Consolidated Financial Statements

Thunder Bay Regional Health Sciences Centre

March 31, 2026

Thunder Bay Regional Health Sciences Centre

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Thunder Bay Regional Health Sciences Centre ['TBRHSC'] are the responsibility of management and have been approved by the Board of Directors [the 'Board'].

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. The preparation of the consolidated financial statements necessarily involves management's judgement and estimates of the expected outcomes of current events and transactions with appropriate consideration to materiality.

TBRHSC maintains systems of internal accounting and financial controls. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable, accurate, and that assets are properly accounted for and safeguarded.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee [the 'Committee']. The Committee meets with management and the external auditors to review any significant accounting and auditing matters, to discuss the results of audit examinations, and to review the consolidated financial statements and the external auditors' report. The Committee reports its findings to the Board for consideration when approving the consolidated financial statements.

The consolidated financial statements have been audited by Doane Grant Thornton LLP, the external auditors, in accordance with Canadian generally accepted auditing standards.

Dr. Rhonda Crocker Ellacott HBScN, M.A., Ed.D President & CEO	Justin Garofalo, CPA, CA, EMBA Vice President, Facilities, Capital Planning, Support Services and Chief Financial Officer

Independent Auditor's Report

Doane Grant Thornton LLP
Suite 300
979 Alloy Drive
Thunder Bay, ON
P7B 5Z8

T +1 807 345 6571
F +1 807 345 0032

To the Board of Directors of Thunder Bay Regional Health Sciences Centre

Opinion

We have audited the consolidated financial statements of Thunder Bay Regional Health Sciences Centre ("TBRHSC"), which comprise the consolidated statement of financial position as at March 31, 2026 and the consolidated statements of operations, re-measurement gains and losses, changes in net assets (debt), and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Thunder Bay Regional Health Services Centre as at March 31, 2026, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of TBRHSC in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 these consolidated 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 consolidated 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 TBRHSC'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 TBRHSC'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 consolidated 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 TBRHSC to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- 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 audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We 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.

Doane Grant Thornton LLP

Thunder Bay, Canada
June 3, 2026

Chartered Professional Accountants
Licensed Public Accountants

Thunder Bay Regional Health Sciences Centre

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at [In thousands of dollars]	**March 31 2026** **$**	March 31 2025 $
ASSETS		
Current Assets		
Cash and cash equivalents	**53,609**	55,170
Investments – current *[note 2]*	**7,457**	7,090
Accounts receivable *[note 3]*	**18,612**	21,025
Due from related entities *[note 4]*	**1,628**	1,362
Mortgages and note receivable – current *[note 5]*	**1,332**	1,219
Inventory of supplies	**5,786**	5,873
Prepaid expenses	**8,461**	6,629
	96,885	98,368
Investments – long-term *[note 2]*	**1,923**	2,345
Mortgages and note receivable – long-term *[note 5]*	**24,604**	18,298
Capital assets, net *[note 6]*	**247,627**	188,974
	371,039	307,985
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities *[note 7]*	**126,661**	106,019
Debt – current *[note 8]*	**3,023**	2,855
Deferred revenue *[note 9]*	**10,088**	12,468
	139,772	121,342
Debt – long-term *[note 8]*	**46,995**	23,396
Asset retirement obligation *[note 10]*	**552**	517
Deferred capital contributions *[note 11]*	**149,559**	121,113
Employee future benefits *[note 12]*	**12,031**	12,288
	348,909	278,656
NET ASSETS (DEBT)		
Investment in capital assets *[note 13]*	**61,281**	54,319
Internally restricted for equipment replacement *[note 14]*	**9,280**	8,075
Unrestricted, used for operating purposes	**(50,174)**	(35,334)
Internally restricted for operating purposes *[note 15]*	**31**	916
Accumulated re-measurements gains	**1,712**	1,353
	22,130	29,329
	371,039	307,985

Commitments and contingencies *[note 21]*

See accompanying notes

On behalf of the Board:

Director *Director*

Thunder Bay Regional Health Sciences Centre

CONSOLIDATED STATEMENT OF OPERATIONS

Year ended March 31

[In thousands of dollars]	**Budget**	**2026**	2025
	$	**$**	$
	Unaudited ***[note 23]***		
REVENUE			
Ontario Ministry of Health / Ontario Health North *[note 20]*	**443,365**	**436,223**	436,447
Patient services	**31,740**	**35,179**	35,812
Investment income	**343**	**2,102**	2,603
Amortization of deferred capital contributions *[note 11]*	**16,705**	**16,787**	15,773
Other revenue	**39,843**	**51,740**	41,845
	531,996	**542,031**	532,480
EXPENSES			
Amortization			
Equipment, furnishings and computer system	**13,147**	**13,779**	12,626
Buildings and building service equipment	**10,184**	**8,279**	8,136
Drugs	**54,946**	**55,752**	53,347
Employee benefits	**66,692**	**68,911**	63,586
Medical and surgical supplies	**36,151**	**36,519**	35,284
Medical staff remuneration	**33,949**	**37,102**	36,562
Salaries and wages	**251,987**	**255,942**	238,874
Supplies and other	**64,940**	**73,305**	74,369
	531,996	**549,589**	522,784
Excess (deficiency) of revenue over expenses for year	**—**	**(7,558)**	9,696

Community Mental Health services *[note 16]*
Other funded programs *[note 17]*

See accompanying notes

Thunder Bay Regional Health Sciences Centre

CONSOLIDATED STATEMENT OF RE-MEASUREMENT GAINS AND LOSSES

Year ended March 31

[In thousands of dollars]	**2026** **$**	2025 $
Accumulated re-measurement gains, beginning of year	**1,353**	2,602
Unrealized gains (losses) attributable to:		
Foreign exchange	**5**	105
Portfolio investments	**8**	(30)
Derivatives	**346**	(1,324)
Net re-measurement gains (losses) for the year	**359**	(1,249)
Accumulated re-measurement gains, end of year	**1,712**	1,353

See accompanying notes

Thunder Bay Regional Health Sciences Centre

CONSOLIDATED STATEMENT OF CHANGE IN NET ASSETS (DEBT)

Year ended March 31

[In thousands of dollars]

	2026						2025
	Investment in capital $	**Internally restricted for equipment replacement $**	**Internally restricted for operating purposes $**	**Unrestricted, used for operating purposes $**	**Accumulated re-measurement gains (losses) $**	**Total $**	Total $
	[note 13]	***[note 14]***	***[note 15]***				
Net assets (debt) at beginning of year	**54,319**	**8,075**	**916**	**(35,334)**	**1,353**	**29,329**	20,882
Excess (deficiency) of revenue over expenses for year	**(5,283)**	**—**	**—**	**(2,275)**	**—**	**(7,558)**	9,696
Net re-measurement gains (losses) for the year	**—**	**—**	**—**	**—**	**359**	**359**	(1,249)
Internally restricted for operating purposes	**—**	**—**	**(885)**	**885**	**—**	**—**	—
Internally restricted for equipment replacement	**—**	**1,205**	**—**	**(1,205)**	**—**	**—**	—
Net change in investment in capital	**12,245**	**—**	**—**	**(12,245)**	**—**	**—**	—
Net assets (debt) at end of year	**61,281**	**9,280**	**31**	**(50,174)**	**1,712**	**22,130**	29,329

See accompanying notes

Thunder Bay Regional Health Sciences Centre

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31

[In thousands of dollars]	**2026** **$**	2025 $
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses for year	**(7,558)**	9,696
Add charges (deduct credits) to earnings not involving a current payment (receipt) of cash:		
Amortization of capital assets in operations	**22,058**	20,762
Amortization of deferred capital contributions in operations	**(16,787)**	(15,773)
Loss on disposal or impairment of capital assets and grants	**12**	21
Employee future benefits *[note 12]*	**(257)**	(54)
Changes in non-cash operational balances *[note 18]*	**18,664**	15,305
Proportionate share of income *[note 2]*	**(103)**	(95)
Cash provided by operating activities	**16,029**	29,862
CAPITAL ACTIVITIES		
Additions to capital assets	**(80,723)**	(33,040)
Cash used in capital activities	**(80,723)**	(33,040)
INVESTMENT ACTIVITIES		
Purchase of investments	**(367)**	(426)
Repayment of investment	**525**	—
Cash provided by (used in) investment activities	**158**	(426)
FINANCING ACTIVITIES		
Proceeds from mortgages and note receivable	**(6,419)**	(4,778)
Funding for capital assets	**45,233**	22,166
Proceeds from long-term debt	**27,020**	—
Payment of long-term debt	**(2,859)**	(2,757)
Cash provided by financing activities	**62,975**	14,631
Increase (decrease) in cash and cash equivalents during year	**(1,561)**	11,027
Cash and cash equivalents, beginning of year	**55,170**	44,143
Cash and cash equivalents, end of year	**53,609**	55,170

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[All amounts in thousands of dollars]

March 31, 2026

GENERAL

Thunder Bay Regional Health Sciences Centre ("TBRHSC") is incorporated under the laws of Ontario as a corporation without share capital. Its principal activity is to provide specialized and general hospital-based health care to the people of Thunder Bay and Northwestern Ontario. TBRHSC is a registered charity under the Income Tax Act.

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards (PS 4200 – 4270) for government not-for-profit organizations as issued by the Public Sector Accounting Board (PSAB).

[a] Basis of presentation

These consolidated financial statements reflect the assets, liabilities and operations of TBRHSC. TBRHSC consolidates the financial activities of a controlled entity that provides research services.

These consolidated financial statements include the assets, liabilities and operations of Thunder Bay Regional Health Research Institute ("TBRHRI"), a controlled entity. The purpose of TBRHRI is establishing and operating a patient-centred medical and scientific research institute. TBRHSC, as an academic health sciences centre, is required to conduct research as part of its mandate. TBRHRI conducts research activities on behalf of TBRHSC. TBRHSC continues to fully support TBRHRI, both for the research it provides and the financial resources required to carry out this research. TBRHRI is a not-for-profit organization and incorporated under the laws of Ontario without share capital. All inter-entity balances and transactions between TBRHSC and TBRHRI have been eliminated from the consolidated financial statements.

[b] Revenue recognition

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

Under the Health Insurance Act and Regulations thereto, TBRHSC is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ontario Ministry of Health [the "MOH"] and Ontario Health North ["OHN"]. 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. These consolidated financial statements reflect funding approved by the MOH and OHN with respect to the year ended March 31, 2026.

Revenue from the Provincial Insurance Plan, preferred accommodation and marketed services is recognized when the goods are sold or the service is provided.

Investment revenue is recognized when earned using the effective rate at the time of transaction.

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

Contributions received 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 for the related property, plant and equipment.

[c] Contributed services

A substantial number of volunteers contribute a significant amount of their time each year. Due to the difficulty of determining the fair value, contributed services are not recognized in the consolidated financial statements.

[d] Inventory

Inventory of general, medical and surgical supplies is valued at the lower of average cost and replacement value, whereas drugs and medical gases are carried at the lower of cost and replacement value on a first-in, first-out basis.

[e] Investments

Long-term investments in which TBRHSC has the ability to exercise significant influence over the investee are recorded using the modified equity method. This method of accounting recognizes a proportionate share of the income or loss of the investee to reflect the same result on the statement of operations as if the investee's operations were consolidated.

[f] Derivatives

TBRHSC has entered into interest rate swap agreements as an economic hedge to manage the volatility to interest rates relating to its debt. Derivatives are initially recorded at fair value and are revalued at each financial statement date using fair value. The change in fair value of the swaps is recorded in the consolidated statement of re-measurement gains and losses.

[g] Financial instruments

TBRHSC designates its cash and short-term, highly liquid, readily convertible, investments that are subject to an insignificant risk of change value and generally have a maturity of three months or less as cash and cash equivalents for the purpose of meeting short-term cash commitments rather than for investing.

Financial instruments are recorded at fair value on initial recognition.

Investments are measured at fair value if reasonably determinable through a quoted market price, or alternatively at cost in the absence of a quoted market price. Unrealized gains and losses from changes in the fair value of investments are recognized in the statement of re-measurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of re-measurement gains and losses and recognized in the statement of operations.

Derivative instruments are recognized on the statement of financial position and measured at fair value.

Accounts receivable, amounts due from related entities, mortgages and notes receivable, accounts payable and long-term debt are measured at amortized cost.

All financial assets are tested annually for impairment. Where a decline in value is determined to be other than temporary, impairment losses are recorded in the consolidated statement of operations.

The following classification system is used to describe the basis of the inputs used to measure the fair values of financial instruments in the fair value measurement category:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of short-term and long term investments not subject to significant influence are determined using Level 1 inputs and the fair value of the derivatives are determined using Level 2 inputs.

[h] Exchange translation

A portion of TBRHSC's activities are transacted in U.S. dollars. Transactions denominated in U.S. dollars are translated to Canadian dollars by applying average exchange rates in effect during the month in which the transaction occurred. At year-end, monetary assets and liabilities denominated in U.S. dollars are translated using the exchange rate at that date. Any realized exchange gains and losses are included in the consolidated statement of operations in the current year. Unrealized exchange gains and losses are included in the consolidated statement of re-measurement gains and losses.

[i] Capital assets including capital leases

Capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Assets acquired under capital leases are capitalized and amortized over the estimated life of the assets or over the lease term, as appropriate. Repairs and maintenance costs are charged to expense. The cost of renovations to TBRHSC buildings, which significantly increase useful life and capacity, are capitalized. Betterments which extend the estimated life of an asset are capitalized. When capital assets no longer contribute to TBRHSC's ability to provide services, its carrying amount is written-down to its net realizable value.

Equipment, building and software in progress is stated at cost, which comprises all direct and indirect costs of construction and system configuration. Equipment, building and software in progress is transferred to equipment, land improvements, buildings and building service equipment and amortization of the asset commences when construction or system configuration is complete and the facility is put into use or the asset is available for productive use**.**

Capital assets are amortized on a straight-line basis using the Canadian Institute for Health Information's Guidelines for Management Information Systems in Canadian Health Service Organizations published annual rates, in effect at the time of acquisition. The annual rates in use by TBRHSC are as follows:

Land improvements, buildings and building service equipment	2.5% - 20%
Equipment, furnishings and computer system	5% - 33.3%

[j] Asset retirement obligation

The Hospital recognizes the fair value of an asset retirement obligation ("ARO") when all of the following criteria have been met:

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

The liability is recorded at an amount that is the best estimate of the expenditure required to retire a tangible capital asset at the financial statement date. The liability is subsequently reviewed at each reporting date and adjusted for the passage of time and for any revisions to the timing, amount required to settle obligation or the discount rate.

Upon the initial measurement of an asset retirement obligation, a corresponding asset retirement cost is added to the carrying value of the related tangible capital asset if it is still in productive use. This cost is amortized over the useful life of the tangible capital asset. If the related tangible capital asset is unrecognized or no longer in productive use, the asset retirement costs are expensed.

[k] Compensated absences

Compensation expense is accrued for all employees as entitlement to these payments is earned, in accordance with TBRHSC's benefit plans for vacation, sick leave and retirement allowances.

[l] Employee benefit plans

TBRHSC accrues its obligation for employee benefit plans. The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of retirement ages of employees and expected health care costs.

Adjustments arising from plan amendments, including past service costs, are recognized during the period of plan amendment.

TBRHSC is an employer member of the Healthcare of Ontario Pension Plan, which is a multi-employer, defined benefit pension plan. TBRHSC has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. TBRHSC records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the Plan for past employee service.

[m] Management's estimates

The preparation of consolidated financial statements, in conformity with Public Sector Accounting Standards for Government Not-for-Profit Organizations, requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates and assumptions are determined using a consistent approach year over year. Management believes that the estimates utilized in preparing its consolidated financial statements are reasonable and prudent; however, actual results could differ from those estimates.

The most significant estimate in these consolidated financial statements include allowance for doubtful accounts receivable, amortization and impairment of capital assets, employee retroactive payroll settlement amounts, asset retirement obligations, actuarial estimate of employee future benefits and fair value of derivatives.

There is measurement uncertainty surrounding the estimation of liabilities for pay equity settlements for one of TBRHSC's unions. This estimate is subject to uncertainty due to several factors, including but not limited to indeterminable payout rates, indeterminate settlement dates and impacted union members.

See note 20 for additional disclosure.

[All amounts in thousands of dollars]

2. INVESTMENTS

Investments are comprised of short-term and long-term investments carried at fair value as follows:

Short-term investments

	2026 **$**	2025 $
Short-term deposits	**2,326**	1,135
Marketable securities	**5,131**	5,955
	7,457	7,090

Fair value measurements for the short-term investments and marketable securities are those derived from quoted prices in active markets.

Marketable securities consist of fixed income holdings that have varying interest rates between 2.4% and 9.6% and a maturity date of February 2035 with the remainder of the portfolio consisting of equity instruments in publicly traded companies.

Long-term investments
Long-term investments are those derived from inputs other than quoted process.

	2026 **$**	2025 $
1561265 Ontario Limited	**259**	760
Radialis Inc., Tornado Spectral Systems, Inc. and Perimeter Medical Imaging AI, Inc.	**1**	1
2359031 Ontario Inc.	**1,663**	1,584
	1,923	2,345

[a] The investment in 1561265 Ontario Limited is valued using the modified equity method and represents TBRHSC's original investment in the corporation and its proportionate share of earnings accrued to March 31, 2026. 1561265 Ontario Limited owns and operates the Medical Centre located on TBRHSC's property. During the year, TBRHSC recognized income of $24 [2025 – $19] related to its proportionate share of earnings from operations to March 31, 2026. Rental expense paid by TBRHSC to 1561265 Ontario Limited for office space leased during the year amounted to $1,782 [2025 – $1,823]. The amount receivable from 1561265 Ontario Limited for the land leased and interest accrued during the year amounted to $458 [2025 – $266]. During the year, 1561265 Ontario Limited repaid $525 representing TBRHSC's share of its initial shareholder investment.

[b] The investment in 2359031 Ontario Inc. is valued using the modified equity method. 2359031 Ontario Inc. owns and operates the Health Services Building located on TBRHSC's property. During the year, TBRHSC recognized income of $79 [2025 – $76] related to its proportionate share of earnings from operations to March 31, 2026. Rental expense paid by TBRHSC to

[All amounts in thousands of dollars]

2359031 Ontario Inc. for office space leased during the year amounted to $1,106 [2025 – $1,188]. The amount receivable from 2359031 Ontario Inc. for the land leased and interest accrued is $461 [2025 - $469].

[c] Through its consolidation with Thunder Bay Regional Health Research Institute (TBRHRI), TBRHSC has access to their share ownership in Radialis Inc., Tornado Spectral Systems, Inc. and its spin-off company, Perimeter Medical Imaging AI, Inc. Due to the start-up nature of these companies, shares are valued at nominal amounts.

3. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	2026 **$**	2025 $
Accrued interest	**97**	54
Other non-patient accounts	**11,629**	13,702
Patient accounts	**5,046**	5,252
Provincial Insurance Plan	**2,263**	2,440
	19,035	21,448
Less allowance for doubtful accounts	**(423)**	(423)
	18,612	21,025

4. RELATED ENTITIES

Amounts due from related entities consist of the following:

	2026 **$**	2025 $
Thunder Bay Regional Health Sciences Foundation	**1,628**	1,362
	1,628	1,362

[a] Thunder Bay Regional Health Sciences Foundation [“TBRHSF”] is incorporated as a not-for-profit corporation without share capital under the Corporations Act (Ontario) and is governed by an independent Board of Directors. Its principal activity is the raising of capital and research funds for TBRHSC and regional health and research facilities. The net assets and results from operations of TBRHSF are not included in these consolidated financial statements. During the current fiscal year, TBRHSF paid TBRHSC $12,078 [2025 – $7,867] for capital funding and reimbursement of other expenses less $2,704 [2025 – $2,647] paid to TBRHSF for parking facilities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[All amounts in thousands of dollars]

March 31, 2026

[b] ONE Health Information Technology Services (ONE HITS) is a shared service organization established for the purposes of providing technology, information systems and related capital implementation and support services to participating hospitals in Northwestern Ontario on a full cost recovery basis. TBRHSC has an economic interest in ONE HITS with 16.07% share of voting rights and financing requirements. Included in TBRHSC's reported balance of accounts payable and accrued liabilities at March 31, 2026 are amounts owing to ONE HITS of $606 [2025 – $629].

During the year, TBRHSC provided ONE HITS with $8,151 [2025 – $12,995] for the implementation and ongoing support of a new health information system.

A summary of TBRHSC's proportionate share of the total assets, liabilities, net assets, revenues and expenses of ONE HITS is as follows:

	2026 **$**	2025 $
Financial position:		
Total assets	**6,364**	8,116
Total liabilities	**6,364**	8,116
Net assets	**—**	—
	6,364	8,116
Results of operations:		
Total revenue	**3,172**	688
Total expenses	**3,172**	688
Excess of revenue over expenses for year	**—**	—
Cash flows:		
Cash from operations	**(307)**	(297)
Cash from financing and investing activities		804
Increase (decrease) in cash and cash equivalents	**(307)**	507

See notes 2 and 5 for additional related entity disclosure.

[All amounts in thousands of dollars]

5. MORTGAGES AND NOTE RECEIVABLE

	2026 **$**	2025 $
Receivable monthly in payments of $84 with principal and interest, ending June 13, 2038, secured by a mortgage of lease and limited guarantees from the shareholders of 2359031 Ontario Inc. The interest rate is 3.85%.	**9,857**	10,470
Receivable monthly in payments of $55 with principal and interest, ending July 1, 2030, secured by a mortgage of lease and limited guarantees from the shareholders of 1561265 Ontario Limited. The interest rate is 3.60%.	**2,590**	3,145
Receivable monthly in payments of $14 with principal and interest, ending June 16, 2035, secured by a mortgage of lease and limited guarantees from the shareholders of 1561265 Ontario Limited. The interest rate is 4.87%.	**2,053**	—
Receivable from participating Ontario hospitals, secured by cost-share agreement. *[note 8]*	**11,436**	5,902
	25,936	19,517
Less current portion	**(1,332)**	(1,219)
	24,604	18,298

Principal receivable payments required for the next five years are as follows:

	$
2027	1,332
2028	1,329
2029	12,815
2030	1,433
2031	989
Thereafter	8,038
	25,936

[All amounts in thousands of dollars]

6. CAPITAL ASSETS

Details of year-end capital assets balances are as follows:

	2026		2025	
	Cost $	**Accumulated amortization $**	Cost $	Accumulated amortization $
Land	**4,942**	**—**	1,292	—
Land Improvements, buildings and building service equipment	**333,411**	**240,232**	326,224	231,953
Equipment, furnishings and computer system	**315,574**	**243,927**	295,786	231,662
Equipment, building and software in progress	**77,859**	**—**	29,287	—
	731,786	**484,159**	652,589	463,615
Capital assets, net	**247,627**		188,974	

Equipment, building and software in progress pertains to health information software, building improvements and related service equipment not yet completed during the year or available for productive use.

Capital assets are tested for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which an asset's carrying value exceeds its recoverable amount, which is the higher of expected future cash flows less costs of disposal and value-in-use. Management has determined that no assets are carried at more than their recoverable amount.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2026 $	2025 $
Ontario Ministry of Health / Ontario Health North	**37,774**	24,601
Accounts payable and accrued liabilities	**52,689**	48,642
Accrued salaries and wages	**36,198**	32,776
	126,661	106,019

[All amounts in thousands of dollars]

8. DEBT

	2026 **$**	2025 $
The Toronto-Dominion Bank		
Loan payable monthly in payments of $80 principal and interest, ending May 2038, secured by assignment of term deposits and credit balances. The interest rate is 3.33%. Total payments in the year amounted to $957 [2025 – $957] and included interest payments of $330 [2025 – $350].	**9,562**	10,189
Loan payable monthly in payments of $53 principal and interest, ending May 2030, secured by assignment of term deposits and credit balances. The interest rate is 3.04%. Total payments in the year amounted to $637 [2025 – $637] and included interest payments of $84 [2025 – $102].	**2,490**	3,043
Loan payable monthly in payments of $20 principal and interest, ending October 2034, secured by an assignment of term deposits, credit balances and share pledge agreement. The interest rate is 3.54%. Total payments in the year amounted to $237 [2025 – $237], and included interest payments of $65 [2025 – $70].	**1,755**	1,927
Loan payable monthly in payments of $15 principal and interest, ending October 2036, secured by an assignment of term deposits, credit balances and share pledge agreement. The interest rate is 3.62%. Total payments in the year amounted to $176 [2025 – $176], and included interest payments of $58 [2025 – $63].	**1,544**	1,662
Loan payable monthly in principal payments of $32 plus interest ending September 2036, secured by assignment of term deposits, credit balances and share pledge agreement. The interest rate is 2.99%. Total payments in the year amounted to $386 [2025 – $386], and included interest payments of $108 [2025 – $117].	**3,479**	3,757
Loan payable monthly in principal payments of $39 plus interest ending November 2035, secured by assignment of term deposits and credit balances. The interest rate is 2.06%. Total payments in the year amounted to $465 [2025 – $465] and included interest payments of $87 [2025 – $96].	**4,075**	4,453
Loan payable monthly in principal payments of $13 plus interest ending June 2035, secured by assignment of term deposits and credit balances. The interest rate is 4.34%. Total payments in the year amounted to $118 [2025 – $NIL] and included interest payments of $68 [2025 – $NIL].	**2,050**	—
Loan payable monthly in principal payments of $11 plus interest ending February 2029, secured by assignment of term deposits, credit balances and share pledge agreement. The interest rate is 3.05%. Total payments in the year amounted to $137 [2025 – $137], and included interest payments of $14 [2025 – $17].	**382**	505
Subtotal, continued on next page	**25,337**	25,536

[All amounts in thousands of dollars]

	2026	2025
	$	$
Subtotal, continued from previous page	**25,337**	25,536
Bank of Montreal		
Construction bridge loan payable monthly in interest only to be converted to term loan after construction period is complete. Total interest in the year amounted to $447. The average interest rate is 3.76%.	**24,800**	—
Olympus Canada Inc., Medical Systems Group		
Capital lease ending March 2027, payable in minimum monthly payments of $49.	**582**	1,165
Capital lease ending May 2031, payable in minimum monthly payments of $29.	**120**	—
Boston Scientific Ltd.		
Capital lease ending February 2028, payable in minimum monthly Payments of $25	**49**	74
	50,888	26,775
Less current portion	**(3,023)**	(2,855)
Less fair value adjustment of derivatives	**(870)**	(524)
	46,995	23,396

Principal payments required for the next five years assuming refinancing at similar terms are as follows:

	$
2027	3,023
2028	2,512
2029	2,554
2030	2,505
2031	2,020
Thereafter	38,274
	50,888

[a] In June 2013, TBRHSC entered into two interest rate swaps.

The loan of a notional amount of $14,000 is through an interest rate swap agreement which effectively fixes the underlying banker's acceptance rate applicable to this loan at 3.33%. The maturity date of the interest rate swap is May 31, 2038. The lender has an early termination option to settle the interest rate swap on May 29, 2033.

The loan of a notional amount of $7,700 is through an interest rate swap agreement which effectively fixes the underlying banker's acceptance rate applicable to this loan at 3.04%. The maturity date of the interest rate swap is May 31, 2030.

In October 2014, TBRHSC entered into two interest rate swaps.

The loan of a notional amount of $3,400 is through an interest rate swap agreement which effectively fixes the underlying banker's acceptance rate applicable to this loan at 3.54%. The maturity date of the interest rate swap is October 10, 2034.

The loan of a notional amount of $2,500 is through an interest rate swap agreement which effectively fixes the underlying banker's acceptance rate applicable to this loan at 3.62%. The maturity date of the interest rate swap is October 7, 2036.

In September 2016, TBRHSC entered into an interest rate swap. The loan of a notional amount of $5,812 is through an interest rate swap agreement which effectively fixes the underlying banker's acceptance rate applicable to this loan at 2.99%. The maturity date of the interest rate swap is September 30, 2036.

In February 2019, TBRHSC entered into an interest rate swap. The loan of a notional amount of $1,180 is through an interest rate swap agreement which effectively fixes the underlying banker's acceptance rate applicable to this loan at 3.05%. The maturity date of the interest rate swap is February 22, 2029.

In March 2020, TBRHSC entered into an interest rate swap. The loan of a notional amount of $6,000 is through an interest rate swap agreement which effectively fixes the underlying banker's acceptance rate applicable to this loan at 2.06%. The maturity date of the interest rate swap is November 30, 2035.

In June 2025, TBRHSC entered into an interest rate swap. The loan of a notional amount of $2,100 is through an interest rate swap agreement which effectively fixes the underlying banker's acceptance rate applicable to this loan at 4.34%. The maturity date of the interest rate swap is June 15, 2035.

The fair value of the interest rate swap agreement is estimated based on amounts determined by the counterparty. As at March 31, 2026, the interest rate swap agreements were in a net favourable position representing an asset of $870 [2025 - $524] and have been recognized in the statement of financial position.

[b] In December 2023, TBRHSC entered into a credit facility in the amount of $107,197 to finance the purchase and implementation of a new health information system that includes financing on behalf of 11 other participating Ontario hospitals. TBRHSC has also entered into cost-share agreements with the participating Ontario hospitals for their percentage of the purchase cost and financing. As of March 31, 2026, there has been $24,800 [2025 – $NIL] withdrawn from the loan. The average interest rate is based on the Canadian Overnight Repo Rate Average plus 1.5%. A long-term receivable from participating hospitals for their share of the purchase and implementation amounted to $11,436 [2025 – $5,902] *[note 5]*.

[c] TBRHSC has an $18,000 operating credit facility available, of which $15,000 was approved by the Board for use as an operating line of credit. Of this amount, $518 was drawn to support temporary letters of credit related to the Cardiovascular construction project. The interest rate of the facility is

[All amounts in thousands of dollars]

based on bank prime rate less 0.75%. At March 31, 2026, the effective rate was 3.70% [2025 – 4.20%].

9. DEFERRED REVENUE

	2026 **$**	2025 $
Grants, operating, education and research	**8,667**	11,110
Information systems project funding	**1,351**	1,307
Other	**70**	51
	10,088	12,468

10. ASSET RETIREMENT OBLIGATION

An asset retirement obligation is a legal financial obligation associated with the retirement of a tangible capital asset in which a duty or responsibility exists to properly remove or dispose of the tangible capital asset at some future date. Management has determined an asset retirement obligation in the amount of $552 [2025 – $517] using discount rates between 3.89% and 4.30%.

	2026 **$**	2025 $
Asset retirement obligation, beginning of year	**517**	484
Liabilities incurred	**—**	—
Accretion	**35**	33
Asset retirement obligation, end of year	**552**	517

11. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of donations, grants and other funds received for the purchase of property, plant and equipment. The amortization of deferred capital contributions is recorded as revenue in the statement of operations.

	2026 **$**	2025 $
Balance, beginning of year	**121,113**	114,720
Additional contributions allocated to capital assets	**45,233**	22,166
	166,346	136,886
Less amounts amortized to revenue in operations	**(16,787)**	(15,773)
	149,559	121,113

[All amounts in thousands of dollars]

Represented by

	2026 $	2025 $
Deferred capital contributions for equipment, furnishings and computer system	**75,585**	55,906
Deferred capital contributions for buildings and building service equipment	**73,974**	65,207
	149,559	121,113

12. EMPLOYEE FUTURE BENEFITS

TBRHSC provides extended health care, dental and life insurance benefits to substantially all full-time employees. Most employee groups are entitled to continue to receive certain benefits upon early retirement until they reach age 65 or 70, dependent on the group affiliation. Some groups are responsible for paying 25% or 100% of the premium and six groups have introduced a 50% split cost for those employees retiring on or after age 57.

The following table outlines TBRHSC's employee future benefits liability.

	2026 $	2025 $
Accrued employee future benefit obligations	**9,123**	9,359
Unamortized actuarial gains	**2,908**	2,929
Employee future benefits liability	**12,031**	12,288

The most recent actuarial estimate provided was effective March 31, 2025. The accrued benefit obligation shown as of March 31, 2026 is based on an extrapolation of the valuation provided for March 31, 2025.

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

Discount rate	4.6%	
Dental benefits cost escalation	4.0%	
Medical benefits cost escalation - extended health care	5.5%	decreasing by 0.10% per year to an ultimate of 4%.

[All amounts in thousands of dollars]

Included in employee benefits on the statement of operations is an amount of $108 [2025 – $178] regarding employee future benefits. The amount is comprised of:

	2026 **$**	2025 $
Current year benefit cost	**551**	499
Amortization of actuarial gains	**(405)**	(390)
Interest on accrued obligation	**424**	449
	570	558
Less benefit payments	**(462)**	(380)
	108	178

13. INVESTMENT IN CAPITAL ASSETS

[a] Investment in capital assets is calculated as follows:

	2026 **$**	2025 $
Capital assets	**247,627**	188,974
Amounts financed by deferred contributions	**(149,559)**	(121,113)
Amounts financed by long-term debt	**(36,787)**	(13,542)
	61,281	54,319

[b] Change in net assets invested in capital is calculated as follows:

	2026 **$**	2025 $
Shortfall of revenue over expenses		
Amortization of deferred capital contributions	**16,787**	15,773
Amortization of property, plant and equipment	**(22,058)**	(20,762)
Loss on disposal or impairment of capital assets and grants	**(12)**	(21)
	(5,283)	(5,010)

	2026 **$**	2025 $
Purchase of capital assets	**80,723**	33,040
Funding for capital assets	**(45,233)**	(22,166)
Proceeds of long-term debt	**(24,920)**	—
Repayment of long-term debt	**1,675**	1,723
	12,245	12,597

[All amounts in thousands of dollars]

14. NET ASSETS – INTERNALLY RESTRICTED FOR EQUIPMENT REPLACEMENT

As part of the negotiated Post Construction Operating Plan, TBRHSC received base funding for increased equipment amortization. The intent of the funding was to establish a reserve to assist in the future replacement of equipment.

At year-end, the following fund balances had been designated:

	2026 **$**	2025 $
Balance, beginning of year	**8,075**	5,809
Designated during the year	**4,613**	7,608
Expended during the year	**(3,408)**	(5,342)
	9,280	8,075

15. NET ASSETS - INTERNALLY RESTRICTED FOR OPERATING PURPOSES

Internally restricted net assets are not available for use by TBRHSC for any purpose other than that identified by the Board of Directors. During the year, $885 [2025 - $224] was expended.

At year-end, the following fund balances are designated:

	2026 **$**	2025 $
Balance, beginning of year	**916**	1,140
Expended during the year	**(885)**	(224)
	31	916

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[All amounts in thousands of dollars]

March 31, 2026

16. COMMUNITY MENTAL HEALTH SERVICES

Community Mental Health Services are funded by the Ontario Ministry of Health/Ontario Health North by designated funding envelopes. The financial results are recognized in the consolidated statement of operations.

	Budget $	**2026** $	2025 $
	Unaudited ***[note 23]***		
REVENUE			
Ontario Ministry of Health / Ontario Health North	**8,231**	**8,940**	7,546
Amortization of deferred capital contributions *[note 11]*	**1**	**1**	1
Other revenue	**—**	**40**	34
	8,232	**8,981**	7,581
EXPENSES			
Amortization			
Equipment, furnishings and computer system	**1**	**1**	1
Employee benefits	**1,186**	**1,302**	1,139
Medical and surgical supplies	**4**	**3**	1
Medical staff remuneration	**578**	**745**	402
Salaries and wages	**5,651**	**4,889**	4,344
Supplies and other	**812**	**2,041**	1,749
	8,232	**8,981**	7,636
Excess (deficiency) of revenue over expenses for year	**—**	**—**	(55)

[All amounts in thousands of dollars]

17. OTHER FUNDED PROGRAMS

Other funded programs consist of services that are funded by the Ontario Ministry of Health/Ontario Health North by designated funding envelopes and other activities, such as research, that are funded by other sources. Funding received from the Ontario Ministry of Health/Ontario Health North for its programs are limited to the maximum funds provided. As a result, deficits incurred in provincial programs are the responsibility of TBRHSC. The financial results are recognized in the consolidated statement of operations.

	Budget $	**2026** $	2025 $
	Unaudited ***[note 23]***		
REVENUE			
Ontario Ministry of Health / Ontario Health North	**3,329**	**3,329**	3,263
Amortization of deferred capital contributions *[note 11]*	**15**	**15**	15
Other revenue	**—**	**—**	68
	3,344	**3,344**	3,346
EXPENSES			
Amortization			
Equipment, furnishings and computer system	**15**	**15**	15
Drugs	**2**	**2**	4
Employee benefits	**361**	**361**	333
Medical and surgical supplies	**8**	**8**	1
Medical staff remuneration	**373**	**373**	337
Salaries and wages	**1,548**	**1,548**	1,427
Supplies and other	**1,037**	**1,188**	1,294
	3,344	**3,495**	3,411
Excess (deficiency) of revenue over expenses for year	**—**	**(151)**	(65)

[All amounts in thousands of dollars]

18. STATEMENT OF CASH FLOWS

The net change in non-cash operational balances related to operations is represented by the following:

	2026	2025
	$	$
Accounts receivable	**2,413**	(4,438)
Due from related entities	**(266)**	1,117
Inventory of supplies	**87**	(473)
Prepaid expenses	**(1,832)**	(30)
Accounts payable and accrued liabilities	**20,642**	15,366
Deferred revenue	**(2,380)**	3,763
	18,664	15,305

19. PENSION PLAN

Substantially all of the employees of TBRHSC and its controlled entity are members of the Healthcare of Ontario Pension Plan [the "Plan"], which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. Plan members will receive benefits based on the length-of-service and on the average of annualized earnings during the five consecutive years prior to retirement, termination or death, which provide the highest average earnings.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with contributions by employees, 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 to be funded proportionately by the employees and the employer. The most recent actuarial valuation of the Plan as at December 31, 2025 indicates the Plan is 109% funded. The majority of employees of TBRHSC and its controlled entity are members of Healthcare of Ontario Pension Plan. Contributions to the Plan made during the year by TBRHSC and its controlled entity on behalf of its employees amounted to $21,192 [2025 – $19,378] and are included in the statement of operations.

20. ONTARIO MINISTRY OF HEALTH / ONTARIO HEALTH NORTH FUNDING

Revenue from the MOH and OHN has been calculated in accordance with MOH and OHN policy and is subject to final approval by the MOH and OHN. Adjustment to the accounting records is made at the time of final settlement.

TBRHSC has entered into accountability agreements that set out the rights and obligations of the parties in respect of funding provided to TBRHSC by the MOH and OHN for the year ended March 31, 2026. Included with the accountability agreements, or subsequent funding letters, are the base or one-time volume that, if not achieved, will result in an adjustment to the funding received.

The availability of confirmed volumes lags the completion of the consolidated financial statements and hence the amount of the MOH and OHN volume funding received during a year may be increased or decreased subsequent to year-end. The amount of revenue recognized in these consolidated financial statements represents management’s estimates of amounts that have been earned during the year.

[All amounts in thousands of dollars]

21. COMMITMENTS AND CONTINGENCIES

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

[b] TBRHSC is also in the process of updating its pay equity agreements with one of its unions. Given the nature of the pay equity process, there is measurement uncertainty with respect to this issue. TBRHSC has made provision for the estimated impact of settling this liability, which is reflected as part of accounts payable and accrued liabilities on the statement of financial position. Any difference in the final settlement from that estimated will be recorded in the period in which the settlement becomes known.

[c] Due to the nature of its operations, TBRHSC is periodically subject to grievances filed by its various unions. In the opinion of management, the resolution of any current grievances should not have a material effect on the financial position or results of operations.

[d] TBRHSC participates in the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the public liability insurance risks of its hospital members. All members of the HIROC pool pay actuarially determined annual premiums. All members are subject to assessment for losses, if any, experienced by the pool for the years in which they were members. No assessments have been made for the year ended March 31, 2026.

Since its inception in 1987, HIROC has accumulated an unappropriated surplus which is the total of premiums paid by all subscribers plus investment income less the obligation for claims reserves and expenses. Subscribers with an excess of premium plus investment income over the obligation for their allocation of claims reserves and expenses may be entitled to receive distributions of their share of the unappropriated surplus when distributions are declared by the Board of Directors of HIROC. There are no distributions receivable from HIROC as of March 31, 2026.

[e] TBRHSC has committed to lease space in the Medical Centre and Health Services Building both located on TBRHSC property. The leases are for varying terms expiring in 2036. In addition, TBRHSC has lease commitments for vehicles and equipment. The following minimum payments are required over the term of the leases:

	$
2027	2,246
2028	1,915
2029	1,551
2030	1,401
2031	1,055
Thereafter	3,624
	11,792

[f] TBRHSC has entered into various contracts totaling $106,594 [2025 – $101,934] for the acquisition of specified health information software, equipment, and construction projects that remained incomplete as of March 31, 2026. As at March 31, 2026, costs of $38,200 [2025 – $6,132] had been incurred under these contracts. The related software, equipment, and construction assets will be recorded upon completion of the contracts, with amortization commencing in the month the assets are placed into service.

Included in these commitments is $18,291 related to specified health information software of which TBRHSC has entered into cost-sharing agreements with 11 participating Ontario hospitals for their respective share of the contracted costs associated with the software and related equipment.

[g] TBRHSC has entered into a contract ending October 31, 2031 to lease parking facilities to the Thunder Bay Regional Health Sciences Foundation and manage the facilities in return for annual rent and management fees.

22. FINANCIAL INSTRUMENT RISK MANAGEMENT

TBRHSC's financial instruments consist of cash and cash equivalents, short-term investments, accounts receivable, due from related entities, mortgages and notes receivable, long-term investments not subject to significant influence, and accounts payable and long-term debt. Unless otherwise noted, it is management's opinion that the TBRHSC is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

Credit risk
Credit risk is the risk of financial loss to the TBRHSC if a debtor fails to make payments of interest and principal when due. TBRHSC is exposed to this risk relating to its cash and cash equivalents, investments, accounts receivable, due from related entities and mortgages receivable.

TBRHSC holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation. In event of default, the Canadian cash account and Guaranteed Investment Certificates and other term deposits with a date to maturity of less than five years are insured up to $200 [2025 – $200].

TBRHSC's investment policy restricts cash, cash equivalents and short-term funds to Canadian cash and fixed income funds. Bond investments may be in bonds issued or guaranteed by the Government of Canada or province thereof or Bank Act Schedule A listed bank or Canadian corporation investment grade or above with debt obligation of the issuer rated at least A by CBRS or A by DBRS. Investment in shares is restricted to preferred shares issued or guaranteed by a corporation, incorporated under the laws of Canada or a province, and shall be at investment grade P1 to P3 or above.

Accounts and notes receivable are due from the MOH's Ontario Healthcare Insurance Plan (OHIP), other regional healthcare organizations and associated organizations such as TBRHSC Foundation and patients. TBRHSC is exposed to credit risk in the event of non-payment by patients for uninsured

services and services provided to non-resident patients. The risk is common to hospitals as they may be required to provide care for patients regardless of their ability to pay for services provided.
As at March 31, 2026, $2,286 [2025 – $2,087] in uninsured amounts receivable have been outstanding for over 120 days.
TBRHSC measures its exposure to credit risk based on how long the amounts have been outstanding. An allowance for doubtful accounts of $423 [2025 – $423] has been recorded based on historical experience regarding collections.

Due from related entities is secured by expected cash flows from operating grants, research reserves and unexpended capital funds.

Mortgages receivable are secured by the cash flows from tenant leases in the Medical Centre and expected leases in the Health Services Building as well as a mortgage with respect to the buildings on Hospital property.

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. Market factors include three types of risk: currency risk, interest rate risk and price risk.

Currency risk
Currency risk relates to TBRHSC holding financial instruments in different currencies and converting non-Canadian values at points in time and adverse changes in foreign current exchange rates may occur. TBRHSC holds a U.S. Currency bank account and U.S. investments.

As at March 31, 2026, the total amount of cash, securities and other non-current assets denominated in a foreign currency was $1,688 [2025 - $1,738].

TBRHSC's estimate of the effect on net assets as at March 31, 2026 due to a 1.00% increase or decrease in the exchange rates, with all other variables held constant, would approximately amount to an increase or decrease of $17 [2025 - $17].

Interest rate risk
Interest rate risk is the potential for financial loss in TBRHSC's fair value investments and mortgage payable because of changes in market interest rates. Currently, there is minimal interest rate risk as the majority of investments are held at fixed rates.

TBRHSC is exposed to interest rate risk on its investments and long-term debt. Of these risks, TBRHSC 's principal exposure is that increases in the floating interest rates on its debt, if unmitigated, could lead to decreases in cash flow and excess interest cost. TBRHSC has effectively fixed its interest rate on the majority of its floating rate long-term debt by entering into various interest rate swaps.

TBRHSC currently employs interest rate swaps to convert its variable interest rate on $50,137 [2025 - $25,536] of its floating rate loan facilities to a fixed interest rate [note 8]. Interest rate swaps are employed in order to reduce variability in future interest cash flows. The swaps are measured at fair value until the swap is settled and the change in fair value is recorded in the consolidated statement of re-measurement gains and losses.

[All amounts in thousands of dollars]

Equity risk
Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. TBRHSC's investment policy restricts operating investments in marketable securities or equity funds to a maximum 25% of book-cost.

As at March 31, 2026, TBRHSC's total exposure to other price risk is $7,457 [2025 - $7,090]. The Hospital's estimate on the effect of net assets as at March 31, 2026 due to a 1% increase or decrease in the fair value of long-term investments, with all other variables held constant, would approximately amount to an increase or decrease of $75 [2025 - $71]. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

Liquidity risk
Liquidity risk is the risk that TBRHSC will not be able to meet all cash outflow obligations as they come due. TBRHSC mitigates this risk by monitoring cash activities and expected outflows and maintaining investments that may be converted to cash in the near term.

The table below is a maturity analysis of TBRHSC's obligations:

	Up to 6 months	**More than 6 months up to 1 year**	**More than 1 year up to 5 years**	**More than 5 years**	**2026 Total**	2025 Total
	$	**$**	**$**	**$**	**$**	$
Accounts payable and accrued liabilities	**126,661**	**—**	**—**	**—**	**126,661**	106,019
Long-term debt and capital leases	**1,512**	**1,511**	**9,591**	**38,274**	**50,888**	26,775
	128,173	**1,511**	**9,591**	**38,274**	**177,549**	132,794

23. CONSOLIDATED BUDGET AMOUNTS

The consolidated budget figures presented for comparative purposes are unaudited and are those approved by the Boards of TBRHSC and its controlled entity.

24. IMPACT OF INTERNATIONAL TARIFFS

In response to the imposition of international tariffs and with changes in the global economic environment, the Government of Ontario has implemented restrictions that are applicable to all broader public sector procurement practices. TBRHSC has updated its procurement practices to comply with the restrictions.

TBRHSC continues to monitor the effects of tariffs and market volatility on its operations and believes there are no significant financial issues that will compromise its ongoing operations. It is not possible to reliably estimate the duration and severity of consequences from the introduction of international tariffs, as well as the impact on TBRHSC's financial position and its results for future periods.