Financial Statements of

MENNONITE BENEVOLENT SOCIETY - MENNO HOSPITAL

And Independent Auditor's Report thereon

Year ended March 31, 2026

KPMG LLP
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INDEPENDENT AUDITOR'S REPORT

To the Members of Mennonite Benevolent Society

Opinion

We have audited the financial statements of Mennonite Benevolent Society - Menno Hospital (the Entity), which comprise:

- the statement of financial position as at March 31, 2026
- the statement of operations for the year then ended
- the statement of changes in net assets (deficit) 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 Entity as at March 31, 2026 and its results of operations and its cash flows for the year then ended in accordance with the financial reporting framework described in Note 1 in the financial statements.

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 Entity 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.

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Emphasis of Matter

We draw attention to Note 1 to the financial statements, which describes the applicable financial reporting framework.

As a result, the financial statements may not be suitable for another purpose.

Our opinion is not modified in respect to this matter.

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 the financial reporting framework described in Note 1 in the financial statements; this includes determining that the applicable financial reporting framework is an acceptable basis for the preparation of the financial statements in the circumstances, 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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.

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- 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 Entity'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 Entity'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 Entity 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

Abbotsford, Canada

June 1, 2026

MENNONITE BENEVOLENT SOCIETY - MENNO HOSPITAL

Statement of Financial Position

March 31, 2026, with comparative information for 2025

		2026		2025
Assets				
Current assets:				
Cash and term deposits (note 2)	$	889,771	$	833,655
Restricted cash and term deposits (note 2)		68,616		68,616
Accounts receivable (note 3)		119,059		530,402
Prepaid expenses		2,985		38,207
Inventory		148,923		137,472
		1,229,354		1,608,352
Tangible capital assets (note 4)		1,700,858		1,756,255
	$	2,930,212	$	3,364,607
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities (note 5)	$	878,868	$	3,225,909
Accrued wages and benefits payable		583,304		423,460
Vacation pay payable		328,707		400,463
Unearned revenue		523,718		784,225
Current portion of sick and severance allowance (note 6)		100,483		99,439
		2,415,080		4,933,496
Sick and severance allowance (note 6)		669,757		633,361
Deferred capital contributions (note 7)		467,594		527,927
		3,552,431		6,094,784
Net assets (deficit):				
Invested in tangible capital assets (note 8)		775,291		770,355
Internally restricted (note 9)		68,616		68,616
Unrestricted		(1,466,126)		(3,569,148)
		(622,219)		(2,730,177)
Related party transactions (note 10)				
Contingencies (note 11)				
	$	2,930,212	$	3,364,607

See accompanying notes to financial statements.

On behalf of the Board:

Carol Dyck

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MENNONITE BENEVOLENT SOCIETY - MENNO HOSPITAL

Statement of Operations

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

	2026	2025
Revenue:		
Fraser Health Authority operating grant	$ 15,782,516	$ 14,946,551
Resident user charges	2,628,428	2,322,425
Interest and other income	85,980	118,188
	18,496,924	17,387,164
Expenses:		
Salaries and wages	8,824,373	8,778,001
Contract services	3,562,098	3,398,439
Employee benefits	2,908,217	2,910,794
Medical supplies and services	695,380	679,801
Dietary supplies and services	615,590	570,010
Repairs and maintenance	276,615	252,005
Office and administration	234,562	173,200
Utilities	176,654	206,224
Rent (note 10)	173,000	173,000
Housekeeping supplies and services	73,860	72,996
Professional fees	58,817	58,563
Linen, laundry supplies and services	44,892	37,612
Security and miscellaneous	14,899	11,756
Association membership fees and accreditation	8,711	7,889
Recreation	8,363	10,261
	17,676,031	17,340,551
Excess of revenue over expenses before the undernoted	820,893	46,613
Other income (expenses):		
Subsidy from related party (note 10)	1,696,249	-
Amortization of deferred capital contributions	80,347	84,348
Amortization of tangible capital assets	(341,032)	(325,115)
Sick and severance allowance	(82,400)	(81,500)
	1,353,164	(322,267)
Excess (deficiency) of revenue over expenses	$ 2,174,057	$ (275,654)

See accompanying notes to financial statements.

MENNONITE BENEVOLENT SOCIETY - MENNO HOSPITAL

Statement of Changes in Net Assets (Deficit)

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

	Invested in tangible capital assets	Internally restricted	Unrestricted	Total 2026	Total 2025
	(note 8)	(note 9)			
Net assets (deficit), beginning of year	$ 770,355	$ 68,616	$ (3,569,148)	$ (2,730,177)	$ (2,391,561)
Employee future benefits remeasurement (note 6)	-	-	(66,099)	(66,099)	(62,962)
Excess (deficiency) of revenue over expenses	(260,685)	-	2,434,742	2,174,057	(275,654)
Change in net assets invested in tangible capital assets	265,621	-	(265,621)	-	-
Net assets (deficit), end of year	$ 775,291	$ 68,616	$ (1,466,126)	$ (622,219)	$ (2,730,177)

See accompanying notes to financial statements.

MENNONITE BENEVOLENT SOCIETY - MENNO HOSPITAL

Statement of Cash Flows

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

		2026		2025
Cash provided by (used in):				
Operations:				
Excess (deficiency) of revenue over expenses	$	2,174,057	$	(275,654)
Items not involving cash:				
Amortization of tangible capital assets		341,032		325,115
Sick and severance allowance		82,400		81,500
Amortization of deferred capital contributions		(80,347)		(84,348)
Subsidy from related party		(1,696,249)		-
Recognition of amounts previously restricted		-		(682,723)
		820,893		(636,110)
Changes in non-cash operating working capital:				
Accounts receivable		411,343		300,112
Prepaid expenses		35,222		8,500
Inventory		(11,451)		4,598
Accounts payable and accrued liabilities		(650,792)		663,144
Accrued wages and benefits payable		159,844		86,706
Vacation pay payable		(71,756)		22,911
Unearned revenue		(260,507)		254,420
Sick and severance allowance payouts		(111,059)		(57,182)
		321,737		647,099
Financing:				
Deferred capital contributions received		20,014		92,110
Investing:				
Purchase of tangible capital assets		(285,635)		(454,206)
Increase in cash and term deposits		56,116		285,003
Cash and term deposits, beginning of year		902,271		617,268
Cash and term deposits, end of year	$	958,387	$	902,271
Cash and term deposits consists of:				
Cash and term deposits	$	889,771	$	833,655
Restricted cash and term deposits		68,616		68,616
	$	958,387	$	902,271
Non-cash transactions:				
Subsidy from related party through accounts payable (note 10)	$	1,696,249	$	-

See accompanying notes to financial statements.

Nature of operations:

The mission of Menno Place is to reflect God's love by providing facilities and services that express our commitment to excellent resident and family-centred care and enable residents to live with hope and dignity.

Established in 1953, Mennonite Benevolent Society (the “Society”) operates Menno Place, a multi-site campus of long-term care, assisted living, and independent living. The Society is incorporated under the Societies Act (British Columbia) and as such, is a not-for-profit organization. The Society is a registered charity and is therefore exempt from income taxes under section 149 of the Income Tax Act (Canada).

Menno Hospital (the "Hospital") operates as a separate division of the Society and provides long term care to 151 residents under contract with the Fraser Health Authority ("FHA"). The Hospital is dependent on FHA to provide sufficient funding for operations, and assistance for replacement of basic equipment and renovation projects. In 2022, the Hospital received a renewal of its Accredited Standing with Accreditation Canada, meaning the Hospital meets or exceeds the most rigorous requirements of the accreditation program.

Menno Corporate ("Corporate"), a separate division within the Society has committed to support Hospital for a minimum period of one year from the date of the financial statements in order for Hospital to continue its operations and discharge its financial obligations in the normal course of business. Management believes that the support of Corporate will mitigate the adverse conditions and events that may raise doubt about the validity of the going concern assumption used in preparing these financial statements.

1. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian Accounting Standards for Not-For-Profit Organizations ("ASNPO") to meet the information needs of the Board of Directors (the "Board") of the Hospital and include the following significant accounting policies:

(a) Cash and term deposits:

Cash and cash equivalents include cash held in bank accounts and/or funds on deposits that mature within three months of the purchase date. Cash equivalents are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

(b) Inventory:

Inventory, consisting of supplies, is recorded at the lower of cost and replacement cost. Cost includes purchase, conversion and other costs incurred in bringing the inventories to their present location and condition.

1. Significant accounting policies (continued):

(c) Tangible capital assets:

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

Amortization is provided using the declining balance method using the following rates:

Asset	Rate
Building	5%
Major equipment	10%
Minor equipment	10-30%
Computer equipment	25%

Tangible capital assets are reviewed for impairment whenever events or changes in circumstances indicate that either the full or partial amount of the asset no longer has long-term service potential to the Hospital. If such conditions exist, an impairment loss is measured at the amount by which either the full or partial carrying amount of the asset exceeds its residual value.

(d) Revenue recognition:

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

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

Externally restricted contributions are recorded as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of tangible capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related asset.

Revenue from other sources such as resident fees and interest are recognized when earned and collection is reasonably assured.

1. Significant accounting policies (continued):

(e) Sick and severance:

The Hospital has a defined benefit sick and severance plan covering its employees. The benefits are based on years of service and average salary. All remeasurements, defined as actuarial gains or losses arising on remeasuring the accrued benefit obligation, plus the impact of settlements, curtailments and past service costs, are recognized immediately in the fiscal period in which they arise. Remeasurements are recognized directly in net assets in the Statement of Financial Position and not in the Statement of Operations. The recorded liability on the Statement of Financial Position equals the accrued benefit obligation for the benefits.

Ongoing annual expense will include only service cost for the year, with interest applied to the service cost and interest cost equal to interest on the opening accrued benefit obligation.

All measurements are performed at the financial statement date. The most recent actuarial valuation of the benefit plans for funding purposes was as of March 31, 2026, and the next valuation will be as of March 31, 2027.

(f) Employee future benefits:

The Hospital and its employees make contributions to the Municipal Pension Plan (the "Plan") which is a multi-employer jointly trusteed plan. This Plan is a defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years. Inflation adjustments are contingent upon available funding. As the assets and liabilities of the Plan are not segregated by entity, the Plan is accounted for as a defined contribution plan and contributions made by the Hospital to the Plan are expensed as incurred.

(g) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Items subject to estimates and assumptions include the obligation related to the sick and severance allowance and the useful life of tangible capital assets. Actual results could differ from those estimates.

1. Significant accounting policies (continued):

(h) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The fair value of the Hospital's financial instruments measured at amortized cost approximates their carrying 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 straight-line 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 Hospital 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 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.

2. Cash and term deposits:

	2026	2025
Cash	$ 523,867	$ 478,716
Term deposits	434,520	423,555
	$ 958,387	$ 902,271

2. Cash and term deposits (continued):

Cash and term deposits are comprised of the following:

		2026		2025
Restricted cash and term deposits	$	68,616	$	68,616
Unrestricted cash and term deposits		889,771		833,655
	$	958,387	$	902,271

3. Accounts receivable:

		2026		2025
Fraser Health Authority	$	54,755	$	12,087
Accounts receivable		32,350		4,246
GST receivable		31,954		37,373
Menno Home, a related party (note 10)		-		476,695
	$	119,059	$	530,401

There are no allowances for doubtful accounts as at March 31, 2026 (2025 - nil).

4. Tangible capital assets:

						2026		2025
		Cost		Accumulated amortization		Net book value		Net book value
Building	$	9,283,508	$	(9,268,179)	$	15,329	$	21,312
Major equipment		4,608,761		(3,295,708)		1,313,053		1,236,227
Minor equipment		3,075,020		(2,746,652)		328,368		406,467
Computer equipment		235,063		(190,955)		44,108		92,249
	$	17,202,352	$	(15,501,494)	$	1,700,858	$	1,756,255

5. Accounts payable and accrued liabilities:

		2026		2025
Trade payables	$	444,376	$	538,841
Fraser Health Authority		104,016		684,757
Other		159,098		202,095
Menno Corporate, a related party (note 10)		100,209		1,347,158
Government remittances		71,169		84,732
Menno Housing, a related party (note 10)		-		368,326
	$	878,868	$	3,225,909

6. Sick and severance allowance:

The continuity of the Hospital's employee benefit liability, which is equal to the actuarial obligation, is as follows:

		2026		2025
Accrued benefit obligation, beginning of year	$	732,800	$	645,520
Employer current service cost		82,400		81,500
Actuarial loss		66,099		62,962
Benefits paid		(111,059)		(57,182)
Accrued benefit obligation, end of year	$	770,240	$	732,800

The accumulated benefit obligation for sick and severance allowance benefits is as follows:

		2026		2025
Sick leave benefits	$	273,765	$	236,586
Severance benefits		496,475		496,214
		770,240		732,800
Less: current portion		100,483		99,439
Long-term portion	$	669,757	$	633,361

The sick and severance allowance liability of $770,240 (2025 - $732,800) is unfunded at March 31, 2026.

6. Sick and severance allowance (continued):

The significant actuarial assumption adopted in measuring the Hospital's obligation for sick and severance is the discount rate of 5.00% (2025 - 4.60%) and the cost of living increase of 3.00% (2025 - 2.50%).

7. Deferred capital contributions:

Deferred capital contributions represent both the unamortized value of tangible capital assets donated to Hospital and contributions received for the acquisition of tangible capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations. The changes in deferred capital contributions for the year are as follows:

	Balance beginning of year	Current contributions received	Amounts amortized in the year	Balance end of year
Major equipment	$ 93,397	$ 20,014	$ (16,344)	$ 97,067
Minor equipment	434,530	-	(64,003)	370,527
	$ 527,927	$ 20,014	$ (80,347)	$ 467,594

The deferred capital contribution balance at March 31, 2026 includes nil of unspent contributions for the acquisition of tangible capital assets (2025 - nil).

8. Invested in tangible capital assets:

(a) Invested in tangible capital assets is calculated as follows:

	2026	2025
Tangible capital assets	$ 1,700,858	$ 1,756,255
Amounts financed by deferred capital contributions	(467,594)	(527,927)
Amounts financed through previously restricted funds	(457,973)	(457,973)
	$ 775,291	$ 770,355

(b) Deficiency of revenue over expenses in tangible capital assets:

	2026	2025
Amortization of deferred capital contributions	$ 80,347	$ 84,348
Amortization of tangible capital assets	(341,032)	(325,115)
	$ (260,685)	$ (240,767)

(c) Change in net assets invested in tangible capital assets:

	2026	2025
Purchase of tangible capital assets	$ 285,635	$ 454,206
Amount funded by deferred capital contributions	(20,014)	(92,110)
	$ 265,621	$ 362,096

9. Internally restricted net assets:

The Board has internally restricted $68,616 (2025 - $68,616) of the Hospital's net assets for the future building repairs. These internally restricted net assets are not available for other purpose without the approval of the Board.

10. Related party transactions:

During the year, the Hospital entered into transactions with other divisions within the Society. These transactions occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

During the year, the Hospital recognized a subsidy from Menno Corporate of $1,696,249 (2025 - nil), resulting from the forgiveness of amounts previously payable to Corporate and settled through an internal transfer of resources. The forgiven balance has been recorded as income in the statement of operations.

Included in accounts payable is $100,209 (2025 - $1,347,158) due to Menno Corporate and nil (2025 - $368,326) due to Menno Housing. Included in accounts receivable is nil (2025 - $476,695) due from Menno Home. These are non-interest bearing with no stated repayment terms.

The Hospital paid rent for land of $173,000 (2025 - $173,000) to Menno Corporate. Additionally, the purchase of supplies and management wages are centralized in the Hospital and Menno Corporate, respectively, and are allocated out to the various divisions within the Society.

11. Contingencies:

In accordance with Hospital's operating agreement with the Fraser Health Authority, the Hospital is required to maintain compliance with certain staffing requirements, known as Hours Per Resident Day ("HPRD"), and compliance is subject to the Fraser Health Authority's formal review. Based on management's assessment, the funding received under HPRD are compliant with the relevant metrics used by the Fraser Health Authority to assess any clawbacks. As the outcome of FHA's reviews are indeterminable, adjustments to funding resulting from the reviews will be recorded in the period the amount becomes known and determinable.

12. Pension plans:

Menno Hospital and its employees contribute to the Municipal Pension Plan (a jointly trusteed pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2025, the plan has about 286,000 (2025 - 256,000) active members and approximately 138,000 (2025 - 129,000) retired members. Active members include 171 (2025 - 156) contributors from the Hospital.

12. Pension plans (continued):

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The latest actuarial valuation for the Municipal Pension Plan as at December 31, 2024, indicated a $2,675 million funding surplus for basic pension benefits and a balance of $4,598 million in the rate stabilization account. The next valuation will occur December 31, 2027.

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

Menno Hospital paid $523,805 (2025 - $563,521) for employer contributions to the plan in fiscal 2026.

13. Financial risks:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Hospital is exposed to credit risk with respect to its cash and term deposits and accounts receivable. To reduce this risk, the cash and term deposits are held with Canadian chartered banks. The Hospital assesses, on a continuous basis, accounts receivable and provides for amounts, if any, that are not collectible in the allowance for doubtful accounts.

13. Financial risks (continued):

(b) Liquidity risk:

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

(c) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fixed-interest and non-interest bearing financial instruments are subject to changes in fair value, while floating rate financial instruments are subject to fluctuations in cash flows. The Hospital is exposed to cash flow risk as a result of variable interest rates on cash which bear interest at the prime rate plus / minus a margin.

There have been no changes to the risk exposures outlined above from the prior year.