Lake of the Woods District Hospital
Financial Statements
March 31, 2026

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Management's Responsibility

To the Board of Lake of the Woods District Hospital:

The accompanying financial statements of the Lake of the Woods District Hospital (the "Hospital") are the responsibility of management and have been approved by the Board.

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Hospital Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial statements. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Hospital's external auditors.

MNP LLP is appointed by the Board to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

June 11, 2026

CEO

To the Members and to the Board of Lake of the Woods District Hospital:

Opinion

We have audited the financial statements of Lake of the Woods District Hospital (the "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 Hospital as at March 31, 2026, and the results of its 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.

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.

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.

MNP LLP

Kenora, Ontario — Chartered Professional Accountants

June 11, 2026 — Licensed Public Accountants

Lake of the Woods District Hospital
Statement of Financial Position
As at March 31, 2026

	2026	2025
Current assets		
Cash *(Note 1)*	**$ 7,352,722**	$ 4,211,758
Short-term investments *(Note 2)*	**382,154**	371,023
Accounts receivable *(Note 3)*	**15,520,078**	9,776,181
Inventory	**1,632,450**	1,522,560
Prepaid expenses	**989,308**	786,433
	25,876,712	16,667,955
Long-term prepaid *(Note 11)*	**2,833,753**	851,508
Tangible capital assets *(Note 4)*	**34,677,672**	30,329,688
	$ 63,388,137	$ 47,849,151
Current liabilities		
Accounts payable *(Note 6)*	**$ 24,744,119**	$ 16,449,209
Deferred contributions – donations and grants *(Note 9)*	**2,953,155**	1,300,495
	27,697,274	17,749,704
Long-term charges *(Note 11)*	**2,833,753**	851,508
Asset retirement obligation *(Note 7)*	**2,885,403**	2,805,988
Accrued employee future benefit obligation *(Note 8)*	**2,058,300**	2,060,200
Deferred contributions- Unamortized capital contributions *(Note 9)*	**30,438,138**	26,403,691
	38,215,594	32,121,387
	65,912,868	49,871,091
Net assets (debt)		
Invested in tangible capital assets *(Note 10)*	**1,354,131**	1,120,009
Internally restricted for capital	**1,359,446**	1,348,316
Unrestricted net deficit	**(5,238,308)**	(4,490,265)
	(2,524,731)	(2,021,940)
	$ 63,388,137	$ 47,849,151

Approved on behalf of the Board

_______________ **Director** _______________ **Director**

	Budget 2026 *(Unaudited)* *(Note 17)*	**2026**	2025
Revenue *(Schedule 1)*			
Ministry of Health/OHN/CCO	$ 65,727,529	**$ 71,756,826**	$ 65,659,034
Patient revenue from other payors	6,123,500	**7,911,948**	6,043,758
Differential and co-payment revenue	260,000	**215,782**	262,178
Other revenue and recoveries	20,279,928	**30,337,250**	8,065,708
Amortization of grants/donations of equipment	1,746,245	**2,003,194**	1,419,174
Total Hospital Operating Revenue	94,137,202	**112,225,000**	81,449,852
Other programs, net of amounts repayable to funding agencies *(Schedules 3,4 and 5)*	13,764,715	**18,988,158**	14,614,968
	107,901,917	**131,213,158**	96,064,820
Expenses			
Salaries, wages and employee benefits *(Schedule 2)*	48,451,300	**52,534,411**	46,800,599
Medical staff remuneration	13,226,060	**15,016,415**	12,058,616
Rural Generalist Council medical staff remuneration	8,456,481	**7,771,575**	-
Supplies and other expenses *(Schedule 2)*	17,842,679	**27,557,835**	14,837,306
Medical and surgical supplies *(Schedule 2)*	2,916,550	**3,719,037**	3,084,804
Drugs	3,483,750	**3,534,377**	3,599,840
Amortization of equipment	1,795,637	**2,511,092**	1,802,812
Bad debts	50,000	**16,998**	141,970
Total Hospital Operating Expenses	96,222,457	**112,661,740**	82,325,947
Other programs *(Schedules 3,4 and 5)*	13,764,715	**18,471,504**	15,137,012
	109,987,172	**131,133,244**	97,462,959
Surplus(deficit) before amortization related to buildings	(2,085,255)	**79,914**	(1,398,139)
Amortization of buildings	(2,663,398)	**(2,537,646)**	(2,734,665)
Asset retirement obligation accretion *(Note 7)*	(79,416)	**(79,415)**	(79,415)
Amortization of deferred contributions related to buildings	1,730,691	**2,034,356**	2,111,976
	(1,012,123)	**(582,705)**	(702,104)
Surplus (deficit) for the year	$ (3,097,378)	**$ (502,791)**	$ (2,100,243)

Lake of the Woods District Hospital
Statement of Changes in Net Assets
For the year ended March 31, 2026

	Invested in Tangible Capital Assets	Internally Restricted for Capital	Unrestricted	**2026** Total	2025 Total
Opening balance	**$ 1,120,009**	**$ 1,348,316**	**$ (4,490,265)**	**$ (2,021,940)**	$ 78,303
Surplus(deficit) for the year	**-**	**-**	**(502,791)**	**(502,791)**	(2,100,243)
Amortization of tangible capital assets/deferred contributions related to tangible capital assets *(Note 10)*	**(1,071,612)**	**-**	**1,071,612**	**-**	-
Interfund transfer *(Note 10)*	**(11,130)**	**11,130**	**-**	**-**	-
Net change in investment in tangible capital assets *(Note 10)*	**1,316,864**	**-**	**(1,316,864)**	**-**	-
Balance, end of year	**$ 1,354,131**	**$ 1,359,446**	**$ (5,238,308)**	**$ (2,524,731)**	$(2,021,940)

	2026	2025
Cash flows from operations		
Surplus (deficit) for the year	**$ (502,791)**	$ (2,100,243)
Adjustments for:		
Amortization of tangible capital assets	**5,154,074**	4,642,977
Accretion of tangible capital assets	**79,415**	79,415
Amortization of deferred contributions related to tangible capital assets	**(4,177,548)**	(3,618,692)
Increase (decrease) in long term liability related to employee future benefits	**(1,900)**	(22,500)
	551,250	(1,019,043)
Change in non-cash operating working capital balances		
Accounts receivable	**(5,743,897)**	9,066,654
Inventory	**(109,890)**	(102,508)
Prepaid expenses	**(202,876)**	(95,147)
Long-Term Prepaid expenses	**(1,982,245)**	-
Accounts payable	**8,294,909**	(8,720,679)
	256,001	148,320
	807,251	(870,723)
Cash flows from financing activities		
Increase in long-term debt	**1,982,245**	-
Increase in other deferred contributions	**1,652,660**	(354,906)
	3,634,905	(354,906)
Cash flows from investing activities		
Increase in short-term investments	**(11,131)**	(17,934)
Cash flows from capital activities		
Increase in deferred contributions related to tangible capital assets	**8,010,034**	5,700,369
Gain/Loss on disposal of capital assets	**15,672**	-
Purchase of tangible capital assets	**(9,315,767)**	(7,132,178)
	(1,290,061)	(1,431,809)
Net increase (decrease) in cash and equivalents	**3,140,964**	(2,675,372)
Cash and cash equivalents, beginning of year	**4,211,758**	6,887,130
Cash and cash equivalents, end of year	**$ 7,352,722**	$ 4,211,758

Operations

Lake of the Woods District Hospital ("the Hospital") was incorporated under a Private Bill (Lake of the Woods District Hospitals Act – Bill PR50) in 1968. The Hospital is principally involved in providing health care services to the City of Kenora. The Hospital is a registered charity under the Income Tax Act and accordingly is exempt from income taxes.

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards, which sets out generally accepted accounting principles for government not-for-profit organizations. The Hospital has chosen to use the standards for not-for-profit organizations that include Sections PS 4200 to PS 4270. The significant accounting policies are summarized below.

These financial statements reflect the assets, liabilities and operations of the Hospital. They do not include the assets, liabilities or operations of the Lake of the Woods District Hospital Foundation or the Lake of the Woods District Hospital Auxiliary, which, although associated with the Hospital, are separately managed, and report to separate Boards of Directors.

In addition to the Hospital's operating fund which reflects the activities of the day to day operations of the Hospital, the financial statements also include the activities of the following programs:

Ministry of Health:
- Problem Gambling
- Adult Community Mental Health
- Lake of the Woods Addictions
- Remedial Measures
- CMH&A Admin
- Central Ambulance Communication Centre
- Partner Assault Program
- Substance Use Abuse Program
- Ambulance Regional Training, Kenora
- Community Support Services

The operating results of these programs are recorded in Schedules 3,4 and 5 to the financial statements and their assets and liabilities are reported on the statement of financial position of the Hospital. Program surpluses are recorded as repayable in the year incurred, except for those programs for which permission has been obtained to carry over surpluses for future program expenditures. In these cases, program surpluses have been recorded as deferred contributions. Program deficits are included in general operations, since they are not funded by the Ministries. Adjustment settlements by the Ministries are recorded when settled.

Revenue Recognition

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

Under the Health Insurance Act and Regulations thereto, the Hospital is funded primarily by the Province on Ontario in accordance with accountability arrangements established by the Ministry of Health ("MOH"), and the Ontario Health North ("OH North"). The Hospital has entered into a Hospital Service Accountability Agreement (the "H-SAA") for fiscal 2026 with the MOH and OH North that sets out the rights and obligations of the parties to the H-SAA in respect of funding provided to the Hospital by the MOH/OH North. The H-SAA also sets out the performance standards and obligations of the Hospital that establish acceptable results for the Hospital's performance in a number of areas.

If the Hospital does not meet its performance standards or obligations, the MOH/OH North has the right to adjust funding received by the Hospital. The MOH/OH North is not required to communicate certain funding adjustments until after the submission of year end date. Since this data is not submitted until after the completion of the financial statements, the amount of MOH/OH North funding received by the Hospital during the year may be increased or decreased subsequent to year end.

Contributions approved but not received at year-end are accrued. Where a portion of contribution relates to a future period, it is deferred and recognized in that subsequent period.

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

Restricted contributions related to general operations are recognized as revenue in the year in which the related expenses are incurred.

Restricted contributions for the acquisition of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Unrestricted investment income is recognized when earned. Restricted investment income is recognized in the year in which the related expenses are recognized.

Patient related revenues are recognized as revenue when services are rendered and the amount to be received can be reasonably estimated and collection is reasonably assured.

Recoveries are recognized as revenue when the amount of the recovery can be reasonably estimated, and collection is reasonably assured.

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 of volunteers are not recognized in the financial statements.

Cash and Cash Equivalents

Cash and cash equivalents include cash and short-term investments with maturities of three months or less.

Investments

Investments are recorded at fair value. Transaction costs related to the acquisition of investments are recorded against investment income. Sales and purchases of investments are recorded on the settlement date.

Fair value is determined at quoted market prices. The calculation of fair value is based upon market conditions and at a specific point in time and may not be reflective of future fair value.

Inventory

Inventory is stated at the lower of weighted average cost and net realizable value, less a provision for any obsolete or unusable inventory on hand.

Tangible Capital Assets

Purchased capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments that extend the estimated useful life of an asset are capitalized.

Construction in progress is not amortized until construction is substantially complete and the assets are ready for use.

Amortization is provided for on a straight-line basis over the estimated useful lives of the tangible capital assets as follows:

Buildings and building service equipment	- 10 to 40 years
Computer equipment	- 3 to 5 years
Equipment and Furniture	- 5 to 20 years
Parking lot equipment	- 10 to 40 years

Asset Retirement Obligation	A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset (or a component thereof) at the financial statement date when there is a legal obligation for the Hospital to incur retirement costs in relation to a tangible capital asset (or component thereof), the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at March 31, 2026. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods. When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset (or component thereof). The asset retirement cost is amortized over the useful life of the related asset. At each financial reporting date, the Hospital reviews the carrying amount of the liability. The Hospital recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. The Hospital continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.
Compensated Absences	Compensation expense is accrued for all employees as entitlement to these payments is earned, in accordance with the Hospital's benefit plans for vacation, sick leave and retirement allowances.
Deferred Contributions	Deferred contributions are received from contributors who have restricted use of the funds for specific purposes. Recognition of these amounts as revenue is deferred to periods when the specific expenditures are made.
Long-lived Assets and Discontinued Operations	Long-lived assets consist of capital assets. Long-lived assets are held for use are measured and amortized as described in the applicable accounting policies. When the Hospital determines that a long-lived asset no longer has any long-term service potential to the Hospital, the excess of the net carrying amount over any residual value is recognized as an expense in the Statement of Operations. Write-downs are not reversed.
Deferred Contributions Related to Capital Assets	Deferred contributions related to capital assets represent the unamortized portion of contributed capital assets and restricted contributions that were used to purchase the Hospital's capital assets. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized.

Employee Benefit Plans

The Hospital accrues its obligation for employee benefit plans. The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefits method pro-rated on service and management's best estimate of retirement ages and expected health care costs. The attribution period for such cost begins the date of hire of the employee to the date the employee becomes fully eligible to receive the benefits. The discount rate used to determine accrued benefit obligations is based on a year-end market rate of interest for high quality debt instruments with cash flows that match the timing and amount of expected benefit payments.

Adjustments arising from plan amendments, including past service costs, are included in the cost of the plan for the year.

The Hospital is an employer member of the Hospitals of Ontario Pension Plan (the "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. The Hospital records as pension expense the current service cost, amortization of past service costs and interest costs related to future employer contributions to the Plan for past employee service.

Use of Estimates

The preparation of financial statements is in conformity with Canadian public sector accounting standards which 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 reporting period. Actual results could differ from these estimates. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the period in which they become known.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization and deferred capital contributions are based on the estimated useful lives of tangible capital assets. Accounts payable and accruals are based on historical charges for unbilled goods and services at year end. Accrued employee future benefit obligations are determined based on actuarial valuation. Asset retirement obligation is estimated for the cost to retire a tangible capital asset.

Financial Instruments

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

Fair Value
This category includes cash and investments. Financial instruments in this category are initially recognized at cost and subsequently carried at fair value. 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.

Amortized Cost
This category includes accounts receivable, accounts payable and the demand instalment load. 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.

Write-downs 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 write-down being recognized in the statement of operations.

Statement of Remeasurement Gains and Losses

By presenting remeasurement gains (losses) separately, changes in the carrying value of financial instruments arising from fair value measurement are distinguished from revenues and expenses reported in the statement of operations. The statement of operations reports the extent to which revenues raised in the period were sufficient to meet the expenses incurred. Remeasurement gains (losses) attributable to financial instruments in the fair value category do not affect this assessment as they are recognized in the statement of remeasurement gains and losses. Taken together, the two statements account for changes in a Hospital's net assets in the period.

Upon settlement, the cumulative gain (loss) is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to all financial instruments are reported in the statement of operations.

As the Hospital did not have any items to be included on the statement of remeasurement gains (losses), the statement has been excluded in these financial statements.

1. Cash

The Hospital's bank accounts are held at chartered banks. The accounts earn interest at prime less 2%.

2. Short-term Investments

	Market Value	**2026**	2025
Maturity greater than 90 days – Short-term investments			
CIBC GIC – 2.70% maturing March 17, 2027, non-redeemable	**$ 382,154**	**$ 382,154**	$ -
CIBC GIC – 3.00% maturing March 17, 2026, non-redeemable	**-**	**-**	371,023
	$ 382,154	**$ 382,154**	$ 371,023

Fair values for the above investments are considered to be approximate market values.

3. Accounts Receivable

	2026	2025
Ministry of Health	**$ 6,227,984**	$ 3,845,800
Insurers and patients	**2,292,933**	1,621,312
HST/GST rebates	**1,261,202**	820,896
Other	**5,771,694**	3,507,223
	15,553,813	9,795,231
Allowance for doubtful accounts	**(33,735)**	(19,050)
	$ 15,520,078	$ 9,776,181

The carrying value of accounts receivable approximates fair value because of their short maturity and because they are subject to normal credit terms.

4. Tangible Capital Assets

	Cost	Accumulated Amortization	2026 Net book Value
Land	**$ 279,491**	**$ -**	**$ 279,491**
Buildings and building service equipment	**49,199,850**	**38,373,596**	**10,826,254**
Computer equipment	**4,754,739**	**3,963,876**	**790,863**
Furniture and equipment	**36,603,065**	**22,240,012**	**14,363,053**
Parking lot equipment	**1,047,075**	**705,228**	**341,847**
	91,884,220	**65,282,712**	**26,601,508**
Construction in process	**8,076,164**	**-**	**8,076,164**
	$ 99,960,384	**$ 65,282,712**	**$ 34,677,672**

	Cost	Accumulated Amortization	2025 Net book Value
Land	$ 279,491	$ -	$ 279,491
Buildings and building service equipment	50,089,469	36,912,631	13,176,838
Computer equipment	4,575,188	3,710,274	864,914
Furniture and equipment	30,699,279	20,985,300	9,713,979
Parking lot equipment	919,792	633,662	286,130
	86,563,219	62,241,867	24,321,352
Construction in process	6,008,336	-	6,008,336
	$ 92,571,555	$ 62,241,867	$ 30,329,688

5. Bank indebtedness

At March 31, 2026, the Hospital had lines of credit totaling $4,500,000 (2025 - $4,500,000), none of which were drawn.

6. Accounts Payable

	2026	2025
Vacation benefits payable	**$ 1,737,262**	$ 1,756,280
Accrued salaries	**1,617,908**	1,574,083
Trade accounts payable	**11,937,549**	6,014,495
Due to Ministry of Health	**6,032,458**	4,056,259
Other payables and accruals	**2,088,298**	1,483,277
Payroll remittances	**1,325,262**	1,559,433
Sick leave benefits payable	**5,382**	5,382
	$ 24,744,119	$ 16,449,209

7. Asset Retirement Obligation

The Hospital has several buildings containing asbestos and will be required to clean and remove in a prescribed manner. The Hospital recognized a liability for the asset retirement obligation and a corresponding amount has been capitalized as an asset retirement cost and added to the carrying value of buildings. The asset retirement cost is amortized on a straight-line basis over the useful life of the building.

The Hospital estimated the amount of the liability using square footage of the building that is determined to contain asbestos and the estimated cost per square foot using the discounted cash flow method. The significant assumptions used to determine the best estimate of the liability included:

Discount Rate for calculation	3% per annum
Remaining asset life	8 years

	2026	2025
Balance, beginning of period	**$ 2,805,988**	**$ 2,726,573**
Accretion expense for the year	**79,415**	**79,415**
	$ 2,885,403	**$ 2,805,988**

8. Accrued Employee Future Benefit Obligation

The Hospital provides extended health care, dental and life insurance benefits to all unionized, full time employees who enroll in the benefit plans and extends this coverage to the post-retirement period. The Hospital accrues its obligations under these plans as the benefits are earned. The most recent actuarial valuation of employee future benefit was completed as at April 21, 2025.

At March 31, 2026, the Hospital's accrued benefit obligation relating to post-retirement benefit plans was $2,058,300 (2025 - $2,060,200). Similar to most post-employment benefit plans (other than pension) in Canada, the Hospital's plan is not pre-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 were as follows:

Discount Rate for calculation of Net Benefit Costs (during Fiscal 2026)	3.89% per annum
Discount Rate to determine Accrued Benefit Obligation for disclosure (at end of Fiscal 2026)	3.88% per annum
Dental Cost Trend Rates	4.0% per annum
Extended Health Care Trend Rates	5.5% in 2028; decreasing by 0.1% per annum to an ultimate rate of 4% per year
Retirement age	Age 59 or immediate if older than 59
Full eligibility age	Age 55
Members electing coverage at retirement	
CUPE & Non-Union Full Time	80%
ONA Full Time	65%

8. Accrued Employee Future Benefit Obligation *(Continued from previous page)*

Retirement and Other Employee Future Benefit Liabilities	2026 Total Employee Future Benefits	2025 Total Employee Future Benefits
Accrued benefit liability at beginning of period	**$ 2,060,200**	$ 2,082,700
Expense for the year	**83,800**	73,700
Funding contributions (total)	**(85,700)**	(96,200)
	$ 2,058,300	$ 2,060,200

Retirement and Other Employee Future Benefit Expenses	2026 Total Employee Future Benefits	2025 Total Employee Future Benefits
Current year benefit cost	**$ 114,500**	$ 109,300
Interest on accrued benefit obligation	**48,100**	45,800
Recognized actuarial gains	**(78,800)**	(81,400)
	$ 83,800	$ 73,700

Included in salaries, wages and employee benefits in the statement of operations is an expense of ($1,900) (2025 - ($22,500)) regarding employee future benefits.

9. Deferred Contributions

a) Deferred Contributions – Donations and Grants

Deferred contributions represent funding received for programs which will be utilized for future years.

	2026	2025
	$ 2,953,155	$ 1,300,495

b) Deferred Contributions – Unamortized Capital Contributions

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

	2026	2025
Balance, beginning of year	**$ 26,403,691**	$ 24,322,013
Additional contributions received	**8,010,034**	5,700,370
Less: amounts amortized to revenue	**(3,832,235)**	(3,531,150)
Less: amounts amortized to CMH&A other revenue	**(58,547)**	(45,875)
Less: amounts amortized to RTC Kenora other revenue	**(59,792)**	(41,667)
Less: amounts amortized to CCAC other revenue	**(25,013)**	-
	$ 30,438,138	$ 26,403,691

10. Net Assets Invested in Tangible Capital Assets

a) Investment in tangible capital assets is calculated as follows:

	2026	2025
Tangible capital assets	**$ 34,677,672**	$ 30,329,688
Asset retirement obligation	**(2,885,403)**	(2,805,988)
Amounts financed by:		
Deferred contributions	**(30,438,138)**	(26,403,691)
	$ 1,354,131	$ 1,120,009

b) Changes in net assets invested in tangible capital assets is calculated as follows:

	2026	2025
Excess of expense over revenue:		
Amortization of buildings	**$ (2,549,597)**	$ (2,745,113)
Amortization of deferred contributions related to buildings	**2,034,356**	2,111,976
Amortization of equipment	**(2,604,476)**	(1,897,863)
Amortization of deferred contributions related to equipment	**2,003,194**	1,419,174
Amortization of deferred contributions related to other programs	**139,998**	87,542
Asset retirement obligation accretion of building	**(79,415)**	(79,415)
Gain/Loss on equipment	**19,883**	-
Gain/Loss on equipment related to other programs	**(35,555)**	-
	$ (1,071,612)	$ (1,103,699)
Net change in investment in tangible capital assets:		
Purchase of tangible capital assets	**$ 9,315,767**	$ 7,132,178
Amounts funded by deferred contributions	**(8,010,033)**	(5,700,369)
Amounts funded by internally restricted funds	**11,130**	17,934
	$ 1,316,864	$ 1,449,743
Amounts internally restricted for tangible capital asset purchases during the year	**(11,130)**	(17,934)
	$ 234,122	$ 328,110

11. Long-Term Charges

Collaborating with 11 other organizations, Lake of the Woods District Hospital has initiated a project to upgrade the primary electronic medical record. The project is being led by Thunder Bay Regional Health Sciences Centre (TBRHSC). As the project lead, TBRHSC has legal ownership of the capital assets associated with the project. All participating organizations have entered into a contract with TBRHSC which obligates organizations to pay for the unfunded share of the project. Lake of the Woods District Hospital's share of the project is 6.90% of total project costs. As of March 31, 2026, the total unfunded share of the project reported as long-term debt is $2,833,753 (2025 - $851,508). It is estimated that this project will take two years to complete. Once the electronic medical record is operational, the deferred charge will be amortized based on the useful life of the asset.

12. Financial Instrument Classification

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

	Fair Value	Amortized Cost	2026 Total
Cash	**$ 7,352,722**	**$ -**	**$ 7,352,722**
Short term investments	**382,154**	**-**	**382,154**
Accounts receivable	**-**	**15,520,078**	**15,520,078**
Accounts payable	**-**	**(24,744,119)**	**(24,744,119)**
	$ 7,734,876	**$ (9,224,041)**	**$ (1,489,165)**

	Fair Value	Amortized Cost	2025 Total
Cash	$ 4,211,758	$ -	$ 4,211,758
Short term investments	371,023	-	371,023
Accounts receivable	-	9,776,181	9,776,181
Accounts payable	-	(16,449,209)	(16,449,209)
	$ 4,582,781	$ (6,673,028)	$ (2,090,247)

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to Level 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 the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	2026 Total
Cash	**$7,352,722**	**$ -**	**$ -**	**$7,352,722**
Short term investments	**382,153**	**-**	**-**	**382,153**
	$7,734,875	**$ -**	**$ -**	**$7,734,875**

12. Financial Instrument Classification (*Continued from previous page*)

	Level 1	Level 2	Level 3	2025 Total
Cash	$4,211,758	$ -	$ -	$4,211,758
Short term investments	371,023	-	-	371,023
	$4,582,781	$ -	$ -	$4,582,781

There are no transfers between Level 1 and Level 2 for the years ended March 31, 2026 and 2025. There were also no transfers in or out of Level 3.

13. Financial Instrument Risk

Credit Risk

Credit risk is the risk of financial loss to the Hospital if a debtor fails to make payments of interest and principal when due. The Hospital is exposed to this risk relating to its cash, debt holdings in its investment portfolio and accounts receivable. The hospital holds its cash with a federally chartered bank which is insured by the Canadian Deposit Insurance Corporation. In the event of default, the Hospital's cash accounts are insured up to $100,000.

The Hospital's investment policy operates within the constraints of the investment guidelines issued by the MOH in relation to the funding agreements and puts limits on the investment portfolio including portfolio composition limits, issuer type limits, bond quality limits, aggregate issuer limits, corporate sector limits and general guidelines for geographic exposure.

The maximum exposure to investment credit risk is outlined in Notes 3 and 12.

Accounts receivables are primarily due from OHIP, the Ministry of Health and patients. Credit risk is mitigated by the financial solvency of the provincial government and the highly diversified nature of the patient population.

The Hospital measures its exposure to credit risk based on how long the amounts have been outstanding. Accounts received that are not considered to be collectible are written off at year-end based on the Hospital's historical experience regarding collections. The amounts outstanding at year-end were as follows:

			Past Due			
	2026 Total	**Current**	**1-30**	**31-60**	**61-90**	**91+**
Ministry of Health	**$6,227,984**	**$5,777,895**	**$ -**	**$ -**	**$ -**	**$450,089**
Insurers and Patients	**2,292,933**	**733,274**	**413,745**	**601,571**	**161,650**	**382,693**
HST/GST rebates	**1,261,202**	**1,261,202**	**-**	**-**	**-**	**-**
Other	**5,737,959**	**5,352,969**	**2,295**	**210,241**	**138,333**	**34,121**
	$15,520,078	**$13,125,340**	**$416,040**	**$811,812**	**$299,983**	**$866,903**

13. Financial Instrument Risk (*Continued from previous page*)

			Past Due			
	2025 Total	**Current**	**1-30**	**31-60**	**61-90**	**91+**
Ministry of Health	$3,845,800	$3,670,293	$ -	$ -	$ -	$ 175,507
Insurers and Patients	1,621,312	511,738	350,653	485,490	136,312	137,119
HST/GST rebates	820,896	820,896	-	-	-	-
Other	3,488,173	1,498,718	267,589	145,522	198,242	1,378,102
	$9,776,181	$6,501,645	$618,242	$631,012	$334,554	$1,690,728

The amounts aged greater than 90 days owing from patients that have not had a corresponding impairment allowance setup against them are collectable based on the Hospital's past experience. Management has reviewed the individual balances and based on the credit quality of the debtors and their past history of payment. 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 or 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. The hospital is not exposed to significant currency risk as it does not transact materially in foreign currency. The Hospital is exposed to equity risks with regards to its investments in pooled and mutual funds and interest risk with its investments in bonds.

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.

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 included in long term investments.

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 is the risk that the Hospital will not be able to meet all cash outflow obligations as they come due. The Hospital mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise. The following table sets out the contractual maturities (representing undiscounted contractual cash-flows of financial liabilities):

13. Financial Instrument Risk *(continued from previous page)*

	2026			
	Within 6 months	**6 months to 1 year**	**1-5 years**	**>5 years**
Accounts payable	**$24,744,119**	**$ -**	**$ -**	**$ -**
	$24,744,119	**$ -**	**$ -**	**$ -**

	2025			
	Within 6 months	**6 months to 1 year**	**1-5 years**	**>5 years**
Accounts payable	$16,449,209	$ -	$ -	$ -
	$16,449,209	$ -	$ -	$ -

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.

14. Commitments and Contingencies

The Hospital is a member of the Health Care Insurance Reciprocal of Canada (HIROC). HIROC is a pooling of the public liability insurance risk of its members. All members of the pool pay annual premiums which are actuarially determined. All members are subject to reassessment for losses, 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.

The Hospital has a claim from an employment grievance that is scheduled to go to arbitration in the fall of 2026. The potential liability amount and likelihood of the liability is unable to be determined at this time.

15. Pension Plan

Substantially all of the employees of the Hospital 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 $3,523,878 (2025 – $3,135,458) and are included in employee benefits in the statement of operations.

Pension expense is based on the 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 actuarial valuation of the Plan as at December 31, 2025 indicates the Plan is fully funded.

16. Related Entities

The Hospital has an economic interest in Lake of the Woods District Hospital Foundation (the “Foundation”) and Lake of the Woods District Hospital Auxiliary (the “Auxiliary”), which the Hospital does not control or have significant influence over. Both organizations raise funds solely for the Hospital for the purchase of tangible capital assets. The Hospital is not liable for either organizations activities or obligations.

During the year, the Foundation and the Auxiliary transferred $4,187,113 (2025 - $2,046,863) and $43,572 (2025 - $42,210) respectively to the Hospital for tangible capital asset purchases.

17. Budget Amounts

Budget amounts are unaudited.

18. Economic Dependence

The Hospital receives 82.15% (2025 – 80.61%) of its funding from the Ministry of Health and Ontario Health North and is therefore economically dependant on these funding agencies.

19. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year’s presentation.

20. Subsequent Event

Subsequent to year end in early May, a flood occurred on the 4th floor causing extensive damage to the floors below in that section. The cost to remediate and the amount of insurance coverage is not determined at this time, nor is the effect on operations.

Lake of the Woods District Hospital
Schedule 1 - Revenue
For the year ended March 31, 2026

	Budget 2026 *(Unaudited)* *(Note 17)*	**2026**	2025
Ministry of Health/OHN/CCO			
Global Funding	$ 42,902,716	**$ 49,203,711**	$ 41,134,431
Quality Based Procedures	1,586,791	**2,403,890**	1,798,257
	44,489,507	**51,607,601**	42,932,688
One time and other funding	17,846,378	**16,337,396**	19,093,715
Cancer Care Ontario	3,391,644	**3,811,829**	3,632,631
	65,727,529	**71,756,826**	65,659,034
Patient Revenue from Other Payors			
Workplace Safety and Insurance Board			
-Inpatient	-	**100**	4,274
-Outpatient	37,500	**27,449**	31,044
Non-residents of the province			
-Inpatient	500,000	**931,284**	433,047
-Outpatient	825,000	**983,768**	832,206
Non-residents of Canada and uninsured residents			
-Inpatient	100,000	**100,152**	91,392
-Outpatient	171,500	**257,932**	108,565
OHIP	4,319,500	**5,452,618**	4,379,395
Ambulance services	170,000	**158,645**	163,835
	6,123,500	**7,911,948**	6,043,758
Differential charges for preferred accommodation	10,000	**1,800**	6,375
Chronic care co-payments	250,000	**213,982**	255,803
	260,000	**215,782**	262,178
Other Revenue and Recoveries			
Investment income	164,500	**92,434**	335,002
Food services	290,500	**315,933**	298,912
Ancillary operations	374,151	**388,243**	373,678
Parking	280,000	**244,296**	96,458
Laboratory services	486,000	**1,471,909**	459,025
Rural Generalist Council	10,825,964	**13,459,889**	166,150
Other revenue and recoveries	7,858,813	**14,364,546**	6,336,483
	20,279,928	**30,337,250**	8,065,708
Subtotal	$ 92,390,957	**$ 110,221,806**	$ 80,030,678

	Budget 2026 *(Unaudited)* *(Note 17)*	**2026**	2025
Subtotal from previous page	$ 92,390,957	**$ 110,221,806**	$ 80,030,678
Amortization of grants/donations of equipment	1,746,245	**2,003,194**	1,419,174
Total Hospital Operating Revenue	94,137,202	**112,225,000**	81,449,852
Revenue from other programs, net of amounts repayable to funding agencies *(Schedules 3,4 and 5)*	13,764,715	**18,988,158**	14,614,968
Total Revenue	$ 107,901,917	**$ 131,213,158**	$ 96,064,820

	Budget 2026 *(Unaudited)* *(Note 17)*	**2026**	2025
Salaries, Wages and Employee Benefits			
Administrative and Support Services	$ 12,102,654	**$ 12,260,991**	$ 11,569,566
Nursing Inpatient Services	15,418,153	**18,967,948**	16,700,578
Ambulatory Care Services	8,671,944	**9,166,193**	8,606,994
Diagnostic and Therapeutic Services	10,057,914	**9,722,910**	8,563,578
Regional Stroke & Ontario Breast Screening Program	56,238	**57,741**	56,229
Education	281,190	**328,051**	153,601
Rural Generalist Council	218,565	**219,881**	-
Marketed Services	1,544,955	**1,710,509**	1,062,725
Other Programs	122,187	**102,087**	109,828
Future Employee Benefits	(22,500)	**(1,900)**	(22,500)
	$ 48,451,300	**$ 52,534,411**	$ 46,800,599
Supplies and Other Expenses			
Administrative and Support Services	$ 5,869,253	**$ 13,514,572**	$ 6,847,071
Nursing Inpatient Services	745,183	**1,216,138**	1,063,917
Ambulatory Care Services	565,445	**644,351**	856,008
Regional Stroke & Ontario Breast Screening Program	2,100	**146**	1
Diagnostic and Therapeutic Services	4,020,973	**4,110,515**	4,034,626
Education	179,428	**208,884**	202,012
Rural Generalist Council	4,594,487	**5,468,433**	6,143
Marketed Services	1,865,810	**2,394,796**	1,827,528
	$ 17,842,679	**$ 27,557,835**	$ 14,837,306
Medical and Surgical Supplies			
Administrative and Support Services	$ 93,800	**$ 200,809**	$ 161,186
Nursing Inpatient Services	1,755,250	**2,460,924**	1,878,424
Ambulatory Care Services	788,050	**759,440**	828,339
Diagnostic and Therapeutic Services	268,950	**287,819**	194,642
Education	10,500	**10,102**	21,948
Marketed Services	-	**(57)**	265
	$ 2,916,550	**$ 3,719,037**	$ 3,084,804

Lake of the Woods District Hospital
Schedule 3 – Ontario Health North
Community Mental Health and Addictions Programs
For the year ended March 31, 2026

	Problem Gambling	Adult Community Mental Heath	Lake of the Woods Addictions	Remedial Measures	CMH&A Admin	2026 Total	2025 Total
Revenue							
Ontario Health North	$ 241,976	$ 1,735,619	$ 7,845,132	$ -	$ -	$ 9,822,727	$ 6,884,603
Other	-	333,467	669,419	35,177	1,549,850	2,587,913	2,584,722
	241,976	2,069,086	8,514,551	35,177	1,549,850	12,410,640	9,469,325
Expenses							
Salaries and employee benefits	211,485	1,533,879	5,335,484	32,168	637,857	7,750,873	6,564,237
Supplies and other expenses	30,491	535,207	3,179,067	3,009	911,993	4,659,767	2,905,088
	241,976	2,069,086	8,514,551	35,177	1,549,850	12,410,640	9,469,325
Surplus before amounts repayable	-	-	-	-	-	-	-
Amounts repayable	-	-	-	-	-	-	-
Surplus (deficit) for the year	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Lake of the Woods District Hospital
Schedule 4 – Ministry of Health
Emergency Health Service Programs
For the year ended March 31, 2026

	Central Ambulance Communication Centre	Regional Training Program	2026 Total	2025 Total
Revenue				
Ministry of Health	**$ 4,600,917**	**$ 396,793**	**$ 4,997,710**	$ 3,707,757
Other	**118,931**	**60,192**	**179,123**	124,345
	4,719,848	**456,985**	**5,176,833**	3,832,102
Expenses				
Salaries and employee benefits	**3,085,663**	**204,532**	**3,290,195**	3,266,395
Supplies and other expenses	**544,058**	**192,648**	**736,706**	818,455
	3,629,721	**397,180**	**4,026,901**	4,084,850
Surplus before amounts repayable	**1,090,127**	**59,805**	**1,149,932**	(252,748)
Amounts repayable/deferred	**(573,473)**	**(59,805)**	**(633,278)**	(269,295)
Surplus (deficit) for the year	**$ 516,654**	**$ -**	**$ 516,654**	$ (522,043)

	Diabetes Education Program	Community Support Services	Partner Assault Program	Substance Use Abuse Program	2026 Total	2025 Total
Revenue						
Northern Diabetes Network	$ 102,085	$ -	$ -	$ -	$ 102,085	$ 109,828
Ontario Health North	-	1,504,847	-	-	1,504,847	1,385,788
Health Canada	-	-	-	355,316	355,316	80,538
Ministry of Attorney General	-	-	173,801	-	173,801	115,911
Other	-	-	-	-	-	600
	$ 102,085	$ 1,504,847	$ 173,801	$ 355,316	$ 2,136,049	$ 1,692,665
Expenses						
Salaries and employee benefits	$ 102,085	$ 1,419,054	$ 144,780	$ 345,116	$ 2,011,035	$ 1,542,965
Supplies and other expenses	-	85,793	29,021	10,200	125,014	149,701
	$ 102,085	$ 1,504,847	$ 173,801	$ 355,316	$ 2,136,049	$ 1,692,666
Excess (deficiency) of revenue over expenses for the year	$ -	$ -	$ -	$ -	$ -	$ -