

Financial Statements of

**HÔTEL-DIEU GRACE
HEALTHCARE**

And Independent Auditor's Report thereon

Year ended March 31, 2026



KPMG LLP

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Hôtel-Dieu Grace Healthcare

Opinion

We have audited the financial statements of Hôtel-Dieu Grace Healthcare (the "Hospital"), which comprise:

- the statement of financial position as at March 31, 2026
- the statement of operations for the year then ended
- the statement of statement of changes in net assets for the year then ended
- the statement of remeasurement gains for the year then ended
- the statement of cash flows for the year then ended
- and the 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 Hospital 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.

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 Hospital in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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.



Responsibility of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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 risk 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, internal 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 purposes of expressing an opinion on the effectiveness of the Hospital's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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- 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 the events or conditions that may cast significant doubt on the Hospital's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Hospital to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

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'.

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada
May 28, 2026

HÔTEL-DIEU GRACE HEALTHCARE

Statement of Financial Position

As at March 31, 2026, with comparative information for 2025

(in thousands of dollars)

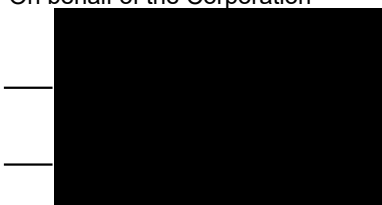
	2026	2025
Assets		
Current assets:		
Cash - unrestricted	\$ 4,497	\$ 584
Accounts receivable (note 2)	2,941	5,109
Short-term cash and investments - restricted (note 3)	1,657	2,008
Inventories	314	303
Prepaid expenses and deposits	1,039	1,674
	<u>10,448</u>	<u>9,678</u>
Restricted cash and investments (note 3)	33,876	39,304
Capital assets, net (note 4)	196,075	199,277
Interest rate swap (note 5)	315	270
	<u>\$ 240,714</u>	<u>\$ 248,529</u>

Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 35,650	\$ 30,420
Current portion of term loans (note 5)	1,291	1,248
Current portion of capital lease obligations (note 7)	332	140
	<u>37,273</u>	<u>31,808</u>
Long-term liabilities:		
Term loans (note 5)	7,971	9,262
Capital lease obligations (note 7)	471	558
Long-term obligations (note 8)	9,778	9,690
Asset retirement obligation (note 9)	4,807	4,614
Accrued benefit liability (note 10)	9,633	9,583
Deferred capital contributions (note 11)	149,083	155,117
	<u>219,016</u>	<u>220,632</u>
Net assets:		
Unrestricted	(52,893)	(48,646)
Contributed surplus - Prince Road building (note 12)	6,623	6,623
Invested in capital assets (note 13)	32,120	28,338
Board restricted	31,276	34,608
	<u>17,126</u>	<u>20,923</u>
Accumulated rereasurement gains	4,572	6,974
	<u>21,698</u>	<u>27,897</u>
Commitments and contingencies (notes 16, 17, 19 and 24)		
	<u>\$ 240,714</u>	<u>\$ 248,529</u>

See accompanying notes to financial statements.

On behalf of the Corporation



Member of the Corporation

Director of the Corporation

HÔTEL-DIEU GRACE HEALTHCARE

Statement of Operations

Year ended March 31, 2026, with comparative information for 2025
(in thousands of dollars)

	2026	2025
Revenue:		
Ministry of Health	\$ 124,840	\$ 120,600
Ministry of Children, Community and Social Services and other ministries	6,315	7,756
Other patient revenue	1,454	1,735
Other revenue and recoveries	5,818	5,707
Grant amortization - equipment	558	853
	<u>138,985</u>	<u>136,651</u>
Expenses:		
Salaries and purchased services	85,599	84,500
Employee benefits	22,311	21,320
Medical staff	3,267	2,940
Medical and surgical supplies	1,162	1,282
Drugs and medical gases	1,667	2,303
Supplies and facilities	27,111	28,443
Amortization of capital assets - equipment	1,714	1,892
	<u>142,831</u>	<u>142,680</u>
Deficiency of revenue over expenses for the year before undernoted items	(3,846)	(6,029)
Other items - one-time (note 18)	2,472	1,135
Deficiency of revenue over expenses for the year per Ministry of Health purposes	(1,374)	(4,894)
Interest, net building and land improvements amortization	(2,423)	(1,903)
Deficiency of revenue over expenses for the year	<u>\$ (3,797)</u>	<u>\$ (6,797)</u>

See accompanying notes to financial statements.

HÔTEL-DIEU GRACE HEALTHCARE

Statement of Changes in Net Assets

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

(in thousands of dollars)

2026	Unrestricted	Contributed Surplus	Invested in Capital Assets	Board Restricted	Total
Balance, beginning of year	\$ (48,646)	6,623	28,338	34,608	\$ 20,923
Deficiency of revenue over expenses for the year (note 13b)	(163)	-	(3,634)	-	(3,797)
Invested in capital assets (note 13b)	(7,416)	-	7,416	-	-
Net transfer from Board restricted to unrestricted	3,332	-	-	(3,332)	-
Balance, end of year	\$ (52,893)	6,623	32,120	31,276	\$ 17,126

2025	Unrestricted	Contributed Surplus	Invested in Capital Assets	Board Restricted	Total
Balance, beginning of year	\$ (40,700)	6,623	27,020	34,777	\$ 27,720
Deficiency of revenue over expenses for the year (note 13b)	(3,879)	-	(2,918)	-	(6,797)
Invested in capital assets (note 13b)	(4,236)	-	4,236	-	-
Net transfer from Board restricted to unrestricted	169	-	-	(169)	-
Balance, end of year	\$ (48,646)	6,623	28,338	34,608	\$ 20,923

See accompanying notes to financial statements.

HÔTEL-DIEU GRACE HEALTHCARE

Statement of Remeasurement Gains

Year ended March 31, 2026, with comparative information for 2025
(in thousands of dollars)

	2026	2025
Accumulated remeasurement gains relating to long-term investments:		
Accumulated remeasurement gains, beginning of year	\$ 6,704	\$ 6,126
Unrealized gains (loss) during the current year	(2,447)	578
<u>Accumulated remeasurement gains, end of year</u>	<u>\$ 4,257</u>	<u>\$ 6,704</u>
Accumulated remeasurement gains relating to interest rate swaps:		
Accumulated remeasurement gains, beginning of year	\$ 270	\$ 909
Unrealized gains (loss) during the current year	45	(639)
<u>Accumulated remeasurement gains, end of year</u>	<u>\$ 315</u>	<u>\$ 270</u>
Total accumulated remeasurement gains:		
Accumulated remeasurement gains, beginning of year	\$ 6,974	\$ 7,035
Unrealized gains (losses) attributed to:		
Long-term investments	(2,447)	578
Interest rate swap	45	(639)
<u>Accumulated remeasurement gains, end of year</u>	<u>\$ 4,572</u>	<u>\$ 6,974</u>

See accompanying notes to financial statements.

HÔTEL-DIEU GRACE HEALTHCARE

Statement of Cash Flows

Year ended March 31, 2026, with comparative information for 2025
(in thousands of dollars)

	2026	2025
Operating activities:		
Deficiency of revenue over expenses for the year	\$ (3,797)	\$ (6,797)
Add (deduct) non-cash items:		
Amortization of capital assets	10,230	9,952
Amortization of deferred capital contributions	(6,789)	(7,152)
Change in asset retirement obligation	193	118
Loss on disposal of capital assets	67	306
Unrealized loss on investments and interest rate swap	(2,402)	(61)
Change in accrued benefit liability	50	(50)
	<u>(2,448)</u>	<u>(3,684)</u>
Net change in non-cash working capital balances	8,022	(6,024)
	5,574	(9,708)
Capital activities:		
Purchase of capital assets	(6,520)	(5,624)
Deferred capital contributions received	755	2,284
	<u>(5,765)</u>	<u>(3,340)</u>
Financing activities:		
Repayment of term loan	(1,248)	(1,202)
Change in interest rate swap	(45)	639
Change in long-term obligations	88	2,725
Repayment of capital lease obligations	(470)	-
	<u>(1,675)</u>	<u>2,162</u>
Investing activities:		
Net decrease in restricted cash and investments	5,779	2,521
Net increase in unrestricted investments	-	(409)
	<u>5,779</u>	<u>2,112</u>
Change in cash during the year	3,913	(8,774)
Cash, beginning of year	584	9,358
Cash, end of year	\$ 4,497	\$ 584

See accompanying notes to financial statements.

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements

Year ended March 31, 2026
(in thousands of dollars)

Organizational Structure

Hôtel-Dieu Grace Hospital was incorporated by an Act of the Legislature of Ontario in 1917 and its principal activity is the operation of health services.

On October 1, 2013, the Hospital and Windsor Regional Hospital (“WRH”) completed a transfer of programs whereby WRH assumed governance and management of all acute care services and the Hospital assumed governance and management of all non-acute care services.

With this change in services and role, Hôtel-Dieu Grace Hospital changed its name to Hôtel-Dieu Grace Healthcare (“HDGH” or the “Hospital”).

HDGH is a charitable organization and, as such, is exempt from income tax and is able to issue donation receipts for income tax purposes.

1. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations. Summarized below are the more significant accounting policies used in the preparation of the HDGH's financial statements.

(a) Basis of funding:

HDGH is funded primarily by the Province of Ontario, in accordance with funding guidelines established with the Ministry of Health (Ontario Health and Children Youth Mental Health) as well as the Ministry of Children, Community and Social Services. Both are referred to as “the Ministry”. Effective April 1, 2012, the basis of funding has changed through the implementation of the Health System Funding Reform (“HSFR”). Hospital funding is provided through two main funding streams; Global Funding, and Growth and Efficiency Model (“GEM”). Except for certain programs, a surplus of revenue over expenses incurred during a fiscal year is not required to be returned to the Ministry of Health and Ontario Health. Funding received from the Ministry of Children, Community and Social Services (MCCSS) is to be returned if unspent by the end of the fiscal year. Other Vote funding and Children Youth Mental Health (CYMH) is also to be returned if unspent by the end of the fiscal year. As well, the Ministry’s stated policy is that deficits incurred by HDGH will not be funded.

(b) Inventory:

Supplies, stores and linen inventory are valued at the lower of cost and net realizable value, with cost being determined on a moving average basis.

Pharmacy, dietary and miscellaneous inventory are valued at the lower of cost and net realizable value, with cost being determined on a first-in, first-out basis.

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements (continued)

Year ended March 31, 2026
(in thousands of dollars)

1. Significant accounting policies (continued):

(c) Revenue recognition:

HDGH follows the deferral method of accounting for contributions, which include donations and government grants.

Operating grants are recorded as revenue in the period to which they relate. Grants approved, but not received at the end of an accounting period, are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Donations and capital grants received for the purpose of funding capital acquisitions are deferred and amortized on the same basis as amortization is calculated for the related asset.

Other revenues are recognized when the services are performed or goods are delivered, performance obligations fulfilled and future economic benefits are measurable and expected to be obtained.

(d) Capital assets:

Purchased capital assets are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful life of the related asset. A full year's amortization is recorded in the year of acquisition.

The amortization rates are as follows:

Building and building service equipment	20 – 50 years
Land improvements	10 – 25 years
Equipment	5 – 10 years

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

In the event that equipment is acquired via gift in kind, the offset will be to deferred capital contribution.

(e) Impairment of long-lived assets:

Long-lived assets, including capital assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

(f) Vacation pay:

Vacation pay entitlements are charged to income on an accrual basis, with the exception of non-union staff who are paid as the time is taken.

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements (continued)

Year ended March 31, 2026
(in thousands of dollars)

1. Significant accounting policies (continued):

(g) Defined benefit multi-employer pension plan:

The employees are members of the Hospital of Ontario Pension Plan, which is a multi-employer defined benefit plan. Defined contribution plan accounting standards are applied to this plan, as HDGH has insufficient information to apply the defined benefit plan accounting standards.

The most recent regulatory funding valuation of this multi-employer pension plan conducted as at December 31, 2025 disclosed actuarial assets of \$131 billion (2025 - \$123 billion) with accrued pension liabilities of \$120 billion (2025 - \$113 billion), resulting in a surplus of \$11 million (2025 - \$10 million). This filing valuation also confirmed that the plan was fully funded on a solvency basis as at December 31, 2025.

(h) Accrued post-employment benefits:

HDGH provides defined retirement and other future benefits for a large portion of retirees and employees. These future benefits include life insurance and health care benefits. The calculation of the accrued benefit liability has been prepared using the projected benefit method pro-rated on service.

Actuarial gains (losses) on the accrued benefit obligation arise from the differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains are amortized over the average remaining service life to retirement estimated to be 16.9 years (2025 – 16.3 years).

Past service costs arising from plan amendments are recognized immediately in the period the plan amendments occur.

Curtailment gains or losses are immediately recognized as either a reduction or increase to employee future benefit expense.

(i) Asset retirement obligations:

HDGH recognizes the fair value of an asset retirement obligation (“ARO”) when all of the following criteria have been met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

A liability for the removal of asbestos-containing materials in certain HDGH facilities has been recognized based on estimated future expenses. Actual remediation costs incurred are charged against the ARO to the extent of the liability recorded. Differences between the actual remediation costs incurred and the associated liability recorded within the consolidated financial statements are recognized in the Statement of Operations at the time of remediation occurs.

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements (continued)

Year ended March 31, 2026
(in thousands of dollars)

1. Significant accounting policies (continued):

(j) Contributed services:

Volunteers contribute numerous hours to assist HDGH in carrying out certain charitable aspects of its service delivery 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.

(k) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilized in preparing its financial statements are reasonable and prudent; however, actual results could differ from those estimates. Significant items subject to such estimates include the allowance for doubtful accounts receivable, the estimated useful lives of capital assets and related deferred capital contributions, the estimated impact of the unsettled labour contracts and pay equity, as well as accrued benefit liabilities, asset retirement obligations and certain other accrued liabilities. Actual results could differ from those estimates.

(l) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments, including long-term debt, are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations. Transaction costs 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.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain or loss is adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements (continued)

Year ended March 31, 2026
(in thousands of dollars)

1. Significant accounting policies (continued):

(l) Financial instruments (continued):

The Standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 Unadjusted quoted market prices in active markets for identical assets or liabilities. This includes investments traded on an active market;
- Level 2 Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities. This includes the Hospital's interest rate swap agreement; and
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to their fair value of the assets and liabilities.

2. Accounts receivable:

	2026	2025
Ministry of Health	\$ 516	\$ 696
Ministry of Health - Children Youth Mental Health	10	10
Windsor Regional Hospital	–	17
Other	2,726	4,861
	3,252	5,584
Less allowance for doubtful accounts	(311)	(475)
	\$ 2,941	\$ 5,109

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements (continued)

Year ended March 31, 2026
(in thousands of dollars)

3. Board restricted net assets:

HDGH maintains restricted cash and investments as approved by the Board of Directors. These internally restricted amounts are not available for other purposes without approval by the Board of Directors.

The change in Board restricted net assets for the year is summarized as follows:

	2026	2025
Board restricted net assets, beginning of year	\$ 41,312	\$ 40,903
Add:		
Interest and realized gains	3,607	3,756
Unrealized gain (losses) on investments	(2,447)	578
Less:		
Funds used for capital purchases	(6,025)	(3,012)
Funds used for loan repayment	(914)	(913)
Board restricted net assets, end of year	\$ 35,533	\$ 41,312

The Board restricted net assets are comprised of:

	2026	2025
Amounts intended for capital	\$ 9,808	\$ 8,882
Unspent capital donations	1	1
Board restricted cash reserves	21,467	25,725
Unrealized gain on investments	4,257	6,704
Board restricted net assets, end of year	\$ 35,533	\$ 41,312

The Board restricted net assets include the following investments:

	2026	2025
Cash on deposit and short-term investments	\$ 1,657	\$ 2,008
Provincial, corporate, Government of Canada bonds (yields between 1.25% and 8.5%, maturing between October 16, 2026 to February 15, 2060)	13,613	16,311
Other investments consisting of a professionally managed portfolio of equities	20,095	22,805
Accrued interest	168	188
	\$ 35,533	\$ 41,312

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements (continued)

Year ended March 31, 2026
(in thousands of dollars)

4. Capital assets:

2026	Cost	Accumulated amortization	Net book value
Land and land improvements	\$ 7,762	\$ 1,080	\$ 6,682
Buildings and building service equipment	325,384	151,312	174,072
Equipment	23,407	16,128	7,279
Construction-in-progress	8,042	–	8,042
	<u>\$ 364,595</u>	<u>\$ 168,520</u>	<u>\$ 196,075</u>

2025	Cost	Accumulated amortization	Net book value
Land and land improvements	\$ 7,762	\$ 1,080	\$ 6,682
Buildings and building service equipment	316,230	142,795	173,435
Equipment	22,383	14,577	7,806
Construction-in-progress	11,354	–	11,354
	<u>\$ 357,729</u>	<u>\$ 158,452</u>	<u>\$ 199,277</u>

5. Term loans:

	2026	2025
i) Term loan payable in average quarterly instalments of \$126 commencing July 26, 2021, bearing a swap rate of 1.94% plus a stamping fee of 0.82% resulting in an all-in interest rate of 2.76% (2025 Swap Rate of 2.24% plus a stamping fee of 0.52% resulting in an all-in rate of 2.76%) and due July 2034	\$ 4,809	\$ 5,274
ii) Term loan payable in average quarterly instalments of \$186 commencing May 3, 2021, bearing a swap rate of 1.68% plus a stamping fee of 0.97% resulting in an all-in rate of 2.65% (2025 Swap Rate of 1.98% plus a stamping fee of 0.67% resulting in an all-in rate of 2.65%) and due May 2031	4,453	5,236
	<u>9,262</u>	<u>10,510</u>
Less current portion of term loan payable	(1,291)	(1,248)
	<u>\$ 7,971</u>	<u>\$ 9,262</u>

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements (continued)

Year ended March 31, 2026
(in thousands of dollars)

5. Term loans (continued):

- i) In 2020, HDGH entered into a term loan agreement for a total of \$7,000 with the Royal Bank of Canada to finance major building infrastructure projects. The final draw was completed on April 27, 2020. The projects were chosen on the basis that they would generate energy savings, which will be utilized as the cash flow for the loan repayment over the next 16 years.

HDGH has entered into interest rate derivative agreements to manage the volatility of interest rates. HDGH has converted floating rate debt for fixed rate debt. The fair value of the interest rate swaps of \$188 (2025 - \$147) has been determined using Level 3 of the fair value hierarchy. The related derivative agreements are in place until the maturity of the debt.

- ii) In 2021, HDGH entered into a term loan agreement for a total of \$8,000 with the Royal Bank of Canada to finance a Health Information System implementation. The full loan was received in May 3, 2021. The Hospital has entered into interest rate derivative agreements to manage the volatility of interest rates. The Hospital has converted floating rate debt for fixed rate debt. The fair value of the interest rate swaps of \$127 (2025 - \$123) has been determined using Level 3 of the fair value hierarchy. The related derivative agreements are in place until the maturity of the debt.

Principal repayments are as follows:

2026	\$	1,291
2027		1,341
2028		1,389
2029		1,435
2030		1,466
Thereafter		2,340
	\$	9,262

6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$1,397 (2025 - \$1,426), which include amounts for payroll related matters.

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements (continued)

Year ended March 31, 2026
(in thousands of dollars)

7. Capital lease obligation:

HDGH has financed certain equipment by entering into capital leasing arrangements. Capital lease repayments are due as follows:

2027	\$	332
2028		331
2029		140
Total lease payments		803
Less: current portion of obligations under capital lease		(332)
	\$	471

8. Long-term obligations:

Long-term obligations represent accruals related to pay equity and other personnel matters which will be settled beyond the next fiscal year.

9. Asset retirement obligation:

HDGH has accrued for asset retirement obligations related to the legal requirement for the removal or remediation of asbestos-containing materials in certain facilities owned by HDGH. The obligation is determined based on the estimated undiscounted cash flows that will be required in the future to remove or remediate the asbestos containing material in accordance with current legislation.

The change in the estimated obligation during the year consists of the following:

	2026	2025
Balance, beginning of year	\$ 4,614	\$ 4,496
Add: adjustment for inflation	193	118
Balance, end of year	\$ 4,807	\$ 4,614

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements (continued)

Year ended March 31, 2026
(in thousands of dollars)

10. Accrued benefit liability:

HDGH provides post-employment benefits such as extended health care, dental and life insurance benefits to qualifying employees. A full actuarial valuation was performed at March 31, 2023. The next full valuation of the plan will be as of March 31, 2026.

The significant actuarial assumptions adopted in estimating HDGH's accrued benefit obligation are as follows:

	2026	2025
Discount rate	3.88%	3.89%
Dental benefits cost escalation	5.30%	5.51%
Medical benefits cost escalation – extended health care	5.30%	5.16%

At year-end, HDGH's accrued benefit liability relating to its post-employment benefit plan based on the latest actuarial report as of March 31, 2026 is \$9,633 (2025 - \$9,583) amount is comprised of:

	2026	2025
Accrued benefit obligation:		
Funded balance – deficit, beginning of year	\$ 9,134	\$ 9,055
Actuarial losses during the year	781	61
Benefits paid by HDGH during the year	(728)	(802)
Interest	360	360
Current service cost	482	460
Funded balance – deficit, end of year	10,029	9,134
Unamortized actuarial gains (loss)	(396)	449
Accrued benefit liability, end of year	\$ 9,633	\$ 9,583

HDGH's net benefit expense is as follows:

	2026	2025
Current service cost	\$ 482	\$ 460
Interest	360	360
Amortization of net actuarial gains	(63)	(67)
	\$ 779	\$ 753

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements (continued)

Year ended March 31, 2026
(in thousands of dollars)

11. Deferred capital contributions:

Deferred capital contributions represent restricted contributions received for the purpose of purchasing capital assets. These contributions are being amortized on the same basis as amortization is calculated on the related capital assets. The change in deferred capital contributions for the year is summarized as follows:

	2026	2025
Deferred capital contributions, beginning of year	\$ 155,117	\$ 159,985
Add:		
Ministry of Health capital grants received in the year	438	441
Hôtel-Dieu Grace Healthcare Foundation donation	317	568
Capital contribution – Evolve Project	–	1,275
	155,872	162,269
Less:		
Amortization of capital contributions	(6,789)	(7,152)
Deferred capital contributions, end of year	\$ 149,083	\$ 155,117

The balance consists of the following:

	2026	2025
Ministry of Health	\$ 141,018	\$ 146,233
Together in Caring Foundation	5,045	5,426
Hôtel-Dieu Grace Healthcare Foundation	847	1,084
Other	2,173	2,374
	\$ 149,083	\$ 155,117

12. Program re-alignment:

With program re-alignment, WRH continues to own the Prince Road Campus and has leased it to HDGH for a 99-year period for nominal consideration. The long-term nature of this lease results in HDGH assuming responsibility for all building/building service equipment costs as the risks and benefits of ownership of these capital assets have been transferred to HDGH. This building net of capital grants has been recorded at a value of \$6,623 in contributed surplus as no cash was exchanged. HDGH continues to own the Ouellette Campus and is leasing it to WRH for up to 21 years less one day, for nominal consideration. All building assets for the Ouellette Campus remain recorded as capital assets of HDGH. An agreement was reached between WRH and HDGH whereby WRH will be solely responsible for all building/building service repairs/replacement for the life of the Ouellette Campus lease.

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements (continued)

Year ended March 31, 2026
(in thousands of dollars)

13. Net assets invested in capital assets:

(a) Net assets invested in capital assets is calculated as follows:

	2026	2025
Capital assets	\$ 196,075	\$ 199,277
Less amounts financed by:		
Deferred capital contributions	(149,083)	(155,117)
Term loan	(9,262)	(10,510)
Capital lease obligation	(803)	(698)
Asset retirement obligation	(4,807)	(4,614)
	\$ 32,120	\$ 28,338

(b) Change in net assets invested in capital assets is calculated as follows:

	2026	2025
Deficiency of revenue over expenses:		
Amortization of deferred capital contributions	\$ 6,789	\$ 7,152
Amortization of capital assets	(10,230)	(9,952)
Adjustment to asset retirement obligation	(193)	(118)
	(3,634)	(2,918)
Invested in capital assets:		
Purchase of capital assets	7,095	6,322
Disposal of capital assets	(67)	(306)
Amounts funded by capital lease	(575)	(698)
Amounts funded by capital grants	(438)	(441)
HDGH Foundation donation	(317)	(568)
Capital contribution – Evolve Project	–	(1,275)
Payments on term loan	1,248	1,202
Payments on capital lease	470	–
	7,416	4,236
Net change in investment in capital assets	\$ 3,782	\$ 1,318

14. Hôtel-Dieu Grace Healthcare Foundation:

HDGH established the Hôtel-Dieu Grace Healthcare Foundation (“HDGH Foundation”) on December 11, 2015, the object of which is primarily to conduct charitable fundraising activities on behalf of, and for the benefit of HDGH. The HDGH Foundation is independent from HDGH but HDGH does have an economic interest in the HDGH Foundation.

In the current year, donations of \$23 (2025 - \$18) were transferred from HDGH to the Foundation. Donations of \$317 were transferred from Foundation to HDGH. As of year-end, HDGH receivable from the HDGH Foundation is \$275 (2025 - \$371).

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements (continued)

Year ended March 31, 2026
(in thousands of dollars)

15. Pension plan:

Employer contributions made to the Hospital of Ontario Pension Plan during the year by HDGH amounted to \$7,094 (2025 - \$6,903). These amounts are included in employee benefits expense in the statement of operations.

16. Operating leases:

Under the terms of the various non-capital equipment leases, HDGH is committed to lease payments aggregating approximately as follows:

2027	\$	463
2028		453
2029		225
2030		70
2031		70

17. Capital commitments:

HDGH has committed to capital expenditures of \$3,307 which will be incurred over the next fiscal year. The expenditures will be funded through both operating funds and capital grants.

18. Other items – one-time:

Other items include special charges and provisions and recoveries not ordinarily associated with ongoing operations of HDGH. Included in this recovery (expense) category are the following items:

	2026	2025
Realized investment gains	\$ 2,709	\$ 2,855
Workplace Safety Insurance Board rebate	329	–
Healthcare Insurance Reciprocal of Canada refund	254	–
Termination accruals	(433)	(221)
Unfunded Surge Unit expenses	(401)	(1,511)
One-time other revenue	14	12
	<hr/>	<hr/>
	\$ 2,472	\$ 1,135

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements (continued)

Year ended March 31, 2026
(in thousands of dollars)

19. Contingencies:

(a) Legal matters and litigation:

HDGH is periodically subject to lawsuits in which HDGH is named defendant. HDGH has recorded accruals based on management's estimate of potential settlement amounts where these amounts are reasonably determinable. In the opinion of management, the ultimate resolution of any current lawsuits would not have a material effect on the financial position or results of operations of HDGH.

(b) Healthcare Insurance Reciprocal of Canada

On July 1, 1987, a group of health care organizations, ("Subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts which permit persons to exchange the other person's reciprocal contract of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces and territories where it is licensed. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No assessments have been made to March 31, 2026.

(c) Employment matters:

During the normal course of business, HDGH 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.

20. TransForm:

TransForm is a shared services organization that provides information technology/information systems services at rates designated to reflect the costs and expenses incurred by TransForm in the normal course of business. TransForm previously provided purchasing and payment services to HDGH, with these services transferred to Mohawk Medbuy Corporation effective April 1, 2025.

During the year, HDGH paid \$1,960 (2025 - \$1,822) to TransForm for information technology/information systems services, excluding maintenance contracts and capital reimbursements. The balance payable to TransForm at March 31, 2026 was \$972 (2025 - \$1,021) and has been included in accounts payable and accrued liabilities.

21. Bank indebtedness:

The Hospital has credit facilities which include a revolving demand facility to \$10 million. The facility bears interest at banker's prime rate less .65% (2025 – prime rate less 0.5%). The facility was in use 287 days during the 2026 fiscal year. The maximum daily withdrawal was \$7,868. As of March 31, 2026, \$Nil (2025 - \$Nil) has been drawn against the credit facility.

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements (continued)

Year ended March 31, 2026
(in thousands of dollars)

22. Health Ventures Business Trust:

Health Ventures Business Trust is an independent business trust established for the purposes of owning and managing revenue generating initiatives for the benefit of the Hospital. 2644224 Ontario Inc. is an independent corporation established for the purposes of acting as the corporate trustee of the Health Ventures Business Trust. As of March 31, 2026, Health Ventures Business Trust and 2644224 Ontario Inc. have no investments in revenue generating initiatives.

The Hospital has approved a \$200 line of credit to be made available to the Trust, which bears interest at market rates. As of March 31, 2026, \$17 (2025 - \$17) has been withdrawn by Health Ventures Business Trust. As of year-end, HDGH receivable from the Trust is \$59 (2025 - \$54).

23. Comparative information:

The prior year's financial information has been reclassified, where applicable, to conform with the presentation adopted in the current year. These changes do not affect the prior year's deficiency of revenues over expenses.

24. Financial risks:

(a) Future operations:

The Hospital has reported financial deficits in each of the last three years, including the current year, with the Hospital's budget for the year ending March 31, 2027 reflecting a forecasted financial loss. As a result of these losses, the Hospital has incurred a reduction in its working capital and net asset position, with the Hospital reporting negative working capital (excluding restricted cash and investments) and an unrestricted net debt position at March 31, 2026.

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, inflationary pressures and financial pressures resulting from patient volumes and acuity, including the opening of unfunded surge beds to meeting patient demands.

In connection with the Ministry's Hospital Sector Stabilization Plan initiative ("HSSP"), the Hospital is currently in the process of developing a three year forecast that anticipates the Hospital achieving a balanced budget on or before March 31, 2028. The HSSP forecast considers annual increases in Ministry funding as well as potential additional revenue generation opportunities and cost reduction strategies.

The Hospital's ability to achieve a balanced budget is contingent upon the future level of Ministry and other funding and the ability of the Hospital to achieve the required level of cost reductions anticipated under the HSSP. As a result, the Hospital has an increased level of reliance on the Ministry of Health and Ontario Health to assist in meeting its operating and capital requirements at current levels.

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements (continued)

Year ended March 31, 2026
(in thousands of dollars)

24. Financial risks (continued):

(b) 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 accounts receivable and other investments.

The Hospital 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 Hospital at March 31, 2026 is the carrying value of these assets.

Management considers credit risk to be minimal as most of the accounts receivable balance is collected in a timely fashion.

There have been no significant changes to the credit risk exposure from 2025.

(c) 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.

Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

There have been no significant changes to the liquidity risk exposure from 2025.

HÔTEL-DIEU GRACE HEALTHCARE

Supplemental Schedule of Operations (Unaudited)

Year ended March 31, 2026, with comparative information for 2025
(in thousands of dollars)

	Hospital Operations	Regional Children's Centre - MCCSS	Regional Children's Centre - CYMH	Lead Agency - CYMH	Other Votes	Total 2026	Total 2025
Revenue:							
Ministry of Health	\$ 91,605	198	10,816	416	21,805	\$ 124,840	\$ 120,600
Ministry of Children, Community and Social Services and other ministries	4	6,283	-	-	28	6,315	7,756
Other patient revenue	1,350	-	-	-	104	1,454	1,735
Other revenues and recoveries	5,557	4	202	6	49	5,818	5,707
Grant amortization	513	-	30	2	13	558	853
	99,029	6,485	11,048	424	21,999	138,985	136,651
Expenses:							
Salaries and purchased services	61,800	1,415	7,919	304	14,161	85,599	84,500
Employee benefits	16,215	325	2,127	36	3,608	22,311	21,320
Medical staff	1,474	-	-	-	1,793	3,267	2,940
Medical and surgical supplies	1,144	-	3	-	15	1,162	1,282
Drugs and medical gases	1,632	-	-	-	35	1,667	2,303
Supplies and facilities	18,896	4,745	999	84	2,387	27,111	28,443
Amortization of capital assets	1,714	-	-	-	-	1,714	1,892
	102,875	6,485	11,048	424	21,999	142,831	142,680
Deficiency of revenue over expenses for the year before undernoted items							
	(3,846)	-	-	-	-	(3,846)	(6,029)
Other items (note 18)							
	2,472	-	-	-	-	2,472	1,135
Deficiency of revenue over expenses for the year per Ministry of Health purposes							
	(1,374)	-	-	-	-	(1,374)	(4,894)
Interest, net building and land improvements amortization							
	(2,423)	-	-	-	-	(2,423)	(1,903)
Deficiency of revenue over expenses for the year							
	\$ (3,797)	-	-	-	-	\$ (3,797)	\$ (6,797)