

Espanola General Hospital

Financial Statements

Year ended March 31, 2026

MANAGEMENT RESPONSIBILITY STATEMENT

The accompanying financial statements of the Espanola General Hospital (“the Hospital”) are the responsibility of the Hospital’s management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of The Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in Note 2 to these financial statements. The preparation of the financial statements necessarily involves the use of estimates based on management’s judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Hospital’s management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The Board of Directors meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by Freelandt Caldwell Reilly LLP, independent external auditors appointed by the Hospital. The accompanying Independent Auditor’s Report outlines their responsibilities, the scope of their examination and their opinion on the Hospital’s financial statements.



Chair, Board of Directors

May 26, 2026



Chief Executive Officer

INDEPENDENT AUDITOR'S REPORT

To: The Board of Directors of
Espanola General Hospital

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Espanola General Hospital**, which comprise the statement of financial position as at **March 31, 2026**, and the statements of operations, remeasurement gains and losses, 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 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 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.

INDEPENDENT AUDITOR'S REPORT, continued

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 Hospital'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 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.

INDEPENDENT AUDITOR'S REPORT, continued

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.

Freelandt Caldwell Reilly LLP

FREELANDT CALDWELL REILLY LLP

Chartered Professional Accountants
Licensed Public Accountants

Espanola, Ontario
May 26, 2026

Espanola General Hospital
Statement of Financial Position
March 31, 2026 with comparative figures for 2025

	2026 \$	2025 \$
Assets		
Current assets		
Cash	3,603,320	3,968,041
Accounts receivable	1,084,143	2,495,659
Inventories	352,112	334,825
Prepaid expenses	373,697	313,855
	5,413,272	7,112,380
Portfolio investments (note 3)	3,954,018	3,873,760
Capital assets (note 4)	21,489,885	21,577,711
Capital expenditures for projects in progress	139,278	566,200
	30,996,453	33,130,051
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	6,171,166	6,577,578
Current portion of long-term debt	200,000	200,000
	6,371,166	6,777,578
Long-term debt (note 7)	1,533,334	1,733,334
Deferred contributions for capital assets (note 8)	15,544,765	15,713,420
Post-employment benefits (note 9)	856,032	847,062
	24,305,297	25,071,394
Net Assets		
Invested in capital assets (note 10)	6,084,398	6,430,491
Internally restricted for the acquisition of capital assets	-	-
Unrestricted	825,033	1,815,170
	6,909,431	8,245,661
Accumulated remeasurement losses	(218,275)	(187,004)
Total net assets	6,691,156	8,058,657
	30,996,453	33,130,051

Contingent liability (note 11)

Espanola General Hospital

Statement of Operations

Year ended March 31, 2026 with comparative figures for 2025

	2026	2025
	\$	\$
Revenues		
Ministry of Health:		
Hospital operations	20,687,146	18,736,109
Sources other than Ministry of Health:		
Recoveries and other revenues	4,399,466	3,728,094
Other patient revenue	2,338,574	1,961,774
Co-payments	697,442	693,867
Gain (loss) on disposal of capital assets	(1,910)	365
Amortization of deferred contributions for allowable capital assets	109,264	103,820
	28,229,982	25,224,029
Expenses		
Salaries and wages	13,301,087	12,048,809
Supplies and services	5,677,225	5,215,713
Medical staff remuneration	4,203,148	3,567,884
Employee benefits	3,884,045	3,211,271
Amortization of allowable capital assets	702,373	745,735
Medical and surgical supplies	233,139	204,851
Drugs and medical gases	216,262	202,486
Bad debts	37,507	30,724
	28,254,786	25,227,473
Excess (deficiency) of revenues over expenses before undernoted items	(24,804)	(3,444)
Other Revenues		
Long-term care program (schedule 1)	4,518,433	4,558,979
Other votes and programs (note 12)	1,289,593	828,805
Amortization of deferred contributions for non-allowable capital assets	540,376	516,829
	6,348,402	5,904,613
Other Expenses		
Long-term care program (schedule 1)	5,628,744	5,403,820
Other votes and programs (note 12)	1,289,593	827,332
Amortization of non-allowable capital assets	741,491	719,400
	7,659,828	6,950,552
Deficiency of revenues over expenses	(1,336,230)	(1,049,383)

Espanola General Hospital**Statement of Remeasurement Gains and Losses****Year ended March 31, 2026 with comparative figures for 2025**

	2026	2025
	\$	\$
Accumulated remeasurement losses, beginning of year	(187,004)	(306,525)
Unrealized gains (losses) attributable to portfolio investments	(29,122)	119,521
Realized gain attributable to portfolio investments transferred to the statement of operations	(2,149)	-
Accumulated remeasurement losses, end of year	(218,275)	(187,004)

Espanola General Hospital**Statement of Changes in Net Assets****Year ended March 31, 2026 with comparative figures for 2025**

	Invested in capital assets \$ (note 10)	Internally restricted for acquisition of capital assets \$ (note 15)	Unrestricted		2026 \$	2025 \$
			Hospital Operations \$	Long-Term Care Operations		
Net assets, beginning of year	6,430,491	-	11,719,283	(9,904,113)	8,245,661	9,295,044
Excess (deficiency) of revenues over expenses	(800,933)	114,923	455,292	(1,105,512)	(1,336,230)	(1,049,383)
Transfers for net assets invested in capital assets	454,840	(114,923)	(339,917)	-	-	-
Net assets, end of year	6,084,398	-	11,834,658	(11,009,625)	6,909,431	8,245,661

Espanola General Hospital

Statement of Cash Flows

Year ended March 31, 2026 with comparative figures for 2025

	2026	2025
	\$	\$
Operating transactions		
Cash provided by (used for):		
Deficiency of revenues over expenses	(1,336,230)	(1,049,383)
Items not involving cash		
Amortization of capital assets	1,775,848	1,766,485
Amortization of deferred contributions for capital assets	(976,825)	(916,760)
Loss on sale of portfolio investments	-	-
Loss (gain) on disposal of capital assets	1,910	(365)
	(535,297)	(200,023)
Net change in operational working capital		
Accounts receivable	1,411,516	(498,564)
Inventories	(17,287)	(23,425)
Prepaid expenses	(59,842)	(68,778)
Accounts payable and accrued liabilities	(406,412)	379,512
Post-employment benefits	8,970	8,496
	401,648	(402,782)
Investing transactions		
Change in portfolio investments	(111,529)	(147,410)
Capital transactions		
Purchase of capital assets	(926,813)	(296,988)
Purchase of construction projects in progress capital assets	(336,197)	(1,079,160)
	(1,263,010)	(1,376,148)
Financing transactions		
Demand operating loan	-	(1,385,500)
Proceeds of long-term debt	-	2,000,000
Repayments on long-term debt	(200,000)	(66,666)
Deferred contributions for capital assets received	808,170	1,642,719
	608,170	2,190,553
Net increase in cash	(364,721)	264,213
Cash, beginning of year	3,968,041	3,703,828
Cash, end of year	3,603,320	3,968,041

Espanola General Hospital

Notes to the Financial Statements

Year ended March 31, 2026 with comparative figures for 2025

1. Nature of operations

Espanola General Hospital (“the Hospital”) is principally involved in providing health care services to the residents of the Espanola area. The Hospital is incorporated without share capital under the Corporations Act (Ontario) and is a charitable organization within the meaning of the Income Tax Act (Canada) and accordingly is exempt from income tax.

2. Significant accounting policies

The financial statements of the Hospital are prepared using Canadian public sector accounting standards, including the PS 4200 series of standard applicable to government not-for-profit organizations, as issued by the Public Sector Accounting Board. The significant accounting policies are detailed as follows:

(a) Revenue recognition

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

The Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health and the Ministry of Long-Term Care. These financial statements reflect agreed arrangements approved by the Ministries with respect to the year ended March 31, 2026.

Unrestricted contributions are recognized as revenue when received or receivable if the amount 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 provincial insurance plan, preferred accommodation and marketed services are recognized when the goods are sold, or the service is provided.

Realized investment income is recognized as revenue when earned.

(b) Contributed services

The Hospital is dependent on the voluntary services of many individuals. Since these services are not normally purchased by the Hospital and because of the difficulty in estimating their fair market value, these services are not recorded in these financial statements.

(c) Inventory

Inventories are valued at the lower of cost and current replacement cost.

Espanola General Hospital

Notes to the Financial Statements

Year ended March 31, 2026 with comparative figures for 2025

2. Significant accounting policies, continued

(d) Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. When a capital asset no longer contributes to the Hospital's ability to provide services, its carrying amount is written down to its estimated realizable value.

Amortization is provided on assets placed into use on a straight-line basis over their estimated useful lives as follows:

Land improvements	5 to 25 years
Buildings	40 years
Equipment and software	5 to 20 years
Building service equipment	5 to 25 years

Amortization of leasehold improvements is recorded over the remaining term of the lease plus the first renewal option.

Capital expenditures for projects in progress are not recorded as a capital asset or amortized until construction is complete and the asset is put into service.

(e) Compensated absences

Compensation expense is accrued for all employees as entitlement to these payments is earned, in accordance with the Hospital's policies for vacation, overtime and post-employment benefits.

(f) Retirement and post-employment benefits

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

- (i) The costs of post-employment benefits are determined using management's best estimate of health care costs, employee turnover rates and discount rates. Adjustments to these costs arising from plan amendments and changes in estimates are accounted for in the period of the amendment or change.
- (ii) The expense related to the multi-employer defined benefit pension plan are the employer's contributions to the plan in the year.
- (iii) The discount rate used in the determination of post-employment benefits is equal to the Hospital's internal rate of borrowing.

Espanola General Hospital

Notes to the Financial Statements

Year ended March 31, 2026 with comparative figures for 2025

2. Significant accounting policies, continued

(g) Other entities

The notes to the financial statements include information about the following entities:

One Health Information Technology Services
Espanola General Hospital Auxiliary
Espanola General Hospital Foundation

These entities are not consolidated.

(h) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant. Accounts specifically affected by estimates in these financial statements are estimated useful lives of capital assets and the post-employment benefits liability.

(i) Financial instruments

The Hospital initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Hospital subsequently measures its financial assets and financial liabilities at amortized cost using the effective interest rate method, except for investments in equity securities that are quoted in an active market or financial assets designated to the fair value category, which are subsequently measured at fair value. Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, at which point they are transferred to the statement of operations.

Financial assets and liabilities measured at amortized cost include cash, accounts receivable, accounts payable and accrued liabilities and long-term debt.

Financial assets measured at fair value include portfolio investments. The Hospital has designated its bond portfolio that would otherwise be classified into the amortized cost category, at fair value as the Hospital manages and reports performance on the portfolio on a fair value basis.

Espanola General Hospital

Notes to the Financial Statements

Year ended March 31, 2026 with comparative figures for 2025

3. Portfolio investments

	2026	2025
Investments at cost		
Bonds and debentures (including accrued interest)	\$ 3,312,211	\$ 2,548,365
Cash	860,082	1,512,399
	<hr/> 4,172,293	<hr/> 4,060,764
Investments at fair market value		
Bonds and debentures (including accrued interest)	3,093,936	2,361,361
Cash	860,082	1,512,399
	<hr/> 3,954,018	<hr/> 3,873,760
Accumulated remeasurement losses	\$ (218,275)	\$ (187,004)

The Hospital's portfolio investments include bonds and debentures which bear interest at varying rates between 2.82% and 6.93% per annum with maturity dates between December 2026 and April 2042.

Maturity profile of bonds held is as follows:

	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	Total
Fair market value	\$ 372,189	\$ 1,117,243	\$ 995,053	\$ 609,451	\$ 3,093,936

Financial instruments that are measured subsequent to initial recognition at fair value are 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 quoted prices (unadjusted) 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 or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

Market value of the Hospital's portfolio investments have been determined using Level 1 measures in the fair value hierarchy.

Espanola General Hospital

Notes to the Financial Statements

Year ended March 31, 2026 with comparative figures for 2025

4. Capital assets

	2026		2025	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Land	\$ 129,275	\$ -	\$ 129,275	\$ -
Land improvements	1,688,231	1,346,597	1,688,231	1,308,950
Buildings	26,374,349	12,272,495	25,935,891	11,561,119
Equipment and software	12,399,308	8,483,903	14,212,349	10,006,168
Building service equipment	8,916,440	5,914,723	8,289,234	5,801,032
Leasehold improvements	270,796	270,796	270,796	270,796
	49,778,399	28,288,514	50,525,776	28,948,065
Net book value	\$ 21,489,885		\$ 21,577,711	

5. Credit facilities

Toronto Dominion Bank has authorized a demand operating credit facility to a maximum of \$300,000 which is unsecured and bears interest at the bank's prime rate of interest less 0.75% per annum.

The Toronto Dominion Bank has also authorized an interim demand credit facility to a maximum of \$2,000,000 which is unsecured and bears interest at the bank's prime rate of interest less 0.85% per annum. At March 31, 2026, \$NIL (2025 - \$NIL) has been drawn on the interim demand credit facility.

Finally, the Toronto Dominion Bank has authorized a single draw credit facility to a maximum of \$2,000,000 to retire the interim demand credit facility, unsecured and bears interest at the bank's prime rate of interest less 0.85% per annum, for a term of up to 20 years. At March 31, 2026, the balance drawn on this facility was \$1,733,334 (2025 - \$1,933,334) (note 7).

Espanola General Hospital

Notes to the Financial Statements

Year ended March 31, 2026 with comparative figures for 2025

6. Accounts payable and accrued liabilities

	2026	2025
Payroll related accruals:		
Wages and payroll remittances	\$ 1,631,220	\$ 1,371,074
Vacation and statutory holiday pay	1,432,245	1,285,346
Total payroll related accruals	3,063,465	2,656,420
Payable to Ontario Ministry of Health	598,079	353,364
Payable to Ontario Ministry of Long-Term Care	678,189	899,321
Other payables and accrued liabilities	1,831,433	2,668,473
	\$ 6,171,166	\$ 6,577,578

7. Long-term debt

	2026	2025
Toronto Dominion Bank Term loan payable, repayable at \$16,667 monthly plus interest at the bank's prime rate of interest less 0.85% per annum, unsecured and maturing November 2034	\$ 1,733,334	\$ 1,933,334
Less current portion	200,000	200,000
	\$ 1,533,334	\$ 1,733,334
Estimated principal repayments are as follows:		
2027	\$ 200,000	
2028	200,000	
2029	200,000	
2030	200,000	
2031	200,000	
Subsequent years	733,334	
	\$ 1,733,334	

Espanola General Hospital

Notes to the Financial Statements

Year ended March 31, 2026 with comparative figures for 2025

8. Deferred contributions for capital assets

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

	2026	2025
Balance, beginning of year	\$ 15,713,420	\$ 14,987,461
Additional contributions received	808,170	1,642,719
Amounts amortized to revenue	(976,825)	(916,760)
Balance, end of year	\$ 15,544,765	\$ 15,713,420

9. Post employment benefits

Espanola General Hospital pays certain benefits on behalf of its retired employees. The Hospital recognizes these post-retirement costs in the period in which the employees rendered their services. The accrued benefit liability of \$856,032 (2025 - \$847,062) and the expense for the period ended March 31, 2026 in the amount of \$58,338 (2025 - \$53,847) were determined using a discount rate of 3.88% (2025 - 3.95%) per annum.

Information about Espanola General Hospital's defined benefit plan is as follows:

	2026	2025
Accrued benefit obligation, beginning of year	\$ 847,062	\$ 838,566
Expense for the period	58,338	53,847
Benefits paid for the period	(49,368)	(45,351)
Accrued benefit obligation, end of year	\$ 856,032	\$ 847,062

The main assumptions employed for the valuations are as follows:

(a) Interest (discount) rate:

The obligation as at March 31, 2026 for the present value of future liabilities and the expense for the period ended March 31, 2026 were determined using an annual discount rate of 3.88% (2025 - 3.95%) per annum.

(b) Benefits costs:

Dental costs were assumed to increase at a rate of 4.0% per annum and extended health care costs were assumed to increase at a rate of 5.5% per annum decreasing to a rate of 4.0% per annum over 15 years.

The post-employment benefits obligation was estimated based on an actuarial valuation performed as at March 31, 2025.

Espanola General Hospital

Notes to the Financial Statements

Year ended March 31, 2026 with comparative figures for 2025

10. Net assets invested in capital assets

	2026	2025
Net assets invested in capital assets are calculated as follows:		
Capital assets	\$ 21,489,885	\$ 21,577,711
Capital expenditures for projects in progress	139,278	566,200
	21,629,163	22,143,911
Deferred contributions for capital assets	15,544,765	15,713,420
Net assets invested in capital assets	\$ 6,084,398	\$ 6,430,491
	2026	2025
Change in net assets invested in capital assets is calculated as follows:		
Amortization of deferred contributions for capital assets	\$ 976,825	\$ 916,760
Gain (loss) on disposal of capital assets	(1,910)	365
Amortization of capital assets	(1,775,848)	(1,766,485)
	(800,933)	(849,360)
Purchase of capital assets	926,813	296,988
Expenditures for projects in progress	336,197	1,079,160
Deferred capital contributions received	(808,170)	(1,642,719)
Net investment in capital assets	454,840	(266,571)
Change in net assets invested in capital assets	\$ (346,093)	\$ (1,115,931)

11. Contingent liabilities

- (i) The nature of the Hospital's activities are such that there is usually litigation pending or in progress. With respect to claims at March 31, 2026, except as disclosed below, management believes that the Hospital has valid defences and appropriate insurance in place. In the event that any claim is successful, management believes that these claims are not expected to have a material effect on the Hospital's financial position individually or in aggregate.
- (ii) The Hospital has been named as a defendant in a breach of contract claim totaling \$950,000. This claim is being contested by the Hospital and that process remains ongoing. At this time it is not possible to predict the ultimate outcome of this matter.
- (iii) The Hospital is a member of the Healthcare Insurance Reciprocal of Canada (HIROC) which was established by hospitals and other healthcare organizations to self-insure by pooling the public liability insurance risks of its members. All members pay annual premiums to HIROC which are actuarially determined. If the aggregate premiums paid by members are not sufficient to cover claims, the Hospital will be required to provide an additional premium payment on a proportional basis with all other members.

Espanola General Hospital

Notes to the Financial Statements

Year ended March 31, 2026 with comparative figures for 2025

12. Other votes and programs

	Revenue	Expenses	2026 Surplus
Community support services	\$ 1,284,943	\$ 1,284,943	-
Municipal taxes	4,650	4,650	-
	\$ 1,289,593	\$ 1,289,593	-

13. 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. Plan members will receive benefits based on the length of service and on the average of annualised earnings during the five consecutive years prior to retirement, termination or death that provide the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the amounts contributed by employees, 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 actuarial valuation of the plan indicates the Plan is fully funded.

Contributions to the Plan made during the year by the Hospital on behalf of its employees amounted to \$1,272,160 (2025 - \$1,078,812) and are included in the statement of operations.

At December 31, 2025 the HOOPP pension plan had total assets of \$272.9 billion (2024 - \$240.5 billion) and an accumulated surplus of \$11.1 billion (2024 - \$10.4 billion).

Espanola General Hospital

Notes to the Financial Statements

Year ended March 31, 2026 with comparative figures for 2025

14. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring financial risks to or from another party. The Hospital is exposed to the following risks in relation to financial instruments and transactions it is a party to:

(a) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The Hospital is exposed to this risk relating to its cash, portfolio investments and accounts receivable.

The Hospital manages credit risk relating to cash and portfolio investments by holding these financial assets with large reputable financial institutions with high credit ratings.

The Hospital is exposed to credit risk in accounts receivable, which includes patient, insurance, government and other receivables. The Hospital measures and manages its exposure to credit risk with respect to accounts receivable based on how long the amounts have been outstanding and management's on-going monitoring of accounts receivable balances and collections.

(b) Liquidity risk

Liquidity risk is the risk that the Hospital cannot repay its obligations when they become due to its creditors. The Hospital is exposed to this risk relating to its accounts payable and accrued liabilities and long-term debt.

The Hospital reduces its exposure to liquidity risk by monitoring cash activities and expected outflow through extensive budgeting and maintaining enough cash and investments to repay creditors as payables become due.

(c) 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 interest rate risk associated with its long-term debt interest, which is variable based on prime lending rates and fluctuates over time due to a variety of financial market factors. Changes in the long-term debt interest rate may cause future changes in interest expenses and associated cash flows and excess (deficiency) of revenue over expenses.

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

Espanola General Hospital

Notes to the Financial Statements

Year ended March 31, 2026 with comparative figures for 2025

14. Financial instruments, continued

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Hospital does not have material transactions or financial instruments denominated in foreign currencies.

(ii) 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 interest-bearing investments.

The Hospital's bond portfolio has interest rates and maturities as detailed in note 3 to the financial statements. The Hospital does not use derivative instruments to reduce its exposure to interest rate risk.

(iii) Other price risk

Other price risk is the uncertainty associated with the valuation of financial assets arising from changes in equity markets. The Hospital does not have material equity holdings within its investment portfolio.

(iv) There have not been significant changes from the previous year in the exposure to any of the above market risks or policies, procedures and methods used to measure these risks.

Espanola General Hospital

Notes to the Financial Statements

Year ended March 31, 2026 with comparative figures for 2025

15. Internal restrictions for capital assets

The Board of Directors has restricted net assets for the acquisition of capital assets. This internally restricted amount is not available for other purposes without approval by the Board of Directors.

Investment income recorded in the statement of operations is calculated as follows:

	2026	2025
Total portfolio investment income	\$ 114,923	\$ 137,407
Less: amounts internally restricted for the purchase of capital assets	(114,923)	(137,407)
	\$ -	\$ -

16. Queensway Place

Queensway Place is a supportive housing program of the Hospital which is designed to be self-supporting over the long term. The program tracks revenues and expenses and each year the Board segregates the portion of surplus or deficit which pertains to Queensway Place.

Espanola General Hospital

Notes to the Financial Statements

Year ended March 31, 2026 with comparative figures for 2025

17. 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 capital implementation and support services to participating member hospitals (the members) in Northeastern Ontario on a cost recovery basis through a Master Services Agreement and a Membership Agreement. The Hospital is a member of ONE HITS and is responsible for a 1.38% proportionate share of its financing requirements. In turn, ONE HITS provides the Hospital with access to shared software platforms and information technology solutions for an initial term of ten years to December 31, 2031, and will automatically renew for additional five year renewal terms unless terminated by the members. The Hospital accounts for its interest in ONE HITS using the modified equity method.

Financial summaries of ONE HITS at March 31 are as follows:

	2026	2025
<hr/>		
Assets:		
Current assets	\$ 10,946,404	\$ 19,884,611
Capital assets	28,652,169	30,617,479
	<hr/>	<hr/>
	39,598,573	50,502,090
	<hr/>	
Liabilities:		
Current liabilities	5,053,087	13,498,497
Non-current liabilities	34,545,486	37,003,593
	<hr/>	<hr/>
	39,598,573	50,502,090
	<hr/>	
Net assets	\$ -	\$ -
	<hr/>	
	2026	2025
<hr/>		
Results of operations:		
Total revenue	\$ 19,737,503	\$ 16,087,528
Total expenses	(19,737,503)	(16,087,528)
	<hr/>	
Excess of revenue over expenses	\$ -	\$ -
	<hr/>	

Included in accounts payable and accrued liabilities at March 31, 2026 are amounts owing to ONE HITS of \$NIL (2025 - \$114,697).

Included in capital assets - equipment and software at March 31, 2026 are capital assets with a cost of \$765,982 (2025 - \$765,982) and accumulated amortization of \$134,047 (2025 - \$57,449) and a net carrying amount of \$631,935 (2025 - \$708,533) representing the Hospital's capital contributions to ONE HITS.

Espanola General Hospital

Notes to the Financial Statements

Year ended March 31, 2026 with comparative figures for 2025

18. Espanola General Hospital Auxiliary

The Espanola General Hospital Auxiliary is an ancillary volunteer organization. Under their constitutions and by-laws, the stated purpose of the Auxiliary is to assist the Espanola General Hospital. The Auxiliary is managed by an Executive Board elected by the members.

The financial statements of the Auxiliary have not been consolidated in the Espanola General Hospital financial statements. Financial statements of the auxiliary are available upon request. Financial summaries of the Auxiliary at March 31 are as follows:

	2026	2025
<hr/>		
Financial Position		
Total assets	\$ 71,223	\$ 50,011
<hr/>		
<hr/>		
Results of Operations		
Total revenues	\$ 75,787	\$ 54,685
Total expenditures	(54,575)	(49,148)
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Excess of revenues over expenditures	\$ 21,212	\$ 5,537
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Espanola General Hospital

Notes to the Financial Statements

Year ended March 31, 2026 with comparative figures for 2025

19. Espanola General Hospital Foundation

The Foundation is incorporated without share capital under the Corporations Act (Ontario) and is a registered charity under the Income Tax Act (Canada). The Espanola General Hospital Foundation raises funds from the community for the benefit of the Hospital.

The financial statements of the Foundation have not been consolidated in the Hospital's financial statements. Financial statements of the Foundation are available upon request. Financial summaries of the Foundation at March 31 are as follows:

	2026	2025
Financial Position:		
Total assets	\$ 310,280	\$ 168,970
Total liabilities	(5,006)	(12,322)
Net assets	\$ 305,274	\$ 156,648
Results of Operations:		
Total revenues	\$ 382,266	\$ 160,037
Total expenditures	(233,640)	(49,594)
Unrealised gain (loss) on investments	-	-
Excess of revenues over expenditures	\$ 148,626	\$ 110,443

During the year, an amount of \$192,125 (2025 - \$2,548) has been donated by the Foundation to the Hospital.

20. Comparative figures

The financial statements have been reclassified where applicable, to conform to the presentation adopted in the current year. The changes do not affect the prior year deficiency of revenues over expenses.

Espanola General Hospital**SCHEDULE 1****Schedule of Long-Term Care Operations****Year ended March 31, 2026 with comparative figures for 2025**

	2026	2025
	\$	\$
Revenues:		
Ministry of Long-Term Care - Operations	3,342,264	3,425,082
Co-payments	738,661	728,393
Preferred accommodations	72,809	70,272
Recoveries and other revenue	37,514	39,121
Amortization of deferred contributions for capital assets	327,185	296,111
	4,518,433	4,558,979
Expenses:		
Medical Remuneration	19,043	16,732
Nursing Expenses		
Salaries and benefits	2,967,900	2,892,993
Supplies and other	238,233	290,209
Program and Support		
Salaries and benefits	267,207	283,763
Supplies and other	59,511	51,269
Accommodation Expenses		
Salaries and benefits	1,283,420	1,159,965
Supplies and other	215,876	201,654
Food costs	157,406	152,690
Plant operations	88,164	100,619
Bad debts	-	(47,424)
Amortization of capital assets	331,984	301,350
	5,628,744	5,403,820
Deficiency of revenues over expenses	(1,110,311)	(844,841)