Financial Statements of

ROYAL OTTAWA HEALTH CARE GROUP

And Independent Auditor’s Report thereon

Year ended March 31, 2025

KPMG LLP
150 Elgin Street, Suite 1800
Ottawa, ON K2P 2P8
Canada
Telephone 613 212 5764
Fax 613 212 2896

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of Royal Ottawa Health Care Group

Opinion

We have audited the financial statements of the Royal Ottawa Health Care Group (the Entity), which comprise:

- the statement of financial position as at March 31, 2025
- the statement of operations for the year then ended
- the statement of changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- the statement of remeasurement gains and losses 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, 2025, and its results of operations, its changes in fund balances, its cash flows, and its remeasurement gains and losses 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 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.

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 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.

- 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.

KPMG

- 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, Licensed Public Accountants

Ottawa, Canada

June 17, 2025

ROYAL OTTAWA HEALTH CARE GROUP

Financial Statements

Year ended March 31, 2025

Page

ROYAL OTTAWA HEALTH CARE GROUP

Statement of Financial Position

March 31, 2025, with comparative information for 2024

	2025	2024
Assets		
Current assets:		
Cash	$ 11,161,262	$ 19,909,754
Short-term investments (note 3(a))	39,216,557	49,587,208
Accounts receivable (note 4)	4,733,745	4,603,351
Receivable from Provinces and Territories	3,138,685	3,811,636
Due from related entities (note 5)	3,287,281	3,023,399
Inventories	631,007	608,347
Prepaid expenses	3,445,110	4,173,440
	65,613,647	85,717,135
Restricted investments - building reserves (note 3(b))	16,869,600	13,925,041
Capital assets (note 6)	127,621,601	134,229,239
	$ 210,104,848	$ 233,871,415
Liabilities and Fund Balances		
Current liabilities:		
Payable to the Province of Ontario	$ 25,513,299	$ 35,516,981
Accounts payable and accrued liabilities	31,565,402	32,610,040
Advance payments for designated projects	864,715	1,023,731
Current portion of deferred revenue	1,811,204	2,033,089
Scheduled cash repayments of loans (note 7)	257,616	301,736
Current portion of capital lease obligation (note 7)	12,430,205	11,645,921
Current liabilities before callable debt	72,442,441	83,131,498
Callable debt (note 7)	917,560	1,175,176
	73,360,001	84,306,674
Long-term debt (note 7)	16,794,960	29,205,124
Deferred revenue	18,871,412	20,832,893
Deferred capital asset contributions (note 8)	79,202,084	73,706,246
Employee future benefits (note 12)	8,928,300	8,685,900
Due to external parties - vested benefits	92,551	97,880
	123,889,307	132,528,043
	197,249,308	216,834,717
Fund balances:		
Internally restricted	2,933,369	2,644,305
Unrestricted	7,784,071	14,654,688
	10,717,440	17,298,993
Accumulated remeasurement gains (losses)	2,138,100	(262,295)
	12,855,540	17,036,698
Commitments, contingencies and guarantees (note 13)		
	$ 210,104,848	$ 233,871,415

See accompanying notes to financial statements.

Approved by the Board:

Director

Director

ROYAL OTTAWA HEALTH CARE GROUP

Statement of Operations

Year ended March 31, 2025, with comparative information for 2024

	Operations Fund	Non-Operations Fund	2025	2024
Revenue:				
Funding from the Province of Ontario:				
Ministry of Health of Ontario/ Ministry of LTC	$ 172,573,175	$ 2,503,005	$ 175,076,180	$ 180,137,458
Ministry of Children, Community and Social Services	1,011,580	-	1,011,580	1,154,484
Ministry of the Solicitor General	19,549,118	-	19,549,118	17,570,063
Department of Veterans Affairs	9,570,378	-	9,570,378	9,290,542
Patient revenues	3,758,100	-	3,758,100	3,180,891
Differential revenues	80,063	-	80,063	98,590
Amortization of deferred contributions - major equipment	1,245,060	-	1,245,060	1,179,185
Amortization of deferred contributions - land, buildings, services	420,830	5,146,921	5,567,751	5,506,415
Recoveries and other revenue	13,490,236	-	13,490,236	8,721,489
Investment income	2,707,369	-	2,707,369	2,608,191
	224,405,909	7,649,926	232,055,835	229,447,308
Expenses:				
Salaries and wages	125,649,100	-	125,649,100	119,362,132
Employee benefits	37,692,780	-	37,692,780	33,419,627
Medical staff remuneration	11,750,988	-	11,750,988	12,685,980
Medical and surgical supplies	706,953	-	706,953	750,580
Drugs	2,247,738	-	2,247,738	2,097,728
Contracts and other expenses (note 11)	47,659,354	-	47,659,354	44,986,393
Amortization of equipment	4,037,565	-	4,037,565	3,665,650
Amortization of buildings and land improvements	742,053	5,474,640	6,216,693	6,165,668
Mortgage interest	77,494	2,598,723	2,676,217	3,342,705
	230,564,025	8,073,363	238,637,388	226,476,463
Excess (deficiency) of revenue over expenses	$ (6,158,116)	$ (423,437)	$ (6,581,553)	$ 2,970,845

See accompanying notes to financial statements.

ROYAL OTTAWA HEALTH CARE GROUP

Statement of Changes in Fund Balances

Year ended March 31, 2025, with comparative information for 2024

	Operations		Non-Operations		
	Internally restricted	Unrestricted	Unrestricted	2025 Total	2024 Total
Fund balance, beginning of year	$ 2,644,305	$ 14,654,688	$ -	$ 17,298,993	$ 14,328,148
Excess (deficiency) of revenue over expenses	–	(6,158,116)	(423,437)	(6,581,553)	2,970,845
Transfer of ancillary revenue for local share of ROMHC Redevelopment Project	289,064	(712,501)	423,437	–	–
Fund balance, end of year	$ 2,933,369	$ 7,784,071	$ –	$ 10,717,440	$ 17,298,993

See accompanying notes to financial statements.

ROYAL OTTAWA HEALTH CARE GROUP

Statement of Cash Flows

Year ended March 31, 2025, with comparative information for 2024

	2025	2024
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	$ (6,581,553)	$ 2,970,845
Items not affecting cash:		
Amortization of deferred capital asset contributions	(6,812,811)	(6,685,600)
Amortization of capital assets	10,254,258	9,831,318
Increase (decrease) in due to external parties - vested benefits	(5,329)	89,554
Increase in employee future benefits	242,400	203,500
Changes in non-cash operating working capital items (note 10(a))	(12,406,357)	6,992,917
	(15,309,392)	13,402,534
Financing activities:		
Increase in deferred capital asset contributions	12,308,649	11,437,056
Principal repayments on long-term debt	(11,927,813)	(11,479,415)
	380,836	(42,359)
Investing activities:		
Purchase of capital assets	(3,646,620)	(3,854,564)
Net disposals (acquisitions) on short-term investments	12,092,914	(6,412,671)
Net disposals (acquisitions) on restricted investments	(2,266,230)	1,916,863
	6,180,064	(8,350,372)
Increase (decrease) in cash	(8,748,492)	5,009,803
Cash, beginning of year	19,909,754	14,899,951
Cash, end of year	$ 11,161,262	$ 19,909,754

See accompanying notes to financial statements.

ROYAL OTTAWA HEALTH CARE GROUP

Statement of Remeasurement Gains and Losses

Year ended March 31, 2025, with comparative information for 2024

		2025		2024
Accumulated remeasurement losses, beginning of year	$	(262,295)	$	(1,652,551)
Change in cumulative gains (losses) in the year:				
Realized gain (loss) on investments		753,343		501,658
Unrealized gain (loss) on investments		1,627,010		839,437
Derivatives (note 7(e)(ii))		20,042		49,161
Net remeasurement gains for year		2,400,395		1,390,256
Accumulated remeasurement gains (losses), end of year	$	2,138,100	$	(262,295)

See accompanying notes to financial statements.

1. Nature of entity:

Royal Ottawa Health Care Group (the "Group") was incorporated under the Corporations Act of Ontario. The Group is a not-for-profit organization under the Income Tax Act (Canada) and as such is exempt from income taxes. The Group is comprised of the Royal Ottawa Mental Health Center (“ROMHC”), Brockville Mental Health Center (“BMHC”), and Royal Ottawa Place, a long-term care facility.

The financial statements do not include the assets, liabilities or operations of Royal Ottawa Foundation for Mental Health, University of Ottawa Institute of Mental Health Research, Royal Ottawa Volunteer Association, FRAYME, Friends of Royal Ottawa Foundation, Inc. and Atlas Institute for Veterans and Families. Each of these entities shares a relationship with the Group as disclosed in note 5.

2. 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 and include the following significant accounting policies:

(a) Basis of presentation:

The Group follows the deferral method of accounting for contributions for government not-for-profit organizations which includes provincial government allocations, other contributions and grants.

(b) Revenue recognition and fund accounting:

The accounts of the Group are classified for reporting purposes into funds in accordance with activities or objectives specified by the external parties or in accordance with the directives issued by the Board of Trustees. For financial reporting purposes, the fund balances have been classified into two funds consisting of the following:

(i) The Operations Fund includes the day-to-day transactions in regard to the operations of the Group. Unless otherwise specified, any interest earned is included in the Operations Fund.

(ii) The Non-Operations Fund includes transactions of a capital nature related to the funding and financing of the cost of construction and the life cycle costs of the ROH Redevelopment Project.

The Group receives the majority of its funding from the Ministry of Health/Ontario Health East, the Ministry of the Solicitor General and the Ministry of Children and Youth Services (the “Ministries”).

2. Significant accounting policies (continued):

(b) Revenue recognition and fund accounting (continued):

Annual provincial allocations are determined by the Ministries and are recorded as revenue in the year to which they relate. The Group is responsible for any incurred deficit. The final amount of operating revenue recorded cannot be determined until the Ministries have reviewed the Group's financial and statistical returns for the year. Any adjustments arising from the Ministries' review are recorded in the period in which the adjustment is made. The total receivable balance from the Ministries in respect of the Group's operations comprises the remaining balance of the agreed allocation and outstanding amounts, if any, from earlier years.

Other contributions and grants are received primarily for capital, research and development and other purposes. Contributions received for capital purposes are credited to deferred capital asset contributions and amortized on the same basis as the related asset. Grants received for research and development and other purposes are deferred and offset against related costs as incurred.

Patient revenues, differential revenues and other revenue are recognized when the goods are sold or the service is provided.

Investment income is recorded in the statement of operations when earned.

(c) 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 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 is adjusted through the statement of remeasurement gains and losses.

2. Significant accounting policies (continued):

(c) Financial instruments (continued):

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.

Long-term debt is recorded at cost. The related interest rate swaps are recorded at fair value.

Canadian public sector accounting 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;
- 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; and
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

The Group uses derivative financial instruments to manage interest rate risk. The only derivative products used are interest rate swaps (see notes 7 and 14 for further details). Derivative instruments are recorded on the statement of financial position as assets or liabilities and are measured at fair value. Derivatives with positive fair value are reported as assets and derivatives with negative fair value are reported as liabilities.

The Group uses hedge interest rate swaps to hedge variability in forecasted cash flows. Changes in the fair value of the swap are included directly in the statement of remeasurement gains and losses.

The periodic exchanges of payments on interest rate swaps designated as hedges of debt are recorded as an adjustment to interest expenses of the hedged item in the same period.

The fair values of over-the-counter derivatives are based on prevailing market rates for instruments with similar characteristics and maturities, net present value analysis, or are determined by using pricing models that incorporate current market and contractual prices of the underlying instruments, time value of money, yield curve and volatility factors. Counterparty credit risk and liquidity valuation adjustments are recorded, as appropriate.

The Group presents investments that are available to fund ongoing operations and settle current liabilities as short-term investments. Investments that relate to building reserves are presented as long-term investments.

(d) Inventories:

Inventories are comprised of pharmaceutical, medical and office supplies and are valued at the lower of cost, determined on a weighted average basis, and net realizable value.

2. Significant accounting policies (continued):

(e) Capital assets:

Purchased capital assets are recorded at cost, which represents fair value, except in circumstances where fair value cannot be reasonable determined, in which case they are recognised at an estimated fair value. Fair value is interpreted to mean the price a market participant would pay for an equivalent infrastructure asset with the same service potential and risk profile.

Assets acquired under capital leases are initially recorded at the present value of future minimum lease payments and amortized over the estimated life of the assets.

When a capital asset no longer contributes to the Group's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis, over the estimated useful service lives, as follows:

Asset	Useful life
Buildings	40 to 50 years
Buildings – capital lease	40 to 50 years
Leasehold improvements	10 to 20 years
Furniture, equipment and software	5 to 10 years
Medical equipment	10 to 15 years
Land improvements	10 to 25 years

Construction-in-progress is amortized in the period that the assets are put into use.

(f) Employee future benefits:

The Group is an employer member of the Healthcare of Ontario Pension Plan (the “Plan”), which is a multi-employer, defined benefit pension plan. The Group has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles.

The Group provides defined retirement and other future benefits for substantially all retirees and employees. These future benefits include life insurance and health care benefits, retirement gratuity, sick leave and worker’s compensation.

The Group accrues its obligations under the defined benefit plans as the employees render the services necessary to earn the pension, compensated absences and other retirement benefits. The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors). The most recent actuarial valuation of the benefit plans for funding purposes was as of March 31, 2024, and the next required valuation will be as of March 31, 2026.

2. Significant accounting policies (continued):

(f) Employee future benefits (continued):

Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period. Actuarial gains (losses) on the accrued benefit obligation arise from 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 (losses) are amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the pension plan is 14 years (2024 - 14 years). The other retirement benefits plan does not have any active members.

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

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for workers' compensation and life insurance and health care benefits for those on disability leave, the cost is recognized immediately in the period the events occur. Any actuarial gains and losses that are related to these benefits are recognized immediately in the period they arise.

The costs of multi-employer defined contribution pension plan benefits, such as the Healthcare of Ontario Pension Plan (“HOOPP”), are the employer's contributions due to the plan in the period.

(g) Contributed services:

A large number of volunteers contribute a significant amount of time to the Group each year. Because of the difficulty in determining the fair value of these services, contributed services are not recognized in the financial statements.

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates.

Significant areas requiring the use of management's estimates include actuarial assumptions with respect to employee future benefits, pay equity accruals, and the accrued liability for the expected impact of salary increases related to the repeal of Bill 124. These estimates are reviewed annually and as adjustments become necessary, they are recorded in the financial statements in the period they become known.

2. Significant accounting policies (continued):

(i) Public Private Partnership:

In November 2006 The Group entered into a 20 year, 8 month public private partnership with Ellis Don (formerly The HealthCare Infrastructure Company of Canada Inc.) for the Redevelopment of the Royal Ottawa Mental Health Centre. The substance of the Redevelopment Project is that the ownership of the land remains with the Group during the project term, though Ellis Don is granted rights of use and access to the site to carry out project work. Ellis Don also bears the performance risk related to the scope of work to design, build, finance, lease and maintain the building.

The Group accounts for the Public-Private Partnership to reflect the terms of the Redevelopment Project in accordance with Canadian PSAS. The Group recognizes infrastructure, or a betterment to infrastructure, as an asset at cost which represents fair value on the date of recognition where it controls:

a) the purpose and use of the infrastructure;

b) access to the future economic benefits and exposure to risks of the infrastructure asset; and

c) significant residual interest in the infrastructure, if any, at the end of the public private partnership's term.

In accordance with the terms of the Redevelopment Project, the Group is required to make certain payments to Ellis Don during the term of the agreement. The Group will be responsible for the payments to Ellis Don in respect of Construction and Related Costs, Financing Costs, and Life Cycle Costs not funded by the Ministry of Health and Long-term Care, as well as the balance of Base Building and Facility Service Costs, Utilities Costs and Insurance Costs not funded by the Ministry.

Where the Group has an obligation to provide consideration to Ellis Don, it recognizes the associated liability of the Public-Private Partnership for the Redevelopment Project for amounts due under the terms of the agreement, and any performance obligations unfulfilled. The Ministry of Health and Long-term Care will deposit the funds on a bi-weekly basis directly into a bank account designated by the Group, and all funds received will be kept in a separate interest-bearing account. Any unused portion of any funds and any interest accrued on any funds remain the property of the Ministry and shall either be paid to the Ministry immediately upon request or used by the Group as the Ministry directs.

3. **Investments:**

(a) Short-term investments:

		2025		2024
	Cost	Carrying and fair value	Cost	Carrying and fair value
Cash, marketable securities and other short term	$ 1,396,361	$ 1,396,361	$ 1,223,110	$ 1,223,110
Government of Canada bonds, 1.60% to 4.25% (2024 - 1.60% to 4.25%) maturing September 2026 to December 2051 (2024 - March 2025 to December 2051)	2,941,822	2,960,271	4,956,931	4,731,278
Provincial bonds, 1.65% to 5.85% (2024 - 1.65% to 5.85%) maturing September 2025 to December 2055 (2024 - June 2024 to December 2051)	14,733,056	14,552,148	19,678,887	18,377,983
Canadian bond funds	7,157,102	7,205,525	9,374,198	8,956,625
Canadian equities	5,347,724	6,227,673	6,853,793	7,726,295
U.S. equities	3,030,498	3,930,495	4,105,833	5,146,641
International equities	2,519,320	2,944,084	3,026,045	3,425,276
	$ 37,125,883	$ 39,216,557	$ 49,218,797	$ 49,587,208

3. Investments (continued):

(b) Restricted investments - building reserves:

	2025 Cost	2025 Carrying and fair value	2024 Cost	2024 Carrying and fair value
Sinking fund trust investments:				
Cash, marketable securities and other short term	$ 102,804	$ 102,804	$ 64,033	$ 64,033
Government of Canada bonds, 1.60% to 4.25% (2024 - 1.60% to 4.25%) maturing September 2026 to December 2051 (2024 - March 2025 to December 2051)	185,271	184,119	227,527	214,316
Provincial bonds, 1.65% to 5.85% (2024 - 1.65% to 5.85%) maturing September 2025 to December 2055 (2024 - June 2024 to December 2051)	949,778	923,603	930,293	852,500
Canadian bond funds	463,036	460,262	438,316	412,044
Canadian equities	365,149	433,063	335,972	389,260
US equities	195,684	261,984	198,272	259,192
International equities	186,043	223,865	164,020	192,159
	$ 2,447,765	$ 2,589,700	$ 2,358,433	$ 2,383,504

3. Investments (continued):

(b) Restricted investments - building reserves (continued):

	2025 Cost	2025 Carrying and fair value	2024 Cost	2024 Carrying and fair value
Life cycle reserve investments:				
Cash, marketable securities and other short term	$ 472,426	$ 472,426	$ 194,435	$ 194,435
Government of Canada bonds, 1.60% to 2.35% (2024 - 1.60% to 2.55%) maturing September 2026 to December 2031 (2024 - March 2025 to December 2031)	921,595	917,990	1,179,402	1,117,803
Provincial bonds, 1.65% to 4.45% (2024 - 1.65% to 3.75%) maturing September 2025 to September 2034 (2024 - June 2024 to June 2033)	6,447,368	6,448,878	6,604,332	6,241,590
Canadian corporate bonds, 2.62% to 6.00% (2024 - 2.62% to 6.00%) maturing July 2025 to May 2035 (2024 - April 2024 to May 2035)	2,980,234	2,941,621	2,602,444	2,424,612
	$ 10,821,623	$ 10,780,915	$ 10,580,613	$ 9,978,440
Facility reserve investments:				
Cash	$ 3,498,985	$ 3,498,985	$ 1,563,097	$ 1,563,097
Total building reserves - investments	$ 16,768,373	$ 16,869,600	$ 14,502,143	$ 13,925,041

3. Investments (continued):

(b) Restricted investments - building reserves (continued):

(i) Building reserves - investments:

The market value of the bonds fluctuates with changes in market interest rates. There is no significant concentration of investments in any one issuer or industry sector and the Group invests only in liquid securities.

(ii) Sinking fund trust:

The Group is required to fund a portion of the cost of the Royal Ottawa Mental Health Centre (“ROMHC”) Redevelopment Project which will be met through various revenue streams as well as a $15,000,000 capital campaign which was undertaken by the Royal Ottawa Foundation for Mental Health. At March 31, 2025, the balance of the fund was $2,589,700 (2024 - $2,383,504).

(iii) Life cycle reserve:

The ROH Redevelopment Project agreements include a life cycle plan which recognizes that over time various capital parts of the new facility will need to be restored or replaced. The purpose of the account is to pay for certain capital costs regarding the new facility. At March 31, 2025, the balance of the fund was $10,780,915 (2024 - $9,978,440).

(iv) Facility reserve:

The ROH Redevelopment Project agreements include provision for modification to tenant space which recognizes that over time the facility space requirements will change. The purpose of the account is to pay for the Group's special initiatives in the facility. At March 31, 2025, the balance of the fund was $3,498,985 (2024 - $1,563,097).

(c) Fair value:

The Group’s investments are classified as Level 1 and Level 2 financial instruments based on the fair value hierarchy.

4. Accounts receivable:

	2025	2024
Accounts receivable	$ 4,841,710	$ 4,815,916
Allowance for doubtful accounts	(107,965)	(212,565)
	$ 4,733,745	$ 4,603,351

5. Related entities:

(a) Royal Ottawa Foundation for Mental Health:

The Group has an economic interest in the Royal Ottawa Foundation for Mental Health (the "Foundation"). The Foundation was established to raise, receive, maintain and manage funds to be distributed towards various programs and capital projects of the Group. The Group has a balance receivable from the Foundation in the amount of $1,196,297 (2024 - $1,703,603) relating to inter-entity charges. The balance is non-interest-bearing, has no fixed terms of repayment and is repayable on demand.

(b) University of Ottawa Institute of Mental Health Research:

The Group has control over the University of Ottawa Institute of Mental Health Research (the “Institute”) as the sole member of the Institute. The Institute carries on and promotes scientific research for the benefit of the general public. The Group has a balance receivable from the Institute in the amount of $Nil (2024 - $Nil). The balance is non-interest-bearing, has no fixed terms of repayment and is repayable on demand. The Group also has a balance receivable from the Institute of $500,883 (2024 - $669,050) relating to accrued payroll liabilities.

The Institute’s assets, liabilities, revenue and expenses are as follows for the years ended March 31:

	2025	2024
Assets		
Other assets	$ 15,126,099	$ 14,081,570
Liabilities and Net Assets		
Liabilities:		
Other liabilities	$ 10,060,088	$ 9,736,462
Net assets	5,066,011	4,345,108
	$ 15,126,099	$ 14,081,570

5. Related entities (continued):

(b) University of Ottawa Institute of Mental Health Research (continued):

	2025	2024
Revenue	$ 7,399,483	$ 7,087,183
Expenses	7,116,807	6,929,850
Excess of revenue over expenses	$ 282,676	$ 157,333

(c) Royal Ottawa Volunteer Association:

The Group has an economic interest in the Royal Ottawa Volunteer Association (the “Association”). The Association assists the Group in improving the health, rehabilitation and well-being of patients by providing funding to the Group. The Group has a balance owing from the Association in the amount of $5,729 (2024 - $3,698 owing to the Association).

(d) Friends of Royal Ottawa Foundation, Inc.

The purpose of the Friends of Royal Ottawa Foundation, Inc., (“Friends”) is to further educational, scientific, and charitable purposes pursuant to the provisions of the Delaware General Corporation Law (the “DGCK”) and other applicable laws.

The Group has an economic interest in Friends. Friends was established to raise, receive, maintain and manage funds to be distributed towards various programs and capital projects of the Group. There are no amounts owing to or receivable from the Group (2024 - $Nil).

5. Related entities (continued):

(e) Atlas Institute for Veterans and Families:

The Group has an economic interest in Atlas Institute for Veterans and Families (“Atlas”). Atlas’ objective is to increase the Canadian expertise, knowledge creation and transfer of knowledge on the subject of Canadian military and Veteran mental health. The Group has a balance receivable from Atlas in the amount of $1,595,172 (2024 - $533,654). The balance is non-interest-bearing, has no fixed terms of repayment and is repayable on demand.

6. Capital assets:

	Cost	Accumulated amortization	2025 Net book value	2024 Net book value
Land	$ 786,626	$ –	$ 786,626	$ 786,626
Buildings	27,822,443	12,083,084	15,739,359	15,804,776
Buildings - capital lease	157,750,427	71,097,452	86,652,975	90,536,582
Leasehold Improvements	28,990,379	15,308,821	13,681,558	14,865,867
Furniture, equipment and software	44,977,800	36,798,888	8,178,912	9,409,558
Medical equipment	14,340,070	12,122,687	2,217,383	2,578,664
Land improvements	1,748,004	1,383,216	364,788	247,166
	$ 276,415,749	$ 148,794,148	$ 127,621,601	$ 134,229,239

The capital lease has been recognized at cost which represents fair value, determined using present value methodology, and the resulting costs capitalized into the carrying amount of the asset.

At March 31, 2024, cost and accumulated amortization amounted to $272,769,129 and $138,539,890, respectively.

7. Long-term debt:

	2025	2024
(a) Callable bank loan, unsecured, maturing May 1, 2029. The balance is repayable in monthly installments of $26,406 including principal and interest at the bank's public sector rate plus 0.29%.	$ 1,175,176	$ 1,418,794
Callable bank loan, unsecured, matured May 1, 2024.	–	58,118
Total loans	1,175,176	1,476,912
Capital lease obligation related to the Royal Ottawa Hospital Redevelopment Project. The obligation will be amortized over 248 months to June 2027, at an interest rate of 6.33%, with monthly principal and interest payments of $1,163,990.	29,151,519	40,797,441
Fair value of interest rate swaps (note 7(e))	73,646	53,604
	30,400,341	42,327,957
Less:		
Scheduled cash repayments of loans	257,616	301,736
Current portion of capital lease obligation	12,430,205	11,645,921
Callable debt	917,560	1,175,176
	13,605,381	13,122,833
	$ 16,794,960	$ 29,205,124

In subsequent periods, the corresponding liability is reduced in accordance with the foregone revenues recognised in accordance with PS 3400 – *Revenue*.

7. Long-term debt (continued):

(b) The Group has access to a $500,000 commercial letter of credit. At March 31, 2025, there were no standby letters of credit issued (2024 - $Nil).

(c) The Group has access to a $5,000,000 operating loan at a rate of prime less 0.85% per annum. At March 31, 2025 $Nil (2024 - $Nil) is outstanding.

(d) Canadian public sector accounting standards require that loans that the lender can require to be repaid on demand be classified as current liabilities.

Management does not believe that the demand features of the callable debt will be exercised in the current period. Assuming payment of the callable debt is not demanded; regular principal payments required on all long-term debt for the next five fiscal years and thereafter are due as follows:

	Loans	Capital lease	Total
2026	$ 257,616	$ 12,430,206	$ 12,687,822
2027	272,419	13,267,511	13,539,930
2028	288,072	3,453,802	3,741,874
2029	304,624	–	304,624
2030	52,445	–	52,445
	$ 1,175,176	$ 29,151,519	$ 30,326,695

(e) Interest rate derivative agreements:

Interest rate swaps are agreements where two counterparties exchange a series of payments based on different interest rates applied to a notional amount in a single currency.

The Group incurred $8,475,667 in construction loans at an interest rate of prime less 0.5% related to the financing of construction of the Royal Ottawa Place, which opened in June 2004. During 2004/05, the Group purchased two interest rate swaps in order to eliminate exposure to interest rate fluctuation on long-term debt. The annualized payments including principal, interest and spread are $379,228.

(i) Notional amounts:

The notional amount of the interest rate swaps at March 31, 2025 is $1,175,176 (2024 - $1,476,911).

7. Long-term debt (continued):

(e) Interest rate derivative agreements (continued):

(ii) Fair value:

The interest rate swaps have unrealized accumulated losses of $73,646 (2024 - $53,604) which are recorded in long-term debt as at March 31, 2025. The fair market value of the loans as at March 31, 2025, excluding the interest rate swaps impact, is $1,175,176 (2024 - $1,476,911) and the fair value of the capital lease obligation is $29,281,671 (2024 - $41,054,307). The current year impact of the change in fair value of the interest rate swap is an increase in accumulated remeasurement losses of $20,042 (2024 - $49,161). The fair value of interest rate swaps is based on broker quotes. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

8. Deferred capital asset contributions:

	2025	2024
Balance, beginning of year	$ 73,706,246	$ 68,954,790
Contributions for specified capital projects received during the year	12,308,649	11,437,056
Amount recognized as revenue during the year	(6,812,811)	(6,685,600)
Balance, end of year	$ 79,202,084	$ 73,706,246

9. Investment in capital assets:

The Group has $18,019,176 (2024 - $18,195,036) invested in capital assets, included in the unrestricted fund balance, calculated as follows:

	2025	2024
Capital assets (note 6)	$ 127,621,601	$ 134,229,239
Amounts financed by:		
Long-term debt (note 7)	(30,400,341)	(42,327,957)
Deferred contributions related to capital assets (note 8)	(79,202,084)	(73,706,246)
	$ 18,019,176	$ 18,195,036

10. Statement of cash flows:

(a) Changes in non-cash operating working capital:

		2025		2024
Accounts receivable	$	(130,394)	$	2,421,973
Receivable from Provinces and Territories		672,951		2,093,240
Due from related entities		(263,882)		(551,138)
Inventories		(22,660)		(139,545)
Prepaid expenses		728,330		(298,217)
Payable to the Province of Ontario		(10,003,682)		(3,753,192)
Accounts payable and accrued liabilities		(1,044,638)		534,624
Advance payments for designated projects		(159,016)		(87,234)
Current portion of deferred revenue		(221,885)		242,054
Deferred revenue		(1,961,481)		6,530,352
	$	(12,406,357)	$	6,992,917

(b) Supplementary information:

		2025		2024
Interest paid during the year	$	2,676,217	$	3,342,705

11. Contracts and other expenses:

		2025		2024
Office supplies and rentals	$	4,840,125	$	4,818,928
Staff development and travel		1,955,757		1,472,382
Food, housekeeping and facility services		20,496,907		18,944,227
Data communication and software		3,363,312		3,084,190
Professional fees and services		5,349,365		5,484,336
Other supplies and expenses		11,653,888		11,182,330
	$	47,659,354	$	44,986,393

12. Employee future benefits:

(a) The Group has defined benefit plans that provide pension and other post-retirement benefits to most of its employees. The most recent actuarial valuation of employee future benefits for funding purposes was completed as at March 31, 2025 with the accounting valuation based on an extrapolation. The liabilities associated with these plans as at March 31 are as follows:

		2025		2024
Pensions - other (note 12(c))	$	46,800	$	49,900
Other employee future benefits (note 12(f))		8,881,500		8,636,000
	$	8,928,300	$	8,685,900

(b) Healthcare of Ontario Pension Plan:

Substantially all full time employees of the Group are eligible to be members of the Healthcare of Ontario Pension Plan (the "Plan"). This Plan is a multi-employer, defined benefit pension plan. Employer contributions to the Plan during the year amounted to $10,671,728 (2024 - $9,606,262). These amounts are included in employee benefits expense in the statement of operations.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent triennial actuarial valuation of the Plan as at December 31, 2022 indicates the Plan is fully funded.

(c) Pensions - other:

The Group's accrued benefit obligation under supplementary retirement income programs for certain employees is unfunded. The actuarially determined expense for the year is $2,600 (2024 - $400), based on an extrapolation of a valuation as at April 1, 2022. Benefits paid during the year amounted to $5,500 (2024 - $5,500).

(d) Other employee future benefits:

The Group provides extended healthcare, dental benefits and nominal life insurance benefits for certain of its retired employees and provides for the vesting of sick leave for those employees with greater than five years of service. These benefits are not funded.

The actuarially determined expense for these other employee future benefits during the year was $1,154,400 (2024 - $1,264,100), based on a valuations as of March 31, 2025. Benefits paid during the year amounted to $908,500 (2024 - $1,055,700).

12. Employee future benefits (continued):

(e) The significant actuarial assumptions adopted in measuring the Group's accrued benefit obligations under other pension plans and employee future benefits are as follows:

	2025	2024
Discount rate for calculation of the pension expense	4.70%	4.50%
Discount rate to determine accrued benefit obligation	4.40%	4.70%
Salary rate increases	2.00%	3.00%
Dental cost increases	5.00%	5.00%
Extended healthcare cost increases	5.60%	5.60%

(f) Information about the Group's employee future benefits other than pension at March 31 is as follows:

	2025	2024
Accrued benefit obligation	$ 10,217,100	$ 9,790,100
Unamortized actuarial losses	(1,335,600)	(1,154,100)
Employee future benefit liability	$ 8,881,500	$ 8,636,000

(g) The employee future benefit liability change is comprised of:

	2025	2024
Current service costs	$ 508,600	$ 490,100
Prior service cost incurred during the period	–	111,100
Interest on accrued benefit obligation	465,700	452,700
Amortization of net experience losses	180,100	210,200
Benefit payments made by the Group	(908,500)	(1,055,700)
	$ 245,900	$ 208,400

13. Commitments, contingencies and guarantees:

(a) In the normal course of operations, the Group provides indemnification agreements with various counterparties in transactions such as service agreements, software licenses, leases, and purchases of goods. Under these agreements, the Group agrees to indemnify the counterparty against loss or liability arising from the acts or omissions of the Group in relation to the agreement. The nature of the indemnification agreements prevents the Group from making a reasonable estimate of the maximum potential amount that the Group would be required to pay such counterparties.

(b) The Group outsourced its hotel and facility services to EllisDon (formerly "THICC") in November 2006. The Group must offer employment to those EllisDon staff currently providing service to the Group, on terms and conditions no less favourable than those they experienced with EllisDon if the employees return to the Group.

(c) Commitments:

The Group has a number of operating leases for computer hardware, software, automobiles, office space and office equipment. Future minimum lease payments for these leases for the next five years and thereafter are as follows:

2026	$	2,848,368
2027		2,693,418
2028		653,696
2029		328,082
2030		242,474
Thereafter		484,948
	$	7,250,986

(d) The Group is a party to various claims related to its operations. It is not possible to estimate the possible financial liability, if any, to the Group. The majority of claims are covered under the Group's insurance policy. No provision has been made for loss in these financial statements, but in management's opinion, these claims will not have a material adverse effect on its financial position or results of operations.

(e) The Group is a member of the Healthcare Insurance Reciprocal of Canada ("HIROC"), which is a pooling of the liability insurance risks of its members. Members of the pool pay annual premiums that are actuarially determined. HIROC members are subject to reassessment for losses, if any, experienced by the pool for the years in which they are members and these losses could be material. No reassessments have been made to March 31, 2025.

14. Financial risks and concentration of risk:

The Group is subject to the following risks from its financial instruments.

(a) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors.

The Group monitors market risk by adhering to a Board-approved investment policy.

(i) Interest rate and other price risks:

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. Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. As at March 31, 2025, a 1% change to the market interest rate with all other variables held constant would have an estimated effect of $1,916,245 (2024 - $1,999,312) on the value of the bond portfolio.

Financial assets and financial liabilities with variable interest rates expose the Group to cash flow interest rate risk. The Group is exposed to this risk through to its interest bearing investments. The Group's investments, including interest-bearing securities, are disclosed in note 3.

The Group mitigates interest rate risk on its long-term debt through derivative financial instruments (interest rate swaps) that exchange the variable rate inherent in the demand loans and term debt for a fixed rate (see note 7(e)). Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the long-term debt.

At March 31, 2025, a 10% movement in the stock markets with all other variables held constant would have an estimated effect on the fair values of the Group's equities of approximately $ 1,468,919 (2024 - $1,782,161).

(ii) Currency risk:

Foreign currency exposure arises from the Group's holdings of foreign cash balances, equities and bonds. The Group monitors foreign cash balances and adjusts these to meet operating requirements. The Group's exposure to investments denominated in foreign currencies is $7,360,428 (2024 - $9,023,268).

14. Financial risks and concentration of risk (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 Group is exposed to this risk relating to its cash, investments, receivables and due from/to amounts. The Group holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation.

Accounts receivable are ultimately due from the Ministries. The Group's statement of investment policy, which is reviewed annually, defines permitted investments and provides guidelines and restrictions on acceptable investments which minimize credit risk. The Group measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on the Group’s historical experience regarding collections.

An amount of $107,965 (2024 - $212,565) has been provided for an impairment allowance. The maximum exposure to credit risk of the Group at March 31, 2025 is the carrying value of these assets. The maximum exposure to investment credit risk is outlined in note 3.

(c) Liquidity risk:

Liquidity risk is the risk that the Institute will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Group mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise. Accounts payable are all current and the terms of the long-term debt are disclosed in note 7. Derivative financial liabilities mature as described in note 7.

These risks have increased in 2025 due to market fluctuations in interest rates, liquidity, and market prices. Aside from the changes in interest and market risk, there have been no changes from the prior year in the Groups’ risk exposures from its financial instruments or the policies, procedures and methods used to manage these risks.