THE MICS GROUP OF HEALTH SERVICES

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

MARCH 31, 2026

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The MICs Group of Health Services

Opinion
We have audited the financial statements of The MICs Group of Health Services (the "organization"), which comprise the statement of financial position as at March 31, 2026, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

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

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

In preparing the financial statements, management is responsible for assessing the organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

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

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INDEPENDENT AUDITOR'S REPORT, (CONT'D)

Auditor's Responsibilities for the Audit of the Financial Statements

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Baker Tilly HKC

Chartered Professional Accountants
Licensed Public Accountants
June 18, 2026

THE MICS GROUP OF HEALTH SERVICES

FINANCIAL STATEMENTS

MARCH 31, 2026

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THE MICS GROUP OF HEALTH SERVICES

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2026

	2026	2025
REVENUES		
Recoveries of shared costs and direct charges (Note 8)	$ 35,356,710	$ 31,829,888
Management and administration	139,080	135,000
Diabetes program revenues	369,041	366,271
Under serviced area program revenues	4,982	7,497
Lifeline program revenues	-	2,500
Other recoveries	818,596	493,839
Amortization of deferred capital contributions	10,662	7,916
	36,699,071	32,842,911
SALARIES AND BENEFITS		
Management and financial administration	1,982,419	1,803,591
Human resources	1,032,939	752,777
Support services	5,695,358	5,393,181
Clinical nutrition	164,493	126,196
Nursing services	10,630,271	9,398,831
Paramedical	3,619,696	3,440,304
Physiotherapy services	474,887	359,574
Physician clinics	225,754	218,828
Nursing homes	10,719,794	9,383,070
Unallocated employee future benefits	1,293	(8,570)
	34,546,904	30,867,782
OPERATING EXPENSES		
Office, recruiting, travel and other	772,156	716,450
Information technology	533,997	467,464
Professional and other fees	276,678	243,346
Education	34,431	62,878
Diabetes program	369,041	366,271
Underserviced area program	4,981	7,497
Amortization of capital assets	372,716	267,067
	2,364,000	2,130,973
OTHER INCOME (EXPENSES)		
Interest	81,235	189,252
Dividend and other investment income	148,702	148,113
Loss on disposal of investments	(18,104)	(19,247)
Loss on disposal of capital assets	-	(159,774)
	211,833	158,344
EXCESS OF REVENUES OVER EXPENSES	$ -	$ 2,500

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

THE MICS GROUP OF HEALTH SERVICES

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED MARCH 31, 2026

	Bingham Memorial Hospital	Anson General Hospital	Lady Minto Hospital	Total 2026	Total 2025
BALANCE, BEGINNING OF YEAR	$ 61,088	$ 82,078	$ 82,078	$ 225,244	$ 222,744
EXCESS OF REVENUES OVER EXPENSES	-	-	-	-	2,500
BALANCE, END OF YEAR	$ 61,088	$ 82,078	$ 82,078	$ 225,244	$ 225,244

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

THE MICS GROUP OF HEALTH SERVICES

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2026

	2026	2025
ASSETS		
CURRENT ASSETS		
Cash	$ 5,545,186	$ 3,116,120
Accounts receivable	192,515	145,404
Prepaid expenses	32,997	91,401
Due from participating hospitals (Note 8)	310,252	-
	6,080,950	3,352,925
INVESTMENTS (Note 4)	5,139,641	4,548,017
POST-EMPLOYMENT BENEFITS RECOVERABLE (Note 5)	371,188	369,895
CAPITAL ASSETS (Note 6)	4,249,734	4,589,317
	$ 15,841,513	$ 12,860,154
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	$ 8,498,488	$ 5,967,437
Due to participating hospitals (Note 8)	5,897,797	5,926,397
	14,396,285	11,893,834
POST-EMPLOYMENT BENEFITS PAYABLE (Note 9)	371,188	369,895
DEFERRED CAPITAL CONTRIBUTIONS (Note 10)	88,038	98,700
	14,855,511	12,362,429
NET ASSETS		
UNRESTRICTED	225,244	225,244
ACCUMULATED REMEASUREMENT GAINS ON INVESTMENTS (Note 4)	760,758	272,481
	986,002	497,725
	$ 15,841,513	$ 12,860,154

CONTINGENCIES (Note 13)

On behalf of the board

_____ BMH Chair

_____ AGH Chair

_____ LMH Chair

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

THE MICS GROUP OF HEALTH SERVICES

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2026

	2026	2025
OPERATING ACTIVITIES		
Excess of revenues over expenses	$ -	$ 2,500
Items not involving cash:		
Amortization of capital assets	372,716	267,067
Amortization of deferred capital contributions	(10,662)	(7,916)
Loss on disposal of investments	18,104	19,247
Loss on disposal of capital assets	-	159,774
	380,158	440,672
Changes in:		
Accounts receivable	(47,111)	(48,409)
Prepaid expenses	58,404	(4,662)
Accounts payable and accrued liabilities	2,531,051	(357,372)
Post-employment benefits recoverable	(1,293)	8,570
Post-employment benefits payable	1,293	(8,570)
	2,922,502	30,229
INVESTING ACTIVITY		
Increase in investments	(121,451)	(123,584)
FINANCING ACTIVITIES		
Net advances from (to) participating hospitals	(338,852)	2,374,309
Funding advances received	1,500,000	3,000,000
Repayments of funding advances	(1,500,000)	(5,324,049)
	(338,852)	50,260
CAPITAL ACTIVITY		
Purchase of capital assets	(33,133)	(720,432)
CHANGE IN CASH POSITION	2,429,066	(763,527)
CASH POSITION, BEGINNING OF YEAR	3,116,120	3,879,647
CASH POSITION, END OF YEAR	$ 5,545,186	$ 3,116,120

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

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THE MICS GROUP OF HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2026

1. STATUS AND NATURE OF OPERATIONS

The MICs Group of Health Services (MICs) partnership was established to increase opportunities for collaboration between its member hospitals in the sharing of costs and provision of health services. The present participating hospital are Bingham Memorial Hospital in Matheson Ontario, Anson General Hospital in Iroquois Falls Ontario and Lady Minto Hospital in Cochrane Ontario.

Separate audited financial statements are prepared by each hospital and are not consolidated with the partnership.

The partnership is a not-for-profit organization and, as such, is exempt from income taxes under the Income Tax Act (Canada).

2. ACCOUNTING POLICIES

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

BASIS OF PRESENTATION

These financial statements reflect only the assets, liabilities, revenues and expenses of the partnership, and do not include the assets, liabilities, revenues or expenses of the participating hospitals.

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

MICs Healthcare Foundation
ONE Health Information Technology Services

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

THE MICS GROUP OF HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2026

2. ACCOUNTING POLICIES, (CONT'D)

REVENUE RECOGNITION

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

Contributions from participating hospitals are recognized as revenue when the related expenses are incurred.

Unrestricted contributions, including operating grants are recorded as revenue in the period to which they relate. Grants approved but not yet received at the end of the year are accrued. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

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

Investment income is recognized as revenue when earned.

PARTNERSHIP SHARE OF REVENUES AND EXPENSES

Other than direct charges for specific salaries and benefits at actual cost, the share of revenues and expenses to participating hospitals is determined by a percentage agreed to by the Board on a net-cost recovery basis. The agreed percentage is as follows:

	2026	2025
Bingham Memorial Hospital	26 %	26 %
Anson General Hospital	37 %	37 %
Lady Minto Hospital	37 %	37 %

In addition, the share of dividends and investment income and gains or losses resulting from dispositions within the investment portfolio are also determined by a percentage agreed to by the Board and is based on the original proportion of the hospitals investments transferred to the partnership. The agreed percentage is as follows:

	2026	2025
Bingham Memorial Hospital	18 %	18 %
Anson General Hospital	12 %	12 %
Lady Minto Hospital	70 %	70 %

THE MICS GROUP OF HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2026

2. ACCOUNTING POLICIES, (CONT'D)

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand, short-term deposits with a maturity of less than three months and temporary bank overdrafts which forms an integral part of the partnerships's cash management.

CAPITAL ASSETS

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

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

Equipment	3-20 years
Software	3 years

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

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

CONTRIBUTED SERVICES AND MATERIALS

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

2. ACCOUNTING POLICIES, (CONT'D)

RETIREMENT AND POST-EMPLOYMENT BENEFIT PLANS

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

Multi-employer defined benefit pension

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

Post-employment benefits

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

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

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

FINANCIAL INSTRUMENTS

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

Fair Value

This category includes derivatives and equity instruments quoted in an active market. The partnership has designated its cash and investments at fair value.

They are initially recognized at cost and subsequently carried at fair value. Unrealized changes in fair value are recognized as accumulated 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.

2. ACCOUNTING POLICIES, (CONT'D)

FINANCIAL INSTRUMENTS, (CONT'D)

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, due from participating hospitals, post-employment benefits recoverable, accounts payable and accrued liabilities, funding advances repayable, due to participating hospitals and post-employment benefits payable. 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.

MEASUREMENT UNCERTAINTY

The preparation of financial statements in conformity with Canadian Public Sector Accounting Standards for Government Not-for-Profit Organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Items requiring the use of significant estimates include the revenue recognition of certain restricted contributions, the allowance for doubtful accounts receivable, the useful life of capital assets, the actuarial estimation of post-employment benefits, accrued liabilities and contingencies. Actual results could differ from those estimates.

THE MICS GROUP OF HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2026

3. FINANCIAL INSTRUMENT CLASSIFICATION

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

	2026		
	Fair Value	Amortized Cost	Total
Cash and cash equivalents	$ 5,545,186	$ -	$ 5,545,186
Accounts receivable	$ -	$ 192,515	$ 192,515
Due from participating hospitals	$ -	$ 310,252	$ 310,252
Investments	$ 5,139,641	$ -	$ 5,139,641
Post-employment benefits recoverable	$ -	$ 371,188	$ 371,188
Accounts payable and accrued liabilities	$ -	$ 8,498,488	$ 8,498,488
Due to participating hospitals	$ -	$ 5,897,797	$ 5,897,797

	2025		
	Fair Value	Amortized Cost	Total
Cash and cash equivalents	$ 3,116,120	$ -	$ 3,116,120
Accounts receivable	$ -	$ 145,404	$ 145,404
Investments	$ 4,548,017	$ -	$ 4,548,017
Post-employment benefits recoverable	$ -	$ 369,895	$ 369,895
Accounts payable and accrued liabilities	$ -	$ 5,967,437	$ 5,967,437
Due to participating hospitals	$ -	$ 5,926,397	$ 5,926,397

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

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

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

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

THE MICS GROUP OF HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2026

3. FINANCIAL INSTRUMENT CLASSIFICATION, (CONT'D)

Cash and cash equivalents and investments are considered Level 1 fair value.

There were no transfers between levels for the year ended March 31, 2026 and March 31, 2025.

4. INVESTMENTS

	2026		2025	
	Cost	Fair Market Value	Cost	Fair Market Value
Cash and cash equivalents	$ 20,937	$ 20,937	$ 22,320	$ 22,320
Equity investments	3,984,330	4,745,088	4,002,434	4,274,915
Mutual funds	373,616	373,616	250,782	250,782
	$ 4,378,883	$ 5,139,641	$ 4,275,536	$ 4,548,017

	2026	2025
Accumulated remeasurement gains, beginning of year	$ 272,481	$ 55,300
Realized losses on disposal of investments	18,104	19,247
Change in unrealized gains on investments	470,173	197,934
Accumulated remeasurement gains, end of year	$ 760,758	$ 272,481

5. POST-EMPLOYMENT BENEFITS RECOVERABLE

The post-employment benefits recoverable and the corresponding post-employment benefits payable reflected on the MICs statement of financial position relates only to those MICs employees whose costs are shared according to the predetermined cost sharing formula. Details of the post-employment benefits payable is presented in Note 9.

The amounts recoverable from the participating hospitals in relation to post-employment benefits payable is as follows:

	2026	2025
Bingham Memorial Hospital	$ 96,508	$ 96,173
Anson General Hospital	137,340	136,861
Lady Minto Hospital	137,340	136,861
	$ 371,188	$ 369,895

THE MICS GROUP OF HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2026

6. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2026	Net 2025
Equipment	$ 5,688,033	$ 1,457,599	$ 4,230,434	$ 4,567,746
Software	22,706	3,406	19,300	21,571
	$ 5,710,739	$ 1,461,005	$ 4,249,734	$ 4,589,317

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2026	2025
Trades payable and accrued liabilities	$ 3,756,101	$ 2,712,593
Payroll remittances payable	448,243	408,636
Salaries and benefits payable	4,294,144	2,846,208
	$ 8,498,488	$ 5,967,437

8. DUE FROM/TO PARTICIPATING HOSPITALS

In addition to sharing of particular revenues and expenses through the partnership, accounts payable and accrued liabilities include amounts to be paid by MICs on behalf of the participating hospitals. Considering the number of transactions involved, it is not considered practical to identify the amounts by hospital.

The amounts due from/to participating hospitals represent the excess of amounts advanced to MICs by or on behalf of the hospitals over the hospitals' share of MIC's expenses and amounts payable by MICs on behalf of the hospital. The amounts are unsecured, non-interest bearing with no specific terms of repayment. These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

8. DUE FROM/TO PARTICIPATING HOSPITALS, (CONT'D)

The amounts due from the participating hospital is as follows:

	2026	2025
Anson General Hospital	$ 310,252	$ -

The amounts due to the participating hospitals is as follows:

	2026	2025
Bingham Memorial Hospital	$ 1,536,678	$ 1,323,154
Anson General Hospital	-	610,699
Lady Minto Hospital	4,361,119	3,992,544
	$ 5,897,797	$ 5,926,397

The total recoveries of shared net-costs and direct charges from the participating hospitals are as follows:

	2026	2025
Bingham Memorial Hospital	$ 6,177,939	$ 5,895,940
Anson General Hospital	15,518,825	13,283,064
Lady Minto Hospital	13,659,946	12,650,884
	$ 35,356,710	$ 31,829,888

9. POST-EMPLOYMENT BENEFITS PAYABLE

The MICs Group of Health Services and participating hospitals provides post employment extended health coverage, dental benefits and life insurance to certain employee groups subsequent to their retirement. The partnership recognizes these benefits as they are earned during the employees' tenure of service. Expenses are allocated to the respective participating hospitals according to where services are provided by the employee. The related liability was determined by an actuarial valuation.

The following table outlines the components of the partnership's post-employment benefits payable and the related expenses. The liability and corresponding amount recoverable reflected on the MICs statement of financial position relates only to those MICs employees whose costs are shared according to the predetermined cost sharing formula.

THE MICS GROUP OF HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2026

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

The MICs shared accrued benefit liability is determined as follows:

	2026	2025
Accrued benefit obligation	$ 329,760	$ 332,224
Unamortized actuarial loss	41,428	37,671
Accrued benefit liability	$ 371,188	$ 369,895

The MICs shared accrued benefit expense is determined as follows:

	2026	2025
Accrued benefit obligation, beginning of year	$ 332,224	$ 262,979
Unamortized actuarial loss	37,671	115,486
Accrued benefit liability, beginning of year	369,895	378,465
Current service cost	13,390	11,188
Interest on obligation	12,775	10,295
Amortization of actuarial loss	(4,008)	(12,076)
Benefit expense	22,157	9,407
Benefit payment	(20,864)	(17,977)
Accrued benefit liability, end of year	$ 371,188	$ 369,895

The above amounts exclude contributions to the Hospitals of Ontario Pension Plan, a multi-employer plan, described in note 12.

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

Discount rate

The present value of the future benefits was determined using a discount rate of 3.88% (2025 - 3.89%) which is the discount rate recommended by the Ministry of Health.

Extended Health Coverage

Extended Health Coverage is assumed to increase at a rate of 8% per annum (2025 - 8%) and decrease proportionately thereafter by 0.5% per year to an ultimate rate of 4.5% (2025 - 4.5%).

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

Dental costs

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

The post-employment benefits payable related to those MICs employees whose costs are charged directly to participating hospitals are reflected on the statement of financial position of the respective hospitals as follows:

	2026	2025
Bingham Memorial Hospital	$ 714,074	$ 719,860
Anson General Hospital	1,538,435	1,475,970
Lady Minto Hospital	1,623,557	1,537,623
	$ 3,876,066	$ 3,733,453

10. DEFERRED CAPITAL CONTRIBUTIONS

	Amount Received	Accumulated Amortization	Total 2026	Total 2025
Capital contributions	$ 106,616	$ 18,578	$ 88,038	$ 98,700

11. LINE OF CREDIT

The partnership has an authorized line of credit of $2,500,000 (2025 - $500,000) bearing interest at prime, secured by a general security agreement.

12. RETIREMENT BENEFITS

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

Contributions to the plan made during the year by the partnership on behalf of its employees amounted to $1,982,716 (2025 - $1,863,200) and are included in the statement of operations.

THE MICS GROUP OF HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2026

12. RETIREMENT BENEFITS, (CONT'D)

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

Contributions by participating hospitals are as follows:

	2026	2025
Bingham Memorial Hospital	$ 347,992	$ 354,165
Anson General Hospital	849,131	755,736
Lady Minto Hospital	785,593	753,299
	$ 1,982,716	$ 1,863,200

13. CONTINGENCIES

a) The nature of the partnership's activities are such that there is usually litigation pending or in progress at any one time. With respect to claims as at March 31, 2026, it is management’s position that the partnership has valid defences and appropriate insurance coverage in place. No provision has been made in these financial statements to reflect any of these claims. Any settlements which may arise will be reflected in the financial statements in the year the amount is determined.

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

c) The partnership is currently engaged in pay equity negociations at year-end, which may result in retroactive compensation adjustments. Management has recorded an accrual for estimated pay equity obligations based on curent information available at the reporting date, including management's assessment of likely outcomes. In certain cases where the likelyhood of settlement is not considered probable, no liability has been recorded.

The ultimate cost of these obligations is subject to significant measurement uncertainty as negotiations have not been finalized. As such, the final amounts may differ from those estimates and could be material to the financial statements.

14. OTHER RELATED PARTIES

MICs Healthcare Foundation

MICs Healthcare Foundation (Foundation) was incorporated primarily for the purpose of raising funds for the use by the three hospitals under the MICS Partnership (Bingham Memorial Hospital, Anson General Hospital and Lady Minto Hospital).

ONE Health Information Technology Services

ONE Health Information Technology Services (ONE HITS) is a shared service organization established for the purposes of providing technology, information systems and related support services on a non-profit basis to participating hospitals in Northeastern Ontario on a full cost recovery basis. As such, ONE Health Information Technology Services' net assets and surplus for the year are nil. The partnership has a 1.50% proportionate share in the organization. All operating and capital costs incurred in the year have been expensed or capitalized according to the allocation provided.

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

15. FINANCIAL INSTRUMENTS RISK MANAGEMENT

The financial instruments of the partnership and the nature of the risks to which it may be subject are as follows:

CREDIT RISK

The partnership is exposed to credit risk in the event of non-payment by their debtors. Credit risk arises from the possibility that these individuals may experience financial difficulty and be unable to fulfil their obligations. The partnership is exposed to this risk relating to its accounts receivable of $192,515 (2025 - $145,404), due from participating hospitals of $310,252 (2025 - $0) and its post-employment benefits payable of $371,188 (2025 - $369,895). The partnership believes there is minimal risks associated with these amounts.

LIQUIDITY RISK

Liquidity risk results from the partnership’s potential inability to meet its obligations associated with the financial liabilities as they become due. The partnership is exposed to this risk relating to its accounts payable and accrued liabilities of $8,498,488 (2025 - $5,967,437) and its amounts due to participating hospitals of $5,897,797 (2025 - $5,926,397). The partnership mitigates this risk by monitoring its operations and cash flows to ensure that current and future obligations will be met. The partnership believes that its current sources of liquidity are sufficient to cover its currently known short and long-term cash obligations.

THE MICS GROUP OF HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2026

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

MARKET RISK

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

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

16. COMPARATIVE FIGURES

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes did not have an effect on the excess of revenues over expenses and net assets.

17. FUTURE ACCOUNTING PRONOUNCEMENTS

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

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

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

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