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# Financial statements of Perley Health

December 31, 2025

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Independent Auditor's Report	1-2
Statement of operations	3
Statement of changes in net assets (deficiencies)	4
Statement of financial position	5
Statement of cash flows	6
Notes to the financial statements	7-19

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## Independent Auditor's Report

To the Board of Directors of  
Perley Health

### Opinion

We have audited the financial statements of Perley Health, which comprise the statement of financial position as at December 31, 2025, the statements of operations, changes in net assets (deficiencies) and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Perley Health as at December 31, 2025, and the results of its 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 ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Perley Health 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 the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for Perley Health'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 Perley Health or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Perley Health'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 GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, 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 Perley Health'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 Perley Health'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 Perley Health to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Deloitte LLP*

Chartered Professional Accountants  
Licensed Public Accountants  
May 15, 2026

**Perley Health**  
**Statement of operations**  
Year ended December 31, 2025

	Notes	2025 \$	2024 \$
<b>Long-term care</b>			
Operating revenue			
Ministry of Long-Term Care (MOLTC) Funding		48,719,604	50,961,387
Veterans Affairs Canada		5,103,560	5,439,166
Resident accommodation		13,312,721	12,048,490
Other funding and recoveries	21	1,193,186	1,589,363
Amortization of deferred capital contributions – long-term care (LTC)		1,339,509	1,511,299
		<b>69,668,580</b>	<b>71,549,705</b>
Operating expenses			
General LTC Expenses		73,074,439	71,012,108
Amortization of capital and intangible assets – LTC		2,328,155	2,293,123
		<b>75,402,594</b>	<b>73,305,231</b>
		<b>(5,734,014)</b>	<b>(1,755,526)</b>
<b>Community services</b>			
Operating revenue			
Arts and crafts and dental programs for veterans		1,382,930	1,279,808
Arts and crafts community program		121,930	130,626
Community support services		3,820,396	4,292,177
		<b>5,325,256</b>	<b>5,702,611</b>
Operating expenses			
Arts and crafts and dental programs for veterans		1,382,930	1,279,808
Arts and crafts community program		121,930	130,626
Community support services		4,047,683	4,344,711
		<b>5,552,543</b>	<b>5,755,145</b>
		<b>(227,287)</b>	<b>(52,534)</b>
<b>Seniors' housing operations</b>			
Operating revenue	18	4,741,458	4,802,797
Operating expenses		4,553,575	4,403,994
		<b>187,883</b>	<b>398,803</b>
<b>Centre of Excellence</b>			
Operating revenue		1,084,780	998,079
Operating expenses		1,084,780	998,079
		<b>—</b>	<b>—</b>
<b>Interprofessional Clinic</b>			
Operating revenue		938,053	1,031,195
Operating expenses		940,698	900,928
		<b>(2,645)</b>	<b>130,267</b>
<b>Village Expansion and other projects</b>			
Operating revenue		1,416,262	39,393
Operating expenses		2,291,204	593,376
		<b>(874,942)</b>	<b>(553,983)</b>
<b>Ancillary operations</b>			
Operating revenue	19	2,789,503	3,051,287
Operating expenses		1,735,934	1,853,164
		<b>1,053,569</b>	<b>1,198,123</b>
Deficiency of revenue over expenses before prior year's per diem grant adjustment		<b>(5,597,436)</b>	<b>(634,850)</b>
Prior year funding adjustments	17	—	18,513
<b>Deficiency of revenue over expenses</b>		<b>(5,597,436)</b>	<b>(616,337)</b>

The accompanying notes are an integral part of the financial statements.

**Perley Health**  
**Statement of changes in net assets**  
Year ended December 31, 2025

	Notes	<b>Internally restricted</b> \$	<b>Unrestricted</b> \$	<b>2025 Total</b> \$	2024 Total \$
<b>Balance, beginning of year</b>		<b>2,613,719</b>	<b>(4,699,460)</b>	<b>(2,085,741)</b>	(2,308,604)
Deficiency of revenue over expenses		—	<b>(5,597,436)</b>	<b>(5,597,436)</b>	(616,337)
Employee future benefit remeasurement and other items	10	—	<b>107,800</b>	<b>107,800</b>	839,200
Transfer from unrestricted funds	15	<b>166,957</b>	<b>(166,957)</b>	—	—
<b>Balance, end of year</b>		<b>2,780,676</b>	<b>(10,356,053)</b>	<b>(7,575,377)</b>	(2,085,741)

The accompanying notes are an integral part of the financial statements.

**Perley Health**  
**Statement of financial position**  
As at December 31, 2025

	Notes	2025 \$	2024 \$
<b>Assets</b>			
Current assets			
Cash and cash equivalents		8,149,074	14,470,886
Accounts receivable	3	10,048,100	8,951,552
Prepaid expenses		523,640	380,012
		<b>18,720,814</b>	23,802,450
Residents' trust account		71,597	70,830
Tenants' deposit account		340,240	309,349
Long-term care – capital and intangible assets	4	39,748,586	34,480,450
Seniors' housing – capital assets	5	26,892,214	28,051,887
Restricted investments – seniors' housing	6	2,780,676	2,613,719
		<b>88,554,127</b>	89,328,685
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities	7	23,497,175	18,300,686
Accrued vacation pay		2,362,625	2,627,332
Deferred revenue		1,474,199	1,937,113
Current portion of long-term debt	8	458,156	435,931
Current portion of energy retrofit lease	9	263,295	267,521
		<b>28,055,450</b>	23,568,583
Residents' deposits		71,597	70,830
Tenants' deposits		340,240	309,349
Long-term debt	8	27,938,446	28,396,602
Energy retrofit lease	9	1,852,138	2,093,392
Employee future benefits	10	7,278,400	7,095,200
Deferred capital contributions related to long-term care – capital and intangible assets	11	26,576,058	25,496,115
Deferred capital contributions related to seniors' housing – capital assets	12	4,017,175	4,384,355
		<b>96,129,504</b>	91,414,426
Contingencies and commitments	17 & 20		
<b>Net assets (deficiencies)</b>			
Internally restricted	15	2,780,676	2,613,719
Unrestricted		(10,356,053)	(4,699,460)
Total net assets (deficiencies)		<b>(7,575,377)</b>	(2,085,741)
		<b>88,554,127</b>	89,328,685

The accompanying notes are an integral part of the financial statements.

On behalf of the Board

\_\_\_\_\_, Board Chair

  
\_\_\_\_\_, Treasurer

## Perley Health

### Statement of cash flows

Year ended December 31, 2025

	Notes	2025 \$	2024 \$
<b>Operating activities</b>			
Deficiency of revenue over expenses		(5,597,436)	(616,337)
Items not affecting cash			
Amortization of capital and intangible assets – long-term care		2,359,274	2,331,402
Amortization of capital assets – seniors’ housing		1,159,673	1,209,206
Amortization of capital assets – operations		60,016	66,309
Amortization of deferred capital contributions – long-term care		(1,353,905)	(1,529,229)
Amortization of deferred capital contributions – seniors’ housing		(367,180)	(370,374)
Gain on sale of restricted investment – seniors’ housing		(19,681)	12,962
Deferred revenue		(462,914)	(2,751,140)
Employee future benefits		291,000	184,000
Change in unrealized gains/losses on restricted investment – seniors’ housing		(87,576)	(100,896)
		<b>(4,018,729)</b>	<b>(1,564,097)</b>
Changes in non-cash operating working capital items			
working capital items	14	3,691,606	(1,990,554)
		<b>(327,123)</b>	<b>(3,554,651)</b>
<b>Financing activities</b>			
Deferred capital contributions – long-term care		2,433,848	1,631,691
Deferred contributions - seniors’ housing		–	–
Repayment of long-term debt		(435,931)	(414,785)
Repayment of energy retrofit lease		(245,480)	(267,521)
		<b>1,752,437</b>	<b>949,385</b>
<b>Investing activities</b>			
Additions to long-term care – capital and intangible assets		(7,687,426)	(3,683,716)
Additions to senior housing – capital and intangible assets		–	(76,401)
Proceeds from sales of restricted investments seniors’ housing		193,884	183,163
Purchases of restricted investments – seniors’ housing		(253,584)	(427,534)
		<b>(7,747,126)</b>	<b>(4,004,488)</b>
Net change in cash and cash equivalents		<b>(6,321,812)</b>	<b>(6,609,754)</b>
Cash and cash equivalents, beginning of year		<b>14,470,886</b>	<b>21,080,640</b>
<b>Cash and cash equivalents, end of year</b>		<b>8,149,074</b>	<b>14,470,886</b>
<b>Cash and cash equivalents are composed of</b>			
Cash		<b>3,532,602</b>	<b>9,967,471</b>
Cash equivalents		<b>4,616,472</b>	<b>4,503,415</b>
		<b>8,149,074</b>	<b>14,470,886</b>

The accompanying notes are an integral part of the financial statements.

**1. Description of the organization**

The Perley and Rideau Veterans' Health Centre ("Perley Health") is a long-term care facility serving veterans and other members of the community. It receives funding for its operations from the Ministry of Long-Term Care of Ontario, Veterans Affairs Canada and residents.

The Perley and Rideau Veterans' Health Centre is incorporated without share capital under the laws of Ontario and is exempt from income taxes pursuant to paragraph 149(1)(l) of the *Income Tax Act* (Canada).

The Perley and Rideau Veterans' Health Centre is operating as Perley Health.

**2. Accounting policies**

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

*Basis of presentation*

These financial statements include the assets, liabilities, and activities of Perley Health, but do not include the assets, liabilities, and activities of any organizations that are related to Perley Health but not operated by it, such as Perley Health Foundation (the "Foundation") and Perley Health Volunteer Association.

*Revenue recognition and deferred revenue*

Perley Health follows the deferral method of accounting for contributions.

Ontario Ministry of Long-Term Care, Ministry of Health, and Veterans Affairs Canada revenues, being the operating per diems from the Province of Ontario and the federal government, respectively, are recognized in the accounts for the year to which they relate.

Resident accommodation funding is recognized for the year to which it relates.

Perley Health receives funding for operations for certain programs from the Ontario Ministry of Long-Term Care (the "Ministry"), Ministry of Health, and Veterans Affairs Canada. The final amount of operating revenue recorded cannot be determined until the Ministry has reviewed Perley Health's financial and statistical returns for the year. Any adjustments arising from the Ministry review are recorded in the year in which the adjustment is made.

*Cash and cash equivalents*

Cash and cash equivalents include cash on deposits with financial institutions, demand deposits, money market funds, interest savings accounts and short-term investments with maturities of less than three months at acquisition. Additionally, due to management's intent to convert its unrestricted investments in bonds and equities into cash within the next year, they have also been classified as cash equivalents.

**2. Accounting policies (continued)**

*Capital and intangible assets*

Capital and intangible assets are stated at cost. Capital assets under capital leases are stated at the present value of minimum lease payments. Assets under development are only amortized once they are put into use. Capital and intangible assets are amortized based on their estimated useful life using the declining balance method as follows and the following rates or terms:

For the capital assets purchased before January 1, 2023

Building on leased land	4% to 20%
Furniture and equipment	10% to 50%
Computer equipment	30% or over the life of the equipment
Software	20% to 30%
Leasehold improvement	Over the term of the lease
Energy retrofit equipment under capital lease	5%
Solar panels	10%

For the capital assets purchased after December 31, 2022

Building on leased land	Straight-line 20 years
Furniture and equipment	Straight-line 5 years
Computer equipment	Straight-line 5 years
Software	Straight-line 5 years
Leasehold improvement	Straight-line 20 years

*Intangible assets related to cloud computer arrangements*

Perley Health has elected to capitalize qualifying costs associated with implementing a software service.

*Impairment of long-lived assets*

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the asset no longer has long-term service potential. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its residual value.

*Vacation pay*

Non-union employees and employees belonging to the Ontario Nurses' Association are entitled to annual vacation pay based on full-time service in the preceding twelve-month period from May 1 to April 30. Employees who are members of the Canadian Union of Public Employees are entitled to annual vacation pay based on full-time service up to their anniversary date of employment. Perley Health charges the cost of accrued vacation pay to the year in which it is earned.

## **2. Accounting policies (continued)**

### *Deferred capital contributions related to long-term care and seniors' housing capital assets*

Deferred contributions related to long-term care and seniors' housing capital assets primarily represent contributions used to fund the construction of the health centre, seniors' housing and the purchase of equipment. The deferred contributions are amortized over the life of the capital asset for which they have been received.

### *Employee future benefits*

Perley Health has a defined benefit sick leave plan, whereby certain employees earn accumulated sick leave benefits, and defined post-retirement benefit plans (other than pensions) that provide medical, dental and life insurance coverage to eligible employees.

Perley Health recognizes the full amount of the defined benefit obligations, net of plan assets, in its statement of financial position. Perley Health accrues its obligations under the defined benefit plans as the employees render the services necessary to earn the pension and other retirement benefits. The cost of the employee future benefits earned by employees is actuarially determined using the projected benefit actuarial cost method prorated on services. The valuation of liabilities is based upon a current market-related discount rate and other actuarial assumptions which represent management's best long-term estimates of factors such as future wage increases and employee turnover rates.

Actuarial rereasurement gains (losses) on the accrued benefit liability arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit liability. Remeasurement gains (losses) are recorded directly in the statement of changes in net assets (deficiencies).

The benefit plan expenses for the year consist of the current service and finance costs.

### *Allocation of expenses*

Perley Health classifies expenses in the statement of operations by function. Perley Health does not allocate expenses between functions in the statement of operations.

### *Financial instruments*

#### *Initial measurement*

Financial assets and financial liabilities originated or exchanged in arm's length transactions are initially recognized at fair value when Perley Health becomes a party to the contractual provisions of the financial instrument. Financial assets and financial liabilities originated or exchanged in related party transactions, except for those that involve parties whose sole relationship with Perley Health is in the capacity of management, are initially recognized at cost.

The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms. The cost of financial instruments with repayment terms is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor. The cost of financial instruments without repayment terms is determined using the consideration transferred or received by Perley Health in the transaction.

#### *Subsequent measurement*

All financial instruments are subsequently measured at amortized cost, except for cash and cash equivalents and investments which are recorded at fair value. Unrealized gains and losses are recorded in the statement of operations.

## 2. Accounting policies (continued)

### *Financial instruments (continued)*

#### *Transaction costs*

Transaction costs related to financial instruments subsequently measured at fair value are expensed as incurred.

#### *Impairment*

With respect to financial assets measured at cost or amortized cost, Perley Health recognizes an impairment loss, if any, in net earnings when there are indicators of impairment, and it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to net earnings in the period the reversal occurs.

#### *Hedge accounting*

Certain derivative financial instruments held by Perley Health may be eligible for hedge accounting. To be eligible for hedge accounting, an instrument must meet certain criteria with respect to identification, designation and documentation. In addition, the critical terms of the derivative financial instrument must match the specific terms and conditions of the hedged item. The fair value of derivative instruments eligible and qualifying for hedge accounting is generally not recognized in the statement of financial position. Gains and losses on such instruments are recognized in the statement of operations in the same period as those of the hedged item.

For interest rate swaps, interest on the hedged item is recognized using the instrument's stated interest rate plus or minus amortization of any initial premium or discount and any financing fees and transaction costs. Net amounts receivable or payable on the interest rate swap are recorded on an accrual basis of accounting and are recognized as an adjustment to interest on the hedged item in the year in which they accrue.

#### *Use of estimates*

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the estimated useful life of capital and intangible assets, the amount of certain accrued liabilities and the assumptions used to determine employee future benefits. Actual results could differ from these estimates.

## 3. Accounts receivable

	<b>2025</b>	2024
	\$	\$
Ontario Ministry of Long-Term Care	<b>7,340,684</b>	7,648,519
Veterans Affairs Canada	<b>421,745</b>	188,171
Perley Health Foundation	<b>307,853</b>	575,137
Residents	<b>248,946</b>	113,921
Accounts receivable - general	<b>1,728,873</b>	425,804
	<b>10,048,100</b>	8,951,552

**4. Long-term care – capital and intangible assets**

	<b>Cost</b>	<b>Accumulated amortization</b>	<b>2025 Net book value</b>	2024 Net book value
	\$	\$	\$	\$
Building on leased land	<b>70,678,348</b>	<b>48,519,083</b>	<b>22,159,265</b>	22,719,619
Construction in progress	<b>3,379,202</b>	—	<b>3,379,202</b>	—
Furniture and equipment	<b>12,357,212</b>	<b>8,284,000</b>	<b>4,073,212</b>	3,997,888
Computer equipment	<b>5,925,454</b>	<b>4,272,824</b>	<b>1,652,630</b>	1,607,356
Software	<b>693,117</b>	<b>625,955</b>	<b>67,162</b>	66,619
Leasehold improvements	<b>6,963,633</b>	<b>1,585,178</b>	<b>5,378,455</b>	2,860,570
Energy retrofit equipment under capital lease	<b>4,994,356</b>	<b>2,465,433</b>	<b>2,528,923</b>	2,662,024
Solar panels	<b>1,784,339</b>	<b>1,274,602</b>	<b>509,737</b>	566,375
	<b>106,775,661</b>	<b>67,027,075</b>	<b>39,748,586</b>	34,480,450

**5. Seniors' housing – capital assets**

	<b>Cost</b>	<b>Accumulated amortization</b>	<b>2025 Net book value</b>	2024 Net book value
	\$	\$	\$	\$
Building on leased land	<b>43,197,926</b>	<b>16,785,785</b>	<b>26,412,141</b>	27,513,821
Furniture and equipment	<b>1,453,357</b>	<b>973,284</b>	<b>480,073</b>	538,067
	<b>44,651,283</b>	<b>17,759,069</b>	<b>26,892,214</b>	28,051,887

**6. Restricted investments – seniors' housing**

Under the terms of the debentures issued to Ontario Infrastructure and Lands Corporation (OILC), Perley Health is required to deposit capital and contingency replacement funds (CCRF) in the amount of a minimum of 4.00% of the monthly effective gross income of the seniors' housing into a segregated account. The CCRF are for the exclusive purposes of major capital maintenance overhaul deemed necessary by both the OILC and Perley Health, and for debt service obligations relating solely to the seniors' housing. Any use of the CCRF requires prior written consent by the OILC and is assignable to the OILC.

The monies are invested in Canadian mutual funds and dividend-bearing common shares of Canadian companies listed on the Toronto Stock Exchange.

	<b>Fair value</b>	<b>2025 Cost</b>	Fair value	2024 Cost
	\$	\$	\$	\$
Canadian equity	<b>358,751</b>	<b>220,033</b>	307,254	229,716
Canadian mutual funds	<b>2,310,823</b>	<b>2,288,859</b>	1,989,289	1,993,720
Canadian cash and equivalents	<b>111,102</b>	<b>111,102</b>	317,176	317,176
	<b>2,780,676</b>	<b>2,619,993</b>	2,613,719	2,540,612

**6. Restricted investments – seniors’ housing (continued)**

*Investment risk*

Market volatility risk is generally inherent in Perley Health’s investment portfolio and refers to the extent that the fair value of future cash flows from financial instruments will fluctuate because of changes in various other market factors affecting equity prices, including general economic conditions.

Perley Health mitigates the above-noted risks through the use of investment policies and managers, whose objective is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

*Interest rate risk*

Interest rate risk refers to the adverse consequences of interest rate changes. Perley Health has investments in bonds with fixed rates, which are subject to this risk. The value of fixed rate instruments will generally increase if interest rates increase and decrease if interest rates decrease.

*Credit risk*

Credit risk is the risk of financial loss if a member or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from Perley Health’s investments in mutual funds.

**7. Accounts payable and accrued liabilities**

	<b>2025</b>	2024
	\$	\$
Accounts payable - general	<b>9,035,561</b>	5,888,628
Ontario Ministry of Long-Term Care	<b>12,107,408</b>	10,260,069
Veterans Affairs Canada	<b>1,324,466</b>	1,270,553
Payroll remittances	<b>1,029,740</b>	881,436
	<b>23,497,175</b>	18,300,686

**8. Long-term debt**

	<b>2025</b>	2024
	\$	\$
Debenture A, bearing interest at 4.96%, semi-annual, monthly payments commenced September 1, 2014, maturing August 1, 2034	<b>9,480,312</b>	9,627,779
Debenture B, bearing interest at 5.08%, semi-annual, monthly payments commenced September 1, 2014, maturing August 1, 2034	<b>18,916,290</b>	19,204,754
Total Debentures	<b>28,396,602</b>	28,832,533
Less: current portion	<b>458,156</b>	435,931
Long-term portion	<b>27,938,446</b>	28,396,602

**8. Long-term debt (continued)**

Debentures are secured by a first-ranking leasehold mortgage on the lands and buildings of Perley Health located at 1750 Russell Road, Ottawa, Ontario and by a first-ranking general security agreement (GSA) on all assets, excluding those pledged as security for the energy retrofit lease.

The annual principal repayment requirements on the long-term debt for the next five years are as follows:

	<u>\$</u>
2026	458,156
2027	481,514
2028	506,062
2029	531,863
2030 and thereafter	<u>26,419,007</u>
	<u>28,396,602</u>

**9. Energy retrofit lease**

	<u>2025</u>	2024
	<u>\$</u>	<u>\$</u>
Energy retrofit lease, bearing interest at 2.61% quarterly payments commenced August 1, 2020, and maturing July 31, 2027	<b>2,115,433</b>	2,360,913
Less: Current portion	<b>263,295</b>	267,521
Long-term portion	<b><u>1,852,138</u></b>	<u>2,093,392</u>

In 2013 Perley Health entered into a lease agreement to finance the purchase of energy equipment. The term of the original lease was a 7-year term with a 20-year amortization period. In 2020, the lease was refinanced by entering into a new lease with a term of 7 years and an amortization period of 13 years. The lease is secured by specified mechanical and electrical equipment.

The energy retrofit lease is subject to an interest rate swap in order to eliminate the interest rate cash flow risk.

In July 2020, Perley Health entered into an interest rate swap agreement which was designated as a hedging relationship with regard to the variable interest rate energy retrofit lease which matures in August 2027. According to the swap agreement, whose maturity date coincides with that of the energy retrofit lease, Perley Health will pay interest at a fixed rate of 2.61% and will receive interest at a variable rate, the amount of which corresponds exactly to the energy retrofit lease's interest payment (30-day bankers' acceptance rates plus 1.28% per annum).

The annual principal repayment requirements on the energy retrofit lease for the next five years are as follows:

	<u>\$</u>
2026	263,295
2027	<u>1,852,138</u>
	<u>2,115,433</u>

**10. Employee future benefits**

Perley Health provides a sick leave plan, whereby eligible employees earn accumulated sick leave benefits, and defined post-retirement benefit plans (other than pensions) that provide medical, dental and life insurance coverage.

The most recent actuarial valuation of employee future benefits was completed as at December 31, 2025.

	<b>2025</b>	2024
	\$	\$
Accrued benefit obligations, beginning balance	<b>7,095,200</b>	7,750,400
Net benefit cost	<b>787,400</b>	798,400
Re-measurements due to actuarial (gain) loss	<b>(107,800)</b>	(839,200)
Funding contributions	<b>(496,400)</b>	(614,400)
Accrued benefit obligations, ending balance	<b>7,278,400</b>	7,095,200

The significant actuarial assumptions adopted in estimating Perley Health's accrued benefit obligation are as follows:

	<b>2025</b>	2024
	%	%
Discount rate for expenses	<b>4.50</b>	4.60
Discount rate for accrued benefit obligation	<b>4.70</b>	4.50
Salary increase	<b>3.00</b>	3.00
Dental benefit cost escalation	<b>2.00</b>	2.00
Medical benefit cost escalation – extended health care	<b>6.30</b>	6.30

**11. Deferred capital contributions related to long-term care – capital and intangible assets**

Deferred capital contributions related to long-term care include the unamortized portions of restricted contributions with which Perley Health was built.

The changes for the year in the deferred contribution balance are as follows:

	<b>2025</b>	2024
	\$	\$
Balance, beginning of year	<b>25,496,115</b>	25,393,653
Capital funding received	<b>2,433,848</b>	1,631,690
Amounts amortized to revenue	<b>(1,353,905)</b>	(1,529,229)
Balance, end of year	<b>26,576,058</b>	25,496,115

**12. Deferred capital contributions related to seniors' housing – capital assets**

Deferred capital contributions related to seniors' housing include the unamortized portions of restricted contributions with which seniors' housing buildings were built.

The changes for the year in the deferred contribution balance are as follows:

	<b>2025</b>	2024
	<b>\$</b>	\$
Balance, beginning of year	<b>4,384,355</b>	4,754,729
Amounts amortized to revenue	<b>(367,180)</b>	(370,374)
Balance, end of year	<b>4,017,175</b>	4,384,355

Capital funding received consists of contributions from the Foundation and the City of Ottawa (the "City").

The Foundation's contribution has been provided as a gift for the purpose of the construction of the seniors' housing. Total capital contributions for the seniors' housing provided by the Foundation as at December 31, 2025, are \$2,970,055 (\$2,970,055 in 2024).

Contributions from the City are provided for the construction and operation by Perley Health of forty-five affordable housing units within the buildings under the seniors' housing. The contributions are secured by a twenty-year mortgage for the same amount and no payments will be required under the mortgage so long as Perley Health continues to provide affordable housing in the specified units. Should this cease to apply, the principal amount of the mortgage shall immediately become due and payable. The City has provided total contributions of \$5,810,415, including a grant of \$5,400,000 and reduction of development fees of \$410,415.

The City's contribution is secured by a second-ranking GSA on the land and all assets of Perley Health, excluding those pledged as security for the energy retrofit lease and the line of credit.

**13. Pension plan**

Substantially all of the full-time employees of Perley Health are eligible to be members of the Hospitals of Ontario Pension Plan, which is a multi-employer final average pay contributory pension plan. Employer contributions made to the defined benefit pension plan during the year by Perley Health amounted to \$4,099,822 (\$4,123,559 in 2024).

**14. Additional information relating to the statement of cash flows**

*Changes in non-cash operating working capital items*

	<b>2025</b>	2024
	<b>\$</b>	\$
Accounts receivable	<b>(1,096,548)</b>	(2,403,238)
Prepaid expenses	<b>(143,628)</b>	(582)
Accounts payable and accrued liabilities	<b>5,196,489</b>	227,200
Accrued vacation pay	<b>(264,707)</b>	186,066
	<b>3,691,606</b>	(1,990,554)

**15. Internally restricted net assets**

	Balance as at December 31, 2024 \$	<b>Transfer to unrestricted net assets</b>	<b>Balance as at December 31, 2025 \$</b>
Capital reserve - seniors' housing	2,613,719	<b>166,957</b>	<b>2,780,676</b>

Transfer from unrestricted net assets to the capital reserve – seniors' housing in 2025 is comprised of a contribution of nil (\$190,500 in 2024), the change in unrealized gains on the restricted investments (Note 6) of \$87,576 (\$100,896 in 2024) and investment income of \$79,381 (\$40,909 in 2024).

**16. Related party transactions**

*(a) Perley Health Foundation*

The Foundation seeks donations for capital expansion, equipment needs, expanded resident programs, research and education for Perley Health.

During the year ended December 31, 2025, the Foundation distributed \$1,706,492 (\$2,675,358 in 2024) to Perley Health for programs and capital expenditures through gifts-in-kind, purchases and general contributions for specific programs.

These funds have been included in Perley Health's statement of operations, deferred revenue and deferred capital contributions related to capital assets.

As at December 31, 2025, Perley Health has a balance owing from the Foundation of \$307,853, which is included in accounts receivable (\$575,137 in 2024).

	<b>2025</b> \$	2024 \$
Programs and capital expenditures		
Gifts-in-kind	<b>4,408</b>	4,581
Cash donations	<b>1,702,084</b>	2,670,777
	<b>1,706,492</b>	2,675,358

*(b) Ottawa Regional Hospital Linen Services Incorporated*

Perley Health is a member of the Ottawa Regional Hospital Linen Services Incorporated (ORHLS). The ORHLS was established to provide laundry services to members on a cost-of-service basis.

For the year ended December 31, 2025, Perley Health paid \$513,424 (\$601,134 in 2024) to the ORHLS for linen services. These amounts have been included in general long-term care facility operations in the statement of operations.

*(c) Pub and canteen operations*

The pub and canteen operations are operated on behalf of the Rideau Veteran Residents' Council (the "Council") under the supervision of Perley Health. Profits from these operations are returned to the Council.

**17. Contingencies**

*Per diem grants*

Perley Health receives funding for operations for certain programs from the Ontario Ministry of Long-Term Care (MOHLTC), the Ministry of Health (MoH), its Foundation and Veterans Affairs Canada (VAC).

The final amount of operating revenue recorded for the current year will not be determined until the MOHLTC, MoH, and VAC have reviewed Perley Health's financial and statistical returns for the year. Management of Perley Health considers the amount recorded as revenue from the MOHLTC and VAC to be accurate. Any adjustments arising from the MOHLTC, MoH, and VAC reviews will be recorded in the year in which the adjustment is made. The MOHLTC reconciliations are outstanding for 2018, 2019, 2020, 2021, 2022, 2024 and the current year. The VAC reconciliations are outstanding for 2023/24 and the current year. The MoH reconciliations outstanding are for 2023/24 and the current year.

Funding adjustments recorded during the year are summarized below.

	Fiscal year funding adjustments relate to	2025 \$	2024 \$
VAC	2022/2023	—	18,523
		—	18,523

*Litigation*

Perley Health has received a statement of claim arising out of a contract dispute with a former service provider. The claim is for approximately \$90 thousand, and management believes the claim is wholly defensible. Consequently, Perley Health has not recorded any liability with respect to this matter.

**18. Seniors' housing operations**

The seniors' housing operating revenue and expenses consist of the following:

	2025 \$	2024 \$
Operating revenue		
Rental revenue	<b>3,982,836</b>	4,074,448
Amortization of deferred contributions	<b>367,180</b>	370,374
Other revenue	<b>391,442</b>	357,975
	<b>4,741,458</b>	4,802,797
Operating expenses		
General supplies	<b>211,247</b>	228,954
Interest	<b>1,425,126</b>	1,446,360
Maintenance and repairs	<b>391,624</b>	312,568
Property and taxes	<b>248,910</b>	243,292
Salaries and benefits	<b>762,153</b>	654,882
Utilities	<b>354,842</b>	308,732
Amortization	<b>1,159,673</b>	1,209,206
	<b>4,553,575</b>	4,403,994
Deficiency of revenue over expenses	<b>187,883</b>	398,803

**19. Ancillary operations**

Ancillary revenue and expenses consist of the following:

	<b>2025</b>	2024
	\$	\$
Operating revenue		
Non-resident food services	<b>776,671</b>	678,250
Parking	<b>629,788</b>	624,907
Telecommunications, rental, investment income and other	<b>1,234,028</b>	1,621,496
Solar panels	<b>149,016</b>	126,634
	<b><u>2,789,503</u></b>	<u>3,051,287</u>
Operating expenses		
Non-resident food services	<b>1,059,036</b>	1,129,930
Parking	<b>454,426</b>	514,933
Telecommunications services and other	<b>164,709</b>	144,283
Solar panels	<b>1,126</b>	1,087
Amortization of capital assets - solar panels	<b>56,637</b>	62,931
	<b><u>1,735,934</u></b>	<u>1,853,164</u>
Excess of revenue over expenses	<b><u>1,053,569</u></b>	<u>1,198,123</u>

**20. Commitments**

The commitments entered into by the Corporation under lease agreements for the rental of equipment expiring in June 2031 and December 2032. The minimum annual lease payments are as follows:

	\$
2026	2,201,870
2027	929,031
2028	929,031
2029	929,031
2030 and thereafter	<u>2,164,304</u>
	<b><u>7,153,267</u></b>

In addition to the operating leases, Perley Health entered into a construction contract in 2025 to build an addition to the current facilities and complete leasehold improvements. The construction contract is for a total of \$4,153,240, of which the remaining balance as at December 31, 2025, was \$2,326,259.

The project is being funded by commitments from Perley Health Foundation for \$2 million, Andrew Fleck Childcare Services for \$1,787,271, and the remaining balance of \$365,979 by Perley Health.

## **21. Comparative information**

Certain comparative figures have been reclassified to conform to with the current year's presentation. The reclassifications, as noted below, affect presentation only and have no an impact on Perley Health's total net assets (deficiencies), results of operations or cash flows.

During the current year, Perley Health changed the presentation of MOLTC funding to only include revenues directly from MOLTC. Previously, non MOLTC income was included within "Ministry of Long-Term Care (MOLTC) Funding". They are now presented within "Other funding and recoveries".

During the current year, Perley Health changed the presentation of its net assets. Previously, net assets included a separate classification for amounts invested in capital assets. Under the new presentation, this separate classification has been eliminated, and capital assets are now included within unrestricted net assets. This change was made to simplify the presentation of Perley Health's financial position.