SENSENBRENNER HOSPITAL

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

MARCH 31, 2026

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Sensenbrenner Hospital

Opinion
We have audited the financial statements of Sensenbrenner Hospital, which comprise the statement of financial position as at March 31, 2026, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2026, and its results of operations and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards for Government Not-for-Profit Organizations.

Basis for Opinion
We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian Public Sector Accounting Standards for Government Not-for-Profit Organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the organization'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 organization or to cease operations, or has no realistic alternative but to do so.

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

INDEPENDENT AUDITOR'S REPORT, (CONT'D)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization'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 organization'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 organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Baker Tilly HKC

Chartered Professional Accountants
Licensed Public Accountants
May 27, 2026

SENSENBRENNER HOSPITAL

HOSPITAL OFFICIALS

MARCH 31, 2026

BOARD OF DIRECTORS

ELECTED OFFICIALS

Chair	N. Côté-Tremblay
Vice-Chair	G. Fortin
Secretary	J. Washburn
Treasurer	Y. Labelle
Director	B. Daggett
Director	C. Brouzes
Director	Dr. V. Smith

APPOINTED OFFICIALS

Kapuskasing Municipal Representative	G. Fortin
Hospital Auxiliary Inc. Representative	W. Guillemette
Sensenbrenner Hospital Foundation	D. Bérubé
East Municipal Representative	H. Le Saux Néron
West Municipal Representative	J. Dorval
Interim Chief of Staff	Dr. D. Boucher
President of Medical Staff	Dr. R. Cheung

ADMINISTRATIVE PERSONNEL AND CONSULTANTS

Chief Executive Officer	F. Dallaire
VP of Corporate Services	C. Boyer-Brochu
Chief Nursing Officer	K. Shannon
Chief Information Officer	Vacant
Director of Patient Care	N. Blier
Director of Quality, Risk and Project Management	K. Shannon
Auditors	Baker Tilly HKC Chartered Professional Accountants

SENSENBRENNER HOSPITAL

FINANCIAL STATEMENTS

MARCH 31, 2026

SENSENBRENNER HOSPITAL

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2026

	2026	2025
REVENUES		
Patient services, schedule 1	$ 43,382,189	$ 38,997,128
Other recoveries	1,839,300	1,034,683
Investment income	60,516	55,378
Amortization of deferred capital contributions - equipment	500,836	458,362
Other votes, schedule 2	928,405	482,096
	46,711,246	41,027,647
EXPENSES		
Salaries and wages	18,888,926	16,190,156
Purchased services	5,183,746	5,449,971
Employee benefits	6,748,139	5,492,164
Medical staff remuneration	1,996,870	2,116,542
Supplies and other expenses	8,302,784	8,279,359
Medical and surgical	849,515	835,999
Drugs and medicine	2,818,028	1,644,138
Amortization of equipment	1,208,407	1,109,066
Loss on disposal of investments	38,942	7,987
Other votes, schedule 2	928,405	482,096
	46,963,762	41,607,478
EXCESS OF EXPENSES OVER REVENUES FROM OPERATIONS	(252,516)	(579,831)
AMORTIZATION OF BUILDINGS		
Amortization of deferred capital contributions - buildings	789,546	738,326
Amortization of buildings	(967,573)	(847,485)
	(178,027)	(109,159)
EXCESS OF EXPENSES OVER REVENUES	$ (430,543)	$ (688,990)

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

SENSENBRENNER HOSPITAL

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED MARCH 31, 2026

	Invested in Capital Assets (note 14)	Unrestricted	Total 2026	Total 2025
BALANCE, BEGINNING OF YEAR	$ 9,192,440	$ (4,346,323)	$ 4,846,117	$ 5,535,107
EXCESS OF EXPENSES OVER REVENUES	-	(430,543)	(430,543)	(688,990)
NET CHANGE IN INVESTED IN CAPITAL ASSETS (note 14)	102,790	(102,790)	-	-
BALANCE, END OF YEAR	$ 9,295,230	$ (4,879,656)	$ 4,415,574	$ 4,846,117

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

SENSENBRENNER HOSPITAL

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2026

	2026	2025
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 585,792	$ 24,856
Accounts receivable (note 4)	2,921,652	1,997,317
Prepaid expenses	331,647	239,554
Inventories	630,279	628,211
Current portion of long-term receivables	100,000	150,000
	4,569,370	3,039,938
LONG-TERM RECEIVABLES (note 5)	425,000	250,000
INVESTMENTS (note 6)	2,170,953	2,173,486
CAPITAL ASSETS (note 7)	18,006,790	16,983,764
OTHER ASSETS	45,285	45,285
	$ 25,217,398	$ 22,492,473
LIABILITIES		
CURRENT LIABILITIES		
Line of credit (note 8)	$ -	$ 1,569,924
Accounts payable and accrued liabilities (note 9)	7,687,947	5,648,459
Current portion of capital lease obligation	11,169	25,786
Current portion of post-employment benefits payable	86,336	98,471
	7,785,452	7,342,640
CAPITAL LEASE OBLIGATION (note 10)	-	11,169
POST-EMPLOYMENT BENEFITS PAYABLE (note 11)	2,097,238	2,059,295
DEFERRED CONTRIBUTIONS (note 12)	2,218,743	478,883
DEFERRED CAPITAL CONTRIBUTIONS (note 13)	8,700,391	7,754,369
	20,801,824	17,646,356
NET ASSETS		
INVESTED IN CAPITAL ASSETS (note 14)	9,295,230	9,192,440
UNRESTRICTED	(4,879,656)	(4,346,323)
	4,415,574	4,846,117
	$ 25,217,398	$ 22,492,473

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

CONTINGENCIES - note 17

On behalf of the board

Director

Director

SENSENBRENNER HOSPITAL

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2026

	2026	2025
OPERATING ACTIVITIES		
Excess of expenses over revenues	$ (430,543)	$ (688,990)
Items not involving cash:		
Amortization of capital assets - equipment	1,208,407	1,109,066
Amortization of deferred capital contributions - equipment	(500,836)	(458,362)
Amortization of capital assets - buildings	967,573	847,485
Amortization of deferred capital contributions - buildings	(789,546)	(738,326)
Loss on disposal of investments	38,942	7,987
	493,997	78,860
Changes in:		
Accounts receivable	(924,335)	4,268,311
Prepaid expenses	(92,093)	(1,551)
Inventories	(2,068)	(126,949)
Accounts payable and accrued liabilities	2,039,488	960,138
Post-employment benefits payable	25,808	(120,395)
	1,540,797	5,058,414
INVESTING ACTIVITIES		
Advances of long-term receivables	(300,000)	(25,000)
Receipt of long-term receivables	175,000	25,000
Net increase in investments	(36,409)	(63,358)
	(161,409)	(63,358)
FINANCING ACTIVITIES		
Repayment of capital lease obligation	(25,786)	(24,409)
Net advances (repayments) of line of credit	(1,569,924)	(1,676,696)
	(1,595,710)	(1,701,105)
CAPITAL ACTIVITIES		
Deferred capital contributions received	3,976,264	555,262
Purchase of capital assets	(3,199,006)	(3,842,857)
	777,258	(3,287,595)
CHANGE IN CASH POSITION	560,936	6,356
CASH POSITION, BEGINNING OF YEAR	24,856	18,500
CASH POSITION, END OF YEAR	$ 585,792	$ 24,856

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

SENSENBRENNER HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2026

1. STATUS AND NATURE OF OPERATIONS

Sensenbrenner Hospital ("the Hospital"), incorporated under the Ontario Business Corporation Act, without share capital, operates a Hospital under the Charitable Institutions Act, at 101 Progress Crescent, Kapuskasing, Ontario. The Hospital is a not-for-profit organization and, as such, is exempt from income taxes under the Income Tax Act (Canada).

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards for Government Not-for-Profit Organizations including the 4200 series of standards as issued by the Public Sector Accounting Board and includes the following significant accounting policies:

BASIS OF PRESENTATION

The financial statements include the assets, liabilities and activities of the Hospital.

The notes to the financial statements include information on the following related parties:

La Fondation de l'Hôpital Sensenbrenner Hospital Foundation
ONE Health Information Technology Services

The revenues, expenses, assets and liabilities with respect to the operations of the related parties are not reflected in these financial statements except to the extent that the funds have been received from or disbursed to them. The financial statements of the related parties are not consolidated in the financial statements of the Hospital.

REVENUE RECOGNITION

The financial statements have been prepared using the deferral method of accounting.

Under the Health Insurance Act and the regulations thereto, the Hospital is funded primarily by the Ministry of Health and Ontario Health North East in accordance with the terms and conditions in the Hospital Service Accountability Agreement.

Unrestricted contributions, including operating grants are recorded as revenue in the period to which they relate. Grants approved but not yet received at the end of the year are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in the subsequent period.

2. SIGNIFICANT ACCOUNTING POLICIES, (CONT'D)

REVENUE RECOGNITION, (CONT'D)

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Grants and donations received for the acquisition of specific capital assets are recorded as deferred capital contributions and recognized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Revenue from other provinces and uninsured patients, operational revenue and other services and recoveries are recognized as revenue when received or receivable if the amount to be recorded can be reasonably estimated and the collection is reasonably assured.

Investment income is recognized as revenue when earned.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand and temporary bank overdrafts which forms an integral part of the Hospital's cash management.

INVENTORIES

Inventories of all hospital supplies are valued at the lower of average cost and replacement value and include only those supplies located in central storage areas and not supplies that have been issued to departments for direct patient care.

CAPITAL ASSETS

The acquisition of capital assets are recorded at their historical cost less amortization. Contributed capital assets are recorded at fair value at the date of contribution. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Hospital's ability to provide services or the value of future economic benefits associated with the capital asset is less than its net book value, the carrying amount is reduced to reflect the decline in the asset's value. The writedown is recorded in the statement of operations.

Amortization is calculated on a straight line basis using rates as set out in the Ontario Health Care Reporting System Guidelines. The estimated useful lives of the assets are as follows:

Land improvement	8-15 years
Buildings	15-40 years
Building service equipment	5-20 years
Equipment	5-20 years
Information technology	5-10 years
Software	3-15 years
Asset under capital lease	7 years (term of lease)

2. SIGNIFICANT ACCOUNTING POLICIES, (CONT'D)

CAPITAL ASSETS, (CONT'D)

The cost of capital projects in progress is recorded as capital assets and no amortization is taken until the project is substantially completed and the asset is ready for productive use. The Hospital allocates salary and benefit costs when personnel work directly in managing or implementing the capital project.

Long-lived assets, including capital assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The amount of identified impairment, if any, is recorded as a write-down and is recognized in the statement of operations.

FUNDING

Under the current funding policy, the Hospital is essentially funded by using a budget base approved by the Ministry of Health and Ontario Health North East. The Hospital is allowed to retain any excess of revenue over expenses derived from its operations and, conversely, retains responsibility for any deficit it may occur.

CONTRIBUTED SERVICES AND MATERIALS

Volunteers contribute significant hours of their time each year to assist the Hospital in carrying out certain charitable activities. The fair value of these contributed services is not readily determinable and, as such, is not reflected in these financial statements. Contributed materials are also not recognized in these financial statements.

RETIREMENT AND POST-EMPLOYMENT BENEFIT PLANS

The Hospital provides defined retirement and post-employment benefits for certain employee groups. These benefits include pension, extended health care, dental and life insurance. The Hospital has adopted the following policies with respect to accounting for these employee benefits:

Multi-employer defined benefit pension

Substantially all of the employees of the Hospital are eligible to be members of the Hospitals of Ontario Pension Plan (“HOOPP”), which is a multi-employer, defined benefit, final average earnings, contributory pension plan. Defined contribution plan accounting is applied to HOOPP, whereby contributions are expensed when due, as the Hospital has insufficient information to apply defined benefit accounting.

2. SIGNIFICANT ACCOUNTING POLICIES, (CONT'D)

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

Post-employment benefits

i) The costs of post-employment future benefits are actuarially determined using the projected benefit method prorated on service and management's best estimate of retirement ages, health care costs, disability recovery rates and discount rates. Adjustments to these costs arising from changes in estimates and experience gains and losses are amortized to income over the estimated average remaining service life of the employee groups on a straight line basis.

ii) Past service costs (if any) arising from plan amendments are immediately recognized.

iii) The discount rate used in the determination of the above-mentioned liability is the discount rate recommended by the Ministry of Health.

FINANCIAL INSTRUMENTS

The Hospital records its financial instruments at either fair value or amortized cost. The Hospital's accounting policy for each category is as follows:

Fair Value

This category includes derivatives and equity instruments quoted in an active market. The Hospital has designated its cash and cash equivalents at fair value as it is managed on a fair value basis.

They are initially recognized at cost and subsequently carried at fair value. Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Transaction costs related to financial instruments in the fair value category are expensed as incurred.

Where a decline in fair value is determined to be other than temporary, the amount of the loss is removed from accumulated remeasurement gains and losses and recognized in the statement of operations. On sale, the amount held in accumulated remeasurement gains and losses associated with that instrument is removed from net assets and recognized in the statement of operations.

The Hospital does not have any amounts to record on the statement of remeasurement gains and losses and therefore this statement has not been included in these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES, (CONT'D)

FINANCIAL INSTRUMENTS, (CONT'D)

Amortized cost

This category includes accounts receivable, long-term receivables, investments, accounts payable and accrued liabilities and capital lease obligation. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Writedowns on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the writedown being recognized in the statement of operations.

MEASUREMENT UNCERTAINTY

The preparation of financial statements in accordance with Canadian Public Sector Accounting Standards for Government Not-for-Profit Organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant areas requiring the use of estimates include: the revenue recognition of certain restricted contributions, the allowance for doubtful accounts receivable, valuation allowances for inventories, the useful life of capital assets and its carrying amount, accrued liabilities, the actuarial estimation of post-employment benefits and contingencies. Actual results may differ from management's best estimates as additional information becomes available in the future.

SENSENBRENNER HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2026

3. FINANCIAL INSTRUMENT CLASSIFICATION

The table below provides the cost and fair value information of financial instruments by category. The maximum exposure to credit risk and liquidity risk would be the carrying value as shown below:

	2026		
	Fair Value	Amortized Cost	Total
Cash and cash equivalents	$ 585,792	$ -	$ 585,792
Accounts receivable	$ -	$ 2,921,652	$ 2,921,652
Long-term receivables	$ -	$ 525,000	$ 525,000
Investments	$ -	$ 2,170,953	$ 2,170,953
Accounts payable and accrued liabilities	$ -	$ 7,687,947	$ 7,687,947
Capital lease obligation	$ -	$ 11,169	$ 11,169

	2025		
	Fair Value	Amortized Cost	Total
Cash and cash equivalents	$ 24,856	$ -	$ 24,856
Accounts receivable	$ -	$ 1,997,317	$ 1,997,317
Long-term receivables	$ -	$ 400,000	$ 400,000
Investments	$ -	$ 2,173,486	$ 2,173,486
Line of credit	$ 1,569,924	$ -	$ 1,569,924
Accounts payable and accrued liabilities	$ -	$ 5,648,459	$ 5,648,459
Capital lease obligation	$ -	$ 36,955	$ 36,955

The following provides details of financial instruments that are measured at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

Level 1: Fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities using the last bid price;

Level 2: Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

Cash and cash equivalents and the line of credit is considered Level 1 fair value. There were no transfers between levels for the year ended March 31, 2026 and March 31, 2025.

SENSENBRENNER HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2026

4. ACCOUNTS RECEIVABLE

	2026	2025
Insurers and patients	$ 655,058	$ 616,470
HST rebates receivable	636,881	453,474
Other receivables	538,062	164,730
Ministry of Health / Ontario Health North East	1,091,651	762,643
	$ 2,921,652	$ 1,997,317

5. LONG-TERM RECEIVABLES

	2026	2025
Physician loan receivable, interest free, unsecured, due between 2026 and 2029	$ 525,000	$ 400,000
Current portion	100,000	150,000
	$ 425,000	$ 250,000

6. INVESTMENTS

	2026		2025	
	Cost	Fair Market Value	Cost	Fair Market Value
Cash and cash equivalents	$ 1,467,760	$ 1,458,788	$ 889,189	$ 879,513
Fixed income investments	482,734	537,513	753,775	749,715
Equity instruments	220,459	285,119	204,457	261,957
Other investments	-	-	326,065	281,481
	$ 2,170,953	$ 2,281,420	$ 2,173,486	$ 2,172,666

SENSENBRENNER HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2026

7. CAPITAL ASSETS

	Cost	Accumulated Amortization	2026 Net	2025 Net
Land	$ 596,828	$ -	$ 596,828	$ 596,828
Land improvement	1,140,012	606,329	533,683	214,331
Buildings	23,362,022	18,874,023	4,487,999	4,480,947
Building service equipment	8,557,913	3,009,154	5,548,759	2,664,369
Equipment	13,741,461	9,761,152	3,980,309	4,043,853
Information technology	1,429,224	1,211,631	217,593	141,183
Software	3,817,296	2,127,844	1,689,452	1,804,663
Capital projects in progress	942,786	-	942,786	3,005,697
	53,587,542	35,590,133	17,997,409	16,951,871
Asset under capital lease	157,590	148,209	9,381	31,893
	$ 53,745,132	$ 35,738,342	$ 18,006,790	$ 16,983,764

8. LINE OF CREDIT

	2026	2025
Line of credit of $5,000,000 bearing interest at prime less 0.25%, secured by a general security agreement	$ -	$ 1,569,924

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2026	2025
Accounts payable	$ 2,204,359	$ 2,189,989
Salaries and benefits payable	3,557,374	3,168,390
Pay equity settlement accrual (note 20)	1,489,338	64,468
Ministry of Health / Ontario Health North East	436,876	225,612
	$ 7,687,947	$ 5,648,459

10. CAPITAL LEASE OBLIGATION

	2026	2025
Capital lease repayable in monthly instalments of $2,265, bearing interest at 5.5%, ending in August 2026	$ 11,169	$ 36,955
Current portion	11,169	25,786
	$ -	$ 11,169

11. POST-EMPLOYMENT BENEFITS PAYABLE

The Hospital extends post-employment extended health coverage, dental benefits and life insurance to certain employee groups subsequent to their retirement. The Hospital recognizes these benefits as they are earned during the employees' tenure of service. The related liability was determined by an actuarial valuation.

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

	2026	2025
Accrued benefit obligation	$ 2,357,450	$ 2,345,362
Unamortized actuarial loss	(173,876)	(187,596)
Accrued benefit liability	2,183,574	2,157,766
Current portion	(86,336)	(98,471)
	$ 2,097,238	$ 2,059,295

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

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

	2026	2025
Accrued benefit obligation, beginning of year	$ 2,345,362	$ 2,474,273
Unamortized actuarial loss	(187,596)	(196,112)
Accrued benefit liability, beginning of year	2,157,766	2,278,161
Current service cost	163,428	156,215
Interest on accrued benefit obligation	90,862	88,243
Amortization of net experience losses	18,000	18,817
Curtailment	(54,490)	(250,498)
Benefit expense (recovery)	217,800	12,777
Benefit payment	(191,992)	(133,172)
Accrued benefit liability, end of year	$ 2,183,574	$ 2,157,766

The above amounts exclude contributions to the Hospitals of Ontario Pension Plan, a multi-employer plan, described in note 16.

The major actuarial assumptions employed for the valuations are as follows:

Discount rate

The present value of the future benefits was determined using a discount rate of 3.88% (2025 - 3.90%) which is the discount rate recommended by the Ministry of Health.

Extended Health Coverage

Extended Health Coverage is assumed to decrease at a rate of 5.5% per annum (2025 - 5.5%) and decrease proportionately thereafter by 0.1% per year to an ultimate rate of 4% (2025 - 4%).

Dental costs

Dental costs is assumed to increase at 4% per annum (2025 - 4%).

SENSENBRENNER HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2026

12. DEFERRED CONTRIBUTIONS

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

	2026	2025
Balance, beginning of year	$ 478,883	$ 499,186
Contributions received during the year	3,976,264	555,262
Transfer to deferred capital contributions	(2,236,404)	(575,565)
	$ 2,218,743	$ 478,883

Deferred contributions are comprised of:

	2026	2025
Ontario Health North East	$ 31,181	$ 31,181
Donations	447,702	447,702
Ministry of Health	1,739,860	-
	$ 2,218,743	$ 478,883

13. DEFERRED CAPITAL CONTRIBUTIONS

	2026	2025
CAPITAL CONTRIBUTIONS		
Balance, beginning of year	$ 29,216,568	$ 28,641,003
Transfer from deferred contributions (note 12)	2,236,404	575,565
Write-off of deferred capital contributions	(246,296)	-
Balance, end of year	31,206,676	29,216,568
ACCUMULATED AMORTIZATION		
Balance, beginning of year	(21,462,199)	(20,265,511)
Amortization of deferred capital contributions - equipment	(500,836)	(458,362)
Amortization of deferred capital contributions - buildings	(789,546)	(738,326)
Write-off of accumulated amortization	246,296	-
Balance, end of year	(22,506,285)	(21,462,199)
NET DEFERRED CAPITAL CONTRIBUTIONS	$ 8,700,391	$ 7,754,369

SENSENBRENNER HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2026

14. INVESTED IN CAPITAL ASSETS

	2026	2025
Capital assets	$ 18,006,790	$ 16,983,764
Capital lease obligation	(11,169)	(36,955)
Deferred capital contributions	(8,700,391)	(7,754,369)
	$ 9,295,230	$ 9,192,440

The interfund transfer and the change in invested in capital assets is calculated as follows:

	2026	2025
CAPITAL ASSET ACTIVITIES		
Purchase of capital assets	$ 3,199,006	$ 3,842,857
Amortization of equipment	(1,208,407)	(1,109,066)
Amortization of buildings	(967,573)	(847,485)
Repayment of capital lease obligation	25,786	24,409
	1,048,812	1,910,715
DEFERRED CAPITAL CONTRIBUTIONS ACTIVITIES		
Transfer from deferred contributions (note 12)	(2,236,404)	(575,565)
Amortization of deferred capital contributions - equipment	500,836	458,362
Amortization of deferred capital contributions - buildings	789,546	738,326
	$ 102,790	$ 2,531,838

15. RELATED PARTIES

La Fondation de l'Hôpital Sensenbrenner Hospital Foundation

La Fondation de l'Hôpital Sensenbrenner Hospital Foundation (Foundation) is a corporation without share capital with a primary purpose of raising funds for the use by Hospital. During the year, the Foundation provided a total of $749,255 (2025 - $252,214) to the Hospital for the purchase of equipment and to contribute towards building projects.

ONE Health Information Technology Services

ONE Health Information Technology Services (ONE HITS) is a shared service organization established for the purposes of providing technology, information systems and related support services on a non-profit basis to participating hospitals in Northeastern Ontario on a full cost recovery basis. As such, ONE Health Information Technology Services' net assets and surplus for the year are nil. The Hospital has a 1.54% proportionate share in the costs. All operating and capital costs incurred in the year have been expensed or capitalized according to the allocation provided.

Transactions are valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

16. RETIREMENT BENEFITS

Substantially all of the Hospital's employees are members of the Hospitals of Ontario Pension Plan (the “Plan”), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association.

Contributions to the plan made during the year by the Hospital on behalf of its employees amounted to $1,533,735 (2025 - $1,358,796) and are included in the statement of operations.

As this is a multi-employer pension plan, these contributions are the Hospital's pension benefit expenses. Any pension plan surpluses or deficits are a joint responsibility of member organizations and their employees. As a result, the organization does not recognize any share of the Plan's surplus or deficit. No contributing employer or employee has any liability, directly or indirectly, to provide the benefits established by this Plan beyond the obligation to make contributions pursuant to the Plan policies. The most recent valuation of the Plan at December 31, 2025 indicated that the Plan is fully funded on a solvency basis.

17. CONTINGENCIES

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

b) The Hospital participates in the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the public liability insurance risks of its hospital members. All members of the HIROC pool pay actuarially determined annual premiums. All members are subject to assessment for losses, if any, experienced by the pool for the years in which they were members. No assessments have been made for the year ended March 31, 2026.

18. SUBSEQUENT EVENTS

Subsequent events have been evaluated by management up to the date of approval of these financial statements.

Subsequent to the year end, the Hospital continued negotiations with the Ontario Financing Authority ("OFA") regarding a long-term financing arrangement of approximately $3.17 million. The financing is intended to reimburse previously incurred capital costs related to the Meditech Expanse regional health information system, which became operational in April 2025.

As of the date of approval of these financial statements, the agreement has not been finalized and no funds have been advanced. Accordingly, no amounts have been recorded in these financial statements. If completed, the arrangement will result in the recognition of long-term debt and related interest obligations in a future period.

There have been no other subsequent events that require adjustment to or disclosure in these financial statements.

19. ECONOMIC DEPENDENCE

The Hospital receives the majority of its revenue through a funding agreement with the Ministry of Health and Ontario Health North East. The Hospital's continued operations are dependent on this funding agreement and on satisfying the terms of the agreement.

SENSENBRENNER HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2026

20. PAY EQUITY SETTLEMENT

During the year, the Hospital reached an agreement with its bargaining unit to resolve outstanding pay equity maintenance matters under the Pay Equity Act (Ontario).

The agreement establishes revised compensation levels and requires retroactive adjustments for eligible employees for the period from January 1, 2023 to December 31, 2025. As a result, the Hospital has recorded a pay equity settlement accrual of $1,489,338 as at March 31, 2026, representing management's best estimate of the retroactive compensation owing.

The retroactive amounts are expected to be paid to eligible current and former employees subsequent to year-end, with the majority of payments anticipated to occur during the 2026–2027 fiscal year.

The agreement confirms that pay equity has been maintained up to December 31, 2025. Ongoing pay equity obligations for periods after January 1, 2026 will be determined based on future calculations and are not reflected in these financial statements.

The final amount of the settlement is subject to refinement based on the completion of calculations and confirmation of eligible employee claims; however, management does not expect any material adjustment to the amounts recorded.

21. FINANCIAL INSTRUMENTS RISK MANAGEMENT

CREDIT RISK

The Hospital is exposed to credit risk in the event of non-payment by their debtors. Credit risk arises from the possibility that these individuals may experience financial difficulty and be unable to fulfill their obligations. The Hospital is exposed to this risk relating to its accounts receivable of $2,921,652 (2025 - $1,997,317) and its long-term receivables of $525,000 (2025 - $400,000).

Accounts receivable are generally due from patients, insurers, government agencies and other. The Hospital measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is recorded based on the Hospitals' historical experience regarding collections. The amounts outstanding as at March 31, 2026 are as follows:

	Total	Current	31-60 days	61-90 days	90+ days
Insurer and patients	$ 655,058	$ 386,077	$ 86,010	$ 33,286	$ 149,685
HST rebates	636,881	636,881	-	-	-
Other	538,062	538,062	-	-	-
MOH / OHNE	1,091,651	1,091,651	-	-	-
	$ 2,921,652	$ 2,652,671	$ 86,010	$ 33,286	$ 149,685

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

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

LIQUIDITY RISK

Liquidity risk results from the Hospital's potential inability to meet its obligations associated with the financial liabilities as they become due. The Hospital is exposed to this risk relating to its line of credit of $Nil (2025 - $1,569,924), its accounts payable and accrued liabilities of $7,687,947 (2025 - $5,648,459) and its capital lease obligation of $11,169 (2025 - $36,955). For the past years, short-term liquidity has been in a deficit position. The Hospital believes that with the continued financial support of Ontario Health North East and with the line of credit, its current sources of liquidity will be sufficient to cover its short-term cash obligations. Management also believes that long-term cash obligations will be covered by funders in the future.

INTEREST RATE RISK

Interest rate risk is the risk that the value of financial instruments or future cash flows will fluctuate due to changes in market interest rates. The Hospital is exposed to this risk through its line of credit of $Nil (2025 - $1,569,924) bearing interest at prime less 0.25%. The Hospital does not use derivative instruments to reduce its exposure interest rate risk.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

MARKET RISK

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: interest rate risk, currency risk and equity risk. Market risk for the Hospital lies mostly in the potential loss related to the volatility of interest rates and foreign exchange rates as well market price fluctuations of its equity instruments. The Hospital does not use derivative instruments to reduce its exposure market risk. Conservative management is exercised to minimize the impact of the market risk.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

SENSENBRENNER HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2026

22. FUTURE ACCOUNTING PRONOUNCEMENTS

The Public Sector Accounting Board (PSAB) issued Section PS 1202, Financial Statement Presentation, which establishes a revised financial reporting model for public sector entities. This Section replaces the existing Section PS 1201 and is to be applied in conjunction with PSAB's revised Conceptual Framework.

Section PS 1202 is effective for fiscal years beginning on or after April 1, 2026. Accordingly, the standard will be applicable to the Hospital for its year ending March 31, 2027. The Hospital has not early adopted this standard in the current year.

The adoption of Section PS 1202 will require restatement of comparative information to conform to the new presentation requirements.

The Hospital is currently assessing the impact of adopting Section PS 1202, including changes to financial statement presentation, supporting systems, and disclosures. At this time, the Hospital expects that the standard will have a significant impact on the presentation and classification of amounts reported in the financial statements; however, no material impact on the underlying recognition or measurement of assets, liabilities, revenues, or expenses is anticipated.

SENSENBRENNER HOSPITAL

SCHEDULES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2026

SCHEDULE OF PATIENT SERVICES — Schedule 1

	2026	2025
Ontario Health North East - Base Allocation	$ 28,282,818	$ 21,090,218
Ministry of Health/Ontario Health North East - Other	10,247,810	14,237,097
Ontario Health Insurance	1,337,905	1,384,979
Preferred accommodations	151,290	155,301
Chronic care co-payments	555,173	572,218
Cancer Care Ontario	2,486,305	1,360,695
Other patient services	320,888	196,620
	$ 43,382,189	$ 38,997,128

SCHEDULE OF OTHER VOTES — Schedule 2

	2026	2025
REVENUES		
Homemaking	$ 145,008	$ 63,550
Assisted living	717,347	352,208
Municipal taxes	5,850	5,850
Visiting - Hospice Services	60,200	60,488
	928,405	482,096
EXPENSES		
Homemaking	145,008	63,550
Assisted living	717,347	352,208
Municipal taxes	5,850	5,850
Visiting - Hospice Services	60,200	60,488
	928,405	482,096
EXCESS OF REVENUES OVER EXPENSES	$ -	$ -