

Waterloo Regional Health Network Foundation

Financial statements
March 31, 2026



Shape the future
with confidence

Independent auditor's report

To the Members of
Waterloo Regional Health Network Foundation

Opinion

We have audited the financial statements of **Waterloo Regional Health Network Foundation** [the "Foundation"], which comprise the statement of financial position as at March 31, 2026, and the statement of operations and changes in fund balances, 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 Foundation as at March 31, 2026, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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 Foundation 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.

Other matter

The financial statements of the Foundation as at and for the year ended March 31, 2025 are unaudited.

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 accounting standards for not-for-profit organizations, 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 Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation'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.



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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 Foundation'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 Foundation'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 Foundation 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.

Ernst & Young LLP

Waterloo, Canada
September 29, 2026

Chartered Professional Accountants
Licensed Public Accountants



Waterloo Regional Health Network Foundation

Statement of financial position

As at March 31

	2026	2025
	\$	\$
		<i>[combined – unaudited]</i>
Assets		
Current		
Cash and cash equivalents	4,835,022	10,067,190
Cash surrender value of life insurance policies <i>[note 4]</i>	68,153	85,427
Accounts and government receivables	585,976	1,007,115
Due from Waterloo Regional Health Network <i>[note 9]</i>	67,778	895,951
Investment cash and interest receivable	246,983	292,094
Net investment in finance lease receivable, current portion <i>[note 5]</i>	596,668	596,666
Inventory	17,280	469
Prepaid Expenses	340,946	215,652
Total current assets	6,758,806	13,160,564
Long-term investments <i>[note 6]</i>	78,459,429	80,513,239
Net investment in finance lease receivable, long-term <i>[note 5]</i>	5,767,778	6,364,444
Capital asset – Land leased to Waterloo Regional Health Network	1,500,000	1,500,000
Capital assets, net <i>[note 7]</i>	1,655,868	2,030,324
	94,141,881	103,568,571
Liabilities and fund balances		
Current		
Accounts payable and accrued liabilities	2,074,411	2,014,098
Due to Waterloo Regional Health Network <i>[note 9]</i>	6,070,182	6,760,618
Deferred revenue	832,381	797,955
Current portion of capital lease obligation	—	42,879
Callable mortgage <i>[note 11]</i>	6,364,444	6,961,112
Total current liabilities	15,341,418	16,576,662
Obligation under capital lease	—	272,420
Total liabilities	15,341,418	16,849,082
Commitments and contingency <i>[note 14]</i>		
Fund balances <i>[note 8]</i>	78,800,463	86,719,489
	94,141,881	103,568,571

See accompanying notes

On behalf of the Board:

Signed by:

 414C76B5E761426...
 Director

Signed by:

 81387E699D1E4F1...
 Director

Waterloo Regional Health Network Foundation

Statement of operations and changes in fund balances

Year ended March 31

	2026			2025	
	General fund \$	Restricted fund \$	Endowments \$	Total \$	Total \$
					<i>[combined – unaudited]</i>
Revenue					
Fundraising income	8,987,163	7,351,650	122,207	16,461,020	20,345,880
Lottery proceeds [net of direct expenses] <i>[note 12]</i>	(46,965)	2,969,177	—	2,922,212	2,196,447
Other income	154,204	—	—	154,204	646,013
Charitable programs	124,670	—	—	124,670	377,264
Pine Street building income	437,727	—	—	437,727	1,782,856
Investment income <i>[note 13]</i>	5,583,534	22,088	360,185	5,965,807	6,332,943
	15,240,333	10,342,915	482,392	26,065,640	31,681,403
Expenses					
Fundraising	3,659,328	460,582	—	4,119,910	4,232,938
Charitable programs	252,123	46,033	1,554	299,710	969,916
Operating	4,868,142	192	23,102	4,891,436	6,198,888
	8,779,593	506,807	24,656	9,311,056	11,401,742
Grants and other expenses					
Cash grants to WRHN <i>[note 9]</i>	10,177,073	11,254,827	119,415	21,551,315	17,851,152
In-kind grants to WRHN <i>[note 9]</i>	178,410	188,686	3,689	370,785	255,017
Grants to non-profit organizations <i>[note 12]</i>	—	2,751,510	—	2,751,510	1,984,967
	10,355,483	14,195,023	123,104	24,673,610	20,091,136
Net excess (deficiency) of revenue over expenses and grants	(3,894,743)	(4,358,915)	334,632	(7,919,026)	188,525
Fund balances, beginning of year	51,384,818	30,837,122	4,497,549	86,719,489	86,530,964
Interfund transfer	401,102	(401,102)	—	—	—
Fund balances, end of year	47,891,177	26,077,105	4,832,181	78,800,463	86,719,489

See accompanying notes

Waterloo Regional Health Network Foundation

Statement of cash flows

Year ended March 31

	2026	2025
	\$	\$
		<i>[combined – unaudited]</i>
Operating activities		
Net excess (deficiency) of revenue over expenses and grants	(7,919,026)	188,525
Add (deduct) items not involving cash		
Amortization of capital assets	89,365	131,327
Write-off of inventory	—	48,445
Cash surrender value of life insurance policies	17,274	(12,091)
Change in fair market value of investments	(585,357)	(1,589,337)
Loss on disposal of capital assets	18,616	—
	(8,379,128)	(1,233,131)
Changes in non-cash working capital balances related to operations		
Decrease (increase) in accounts and government receivables	421,139	(551,349)
Decrease (increase) in inventory	(16,811)	26,738
Decrease (increase) in prepaid expenses	(125,294)	120,276
Increase (decrease) in accounts payable and accrued liabilities	60,313	429,432
Change in due to/from Waterloo Regional Health Network	137,737	(2,749,569)
Increase (decrease) in deferred revenue	34,426	363,226
Decrease (increase) in investment cash and interest receivable	45,111	(113,420)
Cash used in operating activities	(7,822,507)	(3,707,797)
Investing activities		
Purchase of investments	(5,380,450)	(27,014,210)
Proceeds of sale/maturity of investments	8,019,617	13,762,066
Purchase of capital assets	(48,824)	(12,227)
Principal net financing lease payments portion	—	59,874
Principal repayments received on net investment in direct financing lease	596,664	596,667
Cash provided by (used in) investing activities	3,187,007	(12,607,830)
Financing activities		
Mortgage principal repayments	(596,668)	(596,667)
Repayment of capital lease obligation	—	(43,116)
Cash used in financing activities	(596,668)	(639,783)
Decrease in cash during the year	(5,232,168)	(16,955,410)
Cash and cash equivalents, beginning of year	10,067,190	27,022,600
Cash and cash equivalents, end of year	4,835,022	10,067,190

See accompanying notes

Waterloo Regional Health Network Foundation

Notes to financial statements

March 31, 2026

1. Nature of operations

Waterloo Regional Health Network Foundation [the "Foundation"] is the charitable partner of Waterloo Regional Health Network ["WRHN"]. The Foundation raises, stewards, invests and grants philanthropic funds entrusted to it in support of exceptional healthcare across Waterloo Region by funding capital projects, medical equipment, technology, research, education, innovation, patient and family care initiatives, and other priorities of WRHN in accordance with donor intentions.

The Foundation was incorporated under the *Ontario Not-for-Profit Corporations Act, 2010* and is registered with the Canada Revenue Agency as a public foundation. The Foundation is exempt from income taxes under the *Income Tax Act (Canada)* and is authorized to issue official donation receipts for income tax purposes.

The Foundation was established through the amalgamation of the Grand River Hospital Foundation and St. Mary's General Hospital Foundation and continues the charitable activities previously carried on by those organizations.

2. Amalgamation and comparative financial statements [required by Section 4449]

On May 20, 2025, Grand River Hospital Foundation ["GRHF"] and St. Mary's General Hospital Foundation ["SMGHF"] amalgamated to form Waterloo Regional Health Network Foundation ["WRHNF"]. The amalgamation followed the integration of Grand River Hospital and St. Mary's General Hospital into Waterloo Regional Health Network ["WRHN"] and has been accounted for as a merger in accordance with *Section 4449, Combinations by Not-for-Profit Organizations*.

The financial statements for the year ended March 31, 2026, include the results of GRHF and SMGHF for the period from April 1, 2025 to May 19, 2025, together with the results of WRHNF for the period from May 20, 2025 to March 31, 2026. Comparative information has been presented on an aggregated basis and adjusted, where necessary, to align the accounting policies of the predecessor organizations with those adopted by WRHNF. The GRHF and SMGHF separate financial statements for fiscal 2025 were subject to audit by another auditor. However, as the comparative combined balances and adjustments to align the accounting policies have not been audited, the 2025 comparative balances are denoted as unaudited in these financial statements.

Upon amalgamation, all assets, liabilities, rights and obligations of GRHF and SMGHF became those of WRHNF by operation of law. In accordance with the amalgamation agreement, donor-restricted funds, trusts, bequests and other designated assets continue to be administered in accordance with the original terms, conditions and donor intentions applicable to the predecessor foundation from which they originated. The Foundation maintains separate records of these legacy resources and related investment income to ensure ongoing compliance with the amalgamation agreement and associated governance arrangements. These governance requirements are reflected in the classification and presentation of fund balances described in note 8.

The principal accounting policy adjustment made in preparing comparative information relates to the recognition of lottery revenue. Comparative revenue was reduced by \$422,951, with a corresponding increase in deferred revenue, to recognize lottery proceeds in the period in which the related draw occurs. This adjustment increased current year lottery revenue by the same amount.

Waterloo Regional Health Network Foundation

Notes to financial statements

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Aggregated statement of financial activities

	Year ended March 31, 2025			
	Grand River Hospital Foundation	St. Mary's General Hospital Foundation	Adjustments	Total
	\$	\$	\$	\$
Revenue	18,724,337	13,380,017	(422,951)	31,681,403
Expenses	(7,916,504)	(3,485,238)	—	(11,401,742)
Grants	(9,921,740)	(10,169,396)	—	(20,091,136)
Surplus (deficiency) of revenue over expenses	886,093	(274,617)	(422,951)	188,525

Aggregated statement of financial position

	As at March 31, 2025			
	Grand River Hospital Foundation	St. Mary's General Hospital Foundation	Adjustments	Total
	\$	\$	\$	\$
Assets	50,245,160	53,323,411	—	103,568,571
Liabilities	(10,214,604)	(6,211,527)	(422,951)	(16,849,082)
Fund balances	40,030,556	47,111,884	(422,951)	86,719,489

At the combination date, the principal components of the statement of financial position are as follows:

	May 20, 2025			
	Grand River Hospital Foundation	St. Mary's General Hospital Foundation	Adjustments	Total
	\$	\$	\$	\$
Assets	49,697,897	54,480,928	—	104,178,825
Liabilities	(9,042,198)	(8,345,021)	—	(17,387,219)
Fund balances	40,655,699	46,135,907	—	86,791,606

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For the period from April 1, 2025 to May 19, 2025, the principal components of the statement of operations are as follows:

	Period from April 1, 2025 to May 19, 2025			
	Grand River Hospital Foundation	St. Mary's General Hospital Foundation	Adjustments	Total
	\$	\$	\$	\$
Revenue	2,347,275	1,485,686	422,951	4,255,912
Expenses	(1,026,073)	(1,169,856)	—	(2,195,929)
Grants	(696,061)	(1,291,808)	—	(1,987,869)
Surplus (deficiency) of revenue over expenses	625,141	(975,978)	422,951	72,114

Since the combination on May 20, 2025, to the year ended March 31, 2026, the total revenues are \$21,809,728, the total expenses are \$7,115,127, and the total grants are \$22,685,741, resulting in a surplus (deficiency) of revenue over expenses of (\$7,991,140).

3. Summary of significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations ["ASNPO"] as set out in Part III of the *CPA Canada Handbook – Accounting*. The significant accounting policies applied in the preparation of these financial statements are described below.

[a] Fund accounting

The Foundation presents its net assets by accounting fund [general, restricted and endowment], certain general fund resources continue to be separately tracked internally to satisfy governance commitments arising from the amalgamation of the predecessor foundations. These governance designations do not constitute external restrictions.

The Foundation reports the following funds:

General fund – The general fund accounts for unrestricted resources available to support the Foundation's operations, fundraising activities, administration, strategic priorities, and grants approved by the Board of Directors.

Restricted funds – The restricted fund accounts for contributions and investment income that are externally restricted by donors or other parties for specific purposes, including capital projects, equipment, patient care initiatives, research, education, and other designated programs.

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Endowment funds – The endowment fund accounts for contributions that donors have stipulated are to be maintained permanently. Investment income earned on endowment assets is recognized and used in accordance with the terms of the applicable endowment agreements and the Foundation's spending policies.

Certain general fund resources are separately tracked for governance purposes in accordance with the amalgamation agreement. These governance designations do not constitute externally restricted funds and are described in note 8.

[b] Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions:

- Contributions, including donations and bequests, are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.
- Externally restricted contributions are recognized as revenue of the restricted fund in the year in which the related contributions are received or receivable. Contributions restricted by donors for endowment purposes are recognized as revenue of the endowment fund.
- Unrestricted contributions are recognized as revenue of the general fund.
- Revenue from fundraising events is recognized in the period in which the event occurs. Amounts received in advance of an event are recorded as deferred revenue until the event occurs.
- Lottery revenue is recognized in the period in which the related lottery draw occurs and is reported net of prize payouts and other direct lottery expenses.
- Investment income, including interest, dividends, realized and unrealized gains and losses, is recognized as earned. Investment income earned on endowment fund assets is recognized in the endowment fund in accordance with the Foundation's spending policy. All other investment income is recognized in the general fund, unless otherwise externally restricted.
- Contributed materials and gifts-in-kind are recognized as revenue when their fair value can be reasonably estimated and the materials would otherwise have been purchased by the Foundation.

[c] Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances held with financial institutions, cash held in trust in connection with lottery operations, and highly liquid investments with original maturities of three months or less from the date of acquisition. These balances are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Waterloo Regional Health Network Foundation

Notes to financial statements

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[e] Contributed services

The Foundation benefits from the services of many volunteers. As the fair value of these services cannot be reasonably determined, they are not recognized in the financial statements.

[f] Capital assets

Capital assets are recorded at cost. Amortization is provided on a declining balance basis over the estimated useful lives of the assets using the following annual rates:

Building	4%
Furniture	20%
Office equipment	20%
Computer hardware	55%

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount exceeds its fair value or replacement service potential.

[g] Net investment in direct financing lease

The Foundation accounts for lease arrangements that transfer substantially all of the benefits and risks incidental to ownership as direct financing leases. Under these arrangements, the Foundation recognizes a net investment in the lease, representing the present value of future lease payments and any estimated residual value, rather than the underlying leased asset.

Finance income is recognized over the term of the lease using the effective interest rate method so as to produce a constant rate of return on the Foundation's net investment in the lease.

[h] Donations-in-kind

Donations-in-kind are recognized as contribution revenue and the related asset or expense at their estimated fair value when the fair value can be reasonably measured and the Foundation obtains control of the donated property. Donated property is recognized only when it would otherwise have been purchased by the Foundation or is held for use or distribution in carrying out the Foundation's charitable purposes.

[i] Multi-employer pension plan

Eligible employees of the Foundation participate in the Healthcare of Ontario Pension Plan ["HOOPP"], which is a jointly sponsored, multi-employer defined benefit pension plan. As sufficient information is not available to account for the Foundation's participation in the Plan using defined benefit accounting, the Plan is accounted for as a defined contribution plan in accordance with Canadian accounting standards for not-for-profit organizations. Employer contributions to the Plan are recognized as an expense in the year in which they are incurred.

Waterloo Regional Health Network Foundation

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[j] Financial instruments

Financial instruments are initially recognized at fair value. Investments quoted in an active market are subsequently measured at fair value, with changes in fair value recognized in the statement of operations and changes in fund balances.

All other financial assets and financial liabilities are subsequently measured at amortized cost. Financial assets measured at amortized cost are assessed for impairment when indicators of impairment exist.

Transaction costs attributable to financial instruments measured at fair value are recognized as incurred. Transaction costs related to financial instruments measured at amortized cost are included in the initial carrying amount of the instrument.

[k] Hedge accounting

The Foundation has designated an interest rate swap as a hedging instrument to manage the interest rate risk associated with its variable rate mortgage financing. The Foundation applies hedge accounting to this relationship in accordance with Canadian accounting standards for not-for-profit organizations. The interest rate swap is recognized and measured in accordance with the accounting requirements for qualifying hedging relationships.

[l] Life insurance policies

Where the Foundation is both the owner and beneficiary of a life insurance policy, the policy is recognized as an asset to the extent of its cash surrender value. Changes in the cash surrender value are recognized in the statement of operations and changes in fund balances in the period in which they occur.

Premiums paid by the Foundation are recognized as an expense as incurred. Contributions received from donors to fund policy premiums are recognized as contribution revenue when received or receivable.

Proceeds from life insurance policies are recognized as contribution revenue when the insured event has occurred and collection is reasonably assured.

[m] Grants

Grants are recognized when paid and the recipient has met all the conditions for payment.

4. Cash surrender value of life insurance policies

The Foundation is the owner and/or beneficiary of a number of donated life insurance policies. Where the Foundation is both the owner and beneficiary of a life insurance policy, the policy is recognized as an asset to the extent of its cash surrender value.

As at March 31, 2026, the cash surrender value of the policies recognized as assets is \$68,153 [2025 – \$85,427]. The aggregate face value of these policies is \$877,183 [2025 – \$877,183].

Waterloo Regional Health Network Foundation

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The Foundation is also named as a full or partial beneficiary of other life insurance policies for which it is not the owner. As the Foundation does not control these policies, no asset has been recognized in respect of these arrangements. Proceeds from such policies are recognized as contribution revenue when they become receivable.

5. Pine Street ground lease and net investment in direct financing lease

In October 2021, the Foundation acquired the Pine Street properties to support WRHN. Concurrently, the Foundation entered into a 15-year ground lease with WRHN, under which WRHN has exclusive use of the properties and is responsible for substantially all operating costs, maintenance, insurance and property taxes. Base rent is structured to recover the Foundation's debt service costs associated with acquiring the properties. Following the amalgamation of the predecessor foundations, WRHN Foundation assumed all rights and obligations under the lease.

The lease transfers substantially all of the benefits and risks incidental to ownership to WRHN and is therefore accounted for as a direct financing lease. Accordingly, the Foundation has recognized a net investment in the lease rather than the underlying building. The leased land is excluded from the net investment in the lease and continues to be recognized separately as a capital asset until title transfers in accordance with the lease agreement.

Under the lease agreement, WRHN's monthly lease payments are equal to the Foundation's required debt service on the related mortgage financing and consist of blended monthly principal repayments of approximately \$49,772 together with applicable interest. WRHN has the option to purchase the properties at the earlier of the expiry of the lease term in October 2036 or upon providing written notice, at an amount equal to the outstanding debt relating to the acquisition of the properties.

The future minimum lease payments receivable are as follows:

	2026 \$	2025 \$
2026	—	764,386
2027	787,802	749,424
2028	843,978	734,834
2029	817,698	719,831
2030	789,150	704,234
Thereafter	4,580,871	4,315,394
Total minimum lease payments receivable	7,819,499	7,988,103
Less interest unearned finance income	1,455,053	1,026,993
Net investment in finance lease receivable	6,364,446	6,961,110
Less current portion	596,668	596,666
Net investment in finance lease receivable, long-term	5,767,778	6,364,444

Finance income recognized during the year related to the direct financing lease totaled \$167,684 [2025 – \$180,025].

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Notes to financial statements

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The estimated residual value of the leased land is \$1,500,000. As at March 31, 2026, no impairment allowance has been recognized in respect of the net investment in the lease.

The Foundation's net investment in the direct financing lease is financed by the mortgage described in note 11.

6. Long-term investments

The Foundation's investments are managed by external investment managers in accordance with the Foundation's approved investment policies. The portfolio is diversified across cash and cash equivalents, fixed income securities, and Canadian and foreign equities through a combination of separately managed accounts and institutional pooled funds. The Foundation's investment objective is to preserve capital while generating long-term returns to support the Foundation's charitable purposes.

	2026 \$	2025 \$
Cash and cash equivalents	18,714,292	8,655,049
Fixed income	24,417,454	35,676,799
Canadian equities	14,467,880	14,474,158
Foreign equities	20,859,803	21,707,233
Total investments	78,459,429	80,513,239

Investments in pooled funds have been allocated among the asset classes based on the underlying investments in the pooled funds.

7. Capital assets

	2026		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Land	1,000,000	—	1,000,000
Building	615,943	77,248	538,695
Office equipment	251,575	171,010	80,565
Computer hardware	83,448	46,840	36,608
	1,950,966	295,098	1,655,868

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	2025		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Land	1,000,000	—	1,000,000
Building	615,943	52,611	563,332
Office equipment	369,930	230,581	139,349
Leasehold improvements	391,000	75,699	315,301
Computer hardware	198,311	185,969	12,342
Computer software	105,605	105,605	—
Website	20,788	20,788	—
	2,701,577	671,253	2,030,324

8. Fund balances

Net assets consist of the following:

	2026	2025
	\$	\$
General fund [operating reserve to be netted]	11,611,345	39,884,818
Internally restricted	28,579,832	—
Board designated operating reserve	7,700,000	11,500,000
Restricted funds	26,077,105	30,837,122
Endowment funds	4,832,181	4,497,549
Net fund balance	78,800,463	86,719,489

Internally restricted general fund

During the year, following the amalgamation of the predecessor foundations, the Foundation established internally restricted funds to reflect governance requirements arising from the Articles of Amalgamation and the Memorandum of Understanding with WRHN. These funds represent resources that continue to be separately tracked and administered in accordance with the charitable purposes for which they were originally received.

Board-designated reserves

In accordance with the Foundation's reserve fund policy, the Board has also established reserves to support the long-term financial sustainability of the Foundation and its ability to meet approved funding commitments.

These reserves are allocations of available net assets for governance and financial planning purposes. They do not represent separate funds or externally restricted net assets and may be amended or removed by the Board.

Waterloo Regional Health Network Foundation

Notes to financial statements

March 31, 2026

Operating reserve

The operating reserve provides financial stability and supports the Foundation's operations during periods of revenue volatility or unexpected financial need. The Board has established a target operating reserve equal to approximately one year's budgeted operating expenditures.

Grant reserve

The grant reserve supports approved grant commitments. In determining the resources available to fund these commitments, the Foundation allocates funding from the most appropriate source of net assets, having regard to donor restrictions, legacy obligations and Board-approved designations. Accordingly, grant commitments may be funded from restricted funds, endowment distributions or unrestricted resources, as appropriate. Accordingly, the Grant Reserve may be supported by a combination of restricted, endowment and unrestricted resources.

9. Related party transactions

The Foundation is the charitable foundation supporting WRHN. In fulfilling its charitable purpose, the Foundation provides grants to WRHN for capital projects, equipment, research, patient care and other approved initiatives. The Foundation will enter into operating and administrative arrangements with WRHN in the normal course of business.

The following transactions were carried out with WRHN during the year in the normal course of operations:

	2026 \$	2025 \$
Cash grants to WRHN	21,551,315	17,851,152
Gifts-in-kind granted to WRHN	370,785	255,017
Amounts receivable from WRHN	67,778	895,951
Amounts payable to WRHN	6,070,182	6,760,618

Amounts receivable from and payable to WRHN are non-interest bearing, unsecured and are settled in the normal course of operations. Amounts payable primarily represent approved grant commitments, operating cost recoveries and shared service arrangements.

10. Contributions from affiliated organizations

During the year, the Foundation received contributions of \$519,000 [2025 – \$150,000] from affiliated organizations, primarily volunteer associations supporting WRHN. These contributions are recognized as donation revenue in accordance with the Foundation's revenue recognition policy.

11. Mortgage payable

The mortgage payable relates to the acquisition of the Pine Street properties, which are leased to WRHN under the long-term ground lease described in note 5. The mortgage is secured by a first-ranking charge over the properties located at 18 and 27 Pine Street, Kitchener, together with an assignment of the related ground lease.

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During the year, the Foundation amended its credit arrangements to replace the former general security agreement with security limited to the mortgaged properties.

The mortgage is repayable in blended monthly principal instalments of approximately \$49,772, plus interest, and matures on October 31, 2036. The total balance of the mortgage has been classified as a current liability, as it is callable at the option of lender at any time as outlined in the terms of the debt agreement. Management does not believe that the demand features of the debt will be exercised in the upcoming year, which would result in \$596,668 in regular scheduled repayments.

	2026 \$	2025 \$
Mortgage payable	6,364,444	6,961,110
Less current portion of principal repayments required within a year	596,668	596,666
	5,767,776	6,364,444

Interest expense on the mortgage during the year totaled \$167,684 [2025 – \$144,848].

The mortgage bears interest at a variable rate based on the Canadian Overnight Repo Rate Average [“CORRA”] plus an applicable spread. The Foundation has entered into an interest rate swap to effectively fix a portion of the interest rate exposure. The current swap agreement expires on November 8, 2026. Subsequent to year-end, the swap agreement with CIBC was extended to November 10, 2036.

12. Lottery proceeds

The Foundation conducts charitable lottery programs licensed by the Ontario Alcohol and Gaming Commission as part of its fundraising activities, including the Split the Pot lottery in collaboration with participating Ontario hospital foundations, as well as smaller community and hospital staff 50/50 lottery programs.

For the Split the Pot lottery, ticket sales, prize payouts and direct operating costs are recognized on a gross basis. Net lottery proceeds are allocated among the participating hospital foundations in accordance with the collaboration agreement. The Foundation recognizes its share of net proceeds as lottery revenue and records distributions to participating non-profit partner foundations as grant expense included the line grants-non-profit organizations. During the year, the Split the Pot lottery included 84 participating hospital foundations [2025 – 80].

Community and hospital staff 50/50 lottery programs are administered solely by the Foundation, and all net proceeds are retained by the Foundation in support of its charitable purposes.

	2026 \$	2025 \$
Lottery revenue	12,640,553	9,082,313
Lottery expenses	(9,718,341)	(6,885,866)
Net lottery proceeds	2,922,212	2,196,447

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13. Investment income

	2026 \$	2025 \$
Investment income – interest and dividends	4,513,782	3,850,386
Gain on sale of stock donations	866,668	893,220
Change in fair value of investments	585,357	1,589,337
Total investment income	5,965,807	6,332,943

Investment income earned on restricted funds in the year is deemed for unrestricted use by the Board of Governors.

14. Commitments and contingencies

As at March 31, 2026, the Foundation had irrevocable letters of credit outstanding totaling \$204,682 [2025 – \$204,682], consisting of:

- \$50,000 issued in favour of the City of Waterloo in support of the Foundation's obligations under a development agreement; and
- \$154,682 issued in favour of the Alcohol and Gaming Commission of Ontario [AGCO] in support of the Foundation's charitable lottery license obligations.

The letters of credit remain in effect until released by the respective beneficiaries or replaced in accordance with the underlying agreements. No amounts have been drawn under either letter of credit as at March 31, 2026 or 2025.