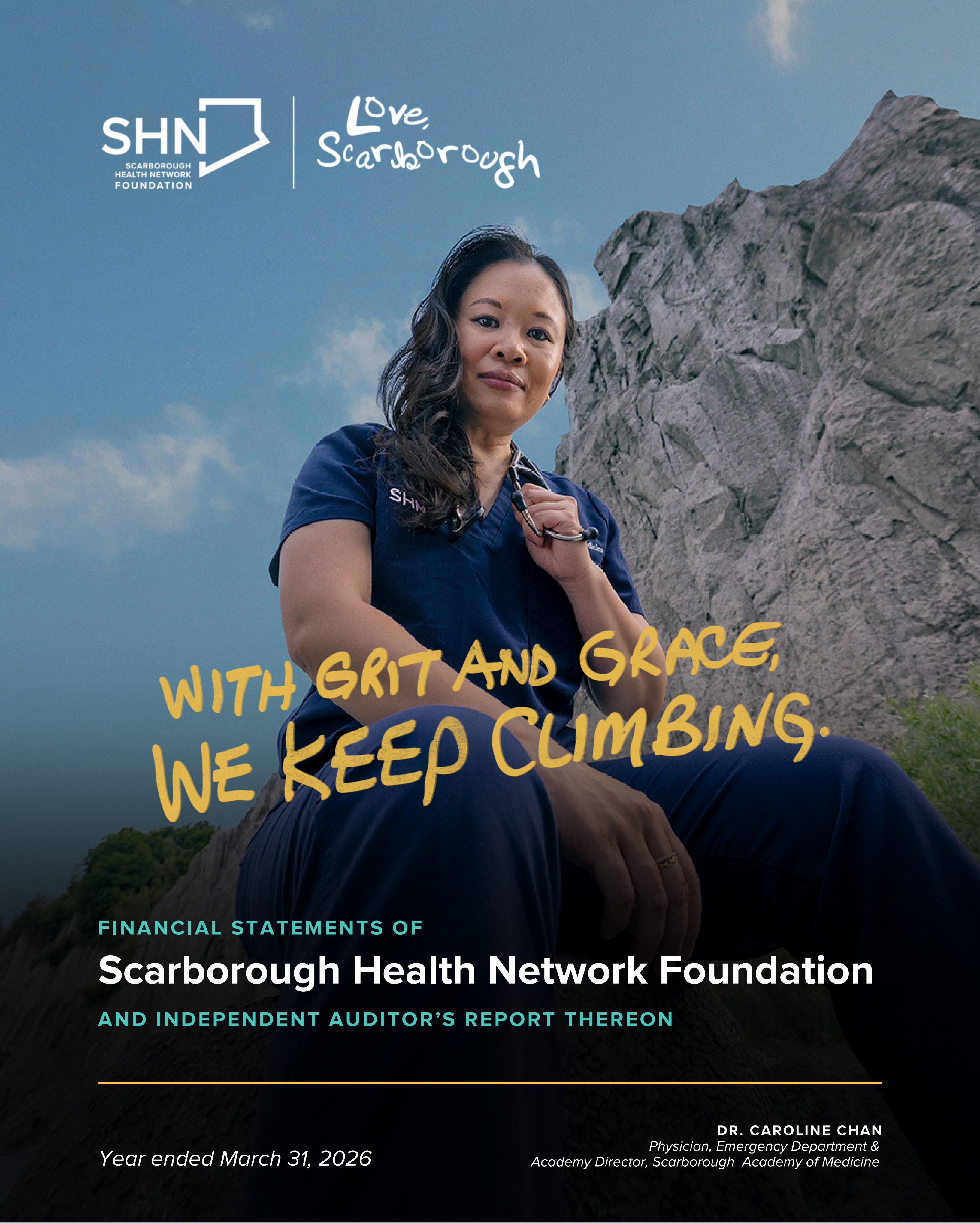

SHN SCARBOROUGH HEALTH NETWORK FOUNDATION | Love, Scarborough

FINANCIAL STATEMENTS OF

Scarborough Health Network Foundation

AND INDEPENDENT AUDITOR'S REPORT THEREON

Year ended March 31, 2026

DR. CAROLINE CHAN
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Scarborough Health Network Foundation

Opinion

We have audited the financial statements of Scarborough Health Network Foundation (the Foundation), which comprise:

- the statement of financial position as at March 31, 2026
- the statement of revenue and expenses for the year then ended
- the statement of changes in fund balances 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 Foundation as at March 31, 2026, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

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

We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

June 23, 2026

SCARBOROUGH HEALTH NETWORK FOUNDATION

Statement of Financial Position

March 31, 2026, with comparative information for 2025

	General Fund	Restricted Fund	Endowment Fund	2026 Total	2025 Total
Assets					
Current assets:					
Cash	$ 10,611,956	$ 8,307,137	$ 1,051,319	$ 19,970,412	$ 24,993,019
Accounts receivable	281,241	–	–	281,241	220,655
Accrued investment income	1,121,586	–	–	1,121,586	801,433
Prepaid expenses	132,299		–	132,299	58,853
	12,147,082	8,307,137	1,051,319	21,505,538	26,073,960
Investments (note 2)	–	75,923,785	1,687,214	77,610,999	47,217,028
Charitable remainder receivable (note 3)	1,577,161	–	–	1,577,161	1,093,852
Capital assets (note 4)	24,119	–	–	24,119	3,735
	$ 13,748,362	$ 84,230,922	$ 2,738,533	$ 100,717,817	$ 74,388,575
Liabilities and Fund Balances					
Current liabilities:					
Accounts payable and accrued liabilities	$ 1,194,181	$ –	$ 2,801	$ 1,196,982	$ 1,585,505
Due to Scarborough Health Network (note 6)	141,825	–	–	141,825	137,747
Deferred revenue	157,910	–	–	157,910	59,539
	1,493,916	–	2,801	1,496,717	1,782,791
Fund balances:					
General Fund:					
Unrestricted	12,230,327	–	–	12,230,327	8,118,183
Invested in capital assets	24,119	–	–	24,119	3,735
	12,254,446	–	–	12,254,446	8,121,918
Restricted Fund (note 9)	–	84,230,922	–	84,230,922	62,905,123
Endowment Fund	–	–	2,735,732	2,735,732	1,578,743
	12,254,446	84,230,922	2,735,732	99,221,100	72,605,784
Letters of credit (note 10)					
Guarantees (note 11)					
Financial instruments and risk management (note 12)					
	$ 13,748,362	$ 84,230,922	$ 2,738,533	$ 100,717,817	$ 74,388,575

See accompanying notes to financial statements.

On behalf of the Board:

____________________ Director

____________________ Director

SCARBOROUGH HEALTH NETWORK FOUNDATION

Statement of Revenue and Expenses

Year ended March 31, 2026, with comparative information for 2025

	General Fund	Restricted Fund	Endowment Fund	2026 Total	2025 Total
Revenue:					
Fundraising:					
Major gifts	$ 1,281,565	$ 42,197,383	$ 1,148,825	$ 44,627,773	$ 43,686,502
Annual programs	2,042,702	499,482	10	2,542,194	2,164,384
Community development	2,363,892	792,472	–	3,156,364	2,427,793
	5,688,159	43,489,337	1,148,835	50,326,331	48,278,679
Net investment income (note 2)	3,052,281	–	8,154	3,060,435	4,258,889
	8,740,440	43,489,337	1,156,989	53,386,766	52,537,568
Expenses:					
Fundraising programs	4,339,832	217,258	–	4,557,090	3,217,351
Salaries and benefits	5,887,166	–	–	5,887,166	5,661,067
Administrative	693,735	–	–	693,735	603,544
	10,920,733	217,258	–	11,137,991	9,481,962
Excess (deficiency) of revenue over expenses before grants	(2,180,293)	43,272,079	1,156,989	42,248,775	43,055,606
Grants (note 7):					
Scarborough Health Network	270,122	15,363,337	–	15,633,459	29,859,320
Excess (deficiency) of revenue over expenses	$ (2,450,415)	$ 27,908,742	$ 1,156,989	$ 26,615,316	$ 13,196,286

See accompanying notes to financial statements.

SCARBOROUGH HEALTH NETWORK FOUNDATION

Statement of Changes in Fund Balances

Year ended March 31, 2026, with comparative information for 2025

	General Fund				2026	2025
	Unrestricted	Invested in capital assets	Restricted Fund (note 9)	Endowment Fund	Total	Total
Fund balances, beginning of year	$ 8,118,183	$ 3,735	$ 62,905,123	$ 1,578,743	$ 72,605,784	$ 59,409,498
Excess (deficiency) of revenue over expenses	(2,449,284)	(1,131)	27,908,742	1,156,989	26,615,316	13,196,286
Purchase of capital assets	(21,515)	21,515	–	–	–	–
Interfund transfers (note 8)	6,582,943	–	(6,582,943)	–	–	–
Fund balances, end of year	$ 12,230,327	$ 24,119	$ 84,230,922	$ 2,735,732	$ 99,221,100	$ 72,605,784

See accompanying notes to financial statements.

SCARBOROUGH HEALTH NETWORK FOUNDATION

Statement of Cash Flows

Year ended March 31, 2026, with comparative information for 2025

	2026	2025
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	$ 26,615,316	$ 13,196,286
Items not involving cash:		
Amortization of capital assets	1,131	15,784
Unrealized loss/(gain) on investments	286,952	(312,347)
Gain on disposal of investments	(53,090)	(245,607)
Change in value of charitable remainder trust	(483,309)	(130,824)
Change in non-cash operating working capital:		
Accounts receivable	(60,586)	67,386
Accrued investment income	(320,153)	(389,902)
Prepaid expenses	(73,446)	(23,784)
Accounts payable and accrued liabilities	(388,523)	745,059
Due to Scarborough Health Network	4,078	(11,973)
Deferred revenue	98,371	38,769
	25,626,741	12,948,847
Investing activities:		
Net capital asset purchases	(21,515)	–
Net purchase of investments	(30,627,833)	(1,897,872)
	(30,649,348)	(1,897,872)
Increase (decrease) in cash	(5,022,607)	11,050,975
Cash, beginning of year	24,993,019	13,942,044
Cash, end of year	$ 19,970,412	$ 24,993,019

See accompanying notes to financial statements.

Scarborough Health Network Foundation (the "Foundation") was incorporated under the Corporations Act of Ontario on December 21, 1977.

While the Foundation is a separate legal entity from Scarborough Health Network (the "Hospital"), the Foundation fundraises additional financial resources for the Hospital and enhances the profile of the Hospital in the community. These objectives are accomplished through a number of fundraising initiatives planned, implemented, and managed by the Foundation.

The Foundation is a public foundation registered under the Income Tax Act (the "Act") and, as such, is not subject to income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a public foundation registered under the Act, the Foundation must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants of Canada Handbook. The significant accounting policies are summarized below:

(a) Fund accounting:

The Foundation follows the restricted fund method of accounting for contributions. The Foundation ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided.

The financial statements have been prepared using fund accounting and they separately disclose the activities of the following funds maintained by the Foundation:

- General Fund - reflecting the activities associated with the Foundation's day-to-day operations. The General Fund reports unrestricted resources available for immediate purposes.

- Restricted Fund - includes those funds where resources are to be used for identified purposes as specified by the donor, as stipulated by the fundraising appeal, or as determined by the Board of Directors.

1. Significant accounting policies (continued):

- Strategic Opportunity Fund - The Strategic Opportunity Reserve is intended to provide funds to meet special targets of opportunity or need that further the advancement of Foundation's mission, which could include hospital initiatives or Foundation initiatives.

  The Strategic Opportunity Reserve is also intended to provide funds for organizational capacity building, research, and strategic initiatives that are consistent with Foundation's Strategic Plan, including exploration of new partnering opportunities and new or expanded initiatives, such as pilot initiatives to grow healthcare impact.

- Endowment Fund - includes those funds where resources are to be maintained permanently as specified by the donors.

(b) Revenue recognition:

Income from donations is recorded when received. Donor restricted contributions are recognized as revenue of the Restricted Fund. Unrestricted contributions are recognized as revenue of the General Fund. Funds received in advance relating to future Foundation events are accounted for as deferred revenue until the period in which the related events take place.

Unrestricted investment income earned on Restricted Fund and General Fund resources is recognized as revenue of the General Fund. Restricted investment income earned on Endowment Fund resources is recognized as revenue of the Endowment Fund.

Unrealized gains and losses incurred on the investments are recognized in the statement of revenue and expenses as part of investment income.

Other contributions, including gifts in kind, contributions, and bequests are recognized as revenue when received. Charitable trust remainders are recognized as revenue when the amount to be received can be reasonably estimated, and collection is ultimately assured.

(c) Contributed services:

Volunteers contribute a significant amount of their time each year. The fair value of these contributed services is not readily determinable and as such is not reflected in these financial statements. Contributed materials are also not recognized in these financial statements.

1. Significant accounting policies (continued):

(d) Cash and cash equivalents:

Cash and cash equivalents consist of cash deposits and short-term investments with an original term to maturity of less than 90 days. Cash and investments meeting the definition of cash and cash equivalents that are held for investing rather than liquidity purposes are classified as investments.

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and are subsequently recorded at cost or amortized cost.

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.

Financial assets are assessed for impairment at the end of the fiscal year when there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

Investments in equity instruments that are quoted in an active market are recorded at fair value. The Foundation has elected to carry investments in corporate bonds, government bonds and treasury bills at fair value. Pooled fund investments are valued at the unit values supplied by the fund administration and represent the portfolio's proportionate share of underlying net assets at fair values determined using closing market prices. Changes in fair value are recorded in the statement of revenue and expenses.

1. Significant accounting policies (continued):

(f) Capital assets:

Capital assets are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful life of the related capital asset. The amortization periods are as follows:

Furniture and fixtures	5 years
Leasehold improvements	5 years
Donor recognition wall	5 years
Computer software and hardware	2 years
Photocopier	5 years

Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Foundation's ability to provide services, its carrying amount is written down to its residual value.

(g) 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 at the date of the financial statements and the reported amounts of revenue and expenses during the year. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the period in which they become known. Accounts requiring significant estimates and assumptions include accrued liabilities, deferred revenue and useful lives of capital assets. Actual results could differ from those estimates.

2. Investments:

The cost and fair value of the Foundation's investments at March 31 are as follows:

	2026		2025	
	Cost	Fair value	Cost	Fair value
Cash and cash equivalents	$ 1,386	$ 1,386	$ 30,819	$ 30,892
Fixed income	32,199,910	32,343,945	41,919,449	42,191,310
Equity	3,666,083	4,207,301	3,341,453	3,963,452
Alternatives	1,112,503	1,086,336	1,035,146	1,031,374
Pooled funds	40,000,000	39,972,031	–	–
	$ 76,979,882	$ 77,610,999	$ 46,326,867	$ 47,217,028

Net investment income, consists of the following:

	2026	2025
Dividends, interest and realized gains	$ 2,936,277	$ 3,884,450
Unrealized gain/(loss) on investments	(286,952)	312,347
Change in value of charitable remainder trust	483,309	130,824
Management fees	(72,199)	(68,732)
	$ 3,060,435	$ 4,258,889

3. Charitable remainder trust receivable:

During the years ended March 31, 2013 and March 31, 2017, the Foundation entered into trust agreements which the Foundation has classified as a charitable remainder trust receivable. Capital of $1,000,000 and $200,000, respectively, were transferred into the trusts with accrued interest to be paid to the grantors and the residual capital to be paid to the Foundation upon the death of the grantors. The receivable has been measured based on fair value.

4. Capital assets:

	Cost	Accumulated amortization	2026 Net book value	2025 Net book value
Furniture and fixtures	$ 10,612	$ 7,112	$ 3,500	$ 3,500
Leasehold improvements	8,315	8,315	–	–
Donor recognition wall	312,454	312,454	–	235
Computer software and hardware	59,776	59,776	–	–
Photocopier	21,515	896	20,619	–
	$ 412,672	$ 388,553	$ 24,119	$ 3,735

5. Pension:

Substantially all employees are eligible to be members of the Healthcare of Ontario Pension Plan which is a multi-employer defined benefit pension plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the five consecutive years prior to retirement, termination, or death that provide the highest earnings.

The most recent actuarial valuation of the plan as at December 31, 2025 indicates the plan is 109% (2024 - 111%) funded. During the year, the Foundation contributed $441,296 (2025 - $405,237) to the plan on behalf of employees.

6. Related party transactions:

The Foundation and the Hospital are separate legal entities. The Foundation provides grants to the Hospital to meet its goals and objectives (note 7).

The Hospital pays certain expenses on behalf of the Foundation and is reimbursed by the Foundation. The amount due to the Hospital is due on demand and is non-interest bearing.

7. Grants:

The following grant disbursements were made to:

	2026	2025
Hospital	$ 15,633,459	$ 29,859,320

Disbursements to the Hospital provide support for capital projects, equipment, and special programs and services.

Grants to other organizations were made to registered Canadian charities in consultation with the Hospital.

8. Interfund transfers:

Transfers between the Restricted Fund and the General Fund may be made pursuant to the Foundation's Policy on Interfund Transfers, as approved by the Board of Directors. During the year, $6,582,943 was transferred from the Restricted Fund to the General Fund. During the year ended March 31, 2025, $4,849,149 was transferred from the Restricted Fund to the General Fund.

9. Strategic Opportunity Fund:

During the year, the Board of Directors approved to create a new fund called Strategic Opportunity Fund that intends to provide funds to meet special targets of opportunity or need that further the advancement of Foundation's mission which include hospital or Foundation initiatives. The Board approved funds of $5,129,115 in Restricted Fund to be utilized for the new Strategic Opportunity Fund initiatives and the amount is currently included within the Restricted Fund balance.

10. Letters of credit:

The Foundation issues letters of credit with respect to charitable gaming activities. As of March 31, 2026, there are available letters of credit of $24,000 (2025 - $24,000) and no amounts have been applied against these letters of credit as of March 31, 2026 and 2025.

11. Guarantees:

In the normal course of business, the Foundation enters into agreements that meet the definition of a guarantee. The Foundation's primary guarantees are as follows:

The Foundation has provided indemnities under lease agreements for the use of various operating facilities. Under the terms of these agreements, the Foundation agrees to indemnify the counterparties for various items including, but not limited to, all liabilities, loss, suits, and damages arising during, on or after the term of the agreement.

Indemnity has been provided to all directors and officers of the Foundation for various items including, but not limited to, all costs to settle suits or actions due to association with the Foundation, subject to certain restrictions. The Foundation carries directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined but is limited to the period over which the indemnification party served as a director or officer of the Foundation.

In the normal course of business, the Foundation has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require the Foundation to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction.

The nature of these indemnification agreements prevents the Foundation from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability, which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the Foundation has not made any payments under such or similar indemnification agreements and, therefore, no amount has been accrued in the statement of financial position with respect to these agreements.

12. Financial instruments and risk management:

(a) Market risk:

The value of equity securities changes with stock market conditions, which are affected by general economic and market conditions. The value of fixed income securities will vary with developments within the specific companies or governments which issue the securities.

The Foundation endeavors to mitigate this risk by adopting an investment policy which provides appropriate portfolio diversification.

(b) Interest rate risk:

Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income securities held by the Foundation. The interest-bearing investments held by the Foundation have a limited exposure to interest rate risk due to their short-term maturity. The fixed income investments held in the Foundation's portfolio have fixed interest and are subject to interest rate risk.