

Consolidated Financial Statements of

**SAULT STE. MARIE AND
DISTRICT GROUP HEALTH
ASSOCIATION**

And Independent Auditor's Report thereon

Year ended March 31, 2026



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Sault Ste. Marie and District Group Health Association

Opinion

We have audited the consolidated financial statements of Sault Ste. Marie and District Group Health Association (the Association), which comprise:

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

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Association as at March 31, 2026, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

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

We are independent of the Association 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 accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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



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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association'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 Association 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Canada

June 24, 2026

SAULT STE. MARIE AND DISTRICT GROUP HEALTH ASSOCIATION

Consolidated Statement of Financial Position

March 31, 2026, with comparative information for 2025

	2026	2025
Assets		
Current assets:		
Cash	\$ 2,231,032	\$ 1,291,650
Inventories	54,289	95,359
Prepaid expenses	539,816	603,009
Accounts receivable	1,264,913	1,301,755
Receivable from Stewart Medicine Professional Corporation (note 2)	594,646	1,748,272
Assets held for sale	-	950,000
	<u>4,684,696</u>	<u>5,990,045</u>
Capital assets (note 3)	9,620,960	9,836,654
	<u>\$ 14,305,656</u>	<u>\$ 15,826,699</u>
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Operating line of credit (note 4)	\$ -	\$ 600,000
Accounts payable and accrued liabilities (note 5)	1,596,748	1,922,216
Salaries and benefits payable	3,118,346	2,913,773
Deferred revenue	84,199	83,450
Current portion of long-term debt (note 7)	553,360	321,407
	<u>5,352,653</u>	<u>5,840,846</u>
Deferred capital contributions (note 6)	1,475,023	1,517,070
Ministry of Health funding advance (note 8)	4,900,000	4,900,000
Employee future benefits (note 10)	1,949,857	1,919,924
Sick leave benefits	374,090	439,820
	<u>14,051,623</u>	<u>14,617,660</u>
Net assets:		
Unrestricted net assets	(669,725)	166,347
Internally restricted net assets	384,323	220,059
Externally restricted net assets	55,646	324,141
Non-controlling interest	483,789	498,492
	<u>254,033</u>	<u>1,209,039</u>
Commitments and contingencies (note 12)		
	<u>\$ 14,305,656</u>	<u>\$ 15,826,699</u>

See accompanying notes to consolidated financial statements.

On behalf of the Board:

 Chair of the Board

 Secretary & Treasurer of the Board

SAULT STE. MARIE AND DISTRICT GROUP HEALTH ASSOCIATION

Consolidated Statement of Operations

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

	2026	2025
Revenue:		
Primary care support	\$ 6,246,306	\$ 5,895,650
Specialist support	4,169,253	4,412,032
Alternative funding	9,247,945	8,869,945
Access care clinic	2,841,900	2,841,900
Clinical programs	2,751,829	2,625,736
Other funded programs	3,723,879	3,796,538
Other (note 11)	2,619,184	2,499,029
Amortization of deferred capital contributions	42,047	94,480
	<u>31,642,343</u>	<u>31,035,310</u>
Expenses:		
Salaries and benefits	25,125,279	23,945,458
Administrative	1,994,420	1,960,791
Building and grounds	2,227,988	2,731,499
IT maintenance and support	1,206,906	1,313,438
Medical and other supplies	846,778	823,992
Interest on long-term debt	49,779	471,019
Amortization of capital assets	984,699	1,130,906
	<u>32,435,849</u>	<u>32,377,103</u>
Deficiency of revenue over expenses before the undernoted items	(793,506)	(1,341,793)
Other items:		
One-time Provincial funding	-	1,033,146
Gain on disposal of capital assets and assets held for sale	(161,500)	315,099
Write-down of assets held for sale	-	(729,385)
Deficiency of revenue over expenses	<u>\$ (955,006)</u>	<u>\$ (722,933)</u>
Attributable to:		
Group Health Association	\$ (940,303)	\$ (953,019)
Non-controlling interests	(14,703)	230,086
	<u>\$ (955,006)</u>	<u>\$ (722,933)</u>

See accompanying notes to consolidated financial statements.

SAULT STE. MARIE AND DISTRICT GROUP HEALTH ASSOCIATION

Consolidated Statement of Changes in Net Assets

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

	Unrestricted net assets	Internally Restricted Net Assets	Externally Restricted Net Assets	Non- controlling interest	2026
Balance, beginning of year	\$ 166,347	220,059	324,141	498,492 \$	1,209,039
Deficiency of revenue over expenses	(940,303)	-	-	(14,703)	(955,006)
Trust fund contributions less medical equipment purchases	104,231	164,264	(268,495)	-	-
Balance, end of year	\$ (669,725)	384,323	55,646	483,789 \$	254,033

	Unrestricted net assets	Internally Restricted Net Assets	Externally Restricted Net Assets	Non- controlling interest	2025
Balance, beginning of year	\$ 1,283,847	52,965	326,754	1,218,406 \$	2,881,972
Excess (deficiency) of revenue over expenses	(953,019)	-	-	230,086	(722,933)
Trust fund contributions less medical equipment purchases	(164,481)	167,094	(2,613)	-	-
Dividend paid	-	-	-	(950,000)	(950,000)
Balance, end of year	\$ 166,347	220,059	324,141	498,492 \$	1,209,039

See accompanying notes to consolidated financial statements.

SAULT STE. MARIE AND DISTRICT GROUP HEALTH ASSOCIATION

Consolidated Statement of Cash Flows

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

	2026	2025
Cash provided by (used in):		
Operations:		
Deficiency of revenue over expenses	\$ (955,006)	\$ (722,933)
Items not involving cash:		
Amortization of capital assets	984,699	1,130,906
Amortization of deferred capital contributions	(42,047)	(94,480)
Loss (gain) on disposal of capital assets and assets held for sale	161,500	(315,099)
Employee future benefits	29,933	(23,076)
Unrealized loss on investments	-	729,385
	<u>179,079</u>	<u>704,703</u>
Changes in non-cash operating working capital (note 15)	1,108,855	(1,328,211)
	<u>1,287,934</u>	<u>(623,508)</u>
Financing:		
Repayment of operating line of credit	(600,000)	(400,000)
Receipt of deferred capital contributions	-	75,978
Proceeds from Ministry of Health funding advance	-	4,900,000
Proceeds from issuance of long-term debt	553,360	-
Repayment of long-term debt	(321,407)	(6,036,443)
	<u>(368,047)</u>	<u>(1,460,465)</u>
Investing:		
Purchase of capital assets	(1,278,890)	(1,063,808)
Refund of capital asset costs	509,885	-
Proceeds on disposal of capital assets and assets held for sale	788,500	4,234,742
Dividends paid	-	(950,000)
Proceeds from disposition of investments	-	646,784
	<u>19,495</u>	<u>2,867,718</u>
Increase in cash	939,382	783,745
Cash, beginning of year	1,291,650	507,905
Cash, end of year	<u>\$ 2,231,032</u>	<u>\$ 1,291,650</u>

See accompanying notes to consolidated financial statements.

SAULT STE. MARIE AND DISTRICT GROUP HEALTH ASSOCIATION

Notes to Consolidated Financial Statements

Year ended March 31, 2026

Nature of operations:

Sault Ste. Marie and District Group Health Association (the "Association") is incorporated under the Ontario Business Corporations Act without share capital and is a registered charity under the Income Tax Act and, accordingly, is exempt from income taxes provided certain requirements of the Income Tax Act are met. The Association offers health services to the Sault Ste. Marie and Algoma District under an agreement with the Ministry of Health ("MOH"), the Ontario Medical Association ("OMA"), and Stewart Medicine Professional Corporation.

1. Significant accounting policies:

These consolidated financial statements are prepared in accordance with Canadian accounting standards for non-for-profit organizations. The Association's significant accounting policies are as follows:

(a) Reporting entities:

The consolidated financial statements reflect the assets, liabilities, revenues, expenses and net asset balances of entities or organizations which are owned or controlled by the Association. These entities and organizations include:

- 2351132 Ontario Inc (100% owned)
- 2329799 Ontario Inc (52.5% owned)
- Group Health Centre Trust Fund (100% common board members)

Inter-organizational transactions and balances between these organizations have been eliminated.

(b) Revenue recognition:

Under an agreement with the MOH, OMA, and the Stewart Medicine Professional Corporation, the Association receives payment for services through an alternative funding arrangement, which is recognized in the period to which it relates. Health service revenues, government grants and rent are recorded in the period to which they relate or when the services are rendered. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

The Association follows the deferral method of accounting for contributions. 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. Contributions for operating expenses are recognized as revenue in the year in which the related expenses are recognized.

SAULT STE. MARIE AND DISTRICT GROUP HEALTH ASSOCIATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2026

1. Significant accounting policies (continued):

(c) Inventories:

Inventory of supplies is recorded at the lower of cost and replacement cost on a first-in, first-out basis.

(d) Capital assets:

Capital assets are stated at cost, less accumulated amortization. Amortization is provided using the straight-line method at the following annual rates:

	Rate
Buildings	2.5%
Roads and parking lots	5%
Software	7%
Technical equipment	5% - 12.5%
Office equipment	20%
Computers	20%
Other equipment	12.5% - 20%
Leasehold improvements	40%

Building physical constraints result in on-going relocation of programs to meet patient needs. The relocation necessitates alterations and renovations by building services' staff and outside contractors. These expenditures are charged to operations as incurred.

Construction in progress is not amortized under construction is complete and the facilities come into use.

(e) Pension plan and employee benefits:

The Association is an employer member of the Health Care of Ontario Pension Plan (the "Plan"), which is a multi-employer, defined benefit pension plan. The Association has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The Association records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the Plan for past employee service.

The Association provides certain extended health and dental benefits for eligible employees the costs of which are actuarially determined using management's best estimate of salary escalation, insurance and health care cost trends, long-term inflation rates and discount rates.

SAULT STE. MARIE AND DISTRICT GROUP HEALTH ASSOCIATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2026

1. Significant accounting policies (continued):

(f) Sick leave benefits:

Under the terms of employment agreements, the Association is required to compensate employees while on sick leave up to established limits. The Association recognizes the liability as sick-leave benefits accrued to the employees.

(g) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. The Association has elected to carry all other financial instruments at fair value.

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

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Association determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial assets is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Association expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(h) Use of estimates:

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets; valuation allowances for receivables; and valuation of assets and obligations related to employee future benefits. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

(i) Funding adjustments:

The Association receives a majority of its funding from the MOH, which is subject to audit by the MOH and possible repayable amounts. Any adjustments required as a result of these audits are made in the year in which they become known.

SAULT STE. MARIE AND DISTRICT GROUP HEALTH ASSOCIATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2026

2. Related party transactions:

The receivable from Stewart Medicine Professional Corporation is a corporation controlled by a board member and acts as a paymaster for funding of the Association. The amount receivable is unsecured, non-interest bearing and has no fixed terms of repayment. Transactions are recorded at the exchange amount.

3. Capital assets:

	2026		
	Cost	Accumulated amortization	Net book value
Land	\$ 1,321,962	\$ –	\$ 1,321,962
Buildings	10,198,643	6,984,556	3,214,087
Roads and parking lots	933,247	888,608	44,639
Technical equipment	8,935,626	7,361,904	1,573,722
Office equipment	1,539,489	1,435,515	103,974
Computers	3,504,630	2,306,963	1,197,667
Other equipment	2,564,125	1,647,394	916,731
Software	1,278,737	440,636	838,101
Leasehold improvements	374,792	209,020	165,772
Construction in progress	244,305	–	244,305
	\$ 30,895,556	\$ 21,274,596	\$ 9,620,960

	2025		
	Cost	Accumulated amortization	Net book value
Land	\$ 1,321,962	\$ –	\$ 1,321,962
Buildings	10,150,900	6,793,027	3,357,873
Roads and parking lots	933,247	879,414	53,833
Technical equipment	8,818,378	7,044,777	1,773,601
Office equipment	1,484,453	1,402,774	81,679
Computers	3,447,678	2,069,244	1,378,434
Other equipment	1,775,266	1,568,174	207,092
Software	1,757,057	322,954	1,434,103
Leasehold improvements	374,792	171,541	203,251
Construction in progress	24,826	–	24,826
	\$ 30,088,559	\$ 20,251,905	\$ 9,836,654

SAULT STE. MARIE AND DISTRICT GROUP HEALTH ASSOCIATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2026

4. Operating line of credit:

The Association has Canadian dollar operating credit facilities which are secured by a general assignment of book debts, general security agreement over related assets and an assignment of insurance proceeds. The total authorized amount on the credit facilities is \$5,000,000, at interest rate of bank prime. The amount advanced and outstanding on March 31, 2026 was \$nil (2025 - \$600,000).

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are current government remittances payable of \$309,356 (2025 - \$86,943), which includes amounts payable for HST and payroll related taxes.

6. Deferred capital contributions:

The balance of deferred capital contributions is detailed as follows:

	2026	2025
Balance, beginning of year	\$ 1,517,070	\$ 1,535,572
Add contributions during the year	–	75,978
Less amounts amortized to revenue	(42,047)	(94,480)
Balance, end of year	\$ 1,475,023	\$ 1,517,070

7. Long-term debt:

	2026	2025
Loan payable in monthly principal and interest payments of \$6,769 at the bank prime rate (4.95% at March 31, 2025), loan discharged January 2026.	\$ –	\$ 321,407
Loan payable in monthly principal and interest payments of \$6,983 at 4.45%, maturing January 2027	553,360	–
	553,360	321,407
Less: current portion of long-term debt	(553,360)	–
Less: reclassified as liability held for sale	–	(321,407)
	\$ –	\$ –

SAULT STE. MARIE AND DISTRICT GROUP HEALTH ASSOCIATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2026

7. Long-term debt (continued):

- (a) The Association has certain financial covenants under its debt facilities including a debt service coverage ratio calculated on a consolidated basis, as defined under the terms of the lending agreement, of not less than 1.25:1.0. As at March 31, 2026, the Association was in breach of this covenant, and therefore the total amount of the loans had been classified as current.
- (b) The revolving loan, to a maximum of \$5,200,000 is related to capital projects. As at March 31, 2026, \$4,646,640 remains available under the facility.

The loan and revolving loan payables are secured by certain building assets, a general security agreement, a general assignment of rents and assignment of insurance proceeds.

8. Ministry of Health funding advance:

In January 2025, the MOH issued one-time stabilization funding of \$4,900,000. This funding was used to repay previous debt instruments and will be subject to claw back from future MOH funding.

9. Pension plan:

Eligible employees of the Association are members of the Hospitals of Ontario Pension Plan, which is a multi-employer, final-average pay, contributory pension plan. Contributions made to the Plan during the year by the Association amounted to \$1,667,786 (2025 - \$1,613,067).

10. Employee future benefits:

The Association provides extended health care and dental benefits to eligible employees. The most recent valuation of the employee retirement benefits was completed as of December 31, 2025, being the measurement date. The significant actuarial assumptions adopted in estimating the Association's accrued benefit obligation are as follows:

Discount rate	4.56%
Health care benefits costs escalation (reducing by 0.333% per year to 4.00% at March 31, 2031)	6.00%
Dental benefits costs escalation	4.00%

SAULT STE. MARIE AND DISTRICT GROUP HEALTH ASSOCIATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2026

10. Employee future benefits (continued):

Employee future benefit expense is included in salaries and benefits, on the statement of operations.

The continuity of the accrued benefit liability is as follows:

	2026	2025
Balance, beginning of year	\$ 1,919,924	\$ 1,943,000
Employee future benefit expense for the year	174,505	195,077
Benefit payouts made by the Association during the year	(144,572)	(100,000)
Actuarial gain	–	(118,153)
Balance, end of year	\$ 1,949,857	\$ 1,919,924

11. Other revenue:

	2026	2025
Donations and fundraising	\$ 1,015,656	\$ 675,110
Rent, parking and other	1,596,852	1,782,368
Interest and investment income	6,676	41,551
	\$ 2,619,184	\$ 2,499,029

12. Commitments and contingencies:

(a) Legal matters and litigation:

The Association is named in lawsuits from time to time. In management's view, the Association carries an appropriate level of liability insurance in this regard and accordingly, provision for losses, if any, have not been made in these consolidated financial statements.

(b) Employment matters:

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

SAULT STE. MARIE AND DISTRICT GROUP HEALTH ASSOCIATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2026

12. Commitments and contingencies (continued):

(c) Lease commitments:

The Association is committed to annual payments under various operating leases for office and storage space. The following are the future minimum annual lease payments due over the next three years:

Year	Amount
2027	\$ 556,230
2028	559,284
2029	130,765
	<hr/>
	\$ 1,246,279

13. Financial risks and concentration of risk:

(a) Liquidity risk:

Liquidity risk is the risk that the Association will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Association manages its liquidity risk by monitoring its operating requirements. The Association prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2025.

(b) Interest rate risk:

The Association's line of credit has a variable interest rate based on prime plus a margin.

As a result, the Association would be exposed to interest rate risk due to fluctuations in the prime rate if they were to utilize the line of credit.

(c) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Association is exposed to credit risk with respect to accounts receivable.

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

SAULT STE. MARIE AND DISTRICT GROUP HEALTH ASSOCIATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2026

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

(c) Credit risk (continued):

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

14. Economic dependence:

The Association has reported financial deficits in each of the last three years, including the current year, with the Association's budget for the year ending March 31, 2027 reflecting a forecasted financial loss. As a result of these losses, the Association has incurred a reduction in its working capital and net asset position.

Management has identified a number of factors that have contributed to its recurring operating losses, including but not limited to the impact of recent wage settlements, operating and debt servicing costs associated with investments in information technology and inflationary pressures.

The Association continues to identify and consider opportunities to address these financial challenges. In the short-term, the Association has indicated its intention to rely on temporary financing through its existing credit facilities, along with cost savings resulting from efficiency measures.

As a result of its ongoing financial deficits, the Association has an increased level of reliance on the MOH to assist in meeting its operating and capital requirements at current levels.

15. Changes in non-cash operating working capital

	2026	2025
Inventories	\$ 41,070	\$ (8,519)
Prepaid expenses	63,193	(187,317)
Accounts receivable	36,842	(389,255)
Accounts payable and accrued liabilities	(325,468)	85,094
Salaries and benefits payable	204,573	335,822
Deferred revenue	749	49,761
Sick leave benefits	(65,730)	(79,703)
Receivable from Stewart Medicine Professional Corporation	1,153,626	(1,134,094)
Balance, end of year	\$ 1,108,855	\$ (1,328,211)