

Financial Statements of

**ROYAL OTTAWA
HEALTH CARE GROUP**

And Independent Auditor's Report thereon

Year ended March 31, 2026



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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, 2026
- 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 rereasurement 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, 2026, and its results of operations, its changes in fund balances, its cash flows, and its rereasurement 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.



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- 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.

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

Ottawa, Canada

May 28, 2026

ROYAL OTTAWA HEALTH CARE GROUP

Financial Statements

Year ended March 31, 2026

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ROYAL OTTAWA HEALTH CARE GROUP


Statement of Financial Position

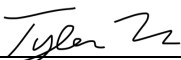
March 31, 2026, with comparative information for 2025

	2026	2025
Assets		
Current assets:		
Cash	\$ 9,227,419	\$ 11,161,262
Short-term investments (note 3(a))	31,914,491	39,216,557
Accounts receivable (note 4)	4,968,597	4,733,745
Receivable from Provinces and Territories	6,766,642	3,138,685
Due from related entities (note 5)	1,619,866	3,287,281
Inventories	666,191	631,007
Prepaid expenses	3,473,809	3,445,110
	<u>58,637,015</u>	<u>65,613,647</u>
Restricted investments - building reserves (note 3(b))	15,107,812	16,869,600
Capital assets (note 6)	129,851,332	127,621,601
	<u>\$ 203,596,159</u>	<u>\$ 210,104,848</u>
Liabilities and Fund Balances		
Current liabilities:		
Payable to the Province of Ontario	\$ 22,384,920	\$ 25,513,299
Accounts payable and accrued liabilities	38,961,984	31,565,402
Advance payments for designated projects	370,383	864,715
Current portion of deferred revenue	2,697,719	1,811,204
Scheduled cash repayments of loans (note 7)	272,419	257,616
Current portion of capital lease obligation (note 7)	13,267,511	12,430,205
Current liabilities before callable debt and demand term loan	<u>77,954,936</u>	<u>72,442,441</u>
Callable debt (note 7)	645,142	917,560
Demand term loan (note 7)	9,700,000	—
	<u>88,300,078</u>	<u>73,360,001</u>
Long-term debt (note 7)	3,493,408	16,794,960
Deferred revenue	13,641,780	18,871,412
Deferred capital asset contributions (note 8)	85,941,161	79,202,084
Employee future benefits (note 12)	9,106,318	8,928,300
Due to external parties - vested benefits	92,551	92,551
	<u>112,275,218</u>	<u>123,889,307</u>
	<u>200,575,296</u>	<u>197,249,308</u>
Fund balances:		
Internally restricted	3,227,813	2,933,369
Unrestricted	<u>(2,038,973)</u>	<u>7,784,071</u>
	1,188,840	10,717,440
Accumulated remeasurement gains (losses)	<u>1,832,023</u>	<u>2,138,100</u>
	3,020,863	12,855,540
Commitments, contingencies and guarantees (note 13)		
	<u>\$ 203,596,159</u>	<u>\$ 210,104,848</u>

See accompanying notes to financial statements.

Approved by the Board:

 Director

 Director

ROYAL OTTAWA HEALTH CARE GROUP

Statement of Operations

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

	Operations Fund	Non- Operations Fund	2026 Total	2025 Total
Revenue:				
Funding from the Province of Ontario:				
Ministry of Health of Ontario/ Ministry of LTC	\$ 180,242,388	\$ 1,729,700	\$ 181,972,088	\$ 175,076,180
Ministry of Children, Community and Social Services	1,182,427	–	1,182,427	1,011,580
Ministry of the Solicitor General	20,548,960	–	20,548,960	19,549,118
Department of Veterans Affairs	11,678,492	–	11,678,492	9,570,378
Patient revenues	2,668,625	–	2,668,625	3,758,100
Differential revenues	83,622	–	83,622	80,063
Amortization of deferred contributions - major equipment	719,930	–	719,930	1,245,060
Amortization of deferred contributions - land, buildings, services	586,231	5,248,552	5,834,783	5,567,751
Recoveries and other revenue	12,346,977	–	12,346,977	13,490,236
Investment income	3,155,788	–	3,155,788	2,707,369
	<u>233,213,440</u>	<u>6,978,252</u>	<u>240,191,692</u>	<u>232,055,835</u>
Expenses:				
Salaries and wages	130,459,909	–	130,459,909	125,649,100
Employee benefits	44,212,202	–	44,212,202	37,692,780
Medical staff remuneration	13,400,701	–	13,400,701	11,750,988
Medical and surgical supplies	581,429	–	581,429	706,953
Drugs	2,288,896	–	2,288,896	2,247,738
Contracts and other expenses (note 11)	47,330,671	–	47,330,671	47,659,354
Amortization of equipment	3,166,011	–	3,166,011	4,037,565
Amortization of buildings and land improvements	762,765	5,736,663	6,499,428	6,216,693
Mortgage interest	62,326	1,718,719	1,781,045	2,676,217
	<u>242,264,910</u>	<u>7,455,382</u>	<u>249,720,292</u>	<u>238,637,388</u>
Deficiency of revenue over expenses	\$ (9,051,470)	\$ (477,130)	\$ (9,528,600)	\$ (6,581,553)

See accompanying notes to financial statements.

ROYAL OTTAWA HEALTH CARE GROUP

Statement of Changes in Fund Balances

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

	Operations		Non-Operations		2026 Total	2025 Total
	Internally restricted	Unrestricted	Unrestricted			
Fund balance, beginning of year	\$ 2,933,369	\$ 7,784,071	\$ –	\$ –	\$ 10,717,440	\$ 17,298,993
Deficiency of revenue over expenses	–	(9,051,470)	(477,130)	–	(9,528,600)	(6,581,553)
Transfer of ancillary revenue for local share of ROMHC Redevelopment Project	294,444	(771,574)	477,130	–	–	–
Fund balance, end of year	\$ 3,227,813	\$ (2,038,973)	\$ –	\$ –	\$ 1,188,840	\$ 10,717,440

See accompanying notes to financial statements.

ROYAL OTTAWA HEALTH CARE GROUP

Statement of Cash Flows

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

	2026	2025
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses	\$ (9,528,600)	\$ (6,581,553)
Items not affecting cash:		
Amortization of deferred capital asset contributions	(6,554,713)	(6,812,811)
Amortization of capital assets	9,665,439	10,254,258
Decrease in due to external parties - vested benefits	–	(5,329)
Increase in employee future benefits	178,018	242,400
Changes in non-cash operating working capital items (note 10(a))	(2,828,523)	(12,406,357)
	<u>(9,068,379)</u>	<u>(15,309,392)</u>
Financing activities:		
Increase in deferred capital asset contributions	13,293,790	12,308,649
Increase in demand term loan	9,700,000	–
Principal repayments on long-term debt	(12,707,560)	(11,927,813)
	<u>10,286,230</u>	<u>380,836</u>
Investing activities:		
Net purchase of capital assets	(11,895,170)	(3,646,620)
Net disposals on short-term investments	6,998,561	12,092,914
Net disposals (acquisitions) on restricted investments	1,744,915	(2,266,230)
	<u>(3,151,694)</u>	<u>6,180,064</u>
Decrease in cash	(1,933,843)	(8,748,492)
Cash, beginning of year	11,161,262	19,909,754
Cash, end of year	<u>\$ 9,227,419</u>	<u>\$ 11,161,262</u>

See accompanying notes to financial statements.

ROYAL OTTAWA HEALTH CARE GROUP

Statement of Remeasurement Gains and Losses

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

	2026	2025
Accumulated remeasurement gains (losses), beginning of year	\$ 2,138,100	\$ (262,295)
Change in cumulative gains (losses) in the year:		
Investments	(340,118)	2,420,437
Derivatives (note 7(f)(ii))	34,041	(20,042)
Net remeasurement gains for year	(306,077)	2,400,395
Accumulated remeasurement gains, end of year	\$ 1,832,023	\$ 2,138,100

See accompanying notes to financial statements.

ROYAL OTTAWA HEALTH CARE GROUP

Notes to Financial Statements

Year ended March 31, 2026

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, 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, Community, and Social Services (the "Ministries").

ROYAL OTTAWA HEALTH CARE GROUP

Notes to Financial Statements (continued)

Year ended March 31, 2026

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.

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.

ROYAL OTTAWA HEALTH CARE GROUP

Notes to Financial Statements (continued)

Year ended March 31, 2026

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 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.

ROYAL OTTAWA HEALTH CARE GROUP

Notes to Financial Statements (continued)

Year ended March 31, 2026

2. Significant accounting policies (continued):

(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.

(e) Capital assets:

Purchased capital assets are recorded at cost, which represents fair value, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized 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 workers' compensation.

ROYAL OTTAWA HEALTH CARE GROUP

Notes to Financial Statements (continued)

Year ended March 31, 2026

2. Significant accounting policies (continued):

(f) Employee future benefits (continued):

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, 2026, and the next required valuation will be as of March 31, 2028.

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 16 years (2025 - 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.

ROYAL OTTAWA HEALTH CARE GROUP

Notes to Financial Statements (continued)

Year ended March 31, 2026

2. Significant accounting policies (continued):

(h) Use of estimates (continued):

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.

(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 Center. 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.

ROYAL OTTAWA HEALTH CARE GROUP

Notes to Financial Statements (continued)

Year ended March 31, 2026

2. Significant accounting policies (continued):

(i) Public Private Partnership (continued):

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.

ROYAL OTTAWA HEALTH CARE GROUP

Notes to Financial Statements (continued)

Year ended March 31, 2026

3. Investments:

(a) Short-term investments:

	2026		2025	
	Cost	Carrying and fair value	Cost	Carrying and fair value
Cash, marketable securities and other short term	\$ 1,177,082	\$ 1,177,082	\$ 1,396,361	\$ 1,396,361
Government of Canada bonds, 1.6% to 4.25% (2025 - 1.60% to 4.25%) maturing September 2026 to December 2055 (2025 - September 2026 to December 2051)	2,936,657	2,910,236	2,941,822	2,960,271
Provincial bonds, 1.65% to 5.80% (2025 - 1.65% to 5.85%) maturing June 2026 to December 2055 (2025 - September 2025 to December 2055)	11,259,691	11,013,780	14,733,056	14,552,148
Canadian bond funds	6,529,990	6,521,312	7,157,102	7,205,525
Canadian equities	4,590,068	5,858,477	5,347,724	6,227,673
U.S. equities	2,003,776	2,595,444	3,030,498	3,930,495
International equities	1,630,058	1,838,160	2,519,320	2,944,084
	\$ 30,127,322	\$ 31,914,491	\$ 37,125,883	\$ 39,216,557

ROYAL OTTAWA HEALTH CARE GROUP

Notes to Financial Statements (continued)

Year ended March 31, 2026

3. Investments (continued):

(b) Restricted investments - building reserves:

	2026		2025	
	Cost	Carrying and fair value	Cost	Carrying and fair value
<i>Sinking fund trust investments:</i>				
Cash, marketable securities and other short term	\$ 120,584	\$ 120,584	\$ 102,804	\$ 102,804
Government of Canada bonds, 1.60% to 4.25% (2025 - 1.60% to 4.25%) maturing September 2026 to December 2055 (2025 - September 2026 to December 2051)	242,145	238,200	185,271	184,119
Provincial bonds, 1.65 % to 5.6% (2025 - 1.65% to 5.85%) maturing June 2026 to December 2055 (2025 - September 2025 to December 2055)	957,284	923,971	949,778	923,603
Canadian bond funds	545,516	540,587	463,036	460,262
Canadian equities	394,968	510,851	365,149	433,063
US equities	186,248	247,600	195,684	261,984
International equities	144,528	165,770	186,043	223,865
	\$ 2,591,273	\$ 2,747,563	\$ 2,447,765	\$ 2,589,700

ROYAL OTTAWA HEALTH CARE GROUP

Notes to Financial Statements (continued)

Year ended March 31, 2026

3. Investments (continued):

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

	2026		2025	
	Cost	Carrying and fair value	Cost	Carrying and fair value
<i>Life cycle reserve investments:</i>				
Cash, marketable securities and other short term	\$ 315,426	\$ 315,426	\$ 472,426	\$ 472,426
Government of Canada bonds, 1.60% to 2.75% (2025 - 1.60% to 2.35%) maturing March 2028 to December 2031 (2025 - September 2026 to December 2031)	889,409	885,240	921,595	917,990
Provincial bonds, 1.65% to 5.80% (2025 - 1.65% to 4.45%) maturing June 2026 to December 3035 (2025 - September 2025 to September 2034)	6,291,299	6,250,706	6,447,368	6,448,878
Canadian corporate bonds, 2.62% to 6.00% (2025 - 2.62% to 6.00%) maturing June 2031 to July 2035 (2025 - July 2025 to May 2035)	3,045,316	3,018,142	2,980,234	2,941,621
	<u>\$ 10,541,450</u>	<u>\$ 10,469,514</u>	<u>\$ 10,821,623</u>	<u>\$ 10,780,915</u>
<i>Facility reserve investments:</i>				
Cash	\$ 1,890,735	\$ 1,890,735	\$ 3,498,985	\$ 3,498,985
Total building reserves - investments	<u>\$ 15,023,458</u>	<u>\$ 15,107,812</u>	<u>\$ 16,768,373</u>	<u>\$ 16,869,600</u>

ROYAL OTTAWA HEALTH CARE GROUP

Notes to Financial Statements (continued)

Year ended March 31, 2026

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, 2026, the balance of the fund was \$2,747,563 (2025 - \$2,589,700).

(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, 2026, the balance of the fund was \$10,469,514 (2025 - \$10,780,915).

(iv) Facility reserve:

The ROH Redevelopment Project agreements include a 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, 2026, the balance of the fund was \$1,890,735 (2025 - \$3,498,985).

(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:

	2026	2025
Accounts receivable	\$ 5,161,053	\$ 4,841,710
Allowance for doubtful accounts	(192,456)	(107,965)
	<u>\$ 4,968,597</u>	<u>\$ 4,733,745</u>

ROYAL OTTAWA HEALTH CARE GROUP

Notes to Financial Statements (continued)

Year ended March 31, 2026

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 \$74,394 (2025 - \$1,196,297) 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 \$143,520 (2025 - \$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 \$286,472 (2025 - \$500,883) relating to accrued payroll liabilities.

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

	2026	2025
Assets		
Other assets	\$ 14,902,545	\$ 15,126,099
Liabilities and Net Assets		
Liabilities:		
Other liabilities	\$ 9,428,755	\$ 10,060,088
Net assets	5,473,790	5,066,011
	\$ 14,902,545	\$ 15,126,099

ROYAL OTTAWA HEALTH CARE GROUP

Notes to Financial Statements (continued)

Year ended March 31, 2026

5. Related entities (continued):

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

	2026	2025
Revenue	\$ 9,047,446	\$ 7,428,849
Expenses	8,664,578	7,146,173
Excess of revenue over expenses	\$ 382,868	\$ 282,676

(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 \$34,739 (2025 - \$5,729).

(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 "DGCL") 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 (2025 - \$Nil).

(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 \$1,080,741 (2025 - \$1,595,172). The balance is non-interest-bearing, has no fixed terms of repayment and is repayable on demand.

ROYAL OTTAWA HEALTH CARE GROUP

Notes to Financial Statements (continued)

Year ended March 31, 2026

6. Capital assets:

			2026	2025
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 786,626	\$ –	\$ 786,626	\$ 786,626
Buildings	27,822,443	13,427,384	14,395,059	15,739,359
Buildings - capital lease	157,750,427	74,966,675	82,783,752	86,652,975
Leasehold improvements	28,990,379	16,493,129	12,497,250	13,681,558
Furniture, equipment and software	47,725,646	39,466,530	8,259,116	8,178,912
Medical equipment	14,472,246	12,621,057	1,851,189	2,217,383
Land improvements	2,311,026	1,484,812	826,214	364,788
Health information system	8,452,126	–	8,452,126	–
	\$ 288,310,919	\$ 158,459,587	\$ 129,851,332	\$ 127,621,601

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.

The health information system (“HIS”) project represents the implementation of a comprehensive, integrated information system designed to enhance the processing of hospital services. The project is under development and is not amortized as the project is not completed and not in use. Interest recorded and capitalized to the capital asset amounted to \$155,622 (2025: \$Nil).

At March 31, 2025, cost and accumulated amortization amounted to \$276,415,749 and \$148,794,148, respectively.

ROYAL OTTAWA HEALTH CARE GROUP

Notes to Financial Statements (continued)

Year ended March 31, 2026

7. Long-term debt:

	2026	2025
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%.	\$ 917,560	\$ 1,175,176
Demand term loan facility related to HIS, bearing interest at CORRA* rate plus 0.85%, unsecured and repayable on demand, maturing May 31, 2027 (note 7(c)).	9,700,000	–
Total loans	10,617,560	1,175,176
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.	16,721,315	29,151,519
Fair value of interest rate swaps (note 7(d))	39,605	73,646
	27,378,480	30,400,341
Less:		
Scheduled cash repayments of loans	272,419	257,616
Current portion of capital lease obligation	13,267,511	12,430,205
Callable debt	645,142	917,560
Demand term loan	9,700,000	–
	23,885,072	13,605,381
	\$ 3,493,408	\$ 16,794,960

*CORRA = Canadian Overnight Repo Rate Average

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

(a) The Group has access to a \$10,000,000 (2025 - \$5,000,000) operating loan at a rate of prime less 0.85% per annum. At March 31, 2026, \$Nil (2025 - \$Nil) is outstanding.

ROYAL OTTAWA HEALTH CARE GROUP

Notes to Financial Statements (continued)

Year ended March 31, 2026

7. Long-term debt (continued):

- (b) 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
2027	\$ 272,419	\$ 13,267,511	\$ 13,539,930
2028	9,988,072	3,453,804	13,441,876
2029	304,624	–	304,624
2030	52,445	–	52,445
	<u>\$ 10,617,560</u>	<u>\$ 16,721,315</u>	<u>\$ 27,338,875</u>

- (c) As at March 31, 2026, the Group had drawn \$9,700,000 (2025 - \$Nil) under an uncommitted reducing term loan facility. The facility is repayable on demand. In the absence of demand, monthly interest payments are required. The facility matures on the earlier of May 31, 2027 or the final implementation date of the health information system (HIS). Upon implementation of HIS, the outstanding balance will be converted to a committed reducing term facility, repayable in equal monthly installments over a 180-month amortization period. As the loan was repayable on demand at year-end, the full outstanding balance of \$9,700,000 has been classified as a current liability.

- (d) 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 \$316,880.

- (i) Notional amounts:

The notional amount of the interest rate swaps at March 31, 2026 is \$917,560 (2025 - \$1,175,176).

ROYAL OTTAWA HEALTH CARE GROUP

Notes to Financial Statements (continued)

Year ended March 31, 2026

7. Long-term debt (continued):

(d) Interest rate derivative agreements (continued):

(ii) Fair value:

The interest rate swaps have unrealized accumulated losses of \$39,605 (2025 - \$73,646) which are recorded in long-term debt as at March 31, 2026. The fair market value of the loans as at March 31, 2026, excluding the interest rate swaps impact, is \$917,560 (2025 - \$1,175,176) and the fair value of the capital lease obligation is \$16,764,754 (2025 - \$29,281,671). The current year impact of the change in fair value of the interest rate swap is a decrease in accumulated remeasurement losses of \$34,041 (2025 – increase of \$20,042). 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:

	2026	2025
Balance, beginning of year	\$ 79,202,084	\$ 73,706,246
Contributions for specified capital projects received during the year	13,293,790	12,308,649
Amount recognized as revenue during the year	(6,554,713)	(6,812,811)
Balance, end of year	\$ 85,941,161	\$ 79,202,084

9. Investment in capital assets:

The Group has \$16,531,691 (2025 - \$18,019,176) invested in capital assets, included in the unrestricted fund balance, calculated as follows:

	2026	2025
Capital assets (note 6)	\$ 129,851,332	\$ 127,621,601
Amounts financed by:		
Long-term debt (note 7)	(27,378,480)	(30,400,341)
Deferred contributions related to capital assets (note 8)	(85,941,161)	(79,202,084)
	\$ 16,531,691	\$ 18,019,176

ROYAL OTTAWA HEALTH CARE GROUP

Notes to Financial Statements (continued)

Year ended March 31, 2026

10. Statement of cash flows:

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

	2026	2025
Accounts receivable	\$ (234,852)	\$ (130,394)
Receivable from Provinces and Territories	(3,627,957)	672,951
Due from related entities	1,667,415	(263,882)
Inventories	(35,184)	(22,660)
Prepaid expenses	(28,699)	728,330
Payable to the Province of Ontario	(3,128,379)	(10,003,682)
Accounts payable and accrued liabilities	7,396,582	(1,044,638)
Advance payments for designated projects	(494,332)	(159,016)
Current portion of deferred revenue	886,515	(221,885)
Deferred revenue	(5,229,632)	(1,961,481)
	<u>\$ (2,828,523)</u>	<u>\$ (12,406,357)</u>

(b) Supplementary information:

	2026	2025
Interest paid during the year	\$ 1,781,045	\$ 2,676,217

11. Contracts and other expenses:

	2026	2025
Office supplies and rentals	\$ 5,703,626	\$ 4,840,125
Staff development and travel	1,955,469	1,955,757
Food, housekeeping and facility services	21,425,099	20,496,907
Data communication and software	3,362,556	3,363,312
Professional fees and services	4,650,864	5,349,365
Other supplies and expenses	10,233,057	11,653,888
	<u>\$ 47,330,671</u>	<u>\$ 47,659,354</u>

ROYAL OTTAWA HEALTH CARE GROUP

Notes to Financial Statements (continued)

Year ended March 31, 2026

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, 2026 with the accounting valuation based on an extrapolation. The liabilities associated with these plans as at March 31 are as follows:

	2026	2025
Pensions - other (note 12(c))	\$ 44,500	\$ 46,800
Other employee future benefits (note 12(f))	9,061,818	8,881,500
	<u>\$ 9,106,318</u>	<u>\$ 8,928,300</u>

- (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 \$11,031,216 (2025 - \$10,671,728). 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, 2025 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 \$3,200 (2025 - \$2,600), based on an extrapolation of a valuation as at April 1, 2025. Benefits paid during the year amounted to \$5,500 (2025 - \$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.

ROYAL OTTAWA HEALTH CARE GROUP

Notes to Financial Statements (continued)

Year ended March 31, 2026

12. Employee future benefits (continued):

(d) Other employee future benefits (continued):

The actuarially determined expense for these other employee future benefits during the year was \$1,198,500 (2025 - \$1,154,400), based on a valuation as of March 31, 2026. Benefits paid during the year amounted to \$935,900 (2025 - \$908,500).

(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:

	2026	2025
Discount rate for calculation of the pension expense	4.70%	4.70%
Discount rate to determine accrued benefit obligation	4.40%	4.40%
Salary rate increases	3.00%	2.00%
Dental cost increases	3.30%	5.00%
Extended healthcare cost increases	6.58%	5.60%

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

	2026	2025
Accrued benefit obligation	\$ 9,138,700	\$ 10,217,100
Unamortized actuarial losses	(76,882)	(1,335,600)
Employee future benefit liability	\$ 9,061,818	\$ 8,881,500

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

	2026	2025
Current service costs	\$ 552,400	\$ 508,600
Interest on accrued benefit obligation	453,000	465,700
Amortization of net experience losses	193,100	180,100
Benefit payments made by the Group	(935,900)	(908,500)
	\$ 262,600	\$ 245,900

ROYAL OTTAWA HEALTH CARE GROUP

Notes to Financial Statements (continued)

Year ended March 31, 2026

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 licences, 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:

2027	\$	2,664,488
2028		1,245,135
2029		895,457
2030		779,888
2031		791,720
Thereafter		222,048
	\$	6,598,736

- (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, 2026.

ROYAL OTTAWA HEALTH CARE GROUP

Notes to Financial Statements (continued)

Year ended March 31, 2026

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, 2026, a 1% change to the market interest rate with all other variables held constant would have an estimated effect of \$1,736,277 (2025 - \$1,916,245) 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 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, 2026, 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 \$1,183,977 (2025 - \$1,468,919).

(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 \$4,846,974 (2025 - \$7,360,428).

These risks have increased in 2026 due to market fluctuations in interest rates and market prices.

ROYAL OTTAWA HEALTH CARE GROUP

Notes to Financial Statements (continued)

Year ended March 31, 2026

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 \$192,456 (2025 - \$107,965) has been provided for an impairment allowance. The maximum exposure to credit risk of the Group at March 31, 2026 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 Group 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.

The Group has reported financial deficits in each of the last two years, including the current year, with the Group's budget for the year ending March 31, 2027, reflecting a forecasted financial loss. As a result of these losses, the Group has incurred a reduction in its working capital and net asset position. This has resulted in an increase in the Group's liquidity risk in the year.

Management has identified a number of factors that have contributed to its recurring operating losses, including but not limited to the funding shortfall in current base funding, the impact of recent wage settlements, and inflationary pressures.

The Group continues to identify and consider opportunities to address these financial challenges. In the short term, the Group intends to rely on temporary financing through its existing credit facilities, and cost savings resulting from efficiency measures.

As a result of its ongoing financial deficits, the Group 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. The Group will require sufficient and timely funding from the Ontario Ministry of Health to fulfil its obligations on a timely basis and at a reasonable cost.

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.

ROYAL OTTAWA HEALTH CARE GROUP

Notes to Financial Statements (continued)

Year ended March 31, 2026

15. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.