Financial Statements of

# WATERLOO REGIONAL HEALTH NETWORK

Year ended March 31, 2026

(Expressed in Thousands of Dollars)

# WATERLOO REGIONAL HEALTH NETWORK

Financial Statements

Year ended March 31, 2026

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# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Waterloo Regional Health Network

## Opinion

We have audited the financial statements of Waterloo Regional Health Network (the Hospital), which comprise:

- the statement of financial position as at March 31, 2026
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of remeasurement gains and losses for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Hospital as at March 31, 2026, and its results of operations, its remeasurement of gains and losses,  and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

## Basis for Opinion

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

We are independent of the Hospital in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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 Hospital's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Hospital or to cease operations, or has no realistic alternative but to do so.

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

**Auditor’s Responsibilities for the Audit of the Financial Statements**

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

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the 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 Hospital's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Hospital to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

June 26, 2026

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# WATERLOO REGIONAL HEALTH NETWORK

Statement of Financial Position

(Expressed in Thousands of Dollars)

March 31, 2026

| Description | 2026 |
|---|---|
| Assets: | |
| Current assets: | |
| Cash and cash equivalents | $9,267 |
| Accounts receivable (note 4) | 69,331 |
| Inventories | 23,804 |
| Prepaid expenses | 14,167 |
| Total current assets | 116,569 |
| Long-term assets: | |
| Investments (note 3) | 0 |
| Fair value of interest rate swap (note 10(c)) | 1,329 |
| Capital assets (note 5) | 288,647 |
| Accrued pension benefit assets (note 6) | 80,552 |
| Total long-term assets | 370,528 |
| Total assets | 487,097 |
| Liabilities and Net Assets: | |
| Current liabilities: | |
| Operating line (note 10(a)) | 8,961 |
| Accounts payable and accrued liabilities (note 7) | 163,228 |
| Deferred contributions (note 8) | 3,907 |
| Current portion of capital lease obligation (note 9) | 597 |
| Current portion of long-term debt (note 10) | 17,570 |
| Total current liabilities | 194,263 |
| Long-term liabilities: | |
| Accrued other benefits obligation (note 6) | 21,913 |
| Capital lease obligation (note 9) | 5,768 |
| Long-term debt (note 10) | 79,481 |

# WATERLOO REGIONAL HEALTH NETWORK

| Description | 2026 |
|---|---|
| Deferred capital contributions (note 8) | 158,689 |
| Asset retirement obligations (note 11) | 8,729 |
| Total long-term liabilities | 274,580 |
| Total liabilities | |
| Net assets: | |
| Internally restricted - capital assets (note 12) | 20,984 |
| Unrestricted (deficit) | (4,059) |
| Total net assets | 16,925 |
| Accumulated remeasurement gains | 1,329 |
| Total | 18,254 |
| Commitments and contingencies (note 13) | |
| Subsequent event (note 10) | |
| Total liabilities and net assets | $487,097 |

See accompanying notes to financial statements.

On behalf of the Board:

Director

Janet Davidson, Chair

Director

Sandra Hanmer, Vice-Chair

# WATERLOO REGIONAL HEALTH NETWORK

Statement of Operations

(Expressed in Thousands of Dollars)

Year ended March 31, 2026

| Description | 2026 |
|---|---|
| Revenue: | |
| Ontario Ministry of Health (“MOH”) operating | $793,832 |
| Billable patient services | 58,685 |
| Recoveries from external sources | 67,879 |
| Other | 14,020 |
| Amortization of deferred capital contributions related to equipment (note 8) | 14,783 |
| Total revenue | 949,199 |
| Expenses: | |
| Salaries, wages, benefits and purchased services | 588,703 |
| Medical staff remuneration | 62,753 |
| Non-salary (note 2(c)) | 313,449 |
| Amortization of equipment | 22,773 |
| Total expenses | 987,678 |
| Deficiency of revenue over expenses for MOH purposes | (38,479) |
| Amortization of buildings and building improvements | (10,525) |
| Amortization of deferred capital contributions related to buildings and building improvements (note 8) | 7,380 |
| Remeasurement of asset retirement obligations (note 11) | (351) |
| Write-down of capital of assets | (766) |
| Deficiency of revenue over expenses, before transfers | (42,741) |
| Revenue from transfer of assets less liabilities from Grand River Hospital Corporation (note 2) | 73,702 |
| Expense from transfer of assets less liabilities from St. Mary’s General Hospital (note 2) | (14,036) |
| Total transfers | 59,666 |
| Excess of revenue over expenses | $16,925 |

See accompanying notes to financial statements.

# WATERLOO REGIONAL HEALTH NETWORK

Statement of Changes in Net Assets

(Expressed in Thousands of Dollars)

Year ended March 31, 2026

| Description | Internally restricted - capital assets | Unrestricted | Total |
|---|---|---|---|
| Balance, beginning of year | $0 | $0 | $0 |
| Excess (deficiency) of revenue over expenses | (12,185) | 29,110 | 16,925 |
| Purchase of capital assets | 76,890 | (76,890) | 0 |
| Contributions received for capital purposes | (29,675) | 29,675 | 0 |
| Advances of long-term debt | (49,191) | 49,191 | 0 |
| Repayment of long-term debt | 3,732 | (3,732) | 0 |
| Repayment of capital lease obligation | 596 | (596) | 0 |
| Transfer of assets and liabilities related to internally restricted capital assets (note 12) | 30,817 | (30,817) | 0 |
| Balance, end of year | $20,984 | $ (4,059) | $16,925 |

See accompanying notes to financial statements.

# WATERLOO REGIONAL HEALTH NETWORK

Statement of Remeasurement Gains and Losses

(Expressed in Thousands of Dollars)

Year ended March 31, 2026

| Description | 2026 |
|---|---|
| Accumulated remeasurement gains, beginning of year | $0 |
| Accumulated remeasurement losses transferred from St. Mary's General Hospital (note 2) | (70) |
| Accumulated remeasurement gains transferred from Grand River Hospital Corporation (note 2) | 388 |
| | 318 |
| Unrealized gain attributable to derivative - interest rate swaps (note 10(c)) | 1,011 |
| Accumulated remeasurement gains, end of year | $1,329 |

See accompanying notes to financial statements.

# WATERLOO REGIONAL HEALTH NETWORK

Statement of Cash Flows

(Expressed in Thousands of Dollars)

Year ended March 31, 2026

| Description | 2026 |
|---|---|
| Cash provided by (used in): | |
| Operating activities: | |
| Excess of revenue over expenses | $16,925 |
| Employer cash contributions to the KWH pension plan (note 6(c)) | (2,464) |
| Employer cash contributions to other defined benefits plans (note 6(d)) | (930) |
| Items not involving cash: | |
| Amortization of capital assets | 33,298 |
| Amortization of deferred contributions related to capital assets | (22,163) |
| Write-down of deferred capital contributions (note 8) | (67) |
| Asset retirement obligations (note 11) | 351 |
| Write-down of capital assets (note 8) | 766 |
| Defined benefit expense (note 6(d)) | 2,783 |
| Defined pension plan benefit expense (note 6(c)) | 2,593 |
| Revenue/expense from transfer of assets | (59,666) |
| Change in non-cash operating working capital (note 14) | 3,318 |
| Cash provided by (used in) operating activities | (25,256) |
| Investing activities: | |
| Purchase and construction of capital assets, net of change in accounts payable and accrued liabilities related to capital | (76,890) |
| Sale of investments | 2,791 |
| Cash provided by (used in) investing activities | (74,099) |
| Financing activities: | |
| Contributions received for capital purposes, net of change in accounts receivable related capital | 29,675 |
| Operating line advance | 8,961 |
| Advance of long-term debt | 49,191 |

# WATERLOO REGIONAL HEALTH NETWORK

| Description | 2026 |
|---|---|
| Repayment of long-term debt | (3,732) |
| Repayment of capital lease obligation | (596) |
| Cash provided by (used in) financing activities | 83,499 |
| Change in cash and cash equivalents | (15,856) |
| Cash and cash equivalents, beginning of year | 0 |
| Cash and cash equivalents transferred (note 2) | 25,123 |
| Cash and cash equivalents, end of year | $9,267 |

See accompanying notes to financial statements.

# WATERLOO REGIONAL HEALTH NETWORK

Notes to Financial Statements

(Expressed in Thousands of Dollars)

Year ended March 31, 2026

Waterloo Regional Health Network ("Hospital") is incorporated under the Ontario Not-For-Profit Corporation Act, 2010 on July 23, 2024, as Kitchener Waterloo Health Innovation Centre and amended its name to Waterloo Regional Health Network on March 25, 2025. The Hospital is a Public Hospital (under the Public Hospitals Act of Ontario), assigned to Ontario Health West. The Hospital operates existing hospital sites (Chicopee Site, Midtown Site and Queen's Boulevard Site) and services while continuing to move forward with the Building the Future of Care Together capital redevelopment project.

The Hospital had no operations from July 23, 2024 to March 31, 2025.

The Hospital is a registered charity under the Income Tax Act (Canada) and is exempt from income taxes.

**1. Significant accounting policies:**

The financial statements have been prepared by management in accordance with the Chartered Professional Accountants of Canada Handbook - Public Sector Accounting Standards (the "standards") including the 4200 standards for government not-for-profit organizations.

(a) Basis of presentation:

The financial statements do not include the accounts of the following related, but separate entities:

- Grand River Hospital Volunteer Association
- St. Mary's General Hospital Volunteer Association
- Waterloo Regional Health Network Foundation (formerly Grand River Hospital Foundation and St. Mary's General Hospital Foundation)

The financial information of these entities is reported separately from the Hospital.

Interdepartmental transactions and balances between sites (Chicopee Site, Midtown Site and Queen's Boulevard Site) have been eliminated.

These financial statements do not include the assets, liabilities and results of operations of Grand River Health which is controlled by the Hospital after the transfer of assets and liabilities April 1, 2025. The Hospital has chosen to disclose summarized information in note 18.

(b) Related party transactions:

Monetary related party transactions and non-monetary related party transactions that have commercial substance are measured at the exchange amount when they are in the normal course of business, except when the transaction is an exchange of a product or property held for sale in the normal course of operations. Where the transaction is not in the normal course of operations, it is measured at the exchange amount when there is a substantive change in the ownership of the item transferred and there is independent evidence of the exchange amount.

All other related party transactions are measured at the carrying amount.

(c) Basis of funding:

The Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by both the Ministry of Health (the “MOH”) and Ontario Health (OH). The Hospital has entered into a Hospital Service Accountability Agreement (“H-SAA”) with OH that sets out the obligations as well as the minimum performance standards that must be met by the Hospital. Any excess of revenue over expenses with respect to base funding during a fiscal year is not required to be returned. However, if the Hospital does not meet its performance standards or obligations under the H-SAA, OH has the right to adjust funding received by the Hospital. The Hospital accrues for known amounts to be recovered.

(d) Revenue recognition:

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

Under the Health Insurance Act and Regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the MOH. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period, are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

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

collection is reasonably assured.

Externally restricted contributions, other than endowment contributions, are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate of the related capital assets.

Revenue from the MOH, preferred accommodation, as well as income from parking and other ancillary operations, are recognized as the performance obligations are provided and when the service is provided.

(e) Cash and cash equivalents:

Cash and cash equivalents consist of cash, bank and short-term instruments with maturity of less than 90 days.

(f) Inventories:

Inventories of supplies consist of drugs, medical, surgical and laboratory supplies. Medical, surgical and laboratory supplies are valued at the lower of cost on a first-in, first-out basis, and replacement cost. Drug inventory is valued on a weighted average basis. Inventories are valued at lower of cost and net realizable value. Provision has been made for any obsolete or unusable inventory on hand.

(g) Investments:

Investments are primarily comprised of marketable securities and fixed income deposits. Marketable securities are carried at fair value while fixed income deposits are carried at cost. Unrestricted investment income is recognized as revenue during the period in which it is earned.

Investment in joint ventures are accounted for using the modified equity method, applied using the Hospital’s share of the business partnership.

(h) Capital assets:

Capital assets are recorded at cost less accumulated amortization. Amortization is not taken on assets under construction and building under capital lease until they are placed in use. Incremental interest incurred during the acquisition, construction or production of capital assets is included in the cost of the capital asset. The interest capitalized is determined by applying the Hospital’s average interest rate to the average amount of accumulated expenditures for the asset during the year.

The Hospital records amortization of its capital assets on a straight-line basis

over the estimated useful lives of the assets at the following annual rates:

| Asset | Annual rate/estimated useful life |
|---|---|
| Building and building improvements | 2% to 20% |
| Furniture and equipment | 5% to 20% |
| Hospital information system and other software | 6.7% to 33% |
| Building under capital lease | 15 years |
| Leasehold improvements | 15 years |

(i) Contributed services:

Volunteers contribute numerous hours to assist the Hospital in carrying out certain charitable aspects of its service delivery activities. The fair value of these contributed services is not readily determinable and is not reflected in these financial statements.

(j) Asset retirement obligations:

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

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

The asset retirement obligation is based on management's best estimate of the expenditures to settle the obligation. A liability has been recognized based on estimated future expenses to retire capital and leased assets. Differences between the actual remediation costs incurred and the associated liability are recognized in the Statement of Operations at the time of remediation occurs. Assumptions used in the subsequent calculations are revised yearly.

(k) Employee benefits plans:

The Hospital accrues its obligations under employee benefit plans as the employees render the services necessary to earn the pension and post-retirement benefits. The Hospital has the following accounting policies:

(i) Defined benefit plans:

The Hospital has a defined benefit pension plan covering employees of the Kitchener-Waterloo site that did not have an existing HOOPP pension before April 1, 2025.

The Hospital has defined benefit supplemental pension plan for a specific group of employees.

Effective April 1, 2025, the Hospital's defined benefit pension plan and supplemental pension plan is closed to new members. The benefits are based on years of service and the employee's best average earnings. The cost of this program is being funded currently.

The Hospital provides a defined benefit plan covering health, life insurance and dental care benefits upon early retirement. Early retirees, who are in receipt of pension benefits, may also elect to receive health and dental benefits under the plan until the age of 65. The cost of health and dental benefits related to employees' current service is charged to income annually.

The cost of pensions and post-retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation, expected health and dental costs and retirement ages of employees.

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 9.6 years (April 1, 2025 - 9.6 years). The average remaining service period of the active employees covered by the other retirement benefits plan is 11.8 years and 13.5 years (April 1, 2025 - 10.9 years and 13.5 years).

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

(ii) Multi-employer plan:

Substantially all of the employees of the Hospital are eligible to be members of HOOPP, which is a multi-employer high five average pay contributory

pension plan. As HOOPP's assets and liabilities are not segmented by participating employer, the Hospital accounts for its HOOPP obligation on a cash basis (as a defined contribution plan).

Defined contribution plan accounting (where contributions are expensed as incurred) is applied to HOOPP for which the Hospital does not have the necessary information to apply defined benefit plan accounting.

(l) Financial instruments:

Financial instruments are classified into three categories: fair value, amortized cost or cost. The following chart shows the measurement method for each type of financial instrument.

| Financial Instrument | Measurement Method |
|---|---|
| Cash and cash equivalents | Cost |
| Investments | Fair Value |
| Investments – modified equity | Cost |
| Accounts receivable | Amortized Cost |
| Operating line | Cost |
| Accounts payable and accrued liabilities | Amortized Cost |
| Long-term debt | Cost |
| Capital lease obligations | Cost |
| Interest rate swaps | Fair Value |

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.

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.

The related interest rate swaps are recorded at fair value. The fair value of the interest rate swap has been determined using Level 3 of the fair value hierarchy. The fair value of interest rate swaps is based on broker quotes.

Those 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.

The Standards require the Hospital 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.

(m) Measurement uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the years. Significant items subject to such estimates and assumptions include the carrying amount of accrued pension benefit, capital assets, accounts payable and accrued liabilities, accrued other benefit obligation, asset retirement obligations, interest rate swaps, valuation allowances for receivables and revenues.

Pension and other employee future benefits liabilities are subject to measurement uncertainty because actual results may differ significantly from

the Hospital's best long-term estimate of expected results – for example, the difference between actual results and actuarial assumptions regarding return on investment of pension fund assets and health care cost trend rates for retiree benefits may be significant. Actual results could differ from those estimates.

**2. Integration:**

Effective April 1, 2025, Grand River Hospital Corporation ("GRH") and St. Mary's General Hospital ("SMGH"), a division of St. Joseph's Health System, integrated and transferred assets and liabilities into Waterloo Regional Health Network. GRH and SMGH integrated to improve patient access to care, enhance efficiency and build a unified, sustainable and modern regional system for a rapidly growing population in the Waterloo Region.

SMGH was an adult medical surgical hospital with a priority focus on cardiac, thoracic and senior friendly care. SMGH was incorporated under the laws of the Province of Ontario through the St. Joseph's Health System and was a registered charity under the Income Tax Act (Canada) and was exempt from income taxes.

GRH was a regional provider of community hospital services through the Kitchener-Waterloo campus and the Freeport campus. GRH was incorporated under the Ontario Not-For-Profit Corporations Act, 2010 and was a registered charity under the Income Tax Act (Canada) and was exempt from income taxes.

As of April 1, 2025, all the rights, assets and liabilities have been assumed by the Hospital for GRH and the Hospital assumed those rights, assets and liabilities for SMGH that did not remain with St. Joseph's Health System.

The Hospital has accounted for the integration of GRH and SMGH into the Hospital by applying the Public Sector Accounting Standards 3430 Restructuring Transactions. The standard establishes how to account for and report restructuring transactions from the transferor to the recipient.

(a) Transfer of assets and liabilities:

(i) The accounting for the transfer of assets and liabilities from St. Joseph's Health System to the Hospital is based on estimates, as the final reconciliation is still subject to change by both parties. It is expected to be finalized for the year ended March 31, 2027, and further adjustments, if any, will be recorded in that year.

The estimated carrying amount of SMGH the assets and liabilities after adjustments, transferred to the Hospital for no consideration on April 1, 2025 are as follows:

| Description | 2026 |
|---|---|
| Assets less liabilities - net assets (deficit) | $(7,238) |
| Less assets and liabilities that remain with St. Joseph's Health System: | |
| Capital assets | (89,587) |
| Deferred capital contributions | 78,282 |
| Asset retirement obligations | 4,437 |
| Subtotal | (6,868) |
| Expense from transfer of assets and liabilities | $(14,106) |

(i) GRH's carrying amount of the assets and liabilities were transferred to the Hospital for no consideration on April 1, 2025 and with no adjustments.

The Hospital's carrying amount of net assets as at April 1, 2025 are as follows:

| Assets | SMGH | GRH | Adjustments/ reclass (b) | April 1, 2025 |
|---|---|---|---|---|
| Cash and cash equivalents | $23,117 | $2,006 | $0 | $25,123 |
| Investments | 2,791 | 0 | 0 | 2,791 |
| Accounts receivable | 21,478 | 44,693 | (8,208) | 57,963 |
| Inventories | 2,567 | 15,081 | 0 | 17,648 |
| Prepaid expenses | 5,128 | 12,887 | 0 | 18,015 |
| Fair value of interest rate swap | 0 | 388 | 18 | 406 |
| Capital assets | 37,039 | 200,722 | 0 | 237,761 |
| Accrued pension benefit assets | 0 | 80,681 | 0 | 80,681 |
| Total assets | $92,120 | $356,458 | $(8,190) | $440,388 |

| Liabilities | SMGH | GRH | Adjustments/ reclass (b) | April 1, 2025 |
|---|---|---|---|---|
| Accounts payable and accrued liabilities | $57,916 | $96,885 | $(8,208) | $146,593 |
| Deferred contributions | 1,648 | 3,167 | 0 | 4,815 |
| Current portion of capital lease obligation | 0 | 597 | 0 | 597 |
| Current portion of long-term debt | 1,808 | 1,923 | 0 | 3,731 |
| Accrued other benefits obligations | 7,251 | 12,809 | 0 | 20,060 |
| Capital lease obligations | 0 | 6,364 | 0 | 6,364 |
| Long-term debt | 15,087 | 32,774 | 0 | 47,861 |
| Fair value of interest rate swaps | 70 | 0 | 18 | 88 |
| Deferred capital contributions | 22,446 | 119,471 | 0 | 141,919 |
| Assigned retirement obligations | 0 | 8,378 | 0 | 8,378 |
| Total liabilities | $106,226 | $282,368 | $(8,190) | $380,404 |
| Revenue (expense) from transfer of assets and liabilities | $(14,106) | $74,090 | $0 | $59,984 |
| Revenue (expense) from transfer presented on: | | | | |
| Statement of operations | (14,036) | 73,702 | 0 | 59,666 |
| Statement of accumulated remeasurements gains and losses | (70) | 388 | 0 | 318 |
| Total | $(14,106) | $74,090 | $0 | $59,984 |

(b) Adjustments/reclass to assets and liabilities:

In the above schedule, the interorganizational balances were eliminated and resulted in a reduction of accounts receivable and accounts payable and accrued liabilities of $8,208.

Fair value of interest rate swap assets netted against fair value of interest rate

swap liabilities was reclassified and resulted in an increase in the fair value of interest rate swap assets and fair value of interest rate swap liabilities of $18.

(c) Integration costs:

The Hospital incurred integration costs of $3,116 included in non-salary expenses on the Statement of Operations.

**3. Investments:**

| Description | Level | March 31, 2026 | April 1, 2025 (note 2) |
|---|---|---|---|
| Fixed income investments, measured at fair value | 1 | $0 | $2,656 |
| Fixed income investments held for purchase of long-term assets, measured at fair value | 2 | $0 | $135 |
| Joint venture investment – Waterloo Regional ProResp Inc., modified equity (a) | | 0 | 0 |
| Total | | $0 | $2,791 |

(a) Modified equity investment:

Effective March 3, 2026, Waterloo Regional ProResp Inc. was incorporated as a joint venture between the Hospital and a third party for the purposes of providing home respiratory services, including oxygen supply and therapy, aerosol therapy, humidity therapy, and sales/rental and service of respiratory and other home medical equipment. The Hospital received 50 common shares, representing 50% of the voting equity of the joint venture, in exchange for $0.05 in cash. There was no equity earnings for the year ended March 31, 2026.

(b) Investment maturities and investment income:

The investment income of $877 is comprised of interest income earned on bank balances and fixed income investment securities. Investment income is included in other revenue on the Statement of Operations.

**4. Accounts receivable:**

| Description | Operating | Capital | 2026 Total |
|---|---|---|---|
| Ontario Ministry of Health | $14,265 | $13,871 | $28,136 |
| Ontario Health | 9,610 | 0 | 9,610 |
| Waterloo Regional Network Foundation (note 17(c)) | 169 | 5,919 | 6,088 |
| OHIP, Patients and others | 30,602 | 0 | 30,602 |
| Subtotal | 54,646 | 19,790 | 74,436 |
| Less allowance for doubtful accounts | (5,105) | 0 | (5,105) |
| Total | $49,541 | $19,790 | $69,331 |

| Description | Operating | Capital | 2025 Total (Note 2) |
|---|---|---|---|
| Ontario Ministry of Health | $16,789 | $3,791 | $20,580 |
| Ontario Health | 5,218 | 176 | 5,394 |
| Waterloo Regional Network Foundation (note 17(c)) | 310 | 6,489 | 6,799 |
| OHIP, Patients and others | 29,647 | 7 | 29,654 |
| Subtotal | 51,964 | 10,463 | 62,427 |
| Less allowance for doubtful accounts | (4,464) | 0 | (4,464) |
| Total | $47,500 | $10,463 | $57,963 |

**5. Capital assets:**

| Description | Cost | Accumulated amortization | Net book value |
|---|---|---|---|
| 2026 | | | |
| Land | $39,765 | $0 | $39,765 |
| Buildings and related service equipment and improvements | 344,058 | 260,826 | 83,232 |
| Furniture and equipment | 283,049 | 234,582 | 48,467 |

# WATERLOO REGIONAL HEALTH NETWORK

| Description | Cost | Accumulated amortization | Net book value |
|---|---|---|---|
| Hospital information system and other software | 108,312 | 58,362 | 49,950 |
| Building under capital lease | 8,950 | 0 | 8,950 |
| Leasehold improvements | 0 | 0 | 0 |
| Assets under construction | 58,283 | 0 | 58,283 |
| Total | $842,417 | $553,770 | $288,647 |

During the year, the Hospital purchased land for $38,956 for the site of the proposed new Hospital. No interest amounts were capitalized to capital assets during the year.

| Description | Cost | Accumulated amortization | Net book value |
|---|---|---|---|
| 2025 | | | |
| Land | $809 | $0 | $809 |
| Buildings and related service equipment and improvements | 341,373 | 250,300 | 91,073 |
| Furniture and equipment | 279,001 | 223,854 | 55,147 |
| Hospital information system and other software | 104,998 | 51,849 | 53,149 |
| Building under capital lease | 8,950 | 0 | 8,950 |
| Leasehold improvements | 0 | 0 | 0 |
| Assets under construction | 28,633 | 0 | 28,633 |
| Total | $763,764 | $526,003 | $237,761 |

Certain land and buildings designated for Hospital purposes are leased to the Hospital, at a nominal charge, by The Corporation of The City of Kitchener and The Corporation of The City of Waterloo.

## 6. Pension and other defined benefit plans:

### Healthcare of Ontario Pension Plan:

All of the Hospital's employees (except for active plan members that are on a long-term disability leave in the KWH Pension Plan) are members of the Healthcare of Ontario Pension Plan (HOOPP), which is a multi-employer, defined benefit, best average pay, contributory plan.

The most recent actuarial valuation for accounting purposes was completed by HOOPP as at December 31, 2025. HOOPP's December 31, 2025 audited financial statements disclosed an actuarial value of net assets available for benefits in the amount of $131.9 billion, with accrued benefits of $120.8 billion, resulting in a going concern surplus of $11.1 billion.

As HOOPP's assets and liabilities are not segmented by participating employer, the Hospital accounts for its HOOPP obligation on a cash basis (as a defined contribution plan).

| Description | 2026 |
|---|---|
| Cash paid for employer contributions to HOOPP (included in salaries, wages, benefits and purchased services on the Statement of Operations) | $37,005 |

### KWH Pension Plan and other benefit plans:

Hospital employees and those active plan members on long-term disability that did not have an existing HOOPP pension before April 1, 2025 (past contributions and past service costs) are members of the KWH pension plan, a defined benefit registered pension plan.

A small group of the Hospital also participates in an unfunded supplemental pension plan, both of which are best average earnings programs.

Effective April 1, 2025, the KW Pension Plan and SERP were amended to provide all deferred vested members, retired members and beneficiaries with ad-hoc pension increases of 0.46% in respect of service accrued before January 1, 2014 and 1.83% in respect of service accrued on or after January 1, 2014.

Effective April 1, 2026, the KW Pension Plan and SERP were amended to provide all deferred vested members, retired members and beneficiaries with ad-hoc pension increases of 0.59% in respect of service accrued before January 1, 2014 and 2.36% in respect of service accrued on or after January 1, 2014.

The KW Pension Plan amendment resulted in the accrued benefit obligation related to this amendment to be fully recognized in the benefit cost. The plan amendment for the SERP's increase in the benefit cost was fully offset by immediate recognition of an equal portion of unamortized actuarial gains.

The Hospital measures its accrued benefit obligations for the KWH pension plan for accounting purposes based on the most recent actuarial valuation as at March 1, 2023, with a measurement date of December 31, 2025, together with a projection of these results to March 31, 2026. The Hospital measures its accrued benefit obligations for the other benefit plans for accounting purposes based on the most recent actuarial valuation as at April 1, 2024 and March 31, 2024, extrapolated to March 31, 2026.

(a) The significant actuarial assumptions adopted in measuring the Hospital's accrued benefit obligation and benefit costs are as follows:

| Description | March 31, 2026 | April 1, 2025 |
|---|---|---|
| Accrued benefit obligation at the end of the year: | | |
| Rate of compensation increase | 2.75% | 3.00% |
| Discount rate (pension benefits) | 6.70% | 6.70% |
| Expected long-term rate of return on plan assets | 6.70% | 6.70% |
| Discount rate (other benefits) | 3.88% | 3.90% |
| Benefit costs for fiscal year: | | |
| Expected long-term rate of return on plan assets | 6.70% | |
| Discount rate (pension benefits) | 6.70% | |
| Discount rate (other benefits) | 3.90% | |
| Healthcare costs (other benefits) | 5.00% | |
| Dental costs (other benefits) | 4.50% | |
| Rate of compensation increase | 3.00% | |

(b) The KWH pension plan consists of the following assets:

| Description | March 31, 2026 | April1, 2025 |
|---|---|---|
| Cash and short-term investments | 1% | 1% |
| Pooled bonds | 59% | 57% |
| Pooled equities | 31% | 33% |
| Other | 9% | 9% |
| Total | 100% | 100% |

(c) Information relating to the Hospital's defined benefit plans:

| Description | Pension plan | Other benefit plans |
|---|---|---|
| March 31, 2026 | | |
| Accrued benefit obligation, beginning of year | $(590,979) | $(21,671) |
| Current service costs, inclusive of employee contributions | (3,520) | (1,869) |
| Interest cost | (38,613) | (1,007) |
| Employee contributions | (4,003) | 0 |
| Plan amendments | (4,569) | 0 |
| Less benefits paid | 34,830 | 932 |
| Actuarial loss | (12,141) | (1,443) |
| Accrued benefit obligation, end of year | $(618,995) | $ (25,058) |
| Plan assets, fair value, beginning of year | $656,983 | $0 |
| Expected return on plan assets | 43,393 | 0 |
| Employer contributions (included in salaries, wages and benefits) | 12,174 | 629 |
| Employee contributions | 4,003 | 0 |
| Less benefits paid | (34,830) | (629) |
| Experience loss | (7,577) | 0 |
| Plan assets, fair value, end of year | $ 674,146 | $0 |
| Funded status plan surplus (deficit) | $55,151 | $(25,058) |

# WATERLOO REGIONAL HEALTH NETWORK

| Description | Pension plan | Other benefit plans |
|---|---|---|
| Unamortized net actuarial loss | 25,287 | 2,988 |
| Employer contributions after measurement date | 114 | 157 |
| Accrued defined benefit plan assets (obligation) | $80,552 | $(21,913) |

Assumptions used in the subsequent calculations are revised yearly.

| Description | Pension plan | Other benefit plans |
|---|---|---|
| April 1, 2015 | | |
| Accrued benefit obligation, April 1, 2025 | $(590,979) | $(21,671) |
| Plan assets fair value, April 1, 2025 | $656,983 | $0 |
| Funded status plan surplus (deficit) | $66,004 | $(21,671) |
| Unamortized net actuarial loss | 4,853 | 1,452 |
| Employer contributions after measurement date | 9,824 | 159 |
| Accrued defined benefit plan assets (obligations) | $80,681 | $(20,060) |

For the year ended March 31, 2026

| Description | 2026 |
|---|---|
| KWH Pension Plan | |
| Current service costs, net of employees' contributions | $3,520 |
| Interest costs | 38,613 |
| Cost of plan amendments | 4,569 |
| Less expected return on plan assets | (43,393) |
| Amortization of net actuarial (gain) | (716) |
| KWH Pension Plan benefit expense (included in salaries, wages, benefits and purchased services) | $2,593 |
| Cash paid for employer contributions | $2,464 |

(d) The information, relating to the Hospital's defined other benefit plans:

| Description | 2026 |
|---|---|
| Other benefit plans: | |
| Current service costs, net of employees' contributions | $1,869 |
| Interest costs | 1,007 |
| Amortization of net actuarial (gain) | (93) |
| Other Benefit Plan benefit expense (included in salaries, wages, benefits and purchased services) | $2,783 |
| Cash paid for employer contributions | $930 |

## 7. Accounts payable and accrued liabilities:

| Description | March 31, 2026 | April 1, 2025 (Note 2) |
|---|---|---|
| Accounts payable and other accrued liabilities - operating | $34,757 | $62,815 |
| Accounts payable and other accrued liabilities - capital | 16,619 | 8,559 |
| Accrued salaries, wages and benefits and other | 88,638 | 53,888 |
| Accounts payable MOH and other funding agencies | 23,214 | 21,331 |
| Total | $163,228 | $146,593 |

## 8. Deferred contributions:

Deferred contributions include unspent restricted grants for education and research of $1,908 (April 1, 2025 - $2,614) and other contributions of $1,999 (April 1, 2025 - $1,809) and unspent restricted grants for the Grand River Regional Cancer Centre in the amount of $nil (April 1, 2025 - $392). The changes in the deferred contributions balance are as follows:

| Description | 2026 |
|---|---|
| Balance, beginning of year (note 2) | $0 |
| Deferred contributions transferred | 4,815 |
| Contributions received during the year | 4,777 |
| Less amounts recognized as revenue during the year | (5,478) |
| Less amounts transferred to deferred capital contributions | (207) |
| Balance, end of year | $ $3,907 |

Deferred contributions related to capital assets represent the unamortized portion of contributed capital assets and the unamortized portion of restricted contributions with which capital assets were originally purchased, plus any unspent donations and grants received during the year for the purchase of capital assets. Deferred capital contributions include funds received but not yet spent of $nil (April 1, 2025 - $556).

The changes for the year in the deferred capital contributions balance are as follows:

| Description | 2026 |
|---|---|
| Balance, beginning of year (note 2) | $0 |
| Deferred capital contributions transferred | 141,917 |
| Contributions from: | |
| Waterloo Regional Health Network Foundation (note 17(c)) | 17,184 |
| Ontario Ministry of Health | 13,846 |
| Ontario Health | 5,152 |
| Other capital contributions | 3,371 |
| Transfers to other in the statement of operations | (551) |
| Subtotal | 39,002 |
| Less (recorded in Statement of Operations): | |
| Amortization of deferred capital contributions related to equipment | (14,783) |
| Amortization of deferred capital contributions related to buildings and building improvements | (7,380) |
| Subtotal | (22,163) |

| Description | 2026 |
|---|---|
| Write off of deferred capital contributions | (67) |
| Balance, end of year | $158,689 |

**9. Obligation under capital lease:**

The Hospital has a capital lease arrangement with the Waterloo Regional Health Network Foundation (formerly Grand River Hospital Foundation) to assist in the financing of buildings and lands. Under the agreement the Hospital is responsible for all costs associated with the property, such as redevelopment, insurance, property taxes, and all operating costs. The Hospital has an option to purchase the property at the earlier of, the end of the lease term in October 2036 or when the Hospital provides written notice to purchase the assets. At the time the option to purchase is exercised or at the end of the lease term, the land will transfer to the Hospital for consideration of $1, unless agreed otherwise in writing. At the time the option to purchase is exercised or at the end of the lease term, the building will transfer to the Hospital at the outstanding balance of the capital lease obligation.

Capital lease repayments are due as follows:

| Description | March 31, 2026 | April 1, 2025 (note 2) |
|---|---|---|
| 2026 | $0 | $764 |
| 2027 | 749 | 749 |
| 2028 | 735 | 735 |
| 2029 | 720 | 720 |
| 2030 | 705 | 705 |
| 2031 | 690 | 690 |
| Thereafter | 3,626 | 3,626 |
| Total minimum lease payments | 7,225 | 7,989 |
| Less amount representing interest of 2.52% | 860 | 1,026 |
| Present value of net minimum capital lease payments | 6,365 | 6,961 |
| Current portion of obligation under capital lease | (597) | (597) |
| Long-term portion of obligation under capital lease | $5,768 | $6,364 |

Interest of $167 relating to capital lease obligation has been included in non-salary expenses on the Statement of Operations. The total amount of building under capital lease is $8,950 (April 1, 2025 - $8,950) with related accumulated amortization of $nil (April 1, 2025 - $nil).

**10. Long-term debt:**

| Description | March 31, 2026 | April 1, 2025 (note 2) |
|---|---|---|
| Canadian Overnight Repo Rate Average (CORRA) Term Loan #1, unsecured, with interest at 3.10% per annum, fixed through an interest rate swap, with monthly payments of interest and principal of $50, maturing on November 15, 2028. Notional principal of $5,000. | $1,524 | $2,073 |
| CORRA Term Loan #2, unsecured, with interest at 3.61% per annum, fixed through an interest rate swap, with monthly payments of interest and principal of $147, maturing on March 15, 2035. Notional principal of $20,000. | 13,562 | 14,822 |
| CORRA Term Loan #3, unsecured, with interest at 3.43% per annum, fixed through an interest rate swap, with quarterly blended payments of principal and interest of $772, maturing on May 1, 2039. Notional principal of $35,167. | 32,774 | 34,697 |
| Vendor take-back mortgage, secured by land of $38,956, non-interest bearing. The vendor take-back mortgage is interest free as long as there is no event of delayed payment. If there is a delayed payment then an interest rate of 4.00% per annum will be calculated and payable monthly from the date amounts were due. The first principal payment of $3,576 is due November 12, 2034, $9,666 is due November 12, 2036, $9,985 is due November 12, 2038, and final principal payment of $12,256 is due on November 12, 2040. | 35,483 | 0 |
| Operating loan, due on demand, unsecured, with interest at CORRA plus 0.85% per annum, interest-only payable and full repayment due December 31, 2028. Notional principal $2,708. | 2,708 | 0 |

| Description | March 31, 2026 | April 1, 2025 (note 2) |
|---|---|---|
| Operating loan, due on demand, unsecured, with interest at CORRA plus 0.85% per annum, interest-only payable and full repayment due December 31, 2028. Available up to $15,037. | 11,000 | 0 |
| Subtotal | 97,051 | 51,592 |
| Less current portion of long-term debt | (17,570) | (3,731) |
| Long-term portion of long-term debt | $79,481 | $47,861 |

As at March 31, 2026, the Hospital was in violation of the financial covenants as set by the agreement dated January 29, 2026 for the CORRA term loans #1 and #2 and the two operating loans totalling $28,794. Subsequent to year end, on June 19, 2026, a waiver was obtained from the bank for the existing default pertaining to all outstanding debt with the bank as at March 31, 2026. The bank has agreed not to demand repayment of the term loans as a result of the breach prior to April 1, 2027. Accordingly, the principal amounts relating to the CORRA term loans #1 and #2 have been classified as long-term liabilities where appropriate.

The future principal repayments required for long-term debt is as follows:

| Description | March 31, 2026 |
|---|---|
| 2027 | $17,570 |
| 2028 | 3,997 |
| 2029 | 3,908 |
| 2030 | 3,659 |
| 2031 | 3,789 |
| Thereafter | 64,128 |
| Total | $97,051 |

(a) Operating line:

The Hospital has an unsecured operating line available up to a maximum of

$70,000. The operating line is at bank's prime rate minus 0.85%. At year end $8,961 was drawn on the operating line.

(b) Interest expense:

Interest of $1,962 relating to long-term debt has been included in non-salary expenses on the Statement of Operations.

(c) Interest-rate swaps:

The Hospital has interest rate swap agreements to manage the volatility of interest rates. The maturity date of the interest rate swap is the same as the maturity date of the associated long-term debt.

The fair values of the interest rate swaps have been determined using Level 3 of the fair value hierarchy The fair value of interest rate swaps is based on broker quotes. Those 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. The fair values of the interest rate swaps will continue to fluctuate until the maturity of the agreement, or its settlement.

Certain interest rate swap agreements were executed during the year. As a result of the timing of these arrangements and contracted rates approximating market rates at inception, the fair value of these swaps at March 31, 2026 is nominal.

| Description | March 31, 2026 | April 1, 2025 (note 2) |
|---|---|---|
| CORRA Term loan #1 interest rate swap | $15 | $18 |
| CORRA Term loan #2 interest rate swap | 162 | 0 |
| CORRA Term loan #3 interest rate swap | 1,152 | 388 |
| Fair value of interest rate swap assets (net favourable position), end of year | $1,329 | $406 |
| CORRA Term loan #2 interest rate swap | $0 | $88 |
| Fair value of interest rate swap liabilities (net unfavourable position), end of year | $0 | $88 |

The change in unrealized gain (loss) attributable to interest rate swaps recognized in the Statement of Remeasurement Gains and Losses are as

follows:

| Description | 2026 |
|---|---|
| CORRA Term loan #1 interest rate swap | $(3) |
| CORRA Term loan #2 interest rate swap | 250 |
| CORRA Term loan #3 interest rate swap | 764 |
| Unrealized gain (loss) attributable to derivative - interest rate swaps | $1,011 |

**11. Asset retirement obligations:**

The Hospital owns, leases and operates several buildings that are known to have asbestos, which represents a health hazard upon demolition of the building and there is a legal obligation to remove it.

| Description | 2026 |
|---|---|
| Balance, beginning of year | $0 |
| Asset retirement obligations transferred (note 2) | 8,378 |
| Less obligations settled during the year | 0 |
| Add remeasurement | 351 |
| Total | $8,729 |

**12. Internally restricted - capital assets:**

The Board of Directors has internally restricted net assets to fund capital assets. Net assets invested in capital assets are calculated as follows:

| Description | March 31, 2026 | April 1, 2025 |
|---|---|---|
| Capital assets | $288,647 | $237,761 |
| Amounts financed by: | | |
| Deferred capital contributions | (158,689) | (141,917) |
| Accounts receivable (note 4) | 19,790 | 10,463 |
| Accounts payable and accrued liabilities (note 7) | (16,619) | (8,559) |
| Capital lease obligation | (6,365) | (6,961) |
| Long-term debt | (97,051) | (51,592) |

| Description | March 31, 2026 | April 1, 2025 |
|---|---|---|
| Asset retirement obligations | (8,729) | (8,378) |
| Total internally restricted - capital assets | $20,984 | $30,817 |

**13. Commitments and contingencies:**

(a) Contingencies:

The nature of the Hospital's activities is such that there may be litigation pending or in process at any time. With respect to claims at March 31, 2026, management believes that the Hospital has valid defenses and appropriate insurance coverage in place. In the event claims are successful, management believes that such claims are not expected to have a material effect on the Hospital's financial position.

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

(b) Employment matters:

During the normal course of business, the Hospital is involved in certain employment related negotiations and has recorded accruals based on management's estimate of potential settlement amounts where these amounts are reasonably determinable.

(c) Service commitments:

Specific medical equipment and other support services are outsourced under agreements that expire in future years.

The Hospital has an operating lease agreement with St. Joseph's Health System for continued use of the land and building at Queen Street.

An outsourcing agreement is in place for ongoing supply chain services

covering contract management, and procurement of medical, surgical and other supplies.

The payments that cover the operating components under the terms of these agreements are as follows:

| Description | Amount |
|---|---|
| 2027 | $21,447 |
| 2028 | 19,587 |
| 2029 | 19,323 |
| 2030 | 18,140 |
| 2031 | 12,046 |
| Thereafter | 1,719 |
| Total | $92,262 |

(d) Letters of credit:

The Hospital has outstanding letters of credit to various organizations totalling $13,708.

(e) Capital commitments:

As at March 31, 2026, the Hospital is committed to planning construction costs for project Building the Future of Care Together capital redevelopment of $3,500 in 2027.

**14. Cash flow information:**

Net change in non-cash operating working capital:

| Description | 2026 |
|---|---|
| Accounts receivable not applicable to capital assets | $(2,041) |
| Inventories | (6,156) |
| Prepaid expenses | 3,848 |
| Accounts payable and accrued liabilities not applicable to capital assets | 8,575 |
| Deferred contributions not applicable to capital assets | (908) |
| Total change in non-cash operating working capital | $3,318 |

**15. KW4 Ontario Health Team statement of operations:**

The KW4 Ontario Health Team (OHT) is a designated program that was formed and approved by the MOH on October 23, 2020 and represents the cities of Kitchener, Waterloo, and the Townships of Wellesley, Wilmot and Woolwich. The mission of the KW4 OHT, includes better outcomes for individuals, improved population health overall and better value for the province's health care dollars. The Hospital provides the fund holder role for KW4 OHT, and as such the activity of the KW4 OHT has been included in the financial statements.

| Description | 2026 |
|---|---|
| Revenue (included in Ontario Ministry of Health operating) | $2,040 |
| Expenses (included in salaries and benefits and purchased services and non-salary) | (2,040) |
| Excess of revenue over expenses | $0 |

**16. Financial risks:**

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Hospital is exposed to credit risk with respect to the accounts receivable and cash.

The Hospital assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

The maximum exposure to credit risk of the Hospital at March 31, 2026 is the carrying value of these assets. As at March 31, 2026, $5,105 (April 1, 2025 - $4,464) of patient accounts receivable were past due.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the income statement. Subsequent recoveries of impairment losses related to accounts receivable are credited to the statement of operations. The balance of the allowance for doubtful accounts at March 31, 2026 is included in note 4.

(b) Liquidity risk:

Liquidity risk is the risk that the Hospital will be unable to fulfill its obligations on

a timely basis or at a reasonable cost. The Hospital manages its liquidity risk by monitoring its operating requirements and having financing available. The Hospital prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

The ability of the Hospital to meet their cash flow requirements in the short term has been impacted by several factors including delays in cash collections on receivables, and the loss of revenue associated with elective surgeries, parking revenue and other forms of patient revenue. The Hospital is continuously monitoring their cash flow in order to maintain its liquidity moving forward.

Accounts payable and accrued liabilities are generally due within 60 days of receipt of an invoice.

The contractual maturities of capital lease obligation, long-term debt and interest rate swaps are disclosed in notes 9 and 10.

The Hospital has reported an operating deficit before transfers in the current year, with the Hospital's budget for the year ending March 31, 2027 reflecting a forecasted financial deficit of $27 million. As a result of this operating deficit before transfers, the Hospital has incurred a reduction in its working capital and moved into an unrestricted deficit position. Management has identified a number of factors that have contributed to its operating deficit before transfers, including but not limited to the impact of recent wages settlements, inflationary cost increases and financial pressures from demand in clinic services.

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

As a result of its operating deficit before transfers, the Hospital has an increased level of reliance on the Ministry of Health and Ontario Health to assist in meeting its operating and capital requirements at current levels.

(c) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Hospital to cash flow interest rate risk. The Hospital is exposed to this risk through its interest-bearing operating line, long-term debt, capital lease obligations, interest rate swaps and the valuation of pension and other defined benefit plans.

The Hospital mitigates interest rate risk on its future financing through a derivative financial instrument (interest rate swaps) that exchanges the variable rate inherent in the debt for a fixed rate (see note 10). Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the debt. The capital lease obligation is a fixed interest rate lease, therefore fluctuation in market interest rates would not impact future cash flows and operations relating to obligation.

As at March 31, 2026, had prevailing interest rates increased or decreased by 1% assuming a parallel shift in the yield curve, with all other variables held constant, the estimated impact on the market value the interest rate swaps would increase by $2,531 or decrease by $2,642, respectively.

**17. Related party transactions:**

(a) St. Mary's General Hospital Volunteer Association:

The Hospital has an economic interest in the St. Mary's General Hospital Volunteer Association ("SM Volunteer Association") as the SM Volunteer Association was established to support the Hospital's initiatives and raise funds for the use of the Hospital. The SM Volunteer Association is incorporated under laws of Ontario and is exempt from income tax under the Income Tax Act. The Board of Directors of the SM Volunteer Association is separate from the Hospital, and thus the SM Volunteer Association is separately managed. The Hospital may request donations from the SM Volunteer Association, but the ultimate decisions on funding are completed by the SM Volunteer Association's management and Board of Directors.

The net assets and results from operations of the SM Volunteer Association are not included in the statements of the Hospital.

Related party transactions include supply purchases made by the SM Volunteer Association and payroll costs for the Tim Horton's operated by the SM Volunteer Association.

(b) Grand River Hospital Volunteer Association:

The Grand River Hospital Volunteer Association (the "GRH Volunteer Association") is an independent organization which raises funds and contributes these funds to the Foundation, which in turn contributes the funds to the Hospital. The GRH Volunteer Association is incorporated under laws of Ontario and is exempt from income tax under the Income Tax Act. The Board of Directors of the GRH Volunteer Association is separate from the Hospital, and

thus the GRH Volunteer Association is separately managed. The Hospital may request donations from the GRH Volunteer Association, but the ultimate decisions on funding are completed by the GRH Volunteer Association's management and Board of Directors.

The net assets and results from operations of the GRH Volunteer Association are not included in the statements of the Hospital.

(c) Waterloo Regional Health Network Foundation:

The Hospital has an economic interest in the Waterloo Regional Health Network Foundation (formerly St. Mary's General Hospital Foundation and Grand River Hospital Foundation) (the "Foundation") is an independent organization which raises funds to finance the purchase of capital assets, as well as research and education, as directed by the Foundation's donors, for the Hospital. Although the Foundation is a separate entity incorporated under laws of Ontario and is a registered charity under the Income Tax Act and disburses funds at the discretion of its own Board of Governors. The accounts of the Foundation are not included in these financial statements.

During the year, the Foundation donated $17,184 to the Hospital to fund capital projects which is recognized in deferred capital contributions. The Foundation has funded programs expenses of $3,974 which is included in other on the Statement of Operations. As at March 31, 2026, there is $6,088 due from the Foundation to the Hospital (April 1, 2025 - $6,799).

The Hospital is in a lease agreement with the Foundation as disclosed in note 9.

**18. Controlled organization:**

Grand River Health is incorporated under the Ontario Not-For-Profit Corporation Act, 2010 and is a registered charity under the Income Tax Act (Canada) and is exempt from income taxes. Grand River Health accepts gifts in the name of former Grand River Hospital Corporation, maintain contracts with counterparties which are not able to assign to the Hospital, and other ancillary purposes until such time transfers can take place. All of the Board of Directors of the Grand River Health are members of the Board of Directors of the Hospital and therefore controlled by the Hospital effective April 1, 2025, after the transfer of assets and liabilities.

On April 1, 2025, the assets and liabilities of the former hospital Grand River Hospital Corporation was transferred to the Hospital. Grand River Health recorded an expense on the statement of operations as a result of the transfer of assets and

liabilities to the Hospital of $73,702 and $388 on the statement of accumulated remeasurement gains and losses for the year ended March 31, 2026. Both transfers were non-cash as there was no consideration exchanged. After April 1, 2025 Grand River Health no longer conducts operating activities and exists primarily to administer residual matters and fulfill legal obligations until such time as it is formally dissolved. No financial amounts remain in Grand River Health at year end.

The accounts of the Grand River Health are not included in these financial statements.

**19. Waterloo Regional Health Network Cancer Centre:**

The Hospital operates an Integrated Cancer Program (“ICP”) with Ontario Health (“OH”). Under the ICP, OH as paymaster for the MOH, provided operating funding of $89,507 restricted for cancer services, to cover the Hospital for ambulatory, hotel and corporate costs for the year ended March 31, 2026. MOH funding for inpatient oncology services remains as part of the Hospital's global funding.