



Financial Statements

for the year ended March 31, 2025



CHILDREN’S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN’S TREATMENT CENTRE

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Year ended March 31, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the Children's Hospital of Eastern Ontario - Ottawa Children's Treatment Centre

Opinion

We have audited the financial statements of the Children's Hospital of Eastern Ontario - Ottawa Children's Treatment Centre (the Entity), which comprise:

- the statement of financial position as at March 31, 2025
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of remeasurement gains and losses for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2025, and its results of operations, its changes in net assets, its remeasurement gains and losses, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.

Basis for Opinion

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

We are independent of the Entity 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 Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled “Annual Report”.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

The information, other than the financial statements and the auditor's report thereon, included in a document likely entitled “Annual Report” is expected to be made available to us after the date of this auditor's report.

If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

June 16, 2025

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Statement of Financial Position

March 31, 2025, with comparative information for 2024

(Tabular amounts in thousands of dollars)

Description	2025	2024
Assets		
Current assets:		
Cash	\$48,142	\$55,368
Amounts receivable (note 3)	168,119	91,609
Inventories	3,944	3,393
Prepaid expenses	9,108	8,555
Current portion of due from related parties (note 5)	10,864	4,788
Total current assets	240,177	163,713
Due from related parties (note 5)	0	340
Designated investments (note 6)	19,170	23,927
Funds held for others (notes 6 and 11)	7,254	5,699
Capital assets (notes 7 and 14)	349,197	267,394
Interest rate swap asset (note 12)	140	608
Total assets	\$615,938	\$461,681
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$227,577	\$159,627
Due to related parties (note 8)	2,300	4,760
Current portion of long-term debt (note 12)	3,037	3,176
Current portion of deferred contributions (note 9)	12,712	16,462
Total current liabilities	245,626	184,025

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Statement of Financial Position (continued)

March 31, 2025, with comparative information for 2024

(Tabular amounts in thousands of dollars)

Description	2025	2024
Deferred contributions	\$33,958	\$20,748
Deferred contributions for capital assets (note 10)	272,415	190,473
Funds held for others (note 11)	7,254	5,699
Long-term debt (note 12)	29,466	32,038
Accrued benefit liability (note 13)	9,527	8,647
Interest rate swap liability (note 12)	1,542	0
Asset retirement obligations (note 14)	4,248	4,220
Total liabilities	604,036	445,850
Net assets:		
Invested in capital assets (note 15(a))	44,279	41,707
Unrestricted deficiency	(30,975)	(26,484)
Accumulated remeasurement gains	(1,402)	608
Total net assets	11,902	15,831
Contingent liabilities and commitments (note 16)		
Total liabilities and net assets	\$615,938	\$461,681

See accompanying notes to financial statements.

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Statement of Operations

Year ended March 31, 2025, with comparative information for 2024

(Tabular amounts in thousands of dollars)

Description	2025	2024
Revenue:		
Ministry of Health/Ontario Health	\$307,801	\$280,627
Patient services	57,927	54,224
Other operating revenues and recoveries	63,394	53,639
Amortization of deferred capital contributions	7,190	6,345
Other funded programs (Schedule A)	115,087	99,642
Total revenue	551,399	494,477
Expenses:		
Salaries and benefits	289,723	264,134
Medical staff remuneration	13,546	13,042
Supplies and other expenses	75,331	72,885
Medical, surgical and laboratory expenses	23,070	21,721
Drugs and medical gases	18,754	17,305
Amortization of equipment	12,971	10,440
Other funded programs (Schedule A)	118,004	102,650
Total expenses	551,399	502,177
Deficiency of revenue over expenses before the undernoted items and non-recurring items	0	(7,700)
Amortization of deferred contributions for buildings	4,371	3,425
Amortization of buildings	(6,290)	(5,402)
Deficiency of revenue over expenses before non- recurring items	(1,919)	(9,677)
Retroactivity associated with Bill 124 repeal (note 20):		
Ontario Health funding	0	12,601
Salaries and benefits - hospital operations	0	(2,022)
Salaries and benefits - other funded programs	0	(1,997)
Retroactivity associated with Bill 124 repeal total	0	8,582
Deficiency of revenue over expenses	\$(1,919)	\$(1,095)

See accompanying notes to financial statements.

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Statement of Changes in Net Assets

Year ended March 31, 2025, with comparative information for 2024

(Tabular amounts in thousands of dollars)

Description	Invested in capital assets	Unrestricted	2025 Total	2024 Total
Balance, beginning of year	\$41,707	\$(26,484)	\$15,223	\$16,318
Deficiency of revenue over expenses	0	(1,919)	(1,919)	(1,095)
Net change in invested in capital assets (note 15(b))	2,572	(2,572)	0	0
Balance, end of year	\$44,279	\$(30,975)	\$13,304	\$15,223

See accompanying notes to financial statements.

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Statement of Remeasurement Gains and Losses

Year ended March 31, 2025, with comparative information for 2024

(Tabular amounts in thousands of dollars)

Description	2025	2024
Accumulated remeasurement gains, beginning of year	\$608	\$661
Unrealized losses attributable to:		
Interest rate swaps	(2,010)	(53)
Accumulated remeasurement gains (losses), end of year	\$(1,402)	\$608

See accompanying notes to financial statements.

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Statement of Cash Flows

Year ended March 31, 2025, with comparative information for 2024

(Tabular amounts in thousands of dollars)

Description	2025	2024
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses	\$(1,919)	\$(1,095)
Items not involving cash:		
Amortization:		
Capital assets	19,261	15,842
Deferred contributions for capital assets	(11,561)	(9,770)
Loss on disposal of capital assets	0	2
Increase in actuarial valuation of accrued employee future benefits	1,276	793
Net increase in asset retirement obligation	28	233
Employee future benefits paid	(396)	(384)
Increase in deferred contributions	9,460	1,469
Net change in non-cash operating working capital (note 19)	(17,994)	20,758
Net change in cash from operating activities	(1,845)	27,848
Investing activities:		
Net sale (acquisitions) of designated investments	4,757	(1,283)
Net change in cash from investing activities	4,757	(1,283)
Capital activities:		
Purchase of capital assets	(101,064)	(92,080)
Deferred contributions for capital assets	93,503	75,591
Proceeds on disposal of capital assets	0	16
Net change in cash from capital activities	(7,561)	(16,473)

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Statement of Cash Flows (continued)

Year ended March 31, 2025, with comparative information for 2024

(Tabular amounts in thousands of dollars)

Description	2024	2023
Financing activities:		
Proceeds on long-term debt	\$0	\$7,400
Repayment of long-term debt	(2,711)	(4,167)
Changes in accounts payable for construction	134	(31)
Net change in cash from financing activities	(2,577)	3,202
Increase (decrease) in cash	(7,226)	13,294
Cash, beginning of year	55,368	42,074
Cash, end of year	\$48,142	\$55,368
Interest paid	\$1,157	\$1,589

See accompanying notes to financial statements.

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements

Year ended March 31, 2025

(Tabular amounts in thousands of dollars)

1. Description:

The Children's Hospital of Eastern Ontario - Ottawa Children's Treatment Centre ("CHEO") is incorporated under the Ontario Corporations Act. CHEO provides health care services to children in Eastern Ontario, Western Quebec and Nunavut. CHEO is a registered charity and as such is not subject to income tax under Paragraph 149(1)(f) of the Income Tax Act (Canada).

2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards including the 4200 standards for government not-for-profit organizations and include the following significant accounting policies:

(a) Revenue recognition:

Operating grants are recorded as revenue in the period to which they relate. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. Grants approved but not received at the end of an accounting period are accrued.

Revenue from other provinces and uninsured patients, operational revenue, and ancillary services are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

CHEO follows the deferral method of accounting for contributions for not-for-profit organizations which includes provincial government allocations, other contributions and grants.

Externally restricted contributions are recognized as revenue in the year in which the conditions for the restriction have been met. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2025

(Tabular amounts in thousands of dollars)

2. Significant accounting policies (continued):

(a) Revenue recognition (continued):

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

(b) Funding policy:

Under the current funding policy, CHEO is essentially funded on a fixed global-budget base. CHEO is allowed to retain any excess of revenue over expenses derived from its operations and, conversely, retains responsibility for any deficit it may incur.

(c) Contributed services and donated assets:

A substantial number of volunteers contribute a significant amount of their time each year to CHEO. Owing to the difficulty in assessing the number of hours and the fair value thereof, contributed services are not recognized in the financial statements.

Contributions of capital assets are recorded at their estimated fair value at the date of contribution.

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Unrealized changes in fair value of designated investments are recorded in deferred contributions and funds held for others.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2025

(Tabular amounts in thousands of dollars)

2. Significant accounting policies (continued):

(d) Financial instruments (continued):

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations.

Canadian public sector accounting standards require CHEO to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 – Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

CHEO uses derivative financial instruments to manage interest rate risk. The only derivative products used are interest rate swaps (see notes 12 and 18 for further details). Derivative instruments are recorded on the statement of financial position as assets or liabilities and are measured at fair value. Derivatives with positive fair value are reported as assets and derivatives with negative fair value are reported as liabilities.

CHEO uses hedge interest rate swaps to hedge variability in forecasted cash flows. Changes in the fair value of the swap are included directly in the statement of remeasurement gains and losses.

The periodic exchanges of payments on interest rate swaps designated as hedges of debt are recorded as an adjustment to interest expenses of the hedged item in the same period.

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2025

(Tabular amounts in thousands of dollars)

2. Significant accounting policies (continued):

(d) Financial instruments (continued):

The fair values of over-the-counter derivatives are based on prevailing market rates for instruments with similar characteristics and maturities, net present value analysis, or are determined by using pricing models that incorporate current market and contractual prices of the underlying instruments, time value of money, yield curve and volatility factors. Counterparty credit risk and liquidity valuation adjustments are recorded, as appropriate.

(e) Inventories:

Inventories are valued at lower of cost on a moving-average basis and current replacement cost, less a provision for any obsolete inventory on hand. Inventories are reviewed for obsolescence during cycle and spot counts. Replacement cost is the estimated cost to replenish the inventory at current market price. Major components of inventory include drugs and medical and surgical supplies.

(f) Capital assets:

Capital assets are recorded at cost. Assets acquired by a capital lease are amortized over the estimated life of the assets or over the lease term, as appropriate. When a capital asset no longer contributes to CHEO's ability to provide services, its carrying amount is written down to its residual value. Amortization is provided on the straight-line basis over the estimated useful lives as follows:

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2025

(Tabular amounts in thousands of dollars)

2. Significant accounting policies (continued):

(f) Capital assets (continued):

Asset	Useful Life - Years
Land improvements	10 to 25 years according to the class of improvements
Buildings	15 to 50 years according to the class of the asset
Major equipment	5 to 15 years according to the class of the asset
Minor equipment	Minor equipment is expensed as incurred

The cost of capital projects in progress will be transferred to the cost of buildings and/or major equipment and begin to be amortized when construction/implementation is complete and the facility/equipment is put in use. Land is not amortized due to its infinite life.

(g) Long-term lease agreements:

CHEO has long-term lease agreements with third parties for buildings that have been constructed on lands owned by CHEO. These land leases are accounted for by CHEO as operating leases. The buildings which were constructed by third parties are not accounted for as assets of CHEO and any assets or related liabilities thereon would be accounted for by CHEO upon termination of the lease agreement.

(h) Employee future benefits:

CHEO provides defined retirement and other future benefits for substantially all retirees and employees. These future benefits include life insurance and health care benefits.

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2025

(Tabular amounts in thousands of dollars)

2. Significant accounting policies (continued):

(h) Employee future benefits (continued):

CHEO accrues its obligations under the defined benefit plans as the employees render the services necessary to earn the other retirement benefits. The actuarial determination of the accrued benefit obligations for other retirement benefits uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors).

The most recent actuarial valuation of the benefit plans for funding purposes was as of March 31, 2025, and the next required valuation will be as of March 31, 2028.

Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortized over the average remaining service period of active employees. These defined benefit plans are not funded.

The average remaining service period of active employees covered by the employee benefit plans is 15.0 years (2024 - 14.0 years).

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

CHEO is an employer member of the Healthcare of Ontario Pension Plan, which is a multi-employer, defined benefit pension plan. CHEO has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles.

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2025

(Tabular amounts in thousands of dollars)

2. Significant accounting policies (continued):

(i) Use of estimates:

The preparation of financial statements in conformity with Public Sector Accounting Standards requires management to make estimates that affect the reported amounts of assets and liabilities and disclosures 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. In particular, the assumptions underlying the employee future benefit calculations contain significant estimates. Actual results could differ from these estimates. These estimates are reviewed annually and as adjustments become necessary, they are recorded in the financial statements in the period they become known. Significant estimates used in preparing the financial statements include the assumptions underlying the accrued benefit liability calculation, the valuation of the interest rate swap asset, and the accrued liability for the asset retirement obligations.

(j) Asset retirement obligations:

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

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

CHEO has recognized liabilities for the following obligations:

- (i) Removal of asbestos in several of the buildings owned by CHEO based on estimated future expenses on closure of the site and post-closure care;
- (ii) Contractual end of term lease obligations based on estimated future expenses to return leased premises to their original state; and
- (iii) Removal of fuel storage tanks based on the estimated future expense of removal which is dependent on the size and fuel class of the tank.

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2025

(Tabular amounts in thousands of dollars)

2. Significant accounting policies (continued):

(j) Asset retirement obligations (continued):

Under the modified retroactive method, the assumptions used on initial recognition are those as of the date of adoption of the standard. Assumptions used in the subsequent calculations are revised yearly.

The recognition of a liability resulted in an accompanying increase to the respective capital assets. The building assets affected by the asbestos liability, contractual end of term lease obligations and fuel storage tanks are being amortized following the amortization accounting policies outlined in note 2(f).

3. Amounts receivable:

Description	2025	2024
Ministry of Health/Ontario Health	\$17,742	\$15,141
Ministry of Children, Community and Social Services	125,651	54,389
Patient services	13,218	10,753
External organizations	10,455	10,749
Harmonized sales tax	2,601	2,428
Subtotal	169,667	93,460
Less: allowance for doubtful accounts	(1,548)	(1,851)
Total	\$168,119	\$91,609

Included in the amount receivable from the Ministry of Children, Community and Social Services is \$125,650,110 (2024 - \$54,287,043) in committed funding for the Integrated Treatment Centre project described in note 21.

The allowance for doubtful accounts relates to amounts receivable from patient services and external organizations and is determined based on prior experience with similar accounts.

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2025

(Tabular amounts in thousands of dollars)

4. Accounts payable and accrued liabilities:

Description	2025	2024
Ministry of Health/Ontario Health	\$23,058	\$22,880
Ministry of Children, Community and Social Services	2,238	2,584
External organizations	190,857	119,445
Government remittances	11,424	14,718
Total	\$227,577	\$159,627

Include in accounts payable to external organizations is \$125,312,892 owed to EllisDon Infrastructure OCH Inc. for work performed to March 31, 2025 (2024 - \$53,949,825) on the Integrated Treatment Centre project described in note 21.

5. Due from related parties:

Description	2025	2024
Eastern Ontario Regional Laboratory Association ("EORLA") - non-interest-bearing receivable on customary terms	\$52	\$0
CHEO Research Institute - interest free loan with principal payments of \$85,000 annually, maturing March 2029	0	425
CHEO Foundation - non-interest-bearing receivable with no defined terms of repayment	10,812	4,703
Subtotal	10,864	5,128
Less: current portion of due from related parties	(10,864)	(4,788)
Long-term portion of due from related parties	\$0	\$340

At the mutual agreement of both parties, CHEO Research Institute repaid the entire outstanding balance of the interest free loan in the current year.

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2025

(Tabular amounts in thousands of dollars)

6. Designated investment and funds held for others:

Description	Fair value	Cost	2025
			Fair value %
Short-term investments	\$547	\$547	2.0%
Provincial bonds	1,605	1,598	6.1%
Corporate bonds	24,272	23,811	91.9%
Total	\$26,424	\$25,956	100.0%

Description	Fair value	Cost	2024
			Fair value %
Short-term investments	\$193	\$193	0.7%
Treasury bills	1,402	1,398	4.7%
Provincial bonds	1,566	1,579	5.3%
Corporate bonds	26,465	26,515	89.3%
Total	\$29,626	\$29,685	100.0%

Bonds are debt obligations of governments and corporate entities paying interest at rates appropriate to the market at their date of purchase. The bonds mature at face value on a staggered basis until 2029. Interest rates for these securities range from 1.94% to 5.50% (2024 - 1.50% to 5.50%).

These investments can be liquidated by CHEO on demand.

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2025

(Tabular amounts in thousands of dollars)

7. Capital assets:

Asset	Cost	Accumulated amortization	2025 Net book value	2024 Net book value
Land	\$454	\$0	\$454	\$454
Land improvement	2,192	1,753	439	540
Buildings	202,130	98,887	103,243	100,080
Major equipment	285,810	211,136	74,674	72,268
Projects in progress	170,387	0	170,387	94,052
Total	\$660,973	311,776	\$349,197	\$267,394

As at March 31, 2025, CHEO has recorded \$146,866,890 (2024 - \$71,698,748) in capital assets related to the Integrated Treatment Centre project described in note 21. These assets are presented as projects in progress in the current year.

Cost and accumulated amortization of capital assets at March 31, 2024 amounted to \$559,908,896 and \$292,514,667, respectively. CHEO did not dispose of any equipment in the current year. In 2024, CHEO disposed of equipment with a cost of \$755,139 and accumulated amortization \$737,186. CHEO received proceeds of \$15,820 associated with these disposals, resulting in a loss of \$2,133.

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2025

(Tabular amounts in thousands of dollars)

8. Due to related parties:

Description	2025	2024
CHEO Research Institute - non-interest-bearing payable with no defined terms of repayment	\$1,309	\$3,688
CHEO School Authority - non-interest-bearing payable with no defined terms of repayment	991	642
EORLA - non-interest-bearing payable on customary terms	0	430
Total	\$2,300	\$4,760

9. Deferred contributions:

Description	Capital funds	Other	2025 Total
Balance, beginning of year	\$20,748	\$16,462	\$37,210
Add: amount received during the year	11,732	752	12,484
Add: change in unrealized losses on designated investments	310	145	455
Less: amount transferred to deferred contributions for capital assets	(722)	0	(722)
Less: amount recognized as revenue during the year	0	(2,757)	(2,757)
Transfers	1,890	(1,890)	0
Total	\$33,958	\$12,712	\$46,670

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2025

(Tabular amounts in thousands of dollars)

9. Deferred contributions (continued):

Description	Capital funds	Other	2025 Total
Accumulated unrealized gains on designated investments, beginning of year	\$(70)	\$(17)	\$(84)
Total	\$(70)	\$(17)	\$(84)
Accumulated unrealized losses on designated investments, end of year	\$240	\$131	\$371
Total	\$240	\$131	\$371
Description	Capital funds	Other	2024 Total
Balance, beginning of year	\$14,673	\$21,068	\$35,741
Add: amount received during the year	5,130	688	5,818
Less: change in unrealized gains on designated investments	(75)	(54)	(129)
Less: amount transferred to deferred contributions for capital assets	(447)	0	(447)
Less: amount recognized as revenue during the year	0	(3,773)	(3,773)
Transfers	1,467	(1,467)	0
Total	\$20,748	\$16,462	\$37,210

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2025

(Tabular amounts in thousands of dollars)

9. Deferred contributions (continued):

Description	Capital funds	Other	2024 Total
Accumulated unrealized gains on designated investments, beginning of year	\$5	\$40	\$45
Total	\$5	\$40	\$45
Accumulated unrealized losses on designated investments, end of year	\$(70)	\$(14)	\$(84)
Total	\$(70)	\$(14)	\$(84)

The deferred contribution balance of \$33,958,419 (2024 - \$20,747,954) in the Capital Funds component represents capital grants from the Province of Ontario and Government of Canada, as well as contributions from the CHEO Foundation for capital equipment. As these funds are spent on equipment, a corresponding amount is transferred to deferred contributions for capital assets.

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2025

(Tabular amounts in thousands of dollars)

10. Deferred contributions for capital assets:

Changes in the deferred contributions for capital assets are as follows:

Description	2025	2024
Balance, beginning of year	\$190,473	\$124,652
Add: amount received during the year	81,452	69,656
Add: amount transferred from deferred contributions	363	278
Add: amount contributed by the CHEO Foundation	11,688	5,657
Less: amount recognized as revenue during the year	(11,561)	(9,770)
Balance, end of year	\$272,415	\$190,473

As at March 31, 2025, CHEO has recorded \$144,718,255 (2024 - \$70,273,777) in deferred contributions for capital assets related to the Integrated Treatment Centre project described in note 21.

11. Funds held for others:

During the year, CHEO was involved with the administration of several projects. As administrator of these projects, CHEO has accepted the responsibility of collecting funds from supporters and issuing payments for approved expenses. The receipts and disbursements for the projects are not recognized as revenues and expenses of CHEO. The related assets are disclosed in note 6.

Description	2025	2024
Balance, beginning of year	\$5,699	\$5,775
Add: amount received during the year	4,511	1,795
Add: change in unrealized gains on designated investments	72	(17)
Less: amount disbursed during the year	(3,028)	(1,854)
Balance, end of year	\$7,254	\$5,699

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2025

(Tabular amounts in thousands of dollars)

11. Funds held for others (continued):

Description	2025	2024
Accumulated unrealized gains on investments, beginning of year	\$25	\$42
Accumulated unrealized gains on investments, end of year	\$97	\$25

12. Long-term debt and credit facilities:

(a) Long-term debt:

Description	2025	2024
2.83% fixed rate loan with principal payments of \$25,000 monthly, matured October 2024	\$0	\$175
Daily Compounded CORRA plus 0.85% credit spread fixed by interest rate swap with interest only payments until March 2018, maturing March 2029	8,721	10,900
Daily Simple CORRA plus 0.84% credit spread fixed by interest rate swap with interest only payments until September 2023, maturing September 2043	23,782	24,139
Subtotal	32,503	35,214
Less: current portion of long-term debt	(3,037)	(3,176)
Long-term portion of long-term debt	\$29,466	\$32,038

Canadian Dollar Offered Rate ("CDOR") tenors ceased publication after June 28, 2024. CHEO transitioned impacted instruments to Canadian Overnight Repo Rate Average ("CORRA") lending in the current year.

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2025

(Tabular amounts in thousands of dollars)

12. Long-term debt and credit facilities (continued):

(a) Long-term debt (continued):

The future anticipated annual principal repayments related to long-term debt consist of the following:

Year	Amount
2026	\$3,037
2027	3,074
2028	3,115
2029	3,158
2030	1,019
Thereafter	19,100
Total	\$32,503

(b) Credit facilities:

CHEO has an operating credit facility which allows it to borrow up to \$30,000,000 (2024 - \$30,000,000) for general operating purposes. The term and rate associated with any loan taken against the facility are determined at the time that the funds are drawn. No amounts were drawn against the facility as at March 31, 2025 (2024 - \$Nil).

CHEO has a revolving credit facility which allows it to borrow up to \$10,000,000 (2024 - \$10,000,000) for the purposes of acquiring capital assets. The term and rate associated with any loan taken against the facility are determined at the time that the funds are drawn. No amounts were drawn against the facility as at March 31, 2025 (2024 - \$175,000).

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2025

(Tabular amounts in thousands of dollars)

12. Long-term debt and credit facilities (continued):

(b) Credit facilities (continued):

CHEO has a revolving standby credit facility which allows it to borrow up to \$30,000,000 (2024 - \$30,000,000) for the purposes of temporarily bridging funding and expenditures related to its capital redevelopment plan. The facility includes an accordion feature that provides CHEO with access to an additional \$20,000,000 subject to lender approval. The term and rate associated with any loan taken against the facility are determined at the time that the funds are drawn. The balance of amounts borrowed as at March 31, 2025 is \$Nil (2024 - \$Nil).

(c) Interest rate swaps:

Interest rate swaps are agreements where two counterparties exchange a series of payments based on different interest rates applied to a notional amount in a single currency. Interest rate swaps are used to adjust exposure to interest rate risk by modifying the repricing or maturity characteristics of existing and/or anticipated assets and liabilities.

CHEO has entered into an interest rate swap agreement to convert \$24,000,000 of net notional floating rate long-term debt to a fixed rate of 1.56%. The maturity date of the interest rate swap is March 1, 2029. The interest rate swap has unrealized accumulated remeasurement gains of \$140,154 (2024 - \$601,663), which are recorded on the statement of financial position as at March 31, 2025. The current year impact of the change in fair value of the interest rate swap is a decrease in accumulated remeasurement gains of \$461,509 (2024 - \$59,437).

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2025

(Tabular amounts in thousands of dollars)

12. Long-term debt and credit facilities (continued):

(c) Interest rate swaps (continued):

CHEO has entered into an interest rate swap agreement to convert \$25,000,000 of net notional floating rate long-term debt to a fixed rate of 3.55%. The maturity date of the interest rate swap is September 29, 2043. The interest rate swap has unrealized accumulated remeasurement losses of \$1,542,505 (2024 - unrealized accumulated remeasurement gains of \$5,978), which are recorded on the statement of financial position as at March 31, 2025. The current year impact of the change in fair value of the interest rate swap is a decrease in accumulated remeasurement gains of \$1,548,483 (2024 - increase in accumulated remeasurement gains of \$5,978).

The fair value of the interest rate swaps have been determined using Level 2 of the fair value hierarchy. The fair value of the interest rate swaps are based on underlying market yield curves and risk premiums. These inputs are discounted to estimate the future cash flows of the variable and fixed legs of the instruments.

13. Accrued employee future benefits:

CHEO offers defined benefit plans which provide pension and other post-retirement benefits to most of its employees. The measurement date used to determine the accrued benefit obligation is March 31, 2025. The most recent actuarial valuation of employee future benefits for accounting purposes was completed as at March 31, 2025.

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2025

(Tabular amounts in thousands of dollars)

13. Accrued employee future benefits (continued):

The liability associated with the post-retirement and post-employment plans as at March 31, 2025 is as follows:

Description	2025	2024
Accrued benefit obligation:		
Balance, beginning of year	\$8,874	\$8,553
Current benefit cost	395	373
Plan amendment	447	0
Interest	346	332
Benefits paid	(360)	(384)
Actuarial loss	1,054	0
Balance, end of year	10,756	8,874
Unamortized actuarial losses	(1,291)	(325)
EORLA accrued benefit	62	98
Employee future benefits liability	\$9,527	\$8,647

CHEO entered into a formal arrangement to transfer all laboratory operations to EORLA. Effective April 1, 2012, 78 of CHEO's non-medical laboratory employees became employees of EORLA, of which 52 employees were members of the benefit plan. As a result, the pension plan for these employees was curtailed and the liability for EORLA's employees separated from CHEO's accrued benefit liability. The EORLA liability of \$62,400 as at March 31, 2025 (2024 - \$98,400) will be reduced as benefits are paid out to former employees of CHEO.

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2025

(Tabular amounts in thousands of dollars)

13. Accrued employee future benefits (continued):

The significant actuarial assumptions adopted in measuring the accrued benefit obligation as at March 31, 2025 are as follows:

Description	2025	2024
Discount rate	3.89%	3.89%
Medical inflation	5.67% for year ended March 31, 2025 (2024 - 5.08%) reducing by 0.33% per year to an ultimate rate of 4.00% (2024 - 3.75%)	
Dental inflation	4.00%	3.75%
Mortality	Canadian pensioner 2014 mortality rates with mortality improvements projected to 2030 (2024 - uninsured pensioner 1994 mortality rates with mortality improvements to 2040)	

Healthcare of Ontario Pension Plan:

Substantially all of the employees of CHEO are eligible to be members of the Healthcare of Ontario Pension Plan (the "Plan"). The Plan is a multi-employer, defined benefit pension plan. The Plan is accounted for as a defined contribution plan. Employer contributions to the Plan during the year by CHEO on behalf of its employees amounted to \$24,543,602 (2024 - \$22,843,632). These amounts are included as operating expenses in the statement of operations.

In consultation with its actuaries, pension expense is based on the Plan management's best estimates, of the amount required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2024 indicates the plan is fully funded.

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2025

(Tabular amounts in thousands of dollars)

14. Asset retirement obligations:

CHEO's asset retirement obligations consist of several obligations as follows:

(a) Asbestos obligation:

CHEO owns and operates several buildings that are known to have asbestos. These materials represent a health hazard upon demolition of the building and a legal obligation exists to remove it. The buildings had estimated useful lives between 66 and 77 years when they were purchased between the years 1973 and 1984 of which 26 years remain. The timing of post-closure remedial work cannot yet be reasonably estimated, so no discounting has been applied to the liability.

During the year, CHEO increased the asset retirement obligation cost estimates by \$109,861 (2024 - \$200,216) to reflect a 2.6% (2024 - 3.7%) escalation rate for building construction price indexes for asbestos removal. CHEO also performed remediation on the affected buildings, decreasing the asset retirement obligation by \$87,907 (2024 - \$Nil).

(b) Contractual end of term lease obligations:

CHEO leases several properties that have contractual end of term obligations requiring the premises to be returned to their original state. The original leases were signed between 2002 and 2012 and the leases terms, including executed extensions, range from 11 to 17 years. The timing of remedial work cannot yet be reasonably estimated, so no discounting has been applied to the liability.

During the year, CHEO increased the asset retirement obligation cost estimates by \$4,274 (2024 - \$21,869) to reflect a 2.6% (2024 - 3.7%) escalation rate for building construction price indexes for general renovations. There was no work performed to return the leased properties to their original state in the current year (2024 - \$Nil).

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2025

(Tabular amounts in thousands of dollars)

14. Asset retirement obligations (continued):

(c) Fuel storage tanks:

CHEO owns fuel storage tanks which represent an environmental hazard upon removal and decommissioning and there are legal obligations regarding how they must be removed. The fuel storage tanks had an estimated useful life of 30 years when they were purchased in 2008 of which 14 years remain. The timing of removal and decommissioning cannot yet be reasonably estimated, so no discounting has been applied to the liability.

During the year, CHEO increased the asset retirement obligation cost estimates by \$2,087 (2024 - \$10,679) to reflect a 2.6% (2024 - 3.7%) escalation rate for price indexes for fuel storage tank removal. There was no work performed to remove the fuel storage tanks in the current year (2024 - \$Nil).

The asset retirement obligations at year end are as follows:

Description	2025	2024
Asbestos removal	\$4,031	\$4,009
Contractual end of term lease obligations	146	142
Fuel storage tanks	71	69
Total	\$4,248	\$4,220

Changes in the asset retirement obligations are as follows:

Description	2025	2024
Balance, beginning of year	\$4,220	\$3,987
Add: inflationary increases	116	233
Less: remedial work performed	(88)	0
Total	\$4,248	\$4,220

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2025

(Tabular amounts in thousands of dollars)

15. Net assets invested in capital assets:

(a) Investment in capital assets is calculated as follows:

Description	2025	2024
Capital assets	\$349,197	\$267,394
Amounts financed by:		
Deferred contributions for capital assets	(272,415)	(190,473)
Long-term debt	(32,503)	(35,214)
	\$44,279	\$41,707

CHEO receives contributions restricted in use from various sources and has complied with the conditions and requirements of capital grants, contributions and long-term debt throughout the year.

(b) Net change in investment in capital assets is calculated as follows:

Description	2025	2024
Purchase of capital assets	\$101,064	\$92,080
Loss on disposal of capital assets	0	(2)
Proceeds on disposal of capital assets	0	(16)
Amortization of capital assets	(19,261)	(15,842)
(Increase) decrease in long-term debt	2,711	(3,233)
Deferred contributions for capital assets	(93,503)	(75,591)
Amortization of deferred contributions for capital assets	11,561	9,770
Total	\$2,572	\$7,166

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2025

(Tabular amounts in thousands of dollars)

16. Contingent liabilities and commitments:

- (a) As a member of the Ottawa Health Sciences Centre Inc., CHEO is party to a Thermal Energy Agreement ("TEA") with TransAlta Cogeneration L.P. for the purchase of thermal energy for heating and humidifying the hospital premises. In 2022, the TEA was re-negotiated and resulted in an extension of its term from January 1, 2022 to December 31, 2033.
- (b) CHEO is also committed under supplier contracts to purchase services for the next five years for a total amount of \$58,463,861 (2024 - \$45,003,442).
- (c) From time to time, CHEO is a party to claims related to its operations, the majority of which are covered under CHEO's insurance policy. No provision has been made for loss in these financial statements as, in management's opinion, these claims will not have a material adverse effect on its financial position or result of operations.
- (d) CHEO is a member of the Healthcare Insurance Reciprocal of Canada ("HIROC"), which is a pooling of the liability insurance risks of its members. HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts which permit persons to exchange with other persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces and territories where it is licensed. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the year in which they were a subscriber. No reassessments have been made at March 31, 2025.
- (e) During the normal course of operations, CHEO is involved in certain employment related negotiations and other matters and has recorded accruals based on management's estimate of potential settlement amounts where these amounts are reasonably determinable and deemed likely to occur.

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2025

(Tabular amounts in thousands of dollars)

17. Related entities:

CHEO is related to the following entities: Children's Hospital of Eastern Ontario Foundation, Children's Hospital of Eastern Ontario Research Institute Inc., CHEO School Authority, Eastern Ontario Regional Laboratory Association Inc. and Ottawa Regional Hospital Linen Services Inc. by virtue of representation on their Boards or other forms of influence. CHEO does not have control of these entities and the net assets and results of operations of these entities are not included in CHEO's financial statements. In addition to the related party transactions disclosed elsewhere in these financial statements, CHEO has entered into the following transactions with these entities:

Children's Hospital of Eastern Ontario Foundation (the "Foundation")

During the year, CHEO recorded total contributions from the Foundation in the amount of \$20,615,079 (2024 - \$8,050,257) allocated as follows: operating contributions \$8,258,920 (2024 - \$2,562,693), capital contributions \$12,064,469 (2024 - \$5,487,564) and other special purpose funds in the amount of \$291,690 (2024 - \$Nil). Special purpose funds are not included as a revenue or an expense to CHEO. The Foundation is a tax-exempt charitable entity created without share capital under the laws of Ontario.

Children's Hospital of Eastern Ontario Research Institute Inc. (the "Institute")

CHEO provides administrative services, including financial accounting, human resources, material management and information services, to the Institute for a total annual fee of \$396,000 (2024 - \$395,500). Where applicable, costs initially paid by CHEO are billed back to the Institute on a cost recovery basis. During the year, CHEO provided funds to the Institute in the amount of \$301,300 (2024 - \$301,300) as a contribution towards operating costs. The Institute is a tax-exempt charitable entity created without share capital under the Canada Not-for-Profit Corporations Act.

CHEO School Authority (the "School Authority")

CHEO provides administrative services, including financial accounting, human resources, material management and information services, to the School Authority for a total annual fee of \$412,763 (2024 - \$411,625). All operating and capital expenses of the School Authority are initially paid by CHEO and subsequently billed back on a cost recovery basis. The School Authority is a tax-exempt organization created without share capital under the Education Act.

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2025

(Tabular amounts in thousands of dollars)

17. Related entities (continued):

Eastern Ontario Regional Laboratory Association Inc.

CHEO is a founding member of EORLA which was established to provide specialized laboratory services to the sixteen member hospitals on a cost-of-service basis. EORLA is a tax-exempt not-for-profit organization incorporated without share capital under the Ontario Business Corporations Act. Effective April 1, 2013, CHEO entered into a formal arrangement with EORLA to transfer all laboratory operations (except Genetics) to EORLA. All existing laboratory equipment remains the property of CHEO and will be leased to EORLA at no charge. New equipment will be acquired directly by EORLA as the need arises. As at March 31, 2025, CHEO had an economic interest of \$2,058,664 (2024 - \$2,128,753) of total net assets of \$24,920,285 (2024 - \$25,380,896). During the year, CHEO paid \$10,536,000 (2024 - \$8,808,000) for laboratory services provided by EORLA.

Ottawa Regional Hospital Linen Services Inc. ("ORHLS")

CHEO is a founding member of ORHLS which was established to provide laundry services for the member hospitals on a cost-of-service basis. ORHLS is incorporated without share capital under the Ontario Business Corporations Act and is a not-for-profit organization under the Income Tax Act (Canada) and as such is exempt from income taxes. As at March 31, 2025, CHEO had an economic interest of \$2,117,455 (2024 - \$1,861,633) of total net assets of \$26,225,678 (2024 - \$23,320,365). For the year ended March 31, 2025, CHEO paid \$1,652,170 (2024 - \$1,462,887) to ORHLS for laundry services.

18. Financial instruments:

The fair value of CHEO's amounts receivable, accounts payable and accrued liabilities approximates cost due to their short-term nature. The fair value of investments is described in note 6 and the fair value of derivative financial instruments (interest rate swaps) is described in note 12.

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2025

(Tabular amounts in thousands of dollars)

18. Financial instruments (continued):

The following table presents the investments and interest rate swaps recorded at fair value in the statement of financial position, classified using the fair value hierarchy described above:

Description	Level 1	Level 2	Level 3	2025 Total
Short-term investments	\$547	\$0	\$0	\$547
Provincial bonds	0	1,605	0	1,605
Corporate bonds	0	24,272	0	24,272
Interest rate swaps	0	(1,402)	0	(1,402)
Total	\$547	\$24,475	\$0	\$25,022

Description	Level 1	Level 2	Level 3	2024 Total
Short-term investments	\$193	\$0	\$0	\$193
Treasury bills	0	1,402	0	1,402
Provincial bonds	0	1,566	0	1,566
Corporate bonds	0	26,465	0	26,465
Interest rate swaps	0	608	0	608
Total	\$193	\$30,041	\$0	\$30,234

Financial risk factors

CHEO's activities expose it to a variety of financial risks: market risk (including interest rate, currency (foreign exchange), and other price risks), credit risk and liquidity risk. Investments are held for liquidity purposes, or for longer terms, to achieve the highest possible rate of return consistent with the investment policies approved by the Board of Directors.

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2025

(Tabular amounts in thousands of dollars)

18. Financial instruments (continued):

Financial risk factors (continued)

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. CHEO is exposed to this risk relating to its cash and amounts receivable. CHEO holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation.

CHEO's receivables are with governments, government funding agencies, patients and corporate entities. CHEO believes that these receivables do not have significant credit risk in excess of allowances for doubtful accounts that have been established.

(b) Liquidity risk:

Liquidity risk is the risk that CHEO will be unable to fulfill its obligations on a timely basis or at a reasonable cost. CHEO manages its liquidity risk by monitoring its operating requirements. CHEO prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

(c) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: interest rate risk, currency risk and other price risk.

(i) Interest rate risk:

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. CHEO is exposed to this risk through its term debt and demand loan.

CHEO mitigates interest rate risk on certain of its debt through derivative financial instruments (interest rate swaps) that exchange the variable rate inherent in the term debt for a fixed rate (see note 12). Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the term debt.

OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2025

(Tabular amounts in thousands of dollars)

18. Financial instruments (continued):

Financial risk factors (continued)

(c) Market risk (continued):

(ii) Currency and other price risk:

CHEO believes it is not subject to significant foreign currency or other price risks arising from its financial instruments.

CHEO's financial risks have increased during the year due to rising interest rates, inflation and market fluctuations. Management believes that these financial risks are appropriately mitigated and do not pose significant risk to CHEO's operations. There have been no significant changes in the policies, procedures, and methods used to manage these risks in the year.

19. Net change in non-cash operating working capital:

Description	2025	2024
Amounts receivable	\$(76,510)	\$(46,630)
Due to/from related parties	(8,196)	(1,119)
Inventories	(551)	712
Prepaid expenses	(553)	(1,280)
Accounts payable and accrued liabilities	67,816	69,075
Total	\$(17,994)	\$20,758

OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2025

(Tabular amounts in thousands of dollars)

20. Bill 124:

On November 29, 2022, the Ontario Superior Court rendered a decision to declare the **Protecting a Sustainable Public Sector for Future Generations Act**, 2019, known as Bill 124, to be void and of no effect. Following an appeal process, the Province of Ontario repealed Bill 124 in its entirety on February 23, 2024. As a result, reopener provisions were triggered that required renewed negotiations with certain labour groups on compensation for years that were previously capped by the legislation. CHEO has made payments as required for settled contracts, and does not have any remaining liabilities related to Bill 124 contract reopeners.

In 2024, Ontario Health provided funding to CHEO to partially offset the cost of both the retroactive adjustments and the current year impact on salaries and wages. The funding received with respect to the retroactive adjustments was presented separately in the statement of operations. In 2025, Ontario Health provided base stabilization funding to CHEO that fully funded the impacts of Bill 124.

21. Public Private Partnership:

On November 7, 2022, CHEO entered into an Infrastructure Project Agreement ("IPA") with the Ministry of Children, Community and Social Services which outlined the financial assistance to be provided by the Province of Ontario for a proposed Public Private Partnership ("P3") project. The IPA was amended on September 11, 2023 to reflect the total project cost following award of the P3 contract. CHEO Foundation has committed to funding the entire local share of the project.

On September 28, 2023, CHEO entered into a fixed price Project Agreement with EllisDon Infrastructure OCH Inc. ("Project Co.") to build a life-changing, integrated treatment centre for children and teenagers presenting with complex medical, physical, behavioural or mental health needs ("Integrated Treatment Centre"). The project, which also includes the construction of an adjacent parking structure, will be delivered under Ontario's P3 model as a Design-Build-Finance ("DBF") project. Under the Project Agreement, Project Co. will receive three payments to pay off their design, construction and construction financing costs.

The amounts recorded in relation to the Integrated Treatment Centre project are disclosed in the applicable notes to the financial statements.

OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2025

(Tabular amounts in thousands of dollars)

22. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Schedule A - Other funded programs

Year ended March 31, 2025, with comparative information for 2024

(Tabular amounts in thousands of dollars)

	2025 Revenue	2025 Expenses	2025 Net	2024 Revenue	2024 Expenses	2024 Net
Ministry of Health/Ontario Health Programs						
Children's Mental Health ("CMH")	\$13,930	\$14,288	\$(358)	\$12,219	\$12,567	\$(348)
Home Care – Ontario Health Managed ("HC-OH")	25,238	25,517	(279)	22,440	22,780	(340)
Community Support Services ("CSS")	50	50	0	13	13	0
Child and Youth Mental Health ("CYMH")	12,436	13,059	(623)	11,045	11,470	(425)
Clinical Education	1,264	1,264	0	1,233	1,233	0
ECHO Ontario Child and Youth Mental Health	549	574	(25)	549	565	(16)
Municipal Taxes	17	17	0	17	17	0
Special Drug Program	2,680	2,680	0	2,774	2,774	0
Undistributed Prior Period Extraordinary Expenses	0	27	(27)	0	0	0
Total Ministry of Health/Ontario Health Programs	56,164	57,476	(1,312)	50,290	51,419	(1,129)

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Schedule A - Other funded programs (continued)

Year ended March 31, 2025, with comparative information for 2024

(Tabular amounts in thousands of dollars)

	2025 Revenue	2025 Expenses	2025 Net	2024 Revenue	2024 Expenses	2024 Net
MCCSS Programs						
East region:						
Adults' DS Community Support Services		\$717	\$(11)		\$832	\$(44)
Autism	13,510	13,709	(199)	15,146	15,663	(517)
Children's DS Community Support Services		2,893	(105)	\$788	2,703	2,821
Children's Rehabilitation Services	23,159	24,189	(1,030)	20,666	21,498	(832)
Coordinated Service Planning	1,358	1,400	(42)	1,327	1,363	(36)
Early Intervention	999	1,015	(16)	912	951	(39)
Respite Services	427	434	(7)	418	428	(10)
Integration and Program Effectiveness Branch:						
Early Intervention	8,281	8,284	(3)	170	178	(8)
Healthy Child Development	\$706 109	109	0	219	219	0
Total MCCSS Programs	51,337	52,750	(1,413)	42,349	43,953	(1,604)
2,788						

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Schedule A - Other funded programs (continued)

Year ended March 31, 2025, with comparative information for 2024

(Tabular amounts in thousands of dollars)

	2025 Revenue	2025 Expenses	2025 Net	2024 Revenue	2024 Expenses	2024 Net
Other programs:						
Federally funded:						
Canadian Hospitals Injury Reporting and Prevention Program – PSP	\$142	\$153		\$139	\$144	\$(5)
Inuit Child First Initiative – ISC	147	147	0	147	147	0
Infection Prevention and Control – ISC	3	3	0	0	0	0
Substance Use and Addictions Program – HC	99	99	0	0	0	0
National Newcomer Navigator Program – IRCC	1,613	1,626	(13)	1,699	1,702	(3)
CHEO Preschool – City of Ottawa		153	(8)	1,060	1,123	(63)
Special Needs Resourcing – City of Ottawa	857	916	(59)	0	0	0
CAN Health Projects – CAN Health Network	145	96	0	0	0	0
Subtotal other programs	3,102	3,193	(91)	3,045	3,116	(71)

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Schedule A - Other funded programs (continued)

Year ended March 31, 2025, with comparative information for 2024

(Tabular amounts in thousands of dollars)

	2025 Revenue	2025 Expenses	2025 Net	2024 Revenue	2024 Expenses	2024 Net	
Other programs (continued):							
Maternal Newborn Regional Program – Ontario Health and Partner Hospitals Funded	\$969			\$0	\$778	\$820	\$(42)
Preschool SLP – Pinecrest Queensway	2,221	2,243	(22)			2,303	(129)
Complex Care for Kids Ontario – PCMCH	\$969 1,113	1,154	(41)		843	876	(33)
Ontario Paediatric Diabetes Registry - PCMCH	29	29	0	2,174	0	0	0
Kids Come First – Linguistic Protocol – Société Santé en Français Inc.	152	152	0		163	163	0
Undistributed Prior Period Extraordinary Expenses	0	38	(38)		0	0	0
Total other programs	7,586	7,778	(192)	7,003	7,278		(275)
Total all programs	\$115,087	\$118,004	\$(2,917)	\$99,642	\$102,650		\$(3,008)