unrealized gain or loss is adjusted through the Statement of Remeasurement Gains and Losses.

1. Significant accounting policies (continued):

(f) Financial instruments (continued):

When the asset is sold, the unrealized gains and losses previously recognized in the Statement of Remeasurement Gains and Losses are reversed and recognized in the Statement of Operations.

Canadian public sector accounting standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities

(g) Asset retirement obligations:

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

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

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

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

2. Accounts receivable:

		2026		2025
Accounts receivable	$	2,855,771	$	2,770,453
Receivable from Ministry of Health & Ontario Health		2,863,548		1,486,219
HST receivable		1,107,163		791,071
Accrued interest		–		193,376
		6,826,482		5,241,119
Less allowance for doubtful accounts		578,000		547,998
	$	6,248,482	$	4,693,121

3. Inventories:

The major classifications of inventories are:

		2026		2025
Stores	$	171,523	$	162,480
Laboratory		65,074		67,783
Pharmacy		862,888		667,141
	$	1,099,485	$	897,404

4. Investments:

(a) Long-term investments:

	Level		2026		2025
Equity instruments, quoted in an active market:					
Shares	2	$	3,042,710	$	8,705,958
Fixed income	2		1,196,084		1,499,289
Mutual funds	2		13,079,421		12,830,929
		$	18,770,683	$	23,036,176

During the year, $2,000,000 was transferred to the general operating account (2025 - $10,000,000 from the general operating account). There were no other transfers in or out of Levels 1, Level 2 and Level 3 for the years ended March 31, 2026 and 2025.

4. Investments (continued):

(b) Short-term investments:

During the year, $10,000,000 of guaranteed investment certificates matured and were not subsequently reinvested.

There were no guaranteed investment certificates purchased during the year (2025 - $10,000,000).

Accrued interest of $Nil (2025 - $193,376) is included as a component of accounts receivable.

5. Capital assets:

			2026	2025
	Cost	Accumulated amortization	Net book value	Net book value
Land and land improvements	$ 2,923,299	$ 579,814	$ 2,343,485	$ 2,197,315
Building	118,473,934	21,270,246	97,203,688	90,929,525
Building service equipment	9,167,408	3,611,412	5,555,996	4,845,737
Major equipment	24,268,214	15,589,201	8,679,013	3,035,119
Software	13,694,121	6,681,676	7,012,445	6,952,844
	$ 168,526,976	$ 47,732,349	$ 120,794,627	$ 107,960,540

The capital assets presented above include work-in-progress of $2,231,844 (2025 - $65,847,121).

Cost and accumulated amortization at March 31, 2025 amounted to $151,957,917 and $43,997,377, respectively.

6. Employee future benefits:

The Hospital provides extended health care, dental and life insurance benefits to certain past employees. An independent actuarial study of the post-retirement and post-employment benefits has been undertaken. The most recent valuation of the employee future benefits was completed as at April 1, 2024. The next valuation of the plan will be effective April 1, 2027.

6. Employee future benefits (continued):

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

Discount rate - expense	4.4% (2025 - 4.70%)
Discount rate - disclosure	4.6% (2025 - 4.40%)
Dental benefits escalation	5.00% to 2028; decreasing to an ultimate rate of 3.57% by 2040 (2025 – 5.00% to 2028; decreasing to an ultimate rate of 3.57% in 2040
Health benefits escalation	5.97% to 2025; decreasing to an ultimate rate of 3.57% by 2040 (2025 - 5.97% to 2028; decreasing to an ultimate rate of 3.57% by 2040)

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

	2026	2025
Accrued benefit liability, opening balance	$ 1,362,200	$ 1,334,100
Current service costs	138,500	127,500
Interest on accrued benefit obligation	69,800	70,300
Benefits paid for the period	(159,400)	(159,100)
Amortization of actuarial gains	(3,100)	(10,600)
Accrued benefit liability, closing balance	$ 1,408,000	$ 1,362,200

The accrued benefit liability, includes the following components:

	2026	2025
Accrued benefit obligation	$ 1,547,100	$ 1,528,400
Unamortized actuarial (loss) gains	(139,100)	(166,200)
	$ 1,408,000	$ 1,362,200

7. Pension plan:

Substantially all of the employees of the Hospital are members of the Healthcare of Ontario Pension Plan (the “Plan”), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. Contributions to the plan made during the year by the Hospital on behalf of its employees amounted to $1,997,209 (2025 - $1,733,224) and are included in the Statement of Operations.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The Plan’s 2025 Annual Report indicates the plan is fully funded at 109%.

8. Deferred contributions:

Deferred contributions reported in the Statement of Financial Position include the unamortized portion of deferred contributions with which some of the Hospital’s capital assets were originally purchased. The amortization of deferred contributions is recorded as revenue in the Statement of Operations. Changes for the year in deferred contributions are as follows:

	2026	2025
Balance, beginning of year	$ 40,943,034	$ 38,448,230
Additional contributions during the year	5,269,074	4,282,864
	46,212,108	42,731,094
Amounts amortized to revenue during the year	(1,843,070)	(1,788,060)
Balance, end of year	$ 44,369,038	$ 40,943,034

The balance of unamortized and unspent funds consists of the following:

	2026	2025
Unamortized capital contributions used to purchase assets	$ 44,639,038	$ 40,943,034

9. Invested in capital assets:

(a) The investment in capital assets is calculated as follows:

		2026		2025
Capital assets	$	120,794,627	$	107,960,540
Amounts financed by:				
Deferred contributions		44,369,038		40,943,034
Amounts credited by the Foundation		8,583,313		8,583,313
Long-term debt		40,352,506		39,502,786
Balance, end of year	$	27,489,770	$	18,931,407

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

		2026		2025
Deficiency of revenue over expenses:				
Amortization of capital assets	$	(3,766,153)	$	(3,150,631)
Amortization of deferred contributions		1,843,070		1,788,060
	$	(1,923,083)	$	(1,362,571)
Net change in investment in capital assets:				
Purchase of capital assets	$	16,600,240	$	38,553,870
Amounts funded by deferred contributions		(5,269,074)		(4,282,864)
Proceeds on loan facilities		(1,205,553)		(21,478,839)
Repayment of loan facilities		355,833		–
	$	10,481,446	$	12,792,167

10. Related entities:

(a) Lennox and Addington County General Hospital Foundation:

The Hospital has entered into a fundraising/public relations arrangement with the Lennox and Addington County General Hospital Foundation (the "Foundation"). The Foundation has been established to encourage and to co-ordinate the continuing high level of community financial support to meet the long-term capital financing needs of the Hospital. In accordance with this arrangement, donations received by the Hospital are transferred to the Foundation for the purpose of interim investment and management. The Hospital has economic interest, but not control, in the Lennox and Addington County General Hospital Foundation.

Related party transactions during the year not separately disclosed in the financial statements include the following:

(i) The Hospital received amounts totaling $800,837 (2025 - $3,607,210) that have been contributed from the Foundation to support the purchase of capital assets and staff education.

(b) Lennox & Addington County General Hospital Volunteer Services:

The Lennox & Addington County General Hospital Volunteer Services raises funds through various volunteer services. The Hospital received amounts totaling $13,927 (2025 - $19,201) that have been contributed from Volunteer Services, which are recorded as deferred contributions to be used to fund the purchase of capital assets. The Hospital has economic interest, but not control, in the Lennox & Addington County General Hospital Volunteer Services.

(c) Kingston Regional Hospital Laundry Incorporated:

Kingston Regional Hospital Laundry Incorporated, a corporation incorporated under the laws of the Province of Ontario, provides laundry services, linen replacement, uniforms and other related laundry services to the five hospitals in the Kingston region. The Hospital exercises significant influence, but not control, over Kingston Regional Hospital Laundry Incorporated.

Kingston Regional Hospital Laundry Incorporated provides laundry services to the Hospital based on rates reflecting the costs, expenses and disbursements incurred by them in the normal course of business relating to the provision of laundry services. The Hospital contributes toward approved capital improvements and replacement costs incurred by Kingston Regional Hospital Laundry Incorporated. During the year, the Hospital paid $320,622 (2025 - $318,170) to Kingston Regional Hospital Laundry Incorporated for laundry services.

11. Contingent liabilities:

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

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

(b) Healthcare Insurance Reciprocal of Canada:

The Corporation became a member of the Healthcare Insurance Reciprocal of Canada ("HIROC") on January 1, 2022. HIROC is registered as a Reciprocal pursuant to Provincial Insurance Acts, which permits persons to exchange with other persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage of health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2026.

Since its inception in 1987, HIROC has accumulated an un-appropriated surplus, which is the total of premiums paid by all subscribers plus investment income less the obligation for claims reserves and expenses and operating expenses. Each subscriber which has an excess of premium plus investment income over the obligation for their allocation of claims reserves and expenses and operating expenses may be entitled to receive distributions of their share of the un-appropriated surplus at the time such distributions are declared by the Board of Directors of HIROC. There are no distributions to or receivables from HIROC as of March 31, 2026.

(c) Employment matters:

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

12. Restriction on net assets:

(a) The reserve for future expenditures represents internally restricted funds which the Board has set aside to fund future expenditures at their discretion.

(b) The internally restricted net assets represent amounts set aside to fund capital purchases as approved by the Board of Directors. The income earned on the fund is to be restricted in the same manner as the fund itself.

13. Financial risks and concentration of credit risk:

(a) Credit risk:

Credit risk refers to the risk that a counter party may default on its contractual obligations resulting in a financial loss. The Hospital is exposed to credit risk with respect to the accounts receivable and investments.

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

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the Statement of Operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the Statement of Operations.

As at March 31, 2026, $675,863 (2025 - $276,501) of net trade accounts receivable were past due greater than 90 days, but not impaired.

The Hospital follows an investment policy approved by the Board of Directors. The maximum exposure to credit risk of the Hospital as at March 31, 2026 is the carrying value of these assets.

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

(b) Liquidity risk:

Liquidity risk is the risk that the Hospital will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Hospital manages its liquidity risk by monitoring its operating requirements. The Hospital prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 60 days of receipt of an invoice.

Current liabilities exceed current assets by $5,575,771 at March 31, 2026.

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

(c) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates, will affect the Hospital's revenue or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

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

(d) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Hospital to cash flow interest rate risk.

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

14. Diabetes Education Program:

The Ministry funded $295,516 (2025 - $295,516) for the Diabetes Education Program. Ministry of Health revenue includes funding in the amount equal to expenses for the Diabetes Education Program. The expenses for this program totaled $226,150 during the year (2025 - $211,814) for salaries, supplies and sundry expenses and a transfer to Kingston Health Sciences Centre of $70,488 (2025 - $70,488) to administer their portion of the Diabetes program.

15. Convalescent care:

		2026		2025
Revenue:				
Contributions - Ontario Health	$	3,904,619	$	3,701,878
Expenses:				
Nursing and personal care		2,491,507		2,329,022
Program and support services		379,002		411,245
Raw food		77,902		80,169
Other accommodations		1,443,311		1,325,290
Amortization (net)		105,628		81,975
		4,497,350		4,227,701
Deficiency of revenue over expenses	$	(592,731)	$	(525,823)

16. Long-term care:

		2026		2025
Revenue:				
Contributions - Ontario Health	$	978,295	$	–
Patient revenue		40,172		–
		1,018,467		–
Expenses:				
Nursing and personal care		675,450		–
Program and support services		394,409		–
Raw food		27,266		–
Other accommodations		716,218		–
Amortization (net)		95,615		–
		1,908,958		–
Deficiency of revenue over expenses	$	(890,491)	$	–

17. Hospice Lennox & Addington:

Ontario Health funded $175,631 (2025 - $164,053) for Hospice Lennox & Addington. These funds are transferred to Hospice Lennox & Addington to administer the program and are not included in the Hospital's Statement of Operations.

18. Loan facilities:

Loan facilities consist of the following:

	2026	2025
Term loan, Ontario Financing Authority, unsecured, bearing interest at 4.703%, repayable in semi-annual blended payments, due August 26, 2050	$ 32,884,836	$ 32,869,340
Term loan, Ontario Financing Authority, unsecured, bearing interest at 4.083%, repayable in semi-annual blended payments, due December 31, 2040	7,467,670	6,633,446
	40,352,506	39,502,786
Less: current portion	(1,106,467)	(39,502,786)
	$ 39,246,039	$ –

The purpose of the first term loan was to partially finance the construction of a 128 bed long-term care facility as described in note 19. The purpose of the second term loan was to finance the development of the regional hospital information system project.

Both loans converted from construction/project loans during the year to term loans.

The Hospital is committed to the principal repayments on loan facilities in each of the next five years and thereafter as follows:

2027	$ 1,106,467
2028	1,156,775
2029	1,209,380
2030	1,264,387
2031	1,321,980
Thereafter	34,293,589
	$ 40,352,506

19. Long-term care development project:

In June 2023, the Hospital received approval from the Ministry to construct a 128 bed long-term care facility with an estimate project cost of $63 million. The construction work commenced in June 2023 and was completed in March 2026. The Hospital received a construction grant of $10.368 million and a development grant of $2.94 million from the Ministry and unsecured debt financing as described in note 18. The remaining balance of the project was funded through internal funds and fundraising efforts.

As of March 31, 2026, the Hospital completed the development of this project, which is included in capital assets on the Statement of Financial Position. Subsequent to year-end, the long-term care facility was operating at 100% occupancy.

20. Asset retirement obligations:

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

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

	2026	2025
Balance, beginning of year	$ 295,569	$ 411,000
Add: inflation adjustment	12,388	7,518
Less: obligation settled during the year	–	(122,949)
Balance, end of year	$ 307,957	$ 295,569

21. Comparative information:

Certain comparative information has been reclassified to conform to the financial statement presentation adopted in the current year.