Baycrest Hospital

Financial statements
March 31, 2026

Shape the future
with confidence

Independent auditor's report

To the Board of Directors of
Baycrest Hospital

Report on the audit of the financial statements

Opinion

We have audited the financial statements of **Baycrest Hospital** [the "Hospital"], which comprise the statement of financial position as at March 31, 2026, and the statement of operations, statement of changes in net deficit and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our 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 these 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.

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.

Report on other legal and regulatory requirements

As required by the *Corporations Act* (Ontario), we report that, in our opinion, Canadian public sector accounting standards have been applied on a basis consistent with that of the preceding year.

Ernst & Young LLP

Toronto, Canada
June 17, 2026

Chartered Professional Accountants
Licensed Public Accountants

Baycrest Hospital

Statement of financial position

[in thousands of dollars]

As at March 31

	2026 $	2025 $
Assets		
Current		
Cash	**366**	13
Funds held for others	**1,904**	1,842
Accounts receivable *[note 3]*	**4,142**	10,737
Due from related parties *[note 10]*	**8,274**	10,499
Inventories, deposits and prepaid expenses	**1,370**	2,649
Total current assets	**16,056**	25,740
Capital assets, net *[note 4]*	**88,344**	71,782
	104,400	97,522
Liabilities and net deficit		
Current		
Accounts payable and accrued liabilities	**41,509**	38,079
Due to related parties *[note 10]*	**4,147**	3,684
Deferred program contributions *[note 5]*	**1,271**	729
Funds held for others	**1,904**	1,842
Total current liabilities	**48,831**	44,334
Deferred capital contributions *[note 6]*	**57,601**	52,460
Employee future benefits *[note 7]*	**6,388**	6,444
Asset retirement obligation *[note 8]*	**1,433**	1,406
Total liabilities	**114,253**	104,644
Contingencies *[note 9]*		
Net deficit		
Deficit	**(9,853)**	(7,122)
Total net deficit	**(9,853)**	(7,122)
	104,400	97,522

See accompanying notes

On behalf of the Board:

Director Director

Baycrest Hospital

Statement of operations

[in thousands of dollars]

Year ended March 31

	2026	2025
	$	$
Revenue		
Ministry of Health, Ministry of Long-Term Care and Ontario Health	**162,806**	161,368
Charges for client services	**15,641**	15,944
The Baycrest Centre Foundation grants *[note 10]*	**4,914**	4,253
Other grants	**240**	291
Ancillary services and other *[note 10]*	**5,168**	6,313
Amortization of deferred capital contributions *[note 6]*	**5,288**	5,338
	194,057	193,507
Expenses		
Salaries and employee benefits *[notes 7 and 10]*	**137,446**	131,310
Other operating *[note 10]*	**51,606**	51,462
Amortization of capital assets	**7,262**	7,131
Interest *[notes 8 and 10]*	**474**	662
	196,788	190,565
Excess (deficiency) of revenue over expenses for the year	**(2,731)**	2,942

See accompanying notes

Baycrest Hospital

Statement of changes in net deficit

[in thousands of dollars]

Year ended March 31

	2026	2025
	$	$
Net deficit, beginning of year	**(7,122)**	(10,064)
Excess (deficiency) of revenue over expenses for the year	**(2,731)**	2,942
Net deficit, end of year	**(9,853)**	(7,122)

See accompanying notes

Baycrest Hospital

Statement of cash flows

[in thousands of dollars]

Year ended March 31

	2026	2025
	$	$
Operating activities		
Excess (deficiency) of revenue over expenses for the year	**(2,731)**	2,942
Add (deduct) items not affecting cash		
Amortization of capital assets	**7,262**	7,131
Amortization of deferred capital contributions	**(5,288)**	(5,338)
Pension and other post-employment benefit expense	**316**	184
Transfer of capital assets from related parties	**(15,224)**	—
Transfer of deferred capital contributions from related parties	**5,761**	—
Asset retirement obligation	**27**	71
Changes in non-cash working capital balances related to operations		
Accounts receivable	**6,595**	315
Due from related parties	**2,225**	7,286
Inventories, deposits and prepaid expenses	**1,279**	(955)
Accounts payable and accrued liabilities	**3,430**	1,388
Due to related parties	**463**	(9,309)
Deferred program contributions	**542**	97
Employer benefit contributions	**(372)**	(405)
Cash provided by operating activities	**4,285**	3,407
Capital activities		
Purchase of capital assets	**(8,600)**	(9,414)
Cash used in capital activities	**(8,600)**	(9,414)
Financing activities		
Contributions for purchase of capital assets	**4,668**	6,010
Cash provided by financing activities	**4,668**	6,010
Net increase in cash during the year	**353**	3
Cash, beginning of year	**13**	10
Cash, end of year	**366**	13

See accompanying notes

Baycrest Hospital

Notes to financial statements

[in thousands of dollars]

March 31, 2026

1. Description of organization

Baycrest Hospital [the "Hospital"] operates complex continuing care, mental health and rehabilitation programs and a long-term care facility. The Hospital is incorporated under the laws of Ontario. The Hospital is a registered charity under the *Income Tax Act* (Canada), and accordingly is exempt from income taxes, provided certain requirements of the *Income Tax Act* (Canada) are met.

Effective January 31, 2022, the Baycrest group of companies ["Baycrest"] were reorganized and consolidated under a newly created holding company, Baycrest Seniors Care ["BSC"]. BSC is the sole member of the Hospital.

Baycrest is recognized as a global leader in innovative care delivery and cognitive neuroscience. Fully affiliated with the University of Toronto, Baycrest is among the world's most respected academic health sciences centres focused on the needs of seniors and the aging population.

Baycrest is renowned for its state-of-the-art continuum of hospital, residential and community healthcare and wellness services focused on improving care and quality of life for frail, vulnerable older adults, educating, training and sharing knowledge in leading practices in geriatric care and aging solutions.

2. Summary of significant accounting policies

Basis of presentation

These financial statements have been prepared in accordance with the *CPA Canada Public Sector Accounting Handbook*, which sets out generally accepted accounting principles for government not-for-profit organizations in Canada. The Hospital has chosen to use the standards for not-for-profit organizations that include Sections PS 4200 to 4270. The significant accounting policies are summarized below:

Revenue recognition

The Hospital follows the deferral method of accounting for contributions, which include government grants and donations. Contributions are recorded in the accounts when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Revenue from unrestricted operating grants is recognized as revenue when it is initially recorded in the accounts. Operating grants and other restricted contributions are deferred when initially recorded in the accounts and recognized as revenue in the year in which the related expenses are recorded. Contributions restricted for specific capital expenditures are initially recorded as deferred capital contributions and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate for the related capital assets.

Charges for client services are recognized as revenue when the service is provided.

Revenue from ancillary and other patient services is recognized when the goods have been sold or when the services are provided.

Financial instruments

Financial instruments, including cash, accounts receivable, funds held for others, due from/to related parties, and accounts payable and accrued liabilities, are initially recorded at their fair value and are subsequently measured at amortized cost, net of any provisions for impairment.

Related entities

The following entities are related to the Hospital as they are subject to common control by BSC. The entities, which are incorporated without share capital under the laws of Ontario, are not-for-profit organizations or registered charities under the *Income Tax Act* (Canada) and, accordingly, are exempt from income taxes:

- Baycrest Academy for Research and Education [“BARE”], which integrates and conducts research alongside interdisciplinary collaboration and innovative education across the Baycrest campus;
- Baycrest Corporate Centre for Geriatric Care [“BCCGC”], which provides strategic and operational support to Baycrest, including various corporate services;
- Canadian Centre for Aging & Brain Health Innovation Advancement Inc. [“CABHI Advancement”], which promotes public health outcomes by helping innovators develop, disseminate, scale and promote the adoption of promising innovations in the aging and brain health sector;
- Canadian Centre for Aging & Brain Health Innovation Development Inc. [“CABHI Development”], which promotes economic development and accelerates the testing, validation, commercialization, dissemination and adoption of innovative products, practices and services designed to support brain health and aging;
- The Baycrest Day Care Centre [“Day Care”], which operates day care services for seniors;
- The Baycrest Centre Foundation [the “Foundation”], which operates as a public foundation and provides funding to Baycrest charitable entities through fundraising to support clinical programs and services, research and education; and
- The Jewish Home for the Aged [“JHA”], which owns the campus lands, operates a retirement home and an independent seniors residence, and owns the Apotex long-term care home building, which is leased to the Hospital.

Inventories

Inventories are valued at the lower of cost and net realizable value, which is considered to be current replacement cost, on a first-in, first-out basis. Reviews for obsolete, damaged and expired items are done on a regular basis, and any items that are found to be obsolete, damaged or expired are written off when such determination is made.

Capital assets

Purchased capital assets are recorded at cost. Donated capital assets are recorded at fair value at the date of contribution. Amortization of capital assets is calculated using the straight-line method so as to charge operations with the cost of the assets over their estimated useful lives as follows:

Buildings and building improvements	20–40 years
Furniture and equipment	5–10 years
Computer hardware and software	5 years

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective assets. The Hospital allocates salary and benefit costs related to personnel who work directly on managing capital projects to capital assets. No amortization is recorded until construction is substantially complete and the assets are ready for productive use.

When a capital asset no longer has any long-term service potential to the Hospital, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations.

Notes to financial statements

[in thousands of dollars]

March 31, 2026

Employee benefits

Multi-employer plan

The multi-employer defined benefit plan is accounted for as a defined contribution plan, as there is not sufficient information to apply defined benefit plan accounting. Contributions to the multi-employer plan are expensed on an accrual basis.

Accrued post-retirement benefits

The Hospital accrues its obligations for non-pension post-retirement benefits as full-time employees render services. The cost of non-pension post-retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate assumptions.

The cumulative unamortized balance of net actuarial gains (losses) is amortized over the average remaining service period of active employees. The average remaining service period of active employees is 12 years. Prior service costs, if any, arising from a plan amendment are expensed when incurred. The accrued benefit obligation related to employee future benefits is discounted using a rate that represents the Hospital's cost of borrowing.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

In particular, the amount of revenue recognized from the Ministry of Health and Ministry of Long-Term Care [the "Ministry"] and Ontario Health ["OH"] is a significant estimate. The Hospital has entered into a number of accountability agreements with the Ministry/OH that set out the rights and obligations of the two parties in respect of funding provided to the Hospital by the Ministry/OH for the year ended March 31, 2026.

These accountability agreements set out certain performance standards and obligations that establish acceptable results for the Hospital's performance in a number of areas. If the Hospital does not meet its performance standards or obligations, the Ministry/OH has the right to adjust funding received by the Hospital. The Ministry/OH is not required to communicate certain funding adjustments until after the submission of year-end data. Since this data is not submitted until after the completion of the financial statements, the amount of funding received during the year from the Ministry/OH may be increased or decreased subsequent to year-end. The amount of revenue recognized in these financial statements represents management's best estimate of amounts that have been earned during the year.

Contributed materials and services

The Hospital is dependent on the voluntary services of many individuals. Since these services are not normally purchased by the Hospital and because of the difficulty in estimating their fair market value, these services are not recorded in these financial statements.

[in thousands of dollars]

Asset retirement obligations

Asset retirement obligations are recorded in the period during which a legal obligation associated with the retirement of a capital asset is incurred and when a reasonable estimate of this amount can be made. The asset retirement obligation is initially measured at the best estimate of the amount required to retire a capital asset as at the date of the financial statement. A corresponding amount is added to the carrying amount of the related capital asset and is then amortized over its remaining useful life. Changes in the liability due to the passage of time are recognized as interest expense in the statement of operations, with a corresponding increase in the liability.

The estimated amounts of future costs to retire the assets are reviewed annually and adjusted to reflect the then current best estimate of the liability. Adjustments may result from changes in the assumptions used to estimate the undiscounted cash flows required to settle the obligation, including changes in estimated probabilities, amounts and timing of settlement as well as changes in the legal requirements of the obligation, and in the discount rate. These changes are recognized as an increase or decrease in the carrying amount of the asset retirement obligation, with a corresponding adjustment to the carrying amount of the related asset. If the related capital asset is no longer in productive use, all subsequent changes in the estimate of the liability for asset retirement obligations are recognized as an expense in the period incurred.

A liability continues to be recognized until it is settled or otherwise extinguished.

3. Accounts receivable

Accounts receivable consist of the following:

	2026 $	**2025** $
Province of Ontario	**2,263**	8,270
Client accounts	**946**	1,330
Other	**933**	1,137
	4,142	10,737

Included in accounts receivable are provisions for uncollectible accounts of $2,426 [2025 – $3,897].

Notes to financial statements

[in thousands of dollars]

March 31, 2026

4. Capital assets

Capital assets consist of the following:

	2026		
	Cost	**Accumulated amortization**	**Net book value**
	$	$	$
Buildings and building improvements	**154,128**	**90,274**	**63,854**
Furniture and equipment	**77,360**	**57,288**	**20,072**
Computer hardware and software	**8,966**	**6,200**	**2,766**
Work in progress	**1,652**	—	**1,652**
	242,106	**153,762**	**88,344**

	2025		
	Cost	**Accumulated amortization**	**Net book value**
	$	$	$
Buildings and building improvements	135,165	86,783	48,382
Furniture and equipment	75,720	53,985	21,735
Computer hardware and software	7,060	5,732	1,328
Work in progress	337	—	337
	218,282	146,500	71,782

In the current year, assets with a net book value of $14,294 [2025 – $2,836] were transferred at their carrying amount from JHA to the Hospital and assets with a net book value of $30 [2025 – nil] were transferred from the Hospital to JHA. Assets with a net book value of $1,151 [2025 – nil] were transferred from BCCGC to the Hospital and assets with a net book value of $191 [2025 - nil] were transferred to BCCGC from the Hospital. Associated funding related to JHA assets of $5,534 [2025 – $2,799] and BCCGC of $227 [2025 – nil] was directly recorded in the deferred capital contributions *[note 6]*.

5. Deferred program contributions

Deferred program contributions represent unspent funds received for research and other purposes.

	2026	**2025**
	$	$
Balance, beginning of year	**729**	632
Amounts received	**974**	412
Amounts recognized as revenue	**(432)**	(315)
Balance, end of year	**1,271**	729

[in thousands of dollars]

6. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations.

	2026 $	2025 $
Balance, beginning of year	**52,460**	51,788
Amounts received *[note 4]*	**10,429**	6,010
Amortization recognized as revenue	**(5,288)**	(5,338)
Balance, end of year	**57,601**	52,460

7. Employee benefit plans

Multi-employer plan

Certain employees of the Hospital as at March 9, 1998 and all employees joining the Hospital since that date are eligible to be members of the Healthcare of Ontario Pension Plan [the “Plan”], which is a multi-employer, defined benefit, highest consecutive average earnings, contributory pension plan. The Hospital’s contributions to the Plan during the year amounted to $7,903 [2025 – $7,676] and are included in salaries and employee benefits expense in the statement of operations. The most recent actuarial valuation for financial reporting purposes completed by the Plan was as of December 31, 2025 and disclosed net assets available for benefits of $131.9 billion with pension obligations of $120.8 billion, resulting in a surplus of $11.1 billion.

Accrued post-retirement benefits

The Hospital’s non-pension post-retirement benefit plans comprise medical, dental and life insurance coverage for certain groups of full-time employees who have retired from the Hospital and are between the ages of 55 and 65. Spouses of eligible retirees are covered by the plans. The measurement date used to determine the accrued benefit obligation is April 1. The most recent actuarial valuation of the non-pension post-retirement benefit plans for funding purposes was as of April 1, 2025.

[in thousands of dollars]

Information about the Hospital's non-pension post-retirement benefit plans, and reconciliation to the accrued benefit liability, is as follows:

	2026 $	2025 $
Accrued benefit obligation		
Balance, beginning of year	**4,681**	4,596
New valuation adjustment	**602**	—
Current service cost	**254**	203
Interest cost	**241**	216
Benefits paid	**(372)**	(405)
Actuarial loss (gain)	**(175)**	71
Balance, end of year	**5,231**	4,681
Unamortized net actuarial gain	**1,157**	1,763
Accrued benefit liability	**6,388**	6,444

The discount rate adopted in measuring the Hospital's accrued benefit obligation was 4.8% [2025 – 4.5%] and expense was 4.5% [2025 – 4.7%] for the non-pension post-retirement benefit plans.

Dental costs are assumed to increase by 4.0% per annum until 2029. Hospital and extended healthcare costs are assumed to increase by 6.3% per annum until 2029.

8. Asset retirement obligations

The asset retirement obligation relates to the Hospital's buildings and is based on third-party expert reports that estimate the costs of remediating asbestos in the Hospital's buildings. The buildings have no set retirement date; however, the remaining useful life is estimated at 19 years and the asset retirement obligation is amortized over that remaining period, on a straight-line basis.

The estimated total undiscounted expenditures of $3,126 [2025 – $3,238] are expected to be incurred and settled at the end of the building's useful life. The liability is calculated using a discount rate of 4.2% [2025 – 4.3%]. No amounts were paid during the year ended March 31, 2026 or 2025 towards the liability. The Hospital does not anticipate that it will be able to recover any asset retirement costs from a third party. In addition, it has no legal requirement to fund this obligation and, as such, has not set aside any assets designated for payment of this liability.

The changes in the asset retirement obligation are as follows:

	2026 $	2025 $
Asset retirement obligation, beginning of year	**1,406**	1,335
Interest accretion expense, net of revisions to estimates	**27**	71
Asset retirement obligation, end of year	**1,433**	1,406

[in thousands of dollars]

9. Contingencies

[a] The Hospital is subject to various claims and potential claims related to operations. Where the potential liability is likely and able to be estimated, management has recorded its best estimate of the potential liability. In other cases, the ultimate outcome of the claims cannot be determined at this time. Any additional losses related to claims will be recorded in the year during which the liability is able to be estimated or adjustments to the amount recorded are determined to be required.

[b] A group of healthcare institutions, including the Hospital, are members of the Healthcare Insurance Reciprocal of Canada [“HIROC”]. HIROC is a pooling of the liability insurance risks of its members. All members pay annual deposit premiums, which are actuarially determined and are subject to further assessment for losses, if any, experienced by the pool for the years in which they were members. As at March 31, 2026, no assessments have been received.

10. Related party transactions and balances

[a] Due from (to) related parties consists of the following:

	2026	**2025**
	$	$
Due from BCCGC	**7,674**	9,926
Due from Day Care	**600**	573
	8,274	10,499
Due to JHA	**(1,379)**	(1,146)
Due to BARE	**(2,768)**	(2,538)
	(4,147)	(3,684)

During the year, the Hospital conducted transactions with related entities. The transactions are in the normal course of operations, and consideration is established and agreed to by the related parties. These current amounts due from/to the related parties are non-interest bearing and due on demand.

In addition, the results of the capital asset transfers with JHA and BCCGC resulted in a reduction in due from BCCGC of $8,729 [2025 - nil] *[notes 4 and 6]*.

Notes to financial statements

[in thousands of dollars]

March 31, 2026

[b] The Hospital had the following related party revenue (expense) transactions during the year:

	2026 $	2025 $
Revenue		
Grants received from the Foundation	**4,914**	4,253
Parking revenue received from JHA	**1,114**	1,110
Payroll and employee benefit expenses		
Administrative service charges from BCCGC	**(14,746)**	(12,386)
Other operating expenses		
Programming services provided to Hospital from Day Care	**(2,821)**	(2,831)
Utilities charges from BCCGC	**(3,325)**	(2,978)
Services provided to the Hospital from BARE	**(910)**	(2,284)
Terraces Supporting Housing	**(1,983)**	(1,983)
Interest expenses		
Interest charges from BCCGC	**(447)**	(591)

The Hospital received $4,584 [2025 – $3,976] in restricted and $330 [2025 – $277] in unrestricted grants from the Foundation. The JHA also provided the use of building facilities owned by the JHA, subject to the terms of the lease, at nominal consideration. BCCGC holds a $15,000 revolving loan on behalf of the Hospital. The Hospital pays interest charges on this loan to BCCGC in the form of intercompany charges.

11. Financial instruments and risk management

The Hospital is exposed to various financial risks through transactions in financial instruments.

Credit risk

The Hospital is exposed to credit risk in connection with its cash, accounts receivable and due from related parties because of the risk that one party to the financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Hospital holds its cash accounts with Canadian chartered banks that are insured by the Canadian Deposit Insurance Corporation.

Accounts receivable are primarily due from the Ministry/OH and patients. Credit risk is mitigated by the financial solvency of the provincial government and the highly diversified nature of the patient population. The Hospital manages its credit risk by monitoring its outstanding accounts receivable on an ongoing basis.

Liquidity risk

The Hospital is exposed to the risk that it will encounter difficulties in meeting obligations associated with its financial liabilities. The Hospital derives a significant portion of its operating revenue from the Government of Ontario and other funders with no firm commitment of funding in future years. To manage liquidity risk, the Hospital maintains sufficient resources readily available to meet its obligations. In addition, through its affiliation with BCCGC, the Hospital has access to credit facilities that are used when sufficient cash flow is not available from operations to cover operating and capital expenditures. BCCGC, on behalf of entities under the BSC umbrella, will enter into long-term debt to assist with the financing of capital assets when other sources of funding are not available. Accounts payable mature within six months.

Interest rate risk

The Hospital is exposed to interest rate risk through its affiliation with BCCGC. In support of the Hospital and related organizations, BCCGC holds credit facilities for capital and operating requirements in the form of floating rate debt. Cash flows on the debt will fluctuate since the interest rate is linked to the bank's prime rate, which changes from time to time. BCCGC has entered into interest rate swap contracts to manage the interest rate cash flow risk with respect to its floating rate debt.

12. Comparative financial statements

The comparative financial statements have been reclassified from financial statements previously presented to conform to the presentation of the 2026 financial statements.