

Financial Statements of

**WINCHESTER DISTRICT
MEMORIAL HOSPITAL**

And Independent Auditor's Report thereon

Year ended March 31, 2026

**KPMG LLP**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Winchester District Memorial Hospital

Opinion

We have audited the financial statements of Winchester District Memorial Hospital (the Hospital), 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
- 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 Hospital 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.

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 Hospital 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 Hospital'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 Hospital or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Hospital'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 Hospital's internal control.



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- 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 Hospital'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 Hospital 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.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

June 29, 2026

WINCHESTER DISTRICT MEMORIAL HOSPITAL

Statement of Financial Position

March 31, 2026, with comparative information for 2025

	2026	2025
Assets		
Current assets:		
Cash	\$ 663,536	\$ —
Accounts receivable (note 2)	3,468,782	3,051,151
Due from related entities (notes 3(a) and 3(b))	606,738	477,714
Inventories of supplies	587,978	551,696
Prepaid expenses	916,036	821,446
	6,243,070	4,902,007
Capital assets (note 4)	51,753,728	51,725,817
	\$ 57,996,798	\$ 56,627,824

Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Bank indebtedness	\$ —	\$ 1,184,450
Short-term borrowing (note 6)	2,314,661	2,497,572
Accounts payable and accrued liabilities	11,448,335	10,910,761
Deferred revenue	473,225	342,174
	14,236,221	14,934,957
Employee future benefits (note 5)	2,638,635	2,503,868
Deferred capital contributions (note 7)	43,198,035	41,349,160
Total liabilities	60,072,891	58,787,985
Net assets:		
Invested in capital assets (note 8)	9,078,569	11,106,216
Restricted	331,625	331,625
Unrestricted deficiency	(11,486,287)	(13,598,002)
	(2,076,093)	(2,160,161)
Commitments, contingencies and guarantees (note 11)		
	\$ 57,996,798	\$ 56,627,824

See accompanying notes to financial statements.

On behalf of the Board:



Chairperson



Chief Executive Officer

WINCHESTER DISTRICT MEMORIAL HOSPITAL

Statement of Operations

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

	2026	2025
Revenue:		
Ontario Ministry of Health:		
Base funding	\$ 37,261,867	\$ 33,997,310
OHIP funding	9,511,265	7,422,739
Satellite program	6,431,769	5,418,923
One-time funding	4,971,393	2,305,039
Recoveries and other	3,322,376	2,788,616
Other patient	976,859	985,050
Amortization of deferred contributions related to equipment (note 7)	955,611	821,647
Investment	6,045	51
	63,437,185	53,739,375
Expenses:		
Salaries and wages	21,812,735	20,244,230
Supplies and other	15,338,244	13,002,911
Employee benefits	7,243,775	6,869,746
Medical staff remuneration	8,264,038	7,036,567
Drugs and medical gases	6,452,488	5,473,504
Medical and surgical supplies	1,571,490	1,549,182
Amortization of equipment	2,286,994	2,209,564
Rental/lease of equipment	210,945	154,051
Bad debts	62,877	89,844
	63,243,586	56,629,599
Excess (deficiency) of revenue over expenses before undernoted items	193,599	(2,890,224)
Other vote programs:		
Dillabough Centre operations (note 9)	(27,842)	(20,528)
Amortization of deferred contributions related to buildings (note 7)	1,516,684	1,506,824
Amortization of buildings	(1,758,373)	(1,873,484)
Management fee from Rural Healthcare Innovations (note 3(b))	160,000	160,000
	(109,531)	(227,188)
Excess (deficiency) of revenue over expenses	\$ 84,068	\$ (3,117,412)

See accompanying notes to financial statements.

WINCHESTER DISTRICT MEMORIAL HOSPITAL

Statement of Changes in Net Assets

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

	Invested in capital assets (note 8)	Restricted	Unrestricted	2026 Total	2025 Total
Balance, beginning of year	\$ 11,106,216	\$ 331,625	\$ (13,598,002)	\$ (2,160,161)	\$ 957,251
Excess (deficiency) of revenue over expenses	—	—	84,068	84,068	(3,117,412)
Purchase of capital assets (note 4)	4,109,368	—	(4,109,368)	—	—
Loss on disposal of capital assets (note 4)	(19,274)	—	19,274	—	—
Amortization of capital assets (note 4)	(4,062,183)	—	4,062,183	—	—
Amortization of deferred capital contributions (note 7)	2,472,295	—	(2,472,295)	—	—
Deferred capital contributions used (note 7)	(4,527,853)	—	4,527,853	—	—
Balance, end of year	\$ 9,078,569	\$ 331,625	\$ (11,486,287)	\$ (2,076,093)	\$ (2,160,161)

See accompanying notes to financial statements.

WINCHESTER DISTRICT MEMORIAL HOSPITAL

Statement of Cash Flows

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

	2026	2025
Cash provided by (used for):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ 84,068	\$ (3,117,412)
Items not involving cash:		
Amortization of capital assets	4,062,183	4,099,863
Amortization of deferred capital contributions (note 7)	(2,472,295)	(2,328,471)
Loss on disposal of capital assets (note 4)	19,274	8,432
Net increase in employee future benefits liability (note 5)	134,767	130,270
Net change in non-cash working capital (note 10)	(8,902)	1,109,215
	1,819,095	(98,103)
Capital activities:		
Deferred capital contributions received (note 7)	4,321,170	1,766,747
Purchase of capital assets	(4,109,368)	(1,944,814)
	211,802	(178,067)
Financing activities:		
Net decrease in short-term borrowings	(182,911)	(219,630)
Net increase (decrease) in cash	1,847,986	(495,800)
Bank indebtedness, beginning of year	(1,184,450)	(688,650)
Cash (bank indebtedness), end of year	\$ 663,536	\$ (1,184,450)

See accompanying notes to financial statements.

WINCHESTER DISTRICT MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2026

The Winchester District Memorial Hospital (the "Hospital") was incorporated in 1944 under the laws of Ontario and commenced operations on December 28, 1948. The Hospital is a community-based organization providing acute and chronic care services for the residents of its service area. The Hospital is a registered charity and is exempt from income tax under the Income Tax Act (Canada).

These financial statements reflect the assets, liabilities and operations of the Hospital. They do not include the assets, liabilities or operations of WDMH Foundation or its auxiliaries which, although associated with the Hospital, are separately managed, and report to separate Boards of Trustees.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards including the 4200 standards for government not-for-profit organizations and include the following significant accounting policies:

(a) Basis of presentation:

The Hospital follows the deferral method of accounting for government not-for-profit organizations.

(b) Revenue recognition:

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 Ontario Ministry of Health ("MOH"). 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.

Revenue from the Ontario Health Insurance Plan ("OHIP"), other patient care and marketed services, is recognized when the goods are sold, or the service is provided.

The Hospital receives funding for operations for certain programs from the MOH. The final amount of operating revenue recorded cannot be determined until the MOH has reviewed the Hospital's financial and statistical returns for the year. Any adjustments arising from the MOH review is recorded in the period in which the adjustment is made.

Externally restricted contributions are recognized as revenue in the year in which the conditions for the restriction have been met. 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.

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.

WINCHESTER DISTRICT MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2026

1. Significant accounting policies (continued):

(b) Revenue recognition (continued):

Revenues related to the sale of goods or provision of services are recognized in the year in which the underlying transaction or event occurred, performance obligations fulfilled, and future economic benefits are measurable and expected to be obtained. These revenues include patient services, recoveries, and other revenues.

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has not elected to carry any of its financial instruments 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. 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.

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 is adjusted through the statement of remeasurement gains and losses.

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.

The Standards require the Hospital 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.

A statement of remeasurement gains and losses is not presented in these financial statements as the Hospital does not have financial instruments requiring remeasurement.

WINCHESTER DISTRICT MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2026

1. Significant accounting policies (continued):

(d) Foreign currency transactions:

Transactions involving foreign currencies are converted into Canadian dollar equivalents using rates of exchange in effect at the time of the transactions.

(e) Capital assets:

Purchased capital assets, other than minor equipment, are recorded at cost.

Minor equipment replacements are expensed in the year of replacement. Assets under construction are capitalized and are not amortized until the project is complete and the assets are ready for productive use.

When a capital asset no longer contributes to the Hospital's ability to provide services, its carrying amount is written down to its residual value.

Amortization is provided on a straight-line basis over the expected useful life as follows:

Asset	Term
Buildings	20 to 50 years
Hospital equipment	3 to 20 years

(f) Employee future benefits:

The Hospital provides defined retirement and other future benefits for substantially all retirees and employees. These future benefits include life insurance and health care benefits.

The Hospital accrues its obligations under the defined benefit plans as the employees render the services necessary to earn the other retirement benefits. The actuarial determination of the accrued benefit obligations for other retirement benefits uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors). The most recent actuarial valuation of the benefit plans for funding purposes was as of March 31, 2025, and the next required valuation will be as of March 31, 2028.

Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the 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. These defined benefit plans are not funded.

The average remaining service period of active employees covered by the employee benefit plans is 13.17 years (2025 - 12.17 years).

WINCHESTER DISTRICT MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2026

1. Significant accounting policies (continued):

(f) Employee future benefits (continued):

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

The Hospital is an employer member of the Healthcare of Ontario Pension Plan, which is a multi-employer, defined benefit pension plan. The Hospital has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles.

(g) Inventories of supplies:

Inventories of supplies are stated at the lower-of-cost and the net realizable amount. Inventory is determined on the average basis, less a provision for any obsolete or unusable inventory on hand.

(h) Contributed services:

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

(i) 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 disclosure 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 these estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period they become known.

Amounts subject to significant estimates include the assumptions used in determining the employee future benefits liability.

(j) Related party transactions:

Monetary related party transactions and non-monetary related party transactions that have commercial substance are measured at the exchange amount when they are in the normal course of business, except when the transaction is a non-monetary exchange of a product or property held for sale in the normal course of operations. Where the transaction is not in the normal course of operations, it is measured at the exchange amount when there is a substantive change in the ownership of the item transferred and there is independent evidence of the exchange amount.

All other related party transactions are measured at the carrying amount.

WINCHESTER DISTRICT MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2026

2. Accounts receivable:

	2026	2025
Ontario Ministry of Health	\$ 1,294,413	\$ 1,349,045
Ontario Health Insurance Plan	403,025	415,821
Other	1,846,344	1,361,285
	3,543,782	3,126,151
Less allowance for doubtful accounts	75,000	75,000
	\$ 3,468,782	\$ 3,051,151

3. Related party transactions:

(a) The Winchester District Memorial Hospital Foundation:

Effective April 1, 2025, the operations, assets and liabilities of the Winchester District Memorial Hospital Auxiliary (the "Auxiliary") were transferred to and assumed by the Winchester District Memorial Hospital Foundation (the "Foundation"). The Auxiliary was a separately incorporated not for profit organization whose purpose was to support the Hospital through fundraising and related activities.

The transfer was completed pursuant to approvals by the Boards of Directors of the Auxiliary and the Foundation and represents a reorganization between related entities under common control. The Hospital was not a party to the transaction and did not assume any assets or liabilities as part of the transfer.

Following the transfer, the Foundation continues to raise, manage and distribute funds in support of the Hospital. All donor-imposed restrictions on funds raised by the Auxiliary prior to the transfer continue to be administered by the Foundation in accordance with the original donor intentions.

Comparative information has not been restated, as the Auxiliary and the Foundation were separate legal and reporting entities in the prior year.

WINCHESTER DISTRICT MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2026

3. Related party transactions (continued):

(a) The Winchester District Memorial Hospital Foundation (continued):

The Hospital has an economic interest in the Winchester District Memorial Hospital Foundation (the "Foundation"). The Foundation raises, receives and maintains funds for the financing of major equipment, capital construction or needed renovations of the Hospital and Rural Healthcare Innovations. During 2026, the Foundation provided \$3,230,634 (2025 - \$1,102,922) in donations to the Hospital. Of this donated amount, \$20,318 (2025 - \$17,831) has been included in other revenue and \$3,210,316 (2025 - \$1,085,091) has been included in deferred capital contributions related to capital assets. As at March 31, 2026, the Foundation owes the Hospital \$433,498 (2025 - \$100,997) for its share of expenses incurred during the year and donations to be paid.

The assets, liabilities and results of operations for the Foundation for the year ended March 31 are as follows:

	2026	2025
Financial position:		
Total assets	\$ 1,609,871	\$ 2,154,979
Total liabilities	\$ 448,779	\$ 77,182
Net assets	1,161,092	2,077,797
Total liabilities and net assets	\$ 1,609,871	\$ 2,154,979
Results of operations:		
Total revenue	\$ 2,781,799	\$ 3,368,632
Total operating expenses	685,387	792,968
Total contributions to the Hospital and RHI	3,230,635	—
Excess (deficiency) of revenue over expenses	\$ (1,134,223)	\$ 2,575,664

(b) Rural Healthcare Innovations:

The Hospital is related to Rural Healthcare Innovations ("RHI") by virtue of having common executive management personnel. RHI is a registered charity and is incorporated under the laws of Ontario.

WINCHESTER DISTRICT MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2026

3. Related party transactions (continued):

(b) Rural Healthcare Innovations (continued):

In the year, the Hospital charged a management fee to RHI of \$160,000 (2025 - \$160,000) to reimburse the Hospital for management and other services. Any other operating transactions between the Hospital and RHI are recorded at the exchange amount. At year-end, the Hospital had an accounts receivable of \$173,258 (2025 - \$376,717) from RHI.

RHI controls Dundas Manor Limited, a private company by virtue of owning 100% of its common shares. The Hospital had no transactions directly with Dundas Manor Limited in the year.

4. Capital assets:

			2026	2025
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 165,373	\$ —	\$ 165,373	\$ 165,373
Buildings:				
Hospital	73,020,271	30,926,937	42,093,334	43,608,211
Dillabough Centre	996,785	474,513	522,272	539,087
Total land and buildings	74,182,429	31,401,450	42,780,979	44,312,671
Hospital equipment	24,661,589	17,053,285	7,608,304	6,964,335
Assets under construction	1,364,445	—	1,364,445	448,811
	\$ 100,208,463	\$ 48,454,735	\$ 51,753,728	\$ 51,725,817

Cost and accumulated amortization at March 31, 2025 amounted to \$98,731,915 and \$47,006,098, respectively.

During the year, the Hospital disposed of capital assets with a cost of \$2,809,234 (2025 - \$2,638,135) and accumulated amortization of \$2,789,960 (2025 - \$2,630,225), resulting in a loss on disposal of capital assets of \$19,274 (2025 - \$8,432). The disposal of these assets resulted in the derecognition of related deferred capital contributions of \$176,414 (2025 - \$Nil).

WINCHESTER DISTRICT MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2026

5. Employee future benefits:

(a) Health, dental and life insurance plans:

The Hospital provides extended health care and dental insurance benefits to its employees and extends this coverage to the post-retirement period. The measurement date used to determine the accrued benefit obligation is March 31, 2026. The most recent actuarial valuation of employee future benefits was completed as at March 31, 2026.

At March 31, 2026, the Hospital's liability associated with the benefit plan is as follows:

	2026	2025
Accrued benefit obligation	\$ 2,673,626	\$ 2,609,160
Unamortized experience losses	(34,991)	(105,292)
Employee future benefit liability	\$ 2,638,635	\$ 2,503,868

The Hospital's defined benefit plan is not funded, resulting in a plan deficit equal to the accrued benefit obligation.

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

	2026	2025
Discount rate	3.88%	3.89%
Dental cost increases	4.00%	4.00%
Extended healthcare cost escalations	8.00%	8.00%
Expected average remaining service life of employees	13.17 years	12.17 years

The employee future benefit liability change is comprised of:

	2026	2025
Current service cost	\$ 176,028	\$ 183,874
Interest on accrued benefit obligation during the year	101,944	98,851
Amortization of net experience losses	9,795	10,825
Benefit payments made by the Hospital during the year	(153,000)	(163,280)
	\$ 134,767	\$ 130,270

WINCHESTER DISTRICT MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2026

5. Employee future benefits (continued):

(b) Healthcare of Ontario Pension Plan:

Substantially all full-time employees of the Group are eligible to be members of the Healthcare of Ontario Pension Plan (the "Plan"). This Plan is a multi-employer, defined benefit pension plan. Employer contributions to the Plan during the year amounted to \$1,848,483 (2025 - \$1,750,503). These amounts are included in employee benefits expense 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 most recent triennial actuarial valuation of the Plan as at December 31, 2024, indicates the Plan is fully funded.

6. Short-term borrowing:

During the year, the Hospital replaced its existing credit facilities with a Canadian chartered bank. The former facilities consisted of a \$6.0 million demand term loan bearing interest at prime plus 0.75% and a \$3.0 million revolving operating demand facility, under which \$2,497,572 was drawn and repayable on demand as at March 31, 2025.

The new credit facilities comprise a \$6.0 million revolving term loan, a \$6.0 million revolving lease line of credit, and a \$3.0 million revolving operating demand facility, bearing interest at bank prime plus 0.50%. At March 31, 2026, \$2,314,661 was drawn under these facilities.

The new facilities are used primarily to finance general operation with the ability to use for capital assets, with repayment terms established at the time of each drawdown. This change reflects a shift from operating and demand-based borrowing arrangements to primarily capital-focused revolving credit facilities.

WINCHESTER DISTRICT MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2026

7. Deferred capital contributions:

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations.

The changes in the deferred balance for the year are as follows:

	2026	2025
Balance, beginning of year	\$ 41,349,160	\$ 41,910,884
Add contributions received during the year	4,321,170	1,766,747
Less amounts amortized for buildings	(1,516,684)	(1,506,824)
Less amounts amortized for equipment	(955,611)	(821,647)
	<u>\$ 43,198,035</u>	<u>\$ 41,349,160</u>

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

	2026	2025
Unamortized capital contributions	\$ 42,675,159	\$ 40,619,601
Unspent contributions	522,876	729,559
	<u>\$ 43,198,035</u>	<u>\$ 41,349,160</u>

In the year, the Hospital used \$4,527,853 (2025 - \$1,922,989) of unspent deferred capital contributions for the acquisition of capital assets.

WINCHESTER DISTRICT MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2026

8. Net assets invested in capital assets:

	2026	2025
Capital assets	\$ 51,753,728	\$ 51,725,817
Less amounts financed by deferred contributions (note 7)	(42,675,159)	(40,619,601)
	\$ 9,078,569	\$ 11,106,216

9. Dillabough Centre Operations:

(a) Dillabough Centre:

Restricted net assets of \$331,625 (2025 - \$331,625) represent funds internally restricted by the Hospital relating to the Dillabough Centre. These funds are to be used for the ongoing operations, maintenance and future capital requirements of the rental property and are not available for general operations.

(b) Operations:

	2026	2025
Rental revenue	\$ 76,487	\$ 66,311
Rental operating costs	87,514	70,024
Amortization of capital assets	16,815	16,815
Total expenses	104,329	86,839
Deficiency of revenue over expenses	\$ (27,842)	\$ (20,528)

10. Change in non-cash operating working capital:

	2026	2025
Accounts receivable	\$ (214,172)	\$ 560,112
Due from related entities	(332,483)	145,649
Inventories of supplies	(36,282)	122,428
Prepaid expenses and deposits	(94,590)	(122,210)
Accounts payable and accrued liabilities	537,574	397,722
Deferred revenue	131,051	5,514
	\$ (8,902)	\$ 1,109,215

WINCHESTER DISTRICT MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2026

11. Commitments, contingencies and guarantees:

(a) Legal matters and litigation:

The nature of the Hospital's activities is such that there is usually litigation pending or in prospect at any time. There were no specific claims noted by Management at year-end and any potential claims are covered under the Hospital's insurance policy. No provision has been made for a loss in these financial statements, and any potential claims will not have a material adverse effect on the statement of financial position or results of operations.

(b) Healthcare Insurance Reciprocal of Canada:

A group of hospitals, including the Hospital, have formed the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the public liability insurance risks of its members. All members of the pool pay annual premiums which are actuarially determined. All members are subject to assessment for losses in excess of such premiums, if any, experienced by the pool for the years in which they were members, and these losses could be material. No reassessments have been made to March 31, 2026.

(c) Indemnification of Directors:

To the extent permitted by law the Hospital indemnifies present and former directors and officers against certain claims that may be made against them as a result of their service as directors or officers. The Hospital purchases directors' and officers' liability insurance that may be available in certain instances. The nature and likelihood of these arrangements preclude the Hospital from making a reasonable estimate of the maximum potential amount the Hospital could be required to pay to counterparties. The Hospital believes the likelihood that it will incur significant liability under these arrangements is remote and accordingly, no amount has been recorded in the financial statements for these guarantees.

(d) Employment matters:

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

WINCHESTER DISTRICT MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2026

12. Financial risks:

The Hospital is subject to the following risks from its financial instruments:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Hospital is exposed to credit risk relating to its cash and accounts receivable.

The hospital holds its cash with federally regulated chartered banks. While these balances are insured by the Canada Deposit Insurance Corporation ("CDIC"), such insurance is subject to limits. Management does not believe that the Hospital is exposed to significant credit risk on its cash as it is held with major financial institutions.

The Hospital's receivables are with governments, government funding agencies, patients, residents and corporate entities. The Hospital believes that these receivables do not have significant credit risk in excess of allowances for doubtful accounts (note 2).

(b) Liquidity risk:

Liquidity risk is the risk that the Hospital will be unable to settle 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 30 days of receipt of an invoice.

As at March 31, 2026, current liabilities exceed current assets by \$7.9 million. The Hospital recorded a positive operating cash flow in the current year and did not report an operating deficit in 2026; operating deficits occurred only in 2025 and 2024 and are not expected to recur. Those prior deficits reduced working capital and moved the Hospital into an overall net asset deficit position. Management has identified several contributing factors, including uncertainty in Ministry funding and inflationary cost pressures, and continues to pursue measures to address these financial challenges. In the short term, the Hospital intends to rely on existing credit facilities and efficiency savings, and it maintains an elevated level of reliance on the Ministry of Health and Ontario Health for assistance with operating and capital requirements.

WINCHESTER DISTRICT MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2026

12. Financial risks (continued):

(c) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk and other price risk.

(i) Interest rate risk:

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. The Hospital is exposed to this risk through its short-term borrowing as disclosed in note 6.

(ii) Currency and other price risk:

The Hospital believes it is not subject to significant currency or other price risk from its financial instruments as it holds insignificant amounts in foreign currencies and does not hold investments traded in an active market.

Other than liquidity risk disclosed above, the Hospital's financial risks arising from its financial instruments have not changed significantly in the year. Management believes that its financial risks are appropriately mitigated and do not pose a significant risk to the Hospital's operations in the short term. There have been no significant changes in the policies, procedures and methods used to manage these risks in the year.

13. Comparative information:

Certain 2025 comparative information has been reclassified to conform with the financial statement presentation adopted for 2026.