

ALBERNI-CLAYOQUOT REGIONAL HOSPITAL DISTRICT

Financial Statements

Year Ended December 31, 2025

ALBERNI-CLAYOQUOT REGIONAL HOSPITAL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Alberni-Clayoquot Regional Hospital District

Opinion

We have audited the financial statements of Alberni-Clayoquot Regional Hospital District (the "District"), which comprise:

- the statement of financial position as at December 31, 2025
- the statement of operations for the year then ended
- the statement of changes in net financial assets and accumulated surplus for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the District as at December 31, 2025, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

We are independent of the District 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 District'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 District or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the District'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 District'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 District'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 District to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Victoria, Canada
April 22, 2026

ALBERNI-CLAYOQUOT REGIONAL HOSPITAL DISTRICT

Statement of Financial Position

Year Ended December 31, 2025

	2025	2024
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 5,827,740	\$ 4,313,035
Short term investments (Note 3)	2,273,554	3,008,926
Accounts receivable	82,304	64,413
Municipal Finance Authority debt reserve deposit (Note 4)	-	1,601
	8,183,598	7,387,975
FINANCIAL LIABILITIES		
Accounts payable	\$ 6,000	5,750
Accrued Interest	-	67
Due to Alberni-Clayoquot Hospital District	-	15,154
Debenture debt (Note 6, Schedule 1)	-	5,507
	6,000	26,478
NET FINANCIAL ASSETS AND ACCUMULATED SURPLUS	\$ 8,177,598	\$ 7,361,497

Shane Koren

Shane Koren, CPA
Acting Chief Financial Officer

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

ALBERNI-CLAYOQUOT REGIONAL HOSPITAL DISTRICT

Statement of Operations

Year Ended December 31, 2025

	2025 Budget (Note 8)	2025	2024
REVENUE			
Taxation	\$ 1,836,000	\$ 1,836,000	\$ 1,836,000
Grants in lieu of taxes	7,000	20,510	12,201
Interest revenue	100,000	279,355	327,777
	1,943,000	2,135,865	2,175,978
EXPENSES			
Interest on debt	\$ 1,000	\$ 74	\$ 353
Administrative costs	45,000	45,276	46,450
Grants to Island Health	550,000	1,274,414	1,281,801
	596,000	1,319,764	1,328,604
ANNUAL SURPLUS	\$ 1,347,000	\$ 816,101	\$ 847,374

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

ALBERNI-CLAYOQUOT REGIONAL HOSPITAL DISTRICT

Statement of Changes in Net Financial Assets and Accumulated Surplus

Year Ended December 31, 2025

	2025 Budget (Note 8)	2025	2024
NET FINANCIAL ASSETS AND ACCUMULATED SURPLUS - BEGINNING OF YEAR	\$ 7,361,497	\$ 7,361,497	\$ 6,514,123
ANNUAL SURPLUS	1,347,000	816,101	847,374
NET FINANCIAL ASSETS AND ACCUMULATED SURPLUS - END OF YEAR	\$ 8,708,497	\$ 8,177,598	\$ 7,361,497

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

ALBERNI-CLAYOQUOT REGIONAL HOSPITAL DISTRICT**Statement of Cash Flows****Year Ended December 31, 2025**

	2025	2024
OPERATING ACTIVITIES		
Annual surplus	\$ 816,101	\$ 847,374
Changes in non-cash working capital:		
Accounts receivable	(17,891)	(34,810)
Municipal Finance Authority debt reserve fund deposit	1,601	(54)
Accounts payable	250	(33,077)
Accrued interest	(67)	(64)
Due to Regional District of Alberni-Clayoquot	(15,154)	9,804
Cash inflow from operating activities	784,840	789,173
FINANCING ACTIVITIES		
Repayment of debt	(5,507)	(5,370)
INVESTING ACTIVITIES		
Purchase of short-term investments	(14,628)	(3,000,000)
Proceeds on short-term investments	750,000	(8,846)
Cash inflow/(outflow) from investing activities	735,372	(3,008,846)
INCREASE/(DECREASE) IN CASH FLOW	1,514,705	(2,225,043)
Cash and cash equivalents - beginning of year	4,313,035	6,538,078
CASH AND CASH EQUIVALENTS - END OF YEAR	5,827,740	4,313,035
CASH AND CASH EQUIVALENTS CONSISTS OF:		
Bank balances	\$ 5,827,740	\$ 4,313,035

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

ALBERNI-CLAYOQUOT REGIONAL HOSPITAL DISTRICT

Notes to Financial Statements

Year Ended December 31, 2025

1. NATURE OF THE ORGANIZATION

The Alberni-Clayoquot Regional Hospital District (the "Hospital District") was incorporated in 1967 under the Regional Hospital District Act. Its principal activities include the borrowing of monies from the Municipal Finance Authority of British Columbia and advancing those monies for hospital planning and development within the region.

2. SUMMARY OF SIGNIFIGANT ACCOUNTING POLICIES

Basis of presentation

The financial statements are prepared by management in accordance with Canadian generally accepted accounting principles as prescribed by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Professional Accountants.

Budget reporting

The budget information reported in the statement of operations, the statement of changes in accumulated surplus and the statement of changes in net financial assets represents the 2025 budget as adopted by the Hospital District's Board on March 12, 2025.

Financial instruments

Financial instruments are designated at cost. Financial instruments are adjusted by transaction costs incurred on acquisition and amortized using the effective interest rate method.

Portfolio investments include Municipal Finance Authority of British Columbia (MFA) pooled investments, by which market-based unit values are allocated amongst the participants in the investment pool, the other long-term investments in securities, including money market investments, which are carried at cost.

Financial assets are assessed for impairment on an annual basis. If there is an indicator of impairment, the Hospital District 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 asset 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 Hospital District 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.

Debt

Debt is recorded net of any related repayments and actuarial additions. Interest expense is recorded in the period incurred. The debt schedule indicates the amount of debt payable in accordance with schedules received from the Municipal Finance Authority.

Revenue recognition

Taxation revenues are recognized in the period in which they are levied. Grant-in-lieu of property taxes and other revenues are recognized when amounts are known and collectability is reasonably assured. Interest revenue is recognized when earned.

ALBERNI-CLAYOQUOT REGIONAL HOSPITAL DISTRICT

Notes to Financial Statements

Year Ended December 31, 2025

3. Short Term Investments

The term deposit balance is inclusive of \$750,000 at 4.40% maturing on July 26, 2027, \$500,000 at 3.20% maturing on April 17, 2026, \$500,000 at 3.31% maturing on April 17, 2026.

	2025	2024
Term deposits	\$ 1,750,000	\$ 2,500,000
Portfolio investment	523,554	508,926
	\$ 2,273,554	\$ 3,008,926

4. Debt Reserve Fund

The MFA is required to establish a Debt Reserve Fund into which each borrower who shares in the proceeds of a debt issue is required to pay certain amounts set out in the debt agreements. Interest earned on these funds (less administrative expenses) become an obligation of the MFA to the borrower. If at any time insufficient funds are provided by the borrowers, the MFA will use these funds to meet payments on its obligations. When this occurs, the Hospital District may be called upon to restore the fund. The balance of the Hospital District's Debt Reserve Fund deposits at December 31, 2025 is \$nil (2024 - \$1,601).

As a condition of the borrowing, the Hospital District is also obligated to lodge security by means of demand notes based on the amount of the borrowing. The notes, which are contingent in nature, are held by the MFA to act as security against the possibility of debt repayment default and are not recorded in the financial statements. Upon maturity of a debt issue, the demand notes are released. As of December 31, 2025, there are contingent demand notes of \$nil (2024 - \$2,580).

5. Related Party

The Alberni Clayoquot Regional Hospital District is related to the Alberni Clayoquot Regional District, as the same individuals are members of the Board of Directors of both organizations. As legislated by the Hospital District Act, the officers and employees of the Alberni Clayoquot Regional District are the corresponding officers and employees of the Hospital District. Each of the Alberni Clayoquot Regional District and the Hospital District are separate legal entities as defined by separate Letters Patent and authorized by separate legislation. During the year, the Alberni Clayoquot Regional Hospital District purchased, at cost, \$45,250 (2024 - \$46,200) of administrative support services from the Alberni Clayoquot Regional District.

At December 31, 2025, the Hospital District owes the District \$nil (2024 - \$15,154) related to these administrative support services.

6. Debenture Debt

All prior year borrowings for the Hospital District were with the MFA. Debt interest costs are recognized as expense as incurred. The debenture debt "Schedule 1" reflects no debenture debt owing at December 31, 2025 and the 2024 amount of debenture debt payable.

ALBERNI-CLAYOQUOT REGIONAL HOSPITAL DISTRICT

Notes to Financial Statements

Year Ended December 31, 2025

7. Financial Risk and Concentration of Risk

The Hospital District has exposure to the following risks from its use of financial instruments:

a) Credit risk:

Credit risk refers to the risk that a counter party may default on its contractual obligations resulting in a financial loss. The Hospital District is subject to credit risk with respect to the accounts receivable, investments and cash and cash equivalents. Credit risk arises from the possibility that taxpayers and entities to which the Hospital District provides services may experience financial difficulty and be unable to fulfill their obligations. This risk is mitigated as most accounts receivable are due from government agencies and are collectible.

b) Liquidity risk:

Liquidity risk is the risk that the Hospital District will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The District manages its liquidity risk by monitoring its operating requirements; preparing budget and cash forecast to ensure it has sufficient funds to fulfill its obligations.

c) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the Hospital District's income or the value of its holdings. The objective of market risk management is to control risk exposures within acceptable parameters while optimizing return on investment.

i.) Foreign exchange risk

The Hospital District does not enter into foreign exchange transactions and therefore is not exposed to foreign exchange risk.

ii.) Interest rate risk

The Hospital District is exposed to interest rate risk through its investments and debt instruments. It is management's opinion that the Hospital District is not exposed to significant interest rate risk due to size of its investment portfolio.

Exposure to interest rate risk in relation to debt instruments is limited to long-term debt and short-term financing. The risk applies only to long-term debt when amortization periods exceed the initial locked-in term. Short-term financing is subject to daily float rates, which can result in variability over the course of short-term financing. Interest rate risk related to debt instruments is managed through budget and cash forecasts.

ALBERNI-CLAYOQUOT REGIONAL HOSPITAL DISTRICT

Notes to Financial Statements

Year Ended December 31, 2025

8. Budget Reconciliation

Budget figures represent the Financial Plan Bylaw adopted by the Board on March 12, 2025.

Adjustments to the 2025 budgeted annual surplus

Consolidated financial plan balanced cash budget as adopted March 12, 2025	\$	-
Add transfers to reserves		1,482,493
Add principal debt payments		6,000
Less surplus from prior years		(141,493)
Accrual budgeted annual surplus		\$ 1,347,000

9. Tariff Implications

Tariffs can impact the Hospital District in the following ways:

a) Revenue Generation

Tariffs can affect the number of grant opportunities offered due to economic pressures, consequently, increasing the tax revenue collected by the Hospital District or service level reduction.

b) Expenditure and Infrastructure Increases

The Hospital District may face higher costs for goods and services due to tariffs, leading to increased expenditures. This can impact budget allocations and financial planning. Higher costs due to tariffs may lead to reduced investment in infrastructure projects and other public services, as costs increase.

c) Economic Development

Tariffs can influence local economic development by affecting the competitiveness of local businesses. This can impact employment rates and overall economic growth within the Hospital District's jurisdiction.

The Hospital District continuously evaluates these potential impacts and options to mitigate the risks arising from tariffs.

ALBERNI-CLAYOQUOT REGIONAL HOSPITAL DISTRICT

Schedule of Debenture Debt

Year Ended December 31, 2025

(Schedule 1)

By-law	MFA Issue	Maturity date	Term	Rate	Amount Borrowed	Total Instalments to date	Actuarial addition	2025 Balance	2024 Balance
82	93	06 Apr 2025	20	0.48%	\$ 14,342	\$ 14,342	\$ -	\$ -	\$ 901
75	93	06 Apr 2025	20	0.48%	73,282	73,282	-	-	4,606
								\$ -	\$ 5,507

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