

SickKids®

MARCH 31, 2026



FINANCIAL STATEMENTS

The Hospital for Sick Children

Management's report

The accompanying financial statements of **The Hospital for Sick Children** [the "Hospital"] are the responsibility of management and have been approved by the members of the Board of Trustees [the "Board"].

The 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 financial statements necessarily involves management's judgment and estimates of the expected outcomes of current events and transactions with appropriate consideration to materiality.

The Hospital maintains systems of internal accounting and financial controls. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate, and that assets are properly accounted for and safeguarded. The system of internal controls includes formal written accounting and administrative policies and procedures and an organizational structure that provides an appropriate division of responsibilities and authority. Management recognizes the inherent risk in any system and believes the overall systems and controls provide reasonable assurance as to the integrity of the financial statements.

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

The financial statements have been audited by Ernst & Young LLP, the external auditor, in accordance with Canadian generally accepted auditing standards.



Dr. Ronald Cohn
President & Chief Executive Officer



Young Lee
Vice President Finance & Chief Financial Officer

Independent auditor's report

To the Members of the Board of Trustees of
The Hospital for Sick Children

Opinion

We have audited the financial statements of **The Hospital for Sick Children** [the "Hospital"], which comprise the statement of financial position as at March 31, 2026, and the statement of operations, statement of changes in net assets, statement of remeasurement gains 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.

Ernst & Young LLP

Toronto, Canada
June 1, 2026

Chartered Professional Accountants
Licensed Public Accountants



The Hospital for Sick Children

Statement of financial position

[in thousands of dollars]

As at March 31

	2026	2025
	\$	\$
Assets		
Current		
Cash <i>[note 8]</i>	277,285	340,889
Accounts receivable <i>[notes 3, 14[f] and 16]</i>	156,381	156,428
Inventories	13,615	13,661
Prepaid expenses	22,961	21,997
Total current assets	470,242	532,975
Long-term investments <i>[notes 4 and 5]</i>	427,763	414,430
Capital assets, net <i>[note 6]</i>	1,150,170	1,141,994
Accrued pension benefits <i>[note 7]</i>	314,597	350,972
Other non-current assets <i>[note 14[g]]</i>	14,381	14,633
	2,377,153	2,455,004
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities <i>[notes 9[d], 14[f], 16, 17, 18[d] and 18[f]]</i>	221,865	222,304
Amounts held for other organizations	54,899	41,738
Deferred contributions <i>[note 10]</i>	319,610	325,801
Total current liabilities	596,374	589,843
Deferred capital contributions, net <i>[note 11]</i>	546,585	564,608
Long-term debt <i>[note 9]</i>	597,977	597,914
Pension and other employee benefit obligations <i>[note 7]</i>	209,836	209,194
Long-term deferred contributions <i>[note 10]</i>	39,295	35,992
Other non-current liabilities <i>[notes 6[c], 18[d] and 18[f]]</i>	25,769	27,457
Asset retirement obligations <i>[note 12]</i>	68,423	68,955
Total liabilities	2,084,259	2,093,963
Net assets		
Deficit	(289,965)	(252,374)
Internally restricted <i>[note 13]</i>	549,853	585,390
Accumulated remeasurement gains	33,006	28,025
Total net assets	292,894	361,041
	2,377,153	2,455,004

See accompanying notes

On behalf of the Board of Trustees:


Kathleen Taylor
Chair, Board of Trustees


Deland Kamanga
Trustee, Finance and Audit Committee
(on behalf of Elizabeth Wilson, Chair, Finance and Audit Committee)

The Hospital for Sick Children

Statement of operations

[in thousands of dollars]

Year ended March 31

	2026	2025
	\$	\$
Revenue		
Patient care		
Ministry of Health/Ontario Health	974,381	922,321
Other [note 16]	116,506	108,805
Research [note 14[e]]	289,067	286,312
Commercial [note 14[d]]	62,734	61,437
Amortization of deferred capital contributions [note 11]	45,201	40,475
	1,487,889	1,419,350
Expenses		
Compensation [note 7]	1,038,807	961,170
Clinical supplies and drugs	219,509	201,153
Other operating	166,422	162,525
Administrative and general	40,097	38,571
Interest [note 9[d]]	25,232	25,232
Depreciation and accretion [notes 6 and 12]	101,993	91,127
	1,592,060	1,479,778
Deficiency of revenue over expenses		
before investment income	(104,171)	(60,428)
Investment income [note 5]	31,043	56,208
Deficiency of revenue over expenses for the year	(73,128)	(4,220)

See accompanying notes

The Hospital for Sick Children

Statement of changes in net assets

[in thousands of dollars]

Year ended March 31

	2026		2025
	Deficit	Internally restricted	Total
	\$	\$	\$
Net assets (deficit), beginning of year	(252,374)	585,390	333,016
Deficiency of revenue over expenses for the year	(73,128)	—	(73,128)
Interfund transfers <i>[note 13]</i>	35,537	(35,537)	—
Net assets (deficit), end of year	(289,965)	549,853	259,888

See accompanying notes

The Hospital for Sick Children

Statement of remeasurement gains

[in thousands of dollars]

Year ended March 31

	2026	2025
	\$	\$
Accumulated remeasurement gains, beginning of year	28,025	36,904
Net unrealized gains (losses) attributable to		
Portfolio investments	15,672	18,732
Derivatives <i>[note 5]</i>	(131)	(2,159)
	15,541	16,573
Net realized losses (gains) reclassified to statement of operations		
Portfolio investments	(10,168)	(27,868)
Derivatives <i>[note 5]</i>	(392)	2,416
	(10,560)	(25,452)
Accumulated remeasurement gains, end of year	33,006	28,025

See accompanying notes

The Hospital for Sick Children

Statement of cash flows

[in thousands of dollars]

Year ended March 31

	2026 \$	2025 \$
Operating activities		
Deficiency of revenue over expenses for the year	(73,128)	(4,220)
Add (deduct) items not involving cash		
Depreciation and accretion	101,993	91,127
Amortization of deferred capital contributions	(45,201)	(40,475)
Amortization of debenture transaction fees	63	77
Pension and other post-employment benefit expense	54,548	55,749
	38,275	102,258
Net change in non-cash working capital balances related to operations	(1,143)	(8,152)
Employer benefit contributions	(17,531)	(17,414)
Cash provided by operating activities	19,601	76,692
Investing activities		
Net increase in investments	(8,351)	(5,330)
Net decrease (increase) in other non-current assets	252	(3,905)
Cash used in investing activities	(8,099)	(9,235)
Capital activities		
Acquisition of capital assets	(103,942)	(131,263)
Cash used in capital activities	(103,942)	(131,263)
Financing activities		
Contributions received for capital purposes	27,178	72,648
Investment income on Patient Support Centre Series B		
Debenture Retirement Fund	3,303	2,592
Net decrease in other non-current liabilities	(1,645)	(4,303)
Cash provided by financing activities	28,836	70,937
Net (decrease) increase in cash during the year	(63,604)	7,131
Cash, beginning of year	340,889	333,758
Cash, end of year	277,285	340,889
Supplemental cash flow information		
Net decrease in accounts payable and accrued liabilities		
and other long-term liabilities, related to capital asset transactions	(6,228)	(35,956)

See accompanying notes

The Hospital for Sick Children

Notes to financial statements

[in thousands of dollars, except where otherwise noted]

March 31, 2026

1. Purpose of the organization

The Hospital for Sick Children [the "Hospital"] is a Canadian public hospital dedicated to improving children's health locally and globally through the integration of patient care, research and education.

The Hospital is incorporated under the *Act to Incorporate the Hospital for Sick Children, 1892*. The Hospital is a registered charity under the *Income Tax Act* (Canada) and, as such, is exempt from income taxes.

The Hospital's operations are funded primarily by the Province of Ontario in accordance with funding arrangements established by the Ministry of Health ["MOH"] and Ontario Health ["OH"].

2. Summary of significant accounting policies

These financial statements are 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 PS 4270. The significant accounting policies are summarized below.

Basis of presentation

These financial statements include the assets, liabilities and activities of the Hospital. They do not include the activities of The Women's Auxiliary of the Hospital for Sick Children, which is not controlled by the Hospital. Entities that the Hospital does not control or have significant influence over, but does have an economic interest in, are not consolidated:

- The Hospital for Sick Children Foundation [the "Foundation"] [note 14]

For the following controlled not-for-profit entity, the Hospital has chosen the accounting policy option to disclose the required information:

- The SickKids Centre for Community Mental Health [the "Centre"] [note 16]

The following entities are jointly controlled by the Hospital and others. The Hospital has chosen the accounting policy option to account for these entities by the modified equity method. The modified equity method is a basis of accounting for the Hospital's partnerships, whereby the accounting principles of the partnerships are not modified to conform with that of the Hospital and inter-organizational transactions and balances are not eliminated, except for gains and losses on assets remaining within the Hospital at the reporting date.

- Kids Health Alliance ["KHA"] [note 15]
- The Centre for Phenogenomics ["TCP"] [note 17]

Other for-profit entities that the Hospital controls, or where there is significant influence, are accounted for by the modified equity method and included within the Hospital's investments.

The Hospital for Sick Children

Notes to financial statements

[in thousands of dollars, except where otherwise noted]

March 31, 2026

Revenue recognition

The Hospital follows the deferral method of accounting for contributions, which include grants. Unrestricted contributions are recorded 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 initially deferred when recorded in the accounts and recognized as revenue in the year in which the related expenses are recognized. Contributions externally restricted for capital assets are recorded as deferred capital contributions and are amortized to operations on the same basis as the related asset is depreciated.

Revenue from patient care, consulting and other activities is recognized when the service is provided. Revenue from the sale of goods is recognized at the time of sale. Revenue from consulting and related services under a fixed price contract is recognized on a percentage-of-completion basis.

Investment income (loss) recorded in the statement of operations consists of interest, dividends, income distributions from pooled funds, and realized gains and losses, net of related fees. Unrealized gains and losses are recorded in the statement of remeasurement gains, except to the extent they relate to deferred contributions and amounts held for others, in which case they are added to the respective balances.

Cash and cash equivalents

Cash includes cash on deposit. Cash equivalents include short-term investments that have a term to maturity of three months or less from the date of purchase. Cash and cash equivalents held for investing rather than liquidity purposes are classified as investments.

Inventories

Inventories held for commercial sale are valued at the lower of cost and net realizable value. All other inventories are valued at the lower of cost and current replacement cost. Cost is determined on a first-in, first-out basis. Inventories are reviewed for obsolete, damaged and expired items on a regular basis, and any items that are found to be obsolete, damaged or expired are written off when such determination is made.

Financial instruments

Financial instruments are classified in one of the following categories: [i] fair value; or [ii] cost or amortized cost. The Hospital determines the classification of its financial instruments at initial recognition.

Portfolio investments reported at fair value consist of equity instruments that are quoted in an active market, as well as investments in pooled funds, derivative contracts and any other investments where the investments are managed on a fair value basis and the fair value option is elected. Transaction costs are recognized in the statement of operations in the period during which they are incurred. Investments at fair value are remeasured at their fair value at the end of each reporting period. Any revaluation gains and losses are recognized in the statement of remeasurement gains and are reclassified to the statement of operations upon disposal or settlement.

Portfolio investments in for-profit entities not quoted in an active market and securities not designated to be measured at fair value are initially recorded at fair value plus transaction costs. These investments are subsequently measured at cost or amortized cost using the effective interest rate method, less any provision for impairment.

The Hospital for Sick Children

Notes to financial statements

[in thousands of dollars, except where otherwise noted]

March 31, 2026

All investment transactions are recorded on a trade date basis.

A write-down is recognized in the statement of operations for a portfolio investment in either category when there has been a loss in the value of the investment considered as an “other than temporary” loss. Subsequent changes to remeasurement of portfolio investments in the fair value category are reported in the statement of remeasurement gains. If the loss in value of a portfolio investment subsequently reverses, the write-down to the statement of operations is not reversed until the investment is sold.

Senior unsecured debentures and other long-term debt are initially recorded at fair value and subsequently measured at amortized cost using the effective interest rate method. Transaction costs related to the issuance of long-term debt are capitalized and amortized over the term of the debt.

Other financial instruments, including cash, accounts receivable, and accounts payable and accrued liabilities, are initially recorded at their fair value and are subsequently measured at cost, net of any provisions for impairment.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at year-end. Revenue and expenses are translated at exchange rates prevailing on the transaction dates. Realized gains or losses arising from these foreign currency transactions are included in the statement of operations. Unrealized gains or losses are included in the statement of remeasurement gains, except to the extent they relate to amounts held for other organizations and deferred contributions, in which case they are added to the balances.

Capital assets

Purchased capital assets are recorded at original cost. Donated capital assets are recorded at fair value at the date of contribution. Depreciation of cost and any corresponding deferred capital contributions is calculated on a straight-line basis over their estimated useful lives as follows:

Buildings and building service equipment	10–50 years
Other equipment and systems	3–15 years

Assets leased on terms that transfer substantially all of the benefits and risks of ownership to the Hospital are accounted for as capital leases as though the asset had been purchased and a liability incurred. All other leases are accounted for as operating leases.

Capital lease obligations are recorded at the present value of the minimum lease payments. The discount rate used to determine the present value of the lease payments is the lower of the Hospital's rate for incremental borrowing or the interest rate implicit in the lease.

Capital assets in development are composed of construction and development costs during the construction period. The Hospital allocates salary and benefit costs related to certain personnel who work directly on managing capital projects to capital assets. No depreciation 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 the carrying value amount over any residual value is recognized as an expense in the statement of operations.

The Hospital for Sick Children

Notes to financial statements

[in thousands of dollars, except where otherwise noted]

March 31, 2026

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 at the financial statement date. 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 accretion expense and are recorded within depreciation and accretion 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.

Asset retirement obligations are based on internal expert assessments and/or third-party estimates and engineering reports. Asset retirement obligations relate to the following categories of Hospital equipment and building components and are depreciated over their estimated useful lives on a straight-line basis as follows:

Asbestos and fuel tanks	6–50 years
Leased space restoration	Over the lease term
Magnetic imaging equipment containing hazardous substances	5–15 years

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

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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. Accounts requiring significant estimates include accounts receivable and the collectability thereof, the useful lives of capital assets, accounts payable and accrued liabilities, deferred contributions, pension and other employee benefit obligations and asset retirement obligations. Actual results could differ from those estimates.

The amount of revenue recognized from the MOH and OH requires a number of estimates. The Hospital has entered into a number of accountability agreements with the MOH and OH that set out the rights and obligations of the two parties in respect of funding provided to the Hospital for the year ended March 31, 2026.

The Hospital for Sick Children

Notes to financial statements

[in thousands of dollars, except where otherwise noted]

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, such as total margin, liquidity and operating volumes. If the Hospital does not meet its performance standards or obligations, the MOH and OH have the right to adjust funding received by the Hospital. The MOH and OH are 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 MOH and OH funding received during the year 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 services and materials

Volunteers contribute numerous hours to assist the Hospital in carrying out certain charitable aspects of its service delivery activities. The fair value of these contributed services is not readily determinable and, as such, they are not reflected in the financial statements. Contributed materials are also not recognized in the financial statements.

Employee benefit plans

Multi-employer plans

Defined contribution accounting is applied for multi-employer pension plans, whereby contributions are expensed on an accrual basis.

Other defined benefits plan

The Hospital accrues its obligations under employee benefit plans and the related costs, net of plan assets. The following policies for defined benefit plans have been adopted:

- The cost of pensions and other post-employment benefits earned by employees is actuarially determined using the projected unit credit actuarial cost method prorated on service and management's best estimate assumptions.
- For the purpose of measuring plan assets, a market-related value of assets is used, whereby all investment gains and losses are recognized over five years.
- For the registered pension plan and the supplemental pension plan, liabilities are measured using a discount rate determined by reference to the expected long-term earnings on the plan assets. For the other post-employment benefit plans, liabilities are measured using a discount rate determined by reference to the 10-year Ontario provincial bond yield, which represents the Hospital's cost of borrowing. The cost of non-vesting sick leave benefits is actuarially determined using management's best estimate of salary escalation, employees' use of entitlement and discount rates referenced to the 10-year Ontario provincial bond yield. Adjustments to these costs arising from changes in actuarial assumptions and/or experience are recognized over the estimated average remaining service period of the active employees on a straight-line basis.

In conjunction with the defined benefit pension plan, the Hospital maintains a defined contribution pension plan in which the Hospital pays fixed contributions for eligible employees into a registered plan and has no further significant obligation to pay any further amounts. The amount of the pension benefit is based on accumulated Hospital contributions, employee contributions, and investment gains and losses. The cost of benefits for the defined contribution pension plans is expensed as contributions are due.

The Hospital for Sick Children

Notes to financial statements

[in thousands of dollars, except where otherwise noted]

March 31, 2026

3. Accounts receivable

Accounts receivable consist of the following:

	2026 \$	2025 \$
Ministry of Health/Ontario Health	40,515	35,678
Patient care	13,187	11,067
Research	34,806	50,287
Other [note 14[f]]	67,873	59,396
	156,381	156,428

There are no significant amounts that are past due or impaired.

4. Investments

Investments are measured at fair value and consist of the following:

	2026 \$	2025 \$
Cash and cash equivalents	68,080	81,905
Fixed income	186,218	183,979
Canadian equities	76,274	55,361
Foreign equities [note 5]	97,191	93,185
	427,763	414,430

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

Fixed income investments held through pooled funds have an average term to maturity of 4.68 years and an average yield of 4.09% as at March 31, 2026 based on market values.

Investments include \$53.4 million [2025 – \$49.0 million] for the Peter Gilgan Centre for Research and Learning [“PGCRL”] Series A Debenture Retirement Fund [note 9[a]], \$39.3 million [2025 – \$36.0 million] for the Patient Support Centre [“PSC”] Series B Debenture Retirement Fund [note 9[b]], \$12.4 million [2025 – \$11.3 million] for the PSC Series C Debenture Retirement Fund [note 9[c]], \$250.5 million [2025 – \$243.6 million] in assets internally designated to fund unregistered pension obligations [note 7] and restricted trust funds. Investments also include \$34.9 million [2025 – \$40.0 million] of unspent proceeds from Series C Senior Unsecured Debentures associated with the construction of the PSC [note 9[c]].

The Hospital for Sick Children

Notes to financial statements

[in thousands of dollars, except where otherwise noted]

March 31, 2026

5. Financial instruments and risk management

Fair value hierarchy

Financial instruments measured at fair value are classified according to a fair value hierarchy that reflects the importance of the data used to perform each valuation. The fair value hierarchy is made up of the following levels:

- Level 1 – Valuation based on quoted prices [unadjusted] in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – Valuation techniques using inputs for the asset or liability that are not based on observable market data [unobservable inputs].

The fair value hierarchy requires the use of observable data in the market each time such data exists. A financial instrument is classified at the lowest level of the hierarchy for which significant input has been considered in measuring fair value.

The following table presents the investments measured at fair value *[note 4]* classified according to the fair value hierarchy described above:

	2026		
	Level 1	Level 2	Level 3
	\$	\$	\$
Investments			
Cash equivalents	—	7,004	—
Fixed income	—	186,218	—
Canadian equities	76,274	—	—
Foreign equities <i>[note 4]</i>	78,694	18,497	—
	154,968	211,719	—
Cash			
			61,076
			427,763

The Hospital for Sick Children

Notes to financial statements

[in thousands of dollars, except where otherwise noted]

March 31, 2026

	2025			
	Level 1	Level 2	Level 3	Total assets at fair value
	\$	\$	\$	\$
Investments				
Cash equivalents	—	4,633	—	4,633
Fixed income	—	183,979	—	183,979
Canadian equities	55,361	—	—	55,361
Foreign equities <i>[note 4]</i>	68,332	24,853	—	93,185
	123,693	213,465	—	337,158
Cash				77,272
				414,430

During the years ended March 31, 2026 and 2025, there were no transfers of assets between Level 1, Level 2 and Level 3.

Financial risks

The Hospital's activities expose it to a range of financial risks. These risks include market risk [including foreign currency risk, interest rate risk and other price risk], credit risk and liquidity risk.

[a] Market risk

Market risk is the risk that the fair value or future cash flows of an investment will fluctuate as a result of changes in market conditions, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market. Market risk encompasses a variety of financial risks, such as foreign currency risk, interest rate risk and other price risk. Significant volatility in interest rates, equity values and the fair value of the Canadian dollar against the foreign currencies in which the Hospital's investments are held can significantly impact the value of the investments.

The Hospital manages market risk by using various strategies such as diversification and hedging to mitigate the various forms of market risk as set out in its statement of investment policies and procedures. In addition, investment exposure in various assets and markets is monitored regularly.

The Hospital for Sick Children

Notes to financial statements

[in thousands of dollars, except where otherwise noted]

March 31, 2026

[i] Foreign currency risk

Foreign currency exposure arises from holdings of foreign currency-denominated investments. Fluctuations in the relative value of foreign currencies against the Canadian dollar can result in a positive or negative effect on the fair value of investments. The Hospital has a foreign currency hedging program as set out in the statement of investment policies and procedures whereby it hedges its foreign currency exposure to the US dollar and the euro through the use of foreign exchange forward contracts. The maximum hedging policy is 50% for US dollar contracts and 50% for euro contracts. Foreign currency hedges cannot be projected into the future due to the uncertainty of future asset mix.

The following tables illustrate the financial instruments that are exposed to foreign currency risk. The tables demonstrate the impact on the accumulated remeasurement gains of a 1% absolute change in foreign exchange rates.

2026				Impact of 1% absolute change in foreign exchange rates on net assets
Foreign currency- denominated assets	Fair value CAD\$	Hedging CAD\$	Net exposure CAD\$	assets CAD\$
Cash and cash equivalents and short-term notes	5,144	1,410	3,734	37
Equities	97,733	26,800	70,933	709
	102,877	28,210	74,667	746

2025				Impact of 1% absolute change in foreign exchange rates on net assets
Foreign currency- denominated assets	Fair value CAD\$	Hedging CAD\$	Net exposure CAD\$	assets CAD\$
Cash and cash equivalents and short-term notes	5,536	1,598	3,938	39
Equities	93,119	26,874	66,245	662
	98,655	28,472	70,183	701

The Hospital for Sick Children

Notes to financial statements

[in thousands of dollars, except where otherwise noted]

March 31, 2026

Since all other variables are held constant in assessing foreign currency risk sensitivity, it is possible to extrapolate a 1% absolute change in foreign exchange rates to any absolute percentage change in foreign exchange rates.

The Hospital has entered into foreign exchange forward contracts as set out below to manage the risks associated with changes in currency values:

	Total exposure	Hedging	Net exposure	Foreign currency contract	Notional amount	Fair value of contracts	Foreign currency contract expiry date
2026	CAD\$	CAD\$	CAD\$			CAD\$	
United States	30,250	16,840	13,410	USD	12,311	(282)	June 17, 2026
Europe	23,091	11,370	11,721	EUR	7,231	(260)	June 17, 2026
Other	49,536	—	49,536	—	—	—	
	102,877	28,210	74,667			(542)	

	Total exposure	Hedging	Net exposure	Foreign currency contract	Notional amount	Fair value of contracts	Foreign currency contract expiry date
2025	CAD\$	CAD\$	CAD\$			CAD\$	
United States	35,294	17,197	18,097	USD	12,000	15	June 16, 2025
Europe	22,832	11,269	11,563	EUR	7,200	52	June 16, 2025
Other	40,529	6	40,523	—	—	—	
	98,655	28,472	70,183			67	

The fair value of these contracts as at March 31, 2026 is a loss of \$0.5 million [2025 – gain of \$0.1 million], which is included in the balance of foreign equity investments [note 4].

[ii] Interest rate risk

Interest rate risk refers to the effect on the fair value or future cash flows of a financial instrument due to fluctuations in interest rates. The Hospital's interest-bearing investments are exposed to interest rate risk. The most significant exposure to interest rate risk is the Hospital's investment in bonds. The fixed income portfolio has guidelines on duration and concentration, which are designed to mitigate the risk of interest rate volatility. Duration measures the sensitivity of the price of financial instruments for every 1% change in interest rates. As at March 31, 2026, the impact on the accumulated remeasurement gains of a 1% absolute change in bond yields on investments is \$6.7 million [2025 – \$6.8 million].

In addition, the Hospital is exposed to interest rate risk with respect to its long-term debt because the fair value of the debt will fluctuate due to changes in market interest rates. A change in the interest rate on the long-term debt would have no impact on the financial statements since the debt has a fixed rate of interest and is measured at amortized cost.

The Hospital for Sick Children

Notes to financial statements

[in thousands of dollars, except where otherwise noted]

March 31, 2026

[iii] Other price risk

Other price risk is the risk that the fair value of equity or pooled fund investments will fluctuate because of changes in market prices [other than those arising from foreign currency risk or interest rate risk], whether those changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market.

Since all other variables are held constant in assessing other price risk sensitivity, it is possible to extrapolate a 1% absolute change in the fair value to any absolute percentage change in fair value. As at March 31, 2026, the impact on accumulated remeasurement gains of a 1% absolute change in the fair value of the investments that are exposed to other price risk would be \$3.6 million [2025 – \$3.3 million].

[b] Credit risk

Credit risk on financial instruments is the risk of financial loss occurring as a result of default or insolvency of a counterparty on its obligations to the Hospital. The Hospital's investments in debt securities are exposed to credit risk. The cost of these investments represents the maximum credit risk exposure at the date of the financial statements. Credit risk is managed by the Hospital's investment managers whose responsibility is regular monitoring of credit exposures. The credit quality of financial assets is generally assessed by reference to external credit ratings where available or to historical information about counterparty default rates. As at March 31, 2026, 82% [2025 – 85%] of fixed income securities held are of investment grade.

The Hospital is also subject to credit risk with respect to its accounts receivable. The Hospital manages and controls credit risk with respect to accounts receivable by dealing primarily with recognized, creditworthy third parties *[note 3]*.

[c] Liquidity risk

Liquidity risk is the risk that the Hospital will encounter difficulty in meeting obligations associated with its financial liabilities. The Hospital derives a significant portion of its operating revenue from the Ontario government and other funders with no firm commitment of funding in future years. To manage liquidity risk, the Hospital keeps sufficient resources readily available to meet its obligations, including its available lines of credit *[note 8]*. The Hospital invests in publicly traded liquid assets that are easily sold and converted to cash.

Accounts payable mature within six months. The maturities of other financial liabilities are provided in the notes to the financial statements related to these liabilities.

The Hospital for Sick Children

Notes to financial statements

[in thousands of dollars, except where otherwise noted]

March 31, 2026

6. Capital assets

Capital assets consist of the following:

	2026	2025
	\$	\$
Cost		
Land	5,411	5,411
Buildings and building service equipment <i>[note 12]</i>	1,233,934	1,231,804
Other equipment and systems <i>[note 12]</i>	620,101	624,310
Construction-in-progress	242,150	189,910
	2,101,596	2,051,435
Accumulated depreciation		
Buildings and building service equipment	488,651	455,057
Other equipment and systems	462,775	454,384
	951,426	909,441
Net book value	1,150,170	1,141,994

[a] During the year ended March 31, 2026, the Hospital wrote off \$57.6 million [2025 – \$67.5 million] of fully depreciated assets that are no longer in use.

[b] Project Horizon is a multi-year phased redevelopment project to transform the delivery of paediatric care, meet growth needs and replace aging, outdated infrastructure. Construction on the first phase of the project, the PSC, began in 2018 and achieved substantial completion in August 2023. Planning for the remaining phases of the project is underway, including an outpatient tower, critical care tower, and renovations and modernization to existing space. As at March 31, 2026, \$182.8 million [2025 – \$182.8 million] in funding towards Project Horizon has been approved by the MOH and transferred to the Hospital on a reimbursement basis of which \$123.1 million [2025 – \$80.8 million] of this funding has been utilized to date.

Once construction and projects-in-progress are complete, the assets are transferred to their respective category of capital assets and depreciation is recorded. As at March 31, 2026, total construction-in-progress for Project Horizon is \$138.8 million [2025 – \$111.7 million]. PSC construction is funded through Series B Senior Unsecured Debentures issued in December 2017 *[note 9[b]]* and Series C Senior Unsecured Debentures issued in December 2023 *[note 9[c]]*, both of which are supported by the Foundation *[note 14[b]]*. Total costs incurred to date for the remaining phases have been funded by the MOH and the Foundation.

[c] Other equipment and systems include \$9.0 million [2025 – \$9.0 million] of costs and \$7.3 million [2025 – \$5.8 million] of accumulated depreciation related to assets under capital lease obligations *[note 18[d]]*. They also include \$3.6 million [2025 – \$3.6 million] of costs and \$2.5 million [2025 – \$1.8 million] of accumulated depreciation related to assets financed through a promissory note *[note 18[f]]*.

The balance of capital lease obligations and liability related to the promissory note as at March 31, 2026 is included in other non-current liabilities.

The Hospital for Sick Children

Notes to financial statements

[in thousands of dollars, except where otherwise noted]

March 31, 2026

7. Pension and other employee benefit obligations

The Hospital has a single-employer defined benefit pension plan and participates in a multi-employer pension, other retirement and post-employment benefits plan that are available to substantially all employees.

Transition to HOOPP for prospective service

On June 2, 2025, the Board of Directors of the Hospital approved the transition of the majority of the registered pension plan's active members to the Healthcare of Ontario Pension Plan ["HOOPP"], with the exception of a small number of employees who remain active members of the Hospital's registered pension plan. The Hospital entered into a new participation agreement with HOOPP on November 27, 2025, with an effective date of December 29, 2025. On December 28, 2025, for those employees who transitioned to HOOPP, employee contributions to the Hospital's registered pension plan ceased, and earned pensionable service was frozen. Effective December 29, 2025, the future service costs, pension service, and employer and employee contributions transitioned to HOOPP for members who joined the plan.

The Hospital's union groups signed memorandums of understanding to approve the transfer of the Hospital's union members to HOOPP for future service costs, pension service, and employer and employee contributions.

The Hospital's registered pension plan continues to operate on a going concern basis, with accrued pension benefit obligations related to the past service remaining in the plan. In addition, the transition did not affect employment status or benefits earned for past service. The accrued pension benefit obligations of the Hospital's registered pension plan will continue to incorporate salary escalation assumptions and actuarial gains and losses. The transition had no impact on the service cost of the accrued pension benefit obligation for the registered pension plan, supplemental pension plan, other post-employment benefit plans and non-vesting sick leave benefit plan.

Multi-employer plans

Substantially all Hospital employees, with the exception of a small number of employees, are now members of HOOPP, which is a multi-employer, defined benefit, final average earnings, contributory pension plan. The Hospital accounts for HOOPP as a defined contribution plan. The Hospital's contributions to HOOPP during the year amounted to \$14.1 million [2025 – nil]. These amounts are included in compensation expense in the statement of operations. The most recent valuation for financial reporting purposes completed by HOOPP as at December 31, 2025 indicates HOOPP is 109% funded and disclosed net assets available for benefits of \$131.6 billion with pension obligations of \$120.8 billion resulting in a surplus of \$10.8 billion.

Registered pension plan

The Hospital maintains separate registered pension benefit and defined contribution pension plans with distinct membership. A small remaining cohort of Hospital employees remain members of the Hospital's defined benefit plan. The defined benefit element provides contractual indexing on pension benefit payments for certain portions of employees' accrued pensions. Certain other employees participate in the defined contribution element within the registered pension plan.

The Hospital for Sick Children

Notes to financial statements

[in thousands of dollars, except where otherwise noted]

March 31, 2026

Other post-employment benefit plans

Other post-employment benefit plans are as follows:

- *Supplemental pension plan:* Some employees are also entitled to benefits under a supplemental pension plan. The Board of Trustees [the "Board"] has internally designated a certain amount of investments to fund these benefits.
- *Other post-employment benefit plans:* These defined benefit plans, which are vested, consist of medical, dental and life insurance coverage for certain groups of retired employees.
- *Non-vesting sick leave benefit plan:* The Hospital allocates to certain employee groups a specified number of days each year for use as paid absences in the event of illness or injury. Employees are permitted to accumulate their unused allocation each year up to the allowable maximum provided in their employment agreements. Accumulated days may be used in future years to the extent that employees' illness or injury exceeds the current year's allocation of sick days. Sick days are paid out according to the salary in effect at the time of usage. No payment is due to employees for unused days.

All retirement benefit computations and disclosures are determined using a measurement date for accounting purposes three months prior to the fiscal year-end. The most recent actuarial valuation of the registered pension plan for funding purposes was as at September 1, 2025. The most recent actuarial valuation for accounting purposes was as at September 1, 2025 for the supplemental pension plan, as at January 1, 2024 for the other post-employment benefit plans and as at January 1, 2025 for the non-vesting sick leave benefit plan.

The Hospital for Sick Children

Notes to financial statements

[in thousands of dollars, except where otherwise noted]

March 31, 2026

Information about the Hospital's defined benefit plans as at and for the year ended March 31, 2026 is as follows:

	2026				
	Registered pension plan \$	Supplemental pension plan \$	Other post- employment benefit plans \$	Non-vesting sick leave benefit plan \$	Total \$
Accrued benefit obligation*	(1,968,785)	(208,320)	(764)	(24,052)	(2,201,921)
Plan assets*	2,023,919	—	—	—	2,023,919
Funded status – plan surplus (deficit)*	55,134	(208,320)	(764)	(24,052)	(178,002)
Unamortized net actuarial loss (gain)*	259,463	9,416	(232)	7,406	276,053
Adjustment for off-fiscal measurement date	—	5,980	39	691	6,710
Accrued pension benefit asset (liability)	314,597	(192,924)	(957)	(15,955)	104,761
Employer contributions	—	15,382	176	1,973	17,531
Employee contributions	24,012	—	45	—	24,057
Benefits paid	(65,976)	(14,046)	(237)	(1,963)	(82,222)

The expense for the year ended March 31, 2026 related to pension and other post-employment benefit plans is calculated as follows:

	2026				
	Registered pension plan \$	Supplemental pension plan \$	Other post- employment benefit plans \$	Non-vesting sick leave benefit plan \$	Total \$
Current year benefit cost	34,930	1,373	—	2,254	38,557
Interest on accrued benefit obligation	91,911	10,735	33	911	103,590
Amortization of actuarial loss (gain)	8,819	2,433	(63)	497	11,686
Expected return on plan assets	(99,285)	—	—	—	(99,285)
Expense (recovery) for the year**	36,375	14,541	(30)	3,662	54,548

The Hospital for Sick Children

Notes to financial statements

[in thousands of dollars, except where otherwise noted]

March 31, 2026

Information about the Hospital's defined benefit plans as at and for the year ended March 31, 2025 is as follows:

	2025				
	Registered pension plan \$	Supplemental pension plan \$	Other post- employment benefit plans \$	Non-vesting sick leave benefit plan \$	Total \$
Accrued benefit obligation*	(1,743,137)	(210,519)	(950)	(22,691)	(1,977,297)
Plan assets*	1,918,536	—	—	—	1,918,536
Funded status – plan surplus (deficit)*	175,399	(210,519)	(950)	(22,691)	(58,761)
Unamortized net actuarial loss (gain)*	175,573	12,111	(268)	7,744	195,160
Adjustment for off-fiscal measurement date	—	4,644	54	681	5,379
Accrued pension benefit asset (liability)	350,972	(193,764)	(1,164)	(14,266)	141,778
Employer contributions	—	15,035	224	2,155	17,414
Employee contributions	22,186	—	52	—	22,238
Benefits paid	(62,695)	(14,811)	(278)	(1,978)	(79,762)

The expense for the year ended March 31, 2025 related to pension and other post-employment benefit plans is calculated as follows:

	2025				
	Registered pension plan \$	Supplemental pension plan \$	Other post- employment benefit plans \$	Non-vesting sick leave benefit plan \$	Total \$
Current year benefit cost	39,690	1,390	—	1,696	42,776
Interest on accrued benefit obligation	87,731	10,902	39	689	99,361
Amortization of actuarial loss (gain)	7,405	2,487	(56)	92	9,928
Expected return on plan assets	(96,316)	—	—	—	(96,316)
Expense (recovery) for the year**	38,510	14,779	(17)	2,477	55,749

The Hospital for Sick Children

Notes to financial statements

[in thousands of dollars, except where otherwise noted]

March 31, 2026

Included in long-term investments is \$250.5 million [2025 – \$243.6 million] that the Board has designated to fund the supplemental pension plan liability [note 4].

* By its nature, the defined contribution element is exactly fully funded. Accordingly, information shown for the value at the year-end of the plan obligations, assets, funded status and unamortized amounts all relates to the defined benefit element only and excludes the defined contribution assets and liabilities of \$189.0 million as at March 31, 2026 [2025 – \$152.1 million]. Otherwise, results shown relate to the defined benefit and defined contribution elements combined.

** Excludes expense of \$5.4 million [2025 – \$4.6 million] relating to the registered pension plan's defined contribution element.

The significant actuarial assumptions adopted in measuring the Hospital's accrued benefit obligations for the registered pension plan and supplemental pension plan are as follows:

	2026	2025
	%	%
Discount rate	5.25	5.25
Increase in pension payments	1.50	1.88
Inflation increases	2.00	2.00
Salary escalation	3.50	3.00

The expected annual increase in health care costs applicable to the other post-employment benefit plans is at the ultimate rate of 5.0% at the end of 2026 [2025 – 5.0%].

The significant actuarial assumptions adopted in measuring the Hospital's expense for the defined benefit pension plans are as follows:

	2026	2025
	%	%
Discount rate	5.25	5.25
Expected long-term rate of return on plan assets	5.25	5.25
Increase in pension payments	1.88	2.91
Inflation increases	2.00	2.00
Salary escalation	3.00	3.00

The expected annual increase in health care costs applicable to the other post-employment benefit plans is at the ultimate rate of 5.0% at the beginning of 2026 [2025 – 5.0%].

The estimated average remaining service periods of the active employees for which actuarial gains (losses) are amortized over are as follows: 11.5 years for the registered and supplemental pension plans, 7.6 years for the other post-employment benefit plans and 12 years for the non-vesting sick leave benefit plan.

The Hospital for Sick Children

Notes to financial statements

[in thousands of dollars, except where otherwise noted]

March 31, 2026

The breakdown of assets held in trust for the Hospital's registered pension plan at the measurement date is as follows:

	2026 %	2025 %
Cash and cash equivalents	5	3
Equity securities	59	58
Debt securities	36	39
	100	100

The significant actuarial assumptions adopted in measuring the Hospital's accrued benefit obligation for the other post-employment benefit plans and non-vesting sick leave benefit plan are as follows:

	2026 %	2025 %
Discount rate	3.84	3.86
Salary escalation	3.50	3.00

The significant actuarial assumptions adopted in measuring the Hospital's expense for the other post-employment benefit plans and non-vesting sick leave benefit plan are as follows:

	2026 %	2025 %
Discount rate	3.86	3.80
Salary escalation	3.00	3.00

8. Lines of credit

There are two unsecured operating lines of credit totalling \$125.0 million that can be utilized through a net overdraft facility. For the year ended March 31, 2026, the Hospital has a \$0.3 million [2025 – \$5.3 million] letter of credit for the construction of the PSC. A letter of credit valued at \$5.0 million [2025 – \$5.0 million] required by the City of Toronto as a performance guarantee for the construction of the PSC pedestrian bridge was not renewed upon its maturity during this year due to the satisfactory completion of construction.

The Hospital for Sick Children

Notes to financial statements

[in thousands of dollars, except where otherwise noted]

March 31, 2026

9. Long-term debt

Long-term debt consists of the following:

	2026 \$	2025 \$
Series A Senior Unsecured Debentures – principal <i>[note 9[a]]</i>	200,000	200,000
Series B Senior Unsecured Debentures – principal <i>[note 9[b]]</i>	300,000	300,000
Series C Senior Unsecured Debenture – principal <i>[note 9[c]]</i>	100,000	100,000
Transaction fees	(2,023)	(2,086)
	597,977	597,914

- [a] On December 16, 2009, the Hospital issued \$200.0 million of Series A Senior Unsecured Debentures associated with the construction of the PGCRL. The debentures bear interest at 5.217%, which is payable semi-annually on June 16 and December 16, with the principal to be repaid on December 16, 2049.

In 2012, \$24.0 million in unspent proceeds from the Series A Senior Unsecured Debentures was internally designated as the PGCRL Debenture Retirement Fund. As at March 31, 2026, \$53.4 million [2025 – \$49.0 million] is included in investments *[note 4]*.

- [b] On December 7, 2017, the Hospital issued \$300.0 million of Series B Senior Unsecured Debentures associated with the construction of the PSC *[note 6[b]]*. The debentures bear interest at 3.416%, which is payable semi-annually on June 7 and December 7, with the principal to be repaid on December 7, 2057.

On December 20, 2017, the Foundation granted \$26.5 million for the establishment of the PSC Series B Debenture Retirement Fund *[note 14[b]]*. As at March 31, 2026, \$39.3 million [2025 – \$36.0 million] is included in investments *[note 4]*.

- [c] On December 8, 2023, the Hospital issued \$100.0 million of Series C Senior Unsecured Debentures associated with the construction of the PSC *[note 6[b]]*. The debentures bear interest at 4.487%, which is payable semi-annually on June 8 and December 8, with the principal to be repaid on December 8, 2063. Proceeds of the debentures are for the construction of the PSC. As at March 31, 2026, unused proceeds, plus any accumulated investment income, from the debentures of \$34.9 million [2025 – \$40.0 million] are included in investments *[note 4]*.

In 2024, the Hospital established the PSC Series C Debenture Retirement Fund with \$10.0 million in available cash. As at March 31, 2026, \$12.4 million [2025 – \$11.3 million] is included in investments *[note 4]*.

- [d] For the year ended March 31, 2026, interest payable to bondholders of \$25.2 million [2025 – \$25.2 million] was expensed in the statement of operations. Of the amount payable to bondholders, \$8.5 million [2025 – \$8.4 million] has not been paid as at March 31, 2026 and is included in accounts payable and accrued liabilities.

The Hospital for Sick Children

Notes to financial statements

[in thousands of dollars, except where otherwise noted]

March 31, 2026

10. Deferred contributions

Deferred contributions represent unspent resources externally restricted, primarily for research, that are related to subsequent years. Changes in the deferred contributions balance are as follows:

	2026 \$	2025 \$
Balance, beginning of year	361,793	354,492
Amounts received during the year, including investment income allocated [notes 14[b] and 14[e]]	234,126	241,332
Amounts recognized as revenue during the year	(237,014)	(234,031)
Balance, end of year	358,905	361,793

The presentation on the statement of financial position is as follows:

	2026 \$	2025 \$
Short-term deferred contributions	319,610	325,801
Long-term deferred contributions related to the Series B Senior Unsecured Debentures [note 14[b]]	39,295	35,992
	358,905	361,793

11. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of externally restricted contributions received for the purchase of capital assets. Changes in the deferred capital contributions balance are as follows:

	2026 \$	2025 \$
Balance, beginning of year	564,608	532,435
Amounts received during the year [note 14[e]]	27,178	72,648
Amortization recognized as revenue during the year	(45,201)	(40,475)
Balance, end of year	546,585	564,608

As at March 31, 2026, the deferred capital contributions include funds received but not yet spent of \$1.5 million [2025 – \$48.3 million].

The Hospital for Sick Children

Notes to financial statements

[in thousands of dollars, except where otherwise noted]

March 31, 2026

12. Asset retirement obligations

The estimated total undiscounted expenditures for all asset retirement obligations are \$77.7 million [2025 – \$77.6 million] and they are expected to be incurred and settled at the end of the equipment or building's useful life. The liability is calculated using a range of discount rates between 2.45% and 4.68% [2025 – between 2.55% and 4.15%]. No settlement was paid in 2026 and 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 obligations are as follows:

	2026 \$	2025 \$
Balance, beginning of year	68,955	35,403
Accretion expense	2,458	1,377
Revisions in estimates	(2,990)	32,175
Balance, end of year	68,423	68,955

13. Internally restricted net assets

Internally restricted net assets consist of the following:

	2026 \$	2025 \$
Capital assets internally funded	169,476	174,117
Series A and C Senior Unsecured Debenture Retirement Funds	65,780	60,301
Accrued pension benefits	314,597	350,972
	549,853	585,390

Internally restricted net assets include funds committed for the following purposes:

- Capital assets internally funded represent capital assets funded using internal resources;
- Series A and C Senior Unsecured Debenture Retirement Funds represent funds set aside to retire the Series A and C Senior Unsecured Debentures [notes 9[a] and 9[c]]; and
- Accrued pension benefits represent the asset recorded on the statement of financial position related to the registered pension plan [note 7].

The Hospital for Sick Children

Notes to financial statements

[in thousands of dollars, except where otherwise noted]

March 31, 2026

14. The Hospital for Sick Children Foundation

- [a] The Hospital for Sick Children Foundation [the “Foundation”] is an independent corporation without share capital, which has its own Board of Directors. As at March 31, 2026, the Foundation holds \$1.80 billion [2025 – \$1.62 billion] in unrestricted, restricted and endowment funds to be used primarily to support research, educational activities and capital investments at the Hospital. As at March 31, 2026, \$60 million in unspent Foundation funds for Project Horizon was returned from the Hospital to the Foundation for reinvestment until such time that it is needed to meet the Hospital’s local share obligations. The Foundation is responsible for fundraising activities carried out on behalf of the Hospital, and donations or bequests made to the Hospital are recorded as Foundation revenue.
- [b] The Hospital entered into five funding agreements with the Foundation: the Research Tower Funding Agreement, the Patient Support Centre [“PSC”] Funding Agreement, the Second Patient Support Centre [“PSC”] Funding Agreement, the Patient Care Tower [“PCT”] Funding Agreement and the Core Funding Agreement.

The Research Tower Funding Agreement provided for the capital fundraising campaign in respect of the PGCRL and provided, on a best efforts basis, certain grants to the Hospital in respect of the PGCRL. The Hospital used a portion of the grants toward the design and construction costs of the PGCRL and a portion to support the Hospital’s interest and principal obligations related to the debentures. Subject to certain provisions for termination, the Research Tower Funding Agreement will remain in effect for as long as any of the Series A Senior Unsecured Debentures [note 9[a]] are outstanding.

The PSC Funding Agreement provides the terms and conditions under which the Foundation will, on a best efforts basis, make grants to the Hospital with respect to the PSC. On December 20, 2017, the Foundation granted \$26.5 million, for the purposes of establishing a Debenture Retirement Fund, whereby the Hospital will invest such funds for the retirement of the debentures upon maturity. As at March 31, 2026, the Debenture Retirement Fund for this is \$39.3 million [2025 – \$36.0 million] [note 9]. Other grants under this agreement will be used to support the Hospital’s interest obligations related to the Series B Senior Unsecured Debentures [note 9[b]].

The Second PSC Funding Agreement provides the terms and conditions under which the Foundation will, on a best efforts basis, make grants to the Hospital with respect to the PSC. The grants under this agreement will be used to support the Hospital’s interest obligations related to the Series C Senior Unsecured Debentures [note 9[c]].

The PCT Funding Agreement provides the terms and conditions under which the Foundation will, on a best efforts basis, make grants to the Hospital in respect to the capital costs of Project Horizon.

The Core Funding Agreement provides for the terms and conditions under which the Foundation will make grants to the Hospital in respect of core funding support for the SickKids Research Institute, a division of the Hospital, and certain other matters, including grants intended to be equivalent to the operating and maintenance costs of the PGCRL.

The Hospital for Sick Children

Notes to financial statements

[in thousands of dollars, except where otherwise noted]

March 31, 2026

In general, the Foundation's grants under the Research Tower Funding Agreement, the PSC Funding Agreement, the Second PSC Funding Agreement and the PCT Funding Agreement take precedence over any other commitments of the Foundation to the Hospital.

Each of the Research Tower Funding Agreement, the PSC Funding Agreement, the Second PSC Funding Agreement, the PCT Funding Agreement and the Core Funding Agreement contains a provision that provides for mandatory renegotiation if the Board Unrestricted Endowment Fund of the Foundation is reduced to \$150.0 million or less. The Board Unrestricted Endowment Fund of the Foundation represents unrestricted resources transferred by the Board of Directors of the Foundation to the Foundation's Endowment Fund. As at March 31, 2026, the Foundation holds \$348.0 million [2025 – \$306.9 million] in the Board Unrestricted Endowment Fund.

- [c] The Hospital has agreed to indemnify the Foundation and its directors, officers, employees, members and agents against losses arising out of or resulting from the offering of the debentures.
- [d] On April 1, 2011, the Hospital entered into a 10-year agreement to lease its parking facilities to the Foundation. The Hospital holds three additional, successive rights to renew this lease for periods of 10 years each, of which the Hospital has exercised its first renewal option. At the time of renewal on April 1, 2021, the lease payments were \$0.6 million per month, increasing by 1% each year. The Hospital has also entered into an agreement with the Foundation to manage the facilities for a fee equivalent to costs incurred by the Hospital to operate the facilities and a portion of the parking fees. During the year, the Hospital earned \$4.6 million [2025 – \$4.6 million] in leasing revenue and \$1.5 million [2025 – \$1.4 million] in management fees, which are recorded in commercial revenue in the statement of operations.
- [e] During the year, the Foundation granted \$187.1 million [2025 – \$164.4 million] to the Hospital for research, education, capital and debenture operating interest expense. These grants are recorded as revenue, deferred contributions or deferred capital contributions in the Hospital's financial statements.
- [f] As at March 31, 2026, accounts receivable include a receivable from the Foundation of \$22.2 million [2025 – \$28.4 million]. Accounts payable and accrued liabilities include an amount payable to the Foundation of \$1.1 million [2025 – \$0.6 million] related to parking revenue [note 14[d]] and other. These current amounts due to/from the Foundation are non-interest bearing and due on demand.
- [g] Some former Foundation staff participate in the Hospital's employee benefit plans. The Foundation reimburses the Hospital for any contributions related to the Foundation employees' participation in these benefit plans. Other non-current assets include \$2.3 million [2025 – \$2.3 million] related to an amount receivable from the Foundation for those staff participating in the Hospital's benefit plan.
- [h] These transactions occur in the normal course of business and are recorded at their exchange amounts, which is the amount agreed upon by both parties.

The Hospital for Sick Children

Notes to financial statements

[in thousands of dollars, except where otherwise noted]

March 31, 2026

15. Kids Health Alliance

In June 2017, the Hospital, Holland Bloorview Kids Rehabilitation Hospital and the Children's Hospital of Eastern Ontario – Ottawa Children's Treatment Centre partnered to form Kids Health Alliance ["KHA"]. KHA is a network of paediatric health care institutions working together to improve the health of children and youth in their regions to create a more coordinated, consistent, high-quality system of care for children, youth and their families.

KHA is an independent corporation without share capital and prepares its financial statements in accordance with Part III of the *CPA Canada Handbook – Accounting*, which sets out generally accepted accounting principles for not-for-profit organizations in Canada. There are no significant differences in the presentation of KHA's and the Hospital's financial results arising from their different accounting policies.

These transactions occur in the normal course of business and are recorded at their exchange amounts, which is the amount agreed upon by both parties. As at March 31, 2026, net assets amount to \$0.4 million [2025 – \$0.3 million].

16. The SickKids Centre for Community Mental Health

The SickKids Centre for Community Mental Health [the "Centre"] is an organization dedicated to serving infants, children and youth with complex mental health needs, and their families. The Centre provides prevention, early intervention and treatment services, as well as training to students in all major mental health disciplines as a community affiliate of the University of Toronto. The Centre also provides training, research and community consultation in a wide range of disciplines connected to children's mental health.

The Centre is a registered charity and, as such, is exempt from income taxes under the *Income Tax Act* (Canada). Control is exercised over the Centre through a governance structure managed by the Hospital.

The Hospital for Sick Children

Notes to financial statements

[in thousands of dollars, except where otherwise noted]

March 31, 2026

As at and for the years ended March 31, the summarized assets, liabilities and results of operations for the Centre are as follows:

	2026 \$	2025 \$
	<i>[unaudited]</i>	<i>[audited]</i>
Financial position		
Total assets	16,304	16,229
Total liabilities	4,780	5,467
Internally restricted funds	7,784	7,267
Unrestricted funds	3,740	3,495
Total net assets	11,524	10,762
Total liabilities and net assets	16,304	16,229
	2026 \$	2025 \$
	<i>[unaudited]</i>	<i>[audited]</i>
Results of operations		
Total revenue	18,700	18,662
Total expenses	17,938	17,940
Excess of revenue over expenses for the year	762	722
	2026 \$	2025 \$
	<i>[unaudited]</i>	<i>[audited]</i>
Cash flows		
Operating activities	(367)	(1,002)
Capital activities	(186)	(462)
Financing activities	279	202
Investing activities	1,800	(3,400)
Net increase (decrease) in cash for the year	1,526	(4,662)

The Hospital for Sick Children

Notes to financial statements

[in thousands of dollars, except where otherwise noted]

March 31, 2026

The Hospital maintains a service agreement with the Centre, whereby the Hospital provides senior management and administrative support on a cost recovery basis. These transactions occur in the normal course of business and are recorded at their exchange amounts, which is the amount agreed upon by all parties. During the year, the Hospital earned \$0.7 million [2025 – \$0.7 million] in management and administrative fees from the Centre, which are recorded in other revenue in the statement of operations. As at March 31, 2026, the Centre owes the Hospital \$0.1 million [2025 – \$0.7 million] relating to managed service fees and other expenses paid for on behalf of the Centre. As of March 31, 2026, \$0.6 million [2025 – \$0.9 million] in foundation grants to the Centre are held at the Hospital and included in accounts receivable of the Centre.

17. The Centre for Phenogenomics

The Centre for Phenogenomics ["TCP"] is a contractual joint venture between the Hospital and Sinai Health System, consisting of a 120,000 square foot, centralized, state-of-the-art, research-enabling mouse facility. The Hospital accounts for its interest in TCP using the modified equity method and recognizes 50% of the joint venture's operations of nil [2025 – nil] in the statement of operations.

TCP is an unincorporated entity and prepares its financial statements in accordance with Part III of the *CPA Canada Handbook – Accounting*, which sets out generally accepted accounting principles for not-for-profit organizations in Canada. There are no significant differences in the presentation of TCP's and the Hospital's financial results arising from their different accounting policies.

As at and for the years ended March 31, the summarized assets, liabilities and results of operations for TCP are as follows:

	2026 \$ [unaudited]	2025 \$ [unaudited]
Financial position		
Total assets	2,279	1,500
Total liabilities	2,279	1,500
Total capital reserve	—	—
Total liabilities and capital reserve	2,279	1,500
	2026 \$ [unaudited]	2025 \$ [unaudited]
Results of operations		
Total revenue	10,431	11,022
Total expenses	10,431	11,022
Excess of revenue over expenses for the year	—	—

The Hospital for Sick Children

Notes to financial statements

[in thousands of dollars, except where otherwise noted]

March 31, 2026

	2026 \$ [unaudited]	2025 \$ [unaudited]
Cash flows		
Operating activities	755	(497)
Capital activities	—	—
Net increase (decrease) in cash for the year	755	(497)

As at March 31, 2026, accounts payable and accrued liabilities include an amount payable to TCP of \$0.8 million [2025 – \$1.2 million]. This current amount due to TCP is non-interest bearing and due on demand.

Transactions occurred in the normal course of business and have been recorded at their exchange amounts, which is the amount agreed upon by both parties.

18. Commitments and contingencies

- [a] The nature of the Hospital's activities is such that there is often litigation pending or in progress. Where the potential liability is likely and able to be estimated, management records its best estimate of the potential liability. With respect to claims as at March 31, 2026, it is management's position that the Hospital has valid defences and appropriate insurance coverage to offset the cost of unfavourable settlements, if any, which may result from such claims. 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 any amount recorded are determined to be required.
- [b] The Hospital 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 annual premiums, which are actuarially determined. 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.
- [c] The future minimum annual payments under various operating leases are as follows:

	\$
2027	2,512
2028	2,392
2029	2,348
2030	2,373
2031	2,380
Thereafter	14,704

In addition to minimum rentals, property leases generally provide for payment by the Hospital of various operating costs.

The Hospital for Sick Children

Notes to financial statements

[in thousands of dollars, except where otherwise noted]

March 31, 2026

[d] The future minimum annual payments under the capital lease [note 6[c]] are as follows:

	\$
2027	1,034
2028	561
Minimum lease payments	1,595
Less amounts representing interest [at 0.7%]	11
Less amounts representing interest [at 2.9%]	13
Present value of net minimum capital lease payments	1,571
Less current portion of capital lease obligation	1,014
	557

Total interest on the lease for the year was less than \$0.1 million [2025 – \$0.1 million].

[e] The Hospital has committed to refurbishment work on air handling units to be performed between 2025 to 2028. A contractor has been retained with a contract amount totalling \$28.1 million. Work on the project commenced in July 2025. In 2026, \$2.0 million has been spent to date with the remaining amount of \$26.1 million to be spent in future years.

[f] The future minimum annual payments under the promissory note arrangement [note 6[c]] are as follows:

	\$
2027	963
2028	482
Minimum annual payments	1,445
Less amounts representing interest [at 7.8%]	85
Present value of minimum annual payments	1,360
Less current portion of principal payment	888
	472

19. Comparative financial statements

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