Recovery Alberta
MENTAL HEALTH AND ADDICTION SERVICES

FINANCIAL STATEMENTS

MARCH 31, 2026

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Recovery Alberta
MENTAL HEALTH AND ADDICTION SERVICES

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements for the year ended March 31, 2026 are the responsibility of management and have been reviewed and approved by senior management. The financial statements were prepared in accordance with Canadian Public Sector Accounting Standards and include certain disclosures required by the financial directives issued by the Ministry of Mental Health and Addiction, and of necessity include some amounts based on estimates and judgment.

To discharge its responsibility for the integrity and objectivity of financial reporting, management maintains systems of financial management and internal control which give consideration to costs, benefits and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public funds;
- safeguard the assets and properties of the "Province of Alberta" that are the responsibility of Recovery Alberta.

Recovery Alberta carries out its responsibility for the financial statements through the Board. The Board meets with management and the Auditor General of Alberta to review financial matters, and approves the financial statements upon finalization of the audit. The Auditor General of Alberta has free access to the Board.

The Auditor General of Alberta provides an independent audit of the financial statements. His examination is conducted in accordance with Canadian Generally Accepted Auditing Standards and includes tests and procedures which allow him to report on the fairness of the financial statements prepared by management.

[Original signed by]

Kerry Bales, RN, BScN, MA
Chief Executive Officer
Recovery Alberta

[Original signed by]

Jennifer Ocloo, CPA, CMA
Executive Lead, Finance
Recovery Alberta

October 6, 2026

Independent Auditor's Report

Auditor General OF ALBERTA

To the Board Chair of Recovery Alberta and the Minister of Mental Health and Addiction

Report on the Financial Statements

Opinion

I have audited the financial statements of Recovery Alberta, which comprise the statement of financial position as at March 31, 2026, and the statements of operations, change in net financial assets, and cash flows for the year then ended, and notes and schedules to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Recovery Alberta as at March 31, 2026, and the results of its operations, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of Recovery Alberta in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the *Annual Report*, but does not include the financial statements and my auditor's report thereon. The *Annual Report* is expected to be made available to me after the date of this auditor's report.

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

In connection with my audit of the financial statements, my 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 my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter 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 the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Recovery Alberta'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 an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Recovery Alberta's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 Recovery Alberta'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 Recovery Alberta's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause Recovery Alberta 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.

I 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 I identify during my audit.

[Original signed by Phillip D. Peters FCPA, FCA, KC]
Auditor General of Alberta

October 6, 2026
Edmonton, Alberta

STATEMENT OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 2026 *(with comparative figures for the nine-month period ended March 31, 2025)*	2026		2025
	Budget (Note 4)	Actual	Actual *(9 months)*
Revenues:			
Ministry of Mental Health and Addiction transfers			
Base operating	$ 1,334,617	$ 1,412,888	$ 726,840
One-time base operating		17,930	85,350
Other operating	91,036	96,498	68,771
Recognition of spent deferred capital contributions		15	14
Other government transfers (Note 5)	17,333	15,326	9,865
Fees and charges	3,000	8,517	2,415
Non-government contributions (Note 6)	2,867	7,026	2,512
Other income (Note 7)	9,186	20,706	12,461
Net effect of restructuring transaction (Note 3)		-	679
TOTAL REVENUES	**1,458,039**	**1,578,906**	**908,907**
Expenses:			
Continuing care	6,833	4,466	2,688
Community care	692,342	683,227	414,507
Acute care	387,831	455,387	251,646
Emergency medical services		64	-
Diagnostic and therapeutic services	116,212	113,827	70,787
Population and public health	4,777	5,488	3,346
Research and education	4,327	3,283	3,542
Information technology	42,486	43,289	25,188
Support services (Note 8)	157,389	152,871	93,314
Administration (Note 9)	45,842	54,012	27,201
TOTAL EXPENSES (Schedules 1 and 3)	**1,458,039**	**1,515,914**	**892,219**
ANNUAL OPERATING SURPLUS	**-**	**62,992**	**16,688**
Accumulated surplus, beginning of year/period	-	**16,688**	-
Accumulated surplus, end of year/period (Note 18)	**$ -**	**$ 79,680**	**$ 16,688**

The accompanying notes and schedules are part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT MARCH 31		
	2026	2025
	Actual	Actual
Financial Assets:		
Cash	$ 18,027	$ 28
Accounts receivable (Note 11)	8,496	25,659
Due from Alberta Health Services Regional Health Authority	-	251,863
Due from Health Shared Services	272,739	-
	299,262	277,550
Liabilities:		
Accounts payable and accrued liabilities (Note 12)	105,870	128,479
Employee future benefits (Note 13)	77,096	71,211
Unspent deferred operating contributions (Note 14)	39,020	63,237
Unspent deferred capital contributions (Note 15)	-	14
	221,986	262,941
NET FINANCIAL ASSETS	**77,276**	**14,609**
Non-Financial Assets:		
Tangible capital assets (Note 17)	7,117	4,198
	7,117	4,198
NET ASSETS BEFORE SPENT DEFERRED CAPITAL CONTRIBUTIONS	84,393	18,807
Spent deferred capital contributions (Note 16)	4,713	2,119
NET ASSETS	**79,680**	**16,688**
Net Assets is comprised of:		
Accumulated surplus (Note 18)	79,680	16,688
	$ 79,680	**$ 16,688**

Contractual Obligations and Contingent Liabilities (Note 19)

The accompanying notes and schedules are part of these financial statements.

Approved by:

[Original signed by]

Kerry Bales, RN, BScN, MA
Board Chair
Recovery Alberta

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS FOR THE YEAR ENDED MARCH 31, 2026 *(with comparative figures for the nine-month period ended March 31, 2025)*			
	2026		2025
	Budget[(i)]	Actual	Actual *(9 months)*
Annual operating surplus		$ 62,992	$ 16,688
Effect of changes in tangible capital assets:			
Acquisition of tangible capital assets:			
Purchased		(3,311)	(155)
Leased		(942)	(355)
Contributed		(462)	-
Amortization and loss on disposals/write-downs of tangible capital assets		1,796	1,049
Effect of other changes:			
Net increase (decrease) in spent deferred capital contributions		2,594	(169)
Net decrease in prepaid expenses		-	5,279
Net debt transferred as a result of restructuring transaction		-	(7,049)
Net effect of restructuring transaction		-	(679)
Increase in net financial assets for the year/period		**62,667**	**14,609**
Net financial assets, beginning of year/period		**14,609**	-
Net financial assets, end of year/period		**$ 77,276**	**$ 14,609**

(i) No budget values are presented as no budget was approved for the Statement of Change in Net Financial Assets for the year ended March 31, 2026, or the nine-month period ended March 31, 2025 (Note 4).

The accompanying notes and schedules are part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2026 *(with comparative figures for the nine-month period ended March 31, 2025)*	2026 Actual	2025 Actual *(9 months)* (Note 22)
Operating transactions:		
Annual operating surplus	$ 62,992	$ 16,688
Non-cash items:		
Amortization and loss on disposals/write-downs of tangible capital assets	1,796	1,049
Recognition of spent deferred capital contributions	(784)	(286)
Change in employee future benefits	5,357	6,090
Net effect of restructuring transaction	-	(679)
(Increase) decrease in:		
Accounts receivable	17,163	(16,881)
Due from Alberta Health Services Regional Health Authority	(26,548)	(60,584)
Due from Health Shared Services	7,006	-
Prepaid expenses	-	5,279
Increase (decrease) in:		
Accounts payable and accrued liabilities	(23,335)	53,503
Unspent deferred operating contributions	(24,547)	(3,549)
Cash provided by operating transactions	19,100	630
Capital transactions:		
Purchased tangible capital assets	(3,311)	(155)
Cash applied to capital transactions	(3,311)	(155)
Financing transactions:		
Restricted capital contributions received	2,902	131
Payments on obligations under capital leases	(692)	(606)
Cash provided by (applied to) financing transactions	2,210	(475)
Increase in cash	**17,999**	**-**
Cash, beginning of year/period	28	28
Cash, end of year/period	**$ 18,027**	**$ 28**

The accompanying notes and schedules are part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2026

Note 1 Authority, Purpose and Operations

Recovery Alberta was legally established as a Provincial Health Agency (PHA) under the *Provincial Health Agencies Act* (Alberta), effective July 1, 2024, as a result of the Government of Alberta's initiative to refocus the healthcare system. Effective September 1, 2024, Recovery Alberta assumed responsibility for the delivery, oversight and coordination of mental health and addiction services in Alberta, with the transfer of related powers, duties, responsibilities and functions from Alberta Health Services Regional Health Authority (AHS RHA) (Note 3).

Mental health and addiction health services are services provided through provincially approved recovery-oriented facilities and programs. These services include inpatient care at acute care hospitals and standalone psychiatric hospitals; outpatient care delivered through community health clinics, outreach teams, walk-in services, and virtual options; bed-based addiction care; bed-based community mental health care; coordinated access through Access phone lines; and health promotion and education initiatives. In addition, Recovery Alberta is responsible for providing correctional facilities health services, which are health services provided in all provincial correctional settings.

Pursuant to Part 2 of the *Provincial Health Agencies Act, RSA 2000* (Alberta), effective June 21, 2024, Recovery Alberta, as a PHA, is responsible for the delivery, oversight and coordination of health services in the health services sector or sectors for which it was established. For the purposes of the Act, Recovery Alberta is responsible for carrying out the following functions, which include but are not limited to:

(a) deliver mental health and addiction health services or arrange for the delivery of mental health and addiction health services,
(b) oversee the delivery of mental health and addiction health services by the parties with whom the provincial health agency has entered into agreements to deliver mental health and addiction health services and ensure the accountability of those parties,
(c) monitor and evaluate the delivery of mental health and addiction health services in the mental health and addiction health services sector,
(d) ensure that mental health and addiction health services are delivered in the mental health and addiction health services sector in a manner that is responsive to the needs of individuals and communities and supports the integration of mental health and addiction health services,
(e) support reasonable access to quality mental health and addictions health services in the mental health and addictions health services sector.

Recovery Alberta is accountable to the Minister of Mental Health and Addiction (the Minister) for the delivery, oversight and coordination of the mental health and addiction services for Albertans.

The Recovery Alberta financial statements include the assets, liabilities, revenues and expenses associated with its responsibilities.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards. In addition, the financial statements include certain disclosures required by the financial directives issued by the Ministry of Mental Health and Addiction (MHA).

(b) Revenue Recognition

All revenues are recorded on an accrual basis, except when the accrual cannot be determined within a reasonable degree of certainty or when estimation is impracticable. Revenues from transactions with performance obligations are recognized when Recovery Alberta provides the promised goods and/or services to a payor. Revenue from transactions with no performance obligations are recognized at their realizable value when Recovery Alberta has the authority to claim or retain an inflow of economic resources and identifies a past transaction or event that gives rise to an asset. Unallocated costs comprising of materials and services contributed by related parties in support of Recovery Alberta's operations, are not recognized in these financial statements.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(i) Government Transfers

Transfers from MHA, PHAs, provincial health corporations (PHCs), other Province of Alberta ministries, and other government entities including federal bodies are referred to as government transfers. Government transfers are monetary or tangible capital asset transfers where the government making the transfer does not receive any goods or services directly in return, expect to be repaid in the future, or expect a direct financial return.

Government transfers are recorded as deferred contributions when the stipulations together with Recovery Alberta's actions and communications as to the use of the transfer, create a liability. These transfers are recognized as revenue as the stipulations are met and, when applicable, Recovery Alberta complies with the communicated use of the transfer.

All other government transfers, without stipulations for the use of the transfer, are recorded as revenue when the transfer is authorized and Recovery Alberta meets the eligibility criteria.

Deferred contributions consist of unspent deferred operating contributions (Note 14), unspent deferred capital contributions (Note 15), and spent deferred capital contributions (Note 16). The term deferred contributions in these financial statements refers to the components of deferred contributions as described.

(ii) Non-Government Contributions

Non-government contributions are received from individuals, corporations, and other not-for-profit organizations. Non-government contributions may be unrestricted or externally restricted for operating or capital purposes.

Unrestricted non-government contributions are recorded as revenue in the year received or in the year the funds are committed to Recovery Alberta if the amount can be reasonably estimated and collection is reasonably assured.

Externally restricted non-government contributions are recorded as deferred contributions if the terms for their use, or the terms along with Recovery Alberta's actions and communications as to their use create a liability. These resources are recognized as revenue as the terms are met and, when applicable, Recovery Alberta complies with the communicated use.

In-kind contributions of services and materials from non-related parties are recorded at fair value when such value can reasonably be determined. While volunteers contribute a significant amount of time each year to assist Recovery Alberta, the value of their services is not recognized as revenue and expenses in the financial statements because fair value cannot be reasonably determined.

(iii) Fees and Charges and Other Income

Fees and charges and other income are considered revenue arising from exchange transactions with performance obligations. These are recognized in the year that goods are delivered or services are provided by Recovery Alberta. Amounts received for which goods or services have not been provided by year end are recorded as deferred contributions.

Other income includes an allocation of investment income recognized by AHS RHA until February 28, 2026, and by Health Shared Services (HSS) from March 1, 2026 going forward. Prior to March 1, 2026, AHS RHA managed cash and portfolio investments centrally and allocated investment income to Recovery Alberta using the same pro-rate methodology currently applied by HSS. At year end, cash and portfolio investments are managed centrally by HSS with the income allocated to Recovery Alberta on a pro-rata basis for Recovery Alberta's share of the income generated from cash and portfolio investments. The investment income recognized by HSS is used as the basis for the income allocation and includes bank interest and income arising from portfolio investments.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(c) Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year are expensed.

Expenses include grants and transfers under shared cost agreements. Grants and transfers are recorded as expenses when the transfer is authorized and eligibility criteria have been met by the recipient.

(d) Financial Instruments

Financial instruments comprise financial assets and financial liabilities. Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial liabilities are contractual obligations to deliver cash or another financial asset to another entity or to exchange financial instruments with another entity under conditions that are potentially unfavourable to Recovery Alberta.

All of Recovery Alberta's financial assets and financial liabilities are initially recorded at their fair value and are subsequently measured at cost or amortized cost. Amortized cost is the amount at which a financial instrument asset or a financial instrument liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Recovery Alberta's financial instruments include cash, accounts receivable, due from AHS Regional Health Authority, due from Health Shared Services, and accounts payable and accrued liabilities.

Contractual obligations are evaluated for the existence of embedded derivatives. Recovery Alberta measures and recognizes embedded derivatives separately from the host contract when the economic characteristics and risk of the embedded derivative are not closely related to those of the host contract, when it meets the definition of a derivative, and when the entire contract is not measured at fair value. An election can be made to either measure the entire contract at fair value or measure the value of the derivative component separately when characteristics of the derivative are not closely related to the economic characteristics and risks of the contract itself. Contracts to buy or sell non-financial items for Recovery Alberta's normal course of business are not recognized as financial assets or liabilities. Recovery Alberta does not have any embedded derivatives.

Financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest rate method.

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 as a realized loss on the Statement of Operations.

A financial liability or a part thereof is derecognized when it is extinguished.

Recovery Alberta has not presented a Statement of Remeasurement Gains and Losses, as no activities would result in remeasurement gains or losses.

(e) Cash

Cash is held for the purpose of meeting short-term commitments rather than for investment purposes.

(f) Accounts receivable

Accounts receivable are recognized at the lower of cost or net recoverable value. A valuation allowance is recognized when recovery is uncertain.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(g) Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization, which includes amounts that are directly related to the acquisition, design, construction, development, improvement, or betterment of the assets. Cost includes overhead directly attributable to construction and development as well as interest costs that are directly attributable to the acquisition or construction of the asset.

Contributed tangible capital assets from non-related entities are recognized at their fair value at the date of the contribution when fair value can be reasonably determined. When Recovery Alberta cannot determine the fair value, it records such contributions at nominal value.

The costs less residual values of tangible capital assets are amortized over their estimated useful lives on a straight-line basis as follows:

	Useful Life
Equipment	3-20 years

Leases of tangible capital assets which transfer substantially all benefits and risks of ownership to Recovery Alberta are accounted for as tangible capital assets and are amortized over the shorter of the term of the lease or their estimated useful lives. Obligations under capital leases are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of Recovery Alberta's rate for incremental borrowing and the interest rate implicit in the lease.

Tangible capital assets are written down to their net recoverable amount when conditions indicate that they no longer contribute to Recovery Alberta's ability to provide goods and services or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. Write-downs are recorded as part of amortization and loss on disposals / write-downs of tangible capital assets.

Intangibles and other assets inherited by right and that have not been purchased are not recognized in these financial statements. Similarly, works of art, historical treasures, and collections are not recognized as tangible capital assets.

(h) Employee Future Benefits

(i) Defined Benefit Pension Plans

Local Authorities Pension Plan (LAPP) and Management Employees Pension Plan (MEPP)

Recovery Alberta participates in the LAPP and MEPP, both of which are multi-employer registered defined benefit pension plans. Recovery Alberta accounts for these plans on a defined contribution basis. Accordingly, the pension expense recorded for these plans in these financial statements is comprised of the employer contributions that Recovery Alberta is required to pay for participating employees during the fiscal year. LAPP and MEPP set the employer contribution rates on an annual basis based on actuarially pre-determined amounts that are expected to provide the plans' future benefits.

(ii) Defined Contribution Pension Plans

Group Registered Retirement Savings Plans (GRRSPs)

Recovery Alberta sponsors GRRSPs for certain employee groups. Under the GRRSPs, Recovery Alberta matches a certain percentage of any contribution made by plan participants up to certain limits.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

Supplemental Pension Plan (SPP)

The SPP supplements the benefits under Recovery Alberta registered plans that are limited by the *Income Tax Act* (Canada). Recovery Alberta contributes a percentage of an eligible employee's pensionable earnings, in excess of the limits of the *Income Tax Act* (Canada). The SPP provides participants with an account balance at retirement based on the contributions made to the plan and investment income earned on the contributions based on investment decisions made by the participant.

(iii) Other Benefit Plans

Accumulating Non-Vesting Sick Leave

Sick leave benefits accumulate with employees' service and are provided by Recovery Alberta to certain employee groups of Recovery Alberta, as defined by employment agreements, to cover illness-related absences that are outside of short-term and long-term disability coverage. Benefit amounts are determined and accumulate with reference to employees' earnings at the time they are paid out. The cost of the accumulating non-vesting sick leave benefits is expensed as the benefits are earned.

Recovery Alberta recognizes a liability and expense for accumulating non-vesting sick leave benefits using an actuarial cost method as the employees render services to earn the benefits. The liability and expense is determined using the projected benefit method pro-rated for service and professional actuarial estimates of expected discount rate, inflation, rate of compensation increase, termination and retirement dates, sick leave accumulation and utilization, and mortality. Actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service life of the related employee groups.

Recovery Alberta does not record a liability for sick leave benefits that do not accumulate beyond the current reporting year as these are renewed annually.

Other Benefits

Recovery Alberta provides its employees with basic life, accidental death and dismemberment, short-term disability, long-term disability, extended health, dental, and vision benefits through benefits carriers. Recovery Alberta fully accrues its obligations for employee non-pension future benefits.

(i) Reserves

Certain amounts, as approved by the Recovery Alberta Board, may be set aside in accumulated surplus for use by Recovery Alberta for future purposes. Transfers to, or from, are recorded to the respective reserve account when approved. Reserves include Invested in Tangible Capital Assets.

(j) Measurement Uncertainty

The financial statements, by their nature, contain estimates and are subject to measurement uncertainty. Measurement uncertainty exists when there is a difference between the recognized or disclosed amount and another reasonably possible amount. These estimates and assumptions are reviewed at least annually. Actual results could differ from the estimates determined by management in these financial statements, and these differences could require adjustment in subsequent reporting years.

The amount recorded for amortization of tangible capital assets is based on the estimated useful life of the related assets while the recognition of spent deferred capital contributions depends on when the terms for the use of the funding are met and, when applicable, Recovery Alberta complies with its communicated use of the funding. The amounts recorded for accumulating non-vesting sick leave are based on various assumptions including the estimated service life of employees, drawdown rate of sick leave banks and rate of salary escalation.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(k) Inter-Entity Transactions

Inter-entity transactions are those conducted between Recovery Alberta and other entities within the Province of Alberta reporting entity.

In accordance with PS 3420 Inter-entity transactions, the accounting treatment for these transactions includes the following:

- Inter-entity transactions involving the transfer of assets or liabilities are recognized by both the transferring and receiving entities.
- Inter-entity transactions are recorded at the carrying amount, with any applicable adjustments, as determined at the transaction date.
- Where the exchange amount differs from the carrying amount, the difference is recognized as an expense or revenue in the Consolidated Statement of Operations.

(l) Future Accounting Changes

On April 1, 2026, Recovery Alberta will adopt the following new conceptual framework and accounting standard approved by the Public Sector Accounting Board:

- **The Conceptual Framework for Financial Reporting in the Public Sector**
  The Conceptual Framework is the foundation for public sector financial reporting standard setting. It replaces the conceptual aspects of Section PS 1000 Financial Statement Concepts and Section PS 1100 Financial Statement Objectives. The conceptual framework highlights considerations fundamental for the consistent application of accounting issues in the absence of specific standards.

- **PS 1202 Financial Statement Presentation**
  Section PS 1202 sets out general and specific requirements for the presentation of information in general purpose financial statements. The financial statement presentation principles are based on the concepts within the Conceptual Framework.

On April 1, 2029, Recovery Alberta will adopt PS 3251 – Employee Benefits.

- **PS 3251 – Employee Benefits**
  This standard will replace and consolidate two old standards, PS 3250 – Retirement benefits and PS 3255 – Post-employment benefits, Compensated Absences and Termination Benefits. The application of the standard will improve the understandability of the financial reporting of employee benefits and provide better information for accountability purposes.

On April 1, 2030, Recovery Alberta will adopt the amendments to PS 3150 – Tangible Capital Assets.

- **PS 3150 – Tangible Capital Assets**
  The amendments standardize capital asset accounting by incorporating Government Not for Profit standards, clarifying recognition and disclosure requirements related to collections, works of art and historical treasures.

Management is currently assessing the impact of the conceptual framework and these standards on the Recovery Alberta financial statements.

Note 3 Restructuring of AHS RHA and Establishment of Recovery Alberta

(a) Restructuring Transaction

As a result of the Government of Alberta's initiative to refocus the healthcare system, and in accordance with the Government of Alberta's ministerial orders related to the restructuring of AHS RHA, all responsibilities and the oversight and coordination of the delivery of mental health and addiction services, along with related assets, liabilities, and funding agreements were transferred from AHS RHA to Recovery Alberta effective September 1, 2024. Recovery Alberta is associated with AHS RHA since both entities are accountable to their respective Ministries within the Government of Alberta. Recovery Alberta did not provide or receive any compensation related to the transfer of assets and liabilities.

		September 1, 2024
Financial assets:		
Cash	$	28
Due from AHS RHA		191,279
Accounts receivable		8,778
		200,085
Liabilities:		
Accounts payable and accrued liabilities		75,227
Employee future benefits		65,121
Unspent deferred operating contributions		66,786
		207,134
Non-financial assets:		
Tangible capital assets		4,737
Prepaid expenses		5,279
		10,016
Spent deferred capital contributions		2,288
Net effect of restructuring transaction	**$**	**679**

The tangible capital assets transferred to Recovery Alberta included equipment with a cost of $18,203 and accumulated amortization of $13,466 (Note 17). Obligations under capital leases transferred to Recovery Alberta were $1,522.

The related sector contractual obligations were also transferred to Recovery Alberta. Contracts transferred to Recovery Alberta for $262,703 were related to the continuum of mental health and addiction services and supports, from prevention and intervention to treatment and recovery.

Recovery Alberta entered into a Transition Services Framework Agreement (TSFA), Cooperation Agreement and Information Management and Information Sharing Agreement with AHS RHA effective September 1, 2024. Together, these agreements governed the relationship between AHS RHA and Recovery Alberta. Under the TSFAs, AHS RHA agreed to provide transition services to Recovery Alberta. The transition services included all clinical and corporate support services provided by AHS RHA to itself including but not limited to nutrition, food, linen & environmental services, capital management, information technology, protective services, pharmacy services, human resources, financial operations, Alberta Precision Laboratories (APL) services, and health information management. Laboratory and pathology services continue to be provided by APL, a wholly owned subsidiary controlled by AHS RHA. The corporate services were provided by AHS RHA until they were transferred to HSS effective December 1, 2025. The corporate services include, but are not limited to, capital management, information technology, human resources, financial operations, and health information management.

AHS RHA provided cash management services, including investment and portfolio oversight, on behalf of Recovery Alberta until February 28, 2026. Therefore cash-settled assets and liabilities are reflected in the 'Due from AHS RHA' line in the table above. Effective March 1, 2026, $279,745 was transferred to HSS to provide these services on behalf of Recovery Alberta and is therefore reflected in the 'Due from HSS' line in the Statement of Financial Position as at March 31, 2026.

Note 3 Restructuring of AHS RHA and Establishment of Recovery Alberta (continued)

(b) Post-restructuring Transfer

In accordance with the Government of Alberta's ministerial orders issued, additional transfers of assets and liabilities were executed between AHS RHA and other entities within the Government of Alberta reporting entity to further align financial resources with the revised organizational structure. These transfers have been accounted for as inter-entity transfers as they do not meet the definition of restructuring transactions.

In accordance with the Government of Alberta's ministerial orders, the following transfers occurred:

Effective December 1, 2025, additional positions together with certain related assets and liabilities were transferred from AHS RHA to Recovery Alberta to support the operational responsibility that was transferred on September 1, 2024.

The assets and liabilities were transferred at their carrying amounts and Recovery Alberta did not provide or receive any consideration related to this transfer.

		December 1, 2025
Financial assets:		
Due from AHS RHA	$	1,334
Liabilities:		
Accounts payable and accrued liabilities	$	476
Employee future benefits		528
Unspent deferred operating contributions		330
	$	1,334

Note 4 Budget

The year ended March 31, 2026 Statement of Operations budget was approved by the Board on March 31, 2025 and approved by the Minister of Mental Health and Addiction on May 12, 2025. No budget was prepared or approved for the Statement of Change in Net Financial Assets as the assets and liabilities that were transferring from AHS RHA to Recovery Alberta, as part of the restructuring transaction, were still being identified at the time of budget submission.

Note 5 Other Government Transfers

	Budget (Note 4)	2026	2025 *(9 months)*
Recognition of spent deferred capital contributions (Note 16)	$	$ 591	$ 221
Restricted operating (Note 14)	7,616	6,757	4,125
Unrestricted operating	9,717	7,978	5,519
	$ 17,333	**$ 15,326**	**$ 9,865**

Other government transfers include $11,871 (2025 - $6,548) (Note 20) transferred from the Province of Alberta, $3,455 (2025 - $3,317) from government entities outside the Province of Alberta and exclude amounts from MHA as these amounts are separately disclosed on the Statement of Operations.

Note 6 Non-Government Contributions

	Budget (Note 4)	2026	2025 *(9 months)*
Recognition of spent deferred capital contributions (Note 16)	$	$ 178	$ 51
Restricted operating (Note 14)	2,767	5,825	1,688
Unrestricted operating	100	1,023	773
	$ 2,867	**$ 7,026**	**$ 2,512**

Note 7 Other Income

	Budget (Note 4)	2026	2025 *(9 months)*
Other Province of Alberta Ministries (Note 20)	$	$ 2,887	$ 1,356
Other[(i)]	9,186	17,819	11,105
	$ 9,186	**$ 20,706**	**$ 12,461**

(i) Other primarily relates to an allocation of $6,915 (2025 - $5,251) investment income from HSS and AHS RHA (Note 20), and other recoveries for services provided to third parties.

Note 8 Support Services

	Budget (Note 4)	2026	2025 *(9 months)*
Facilities operations	$ 71,155	$ 69,519	$ 41,522
Patient health records, food services, and transportation	35,445	33,634	19,122
Housekeeping, laundry, and linen	22,976	22,842	12,324
Materials management	7,013	4,489	4,132
Ancillary operations	4,607	3,257	2,730
Other	16,193	19,130	13,484
	$ 157,389	**$ 152,871**	**$ 93,314**

Note 9 Administration

	Budget (Note 4)	2026	2025 *(9 months)*
General administration	$ 22,739	$ 29,096	$ 13,317
Human resources	11,431	9,994	6,860
Finance	6,334	9,584	3,620
Communications	5,338	5,338	3,404
	$ 45,842	**$ 54,012**	**$ 27,201**

Note 10 Financial Risk Management

Recovery Alberta is exposed to a variety of financial risks associated with its financial instruments. These financial risks include market risk, credit risk, and liquidity risk.

(a) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk is comprised of three types of risk: price risk, interest rate risk, and foreign currency risk. Recovery Alberta does not hold portfolio investments or debt, and therefore market risk is minimal.

(i) Interest Rate Risk

Recovery Alberta has fixed interest rate loans for all debt, thereby mitigating interest rate risk from rate fluctuations over the term of the outstanding debt. The fair value of fixed rate debt fluctuates with changes in market interest rates, but the related future cash flows will not change.

(b) Credit Risk

Credit risk is the risk of loss arising from the failure of a counterparty to fully honour its contractual obligations. Recovery Alberta's receivables are exposed to credit risk, however, these amounts are largely due from MHA and HSS; therefore, the credit risk is minimal. Recovery Alberta periodically reviews the collectability of its other accounts receivable and establishes an allowance based on its best estimate of potentially uncollectible amounts.

(c) Liquidity Risk

Liquidity risk is the risk that Recovery Alberta will encounter difficulty under both normal and stressed conditions in meeting obligations associated with financial liabilities that are settled by delivery of cash or another financial asset. Recovery Alberta's accounts payable and accrued liabilities are exposed to liquidity risk; however, the risk is minimal as, effective December 1, 2025, HSS is responsible for settling the majority of Recovery Alberta's obligations mainly through funding provided by MHA.

The following are contractual maturities of the remaining financial liabilities as at March 31, 2026 based on expected undiscounted cash flows.

	Due in less than 1 year	Due in 1-5 years	Due after 5 years
Payroll payable and related accrued liabilities	$ 85,494	$ -	$ -
Trade accounts payable and accrued liabilities	18,855	-	-
	$ 104,349	**$ -**	**$ -**

Obligations under capital leases are disclosed in Note 12(a).

Note 11 Accounts Receivable

	2026			2025
	Gross	Allowance for Doubtful Accounts	Net	Net
Patient accounts receivable	$ 2,585	$ 57	$ 2,528	$ 2,037
Other capital transfers receivable	221	-	221	-
Other operating transfers receivable[(i)]	2,198	-	2,198	19,812
Other accounts receivable	3,549	-	3,549	3,810
	$ 8,553	**$ 57**	**$ 8,496**	**$ 25,659**

(i) Other operating transfers receivable includes $nil (2025 - $15,943) contributions receivable from MHA.

Note 12 Accounts Payable and Accrued Liabilities

	2026	2025
Payroll payable and related accrued liabilities	$ 85,494	$ 121,166
Trade accounts payable and accrued liabilities	18,855	6,042
Obligations under capital leases[(a)]	1,521	1,271
	$ 105,870	**$ 128,479**

(a) Obligations under capital leases include vehicle leases for fleet vehicles.

The obligations will be settled between 2027 and 2031 and have an implicit interest rate payable of 3.44% (2025 – 3.97%).

Recovery Alberta is committed to making principal payments for obligations under capital leases as follows:

Year ended March 31	Minimum Contract Payments
2027	$ 543
2028	454
2029	315
2030	144
2031	65
	$ 1,521

Note 13 Employee Future Benefits

	2026	2025
Accrued vacation pay	$ 64,385	$ 59,136
Accumulating non-vesting sick leave[(a)]	12,711	12,075
	$ 77,096	**$ 71,211**

(a) Accumulating Non-Vesting Sick Leave

Sick leave benefits are paid by Recovery Alberta; there are no employee contributions and no assets set aside to support the obligation.

	2026	2025
Funded status – deficit	$ 14,236	$ 13,978
Unamortized net actuarial loss	(1,525)	(1,903)
Accrued benefit liability	**$ 12,711**	**$ 12,075**

Key assumptions used in the determination of the accumulating non-vesting sick leave liability are:

	2026	2025
Estimated average remaining service life	13 years	13 years
Draw down rate of accumulated non-vesting sick leave bank	24.10%	24.10%
Discount rate – beginning of year	3.63%	5.00%
Discount rate – end of year	3.92%	3.63%
Rate of compensation increase per year	2025-26	2024-25
	3.00%	2.00%
	2026-27	2025-26
	3.00%	3.00%
	Thereafter	2026-27
	2.75%	3.00%
		Thereafter
		2.75%

Note 13 Employee Future Benefits (continued)

(b) Local Authorities Pension Plan (LAPP)

(i) Recovery Alberta Participation in the LAPP

The majority of Recovery Alberta employees participate in the LAPP. Recovery Alberta's employees comprise approximately 4% (2025 – 4%) of the total membership in LAPP. Recovery Alberta is not responsible for future funding of the plan deficit other than through contribution increases. As Recovery Alberta is exposed to the risk of contribution rate increases, the following disclosure is provided to explain this risk.

The LAPP provides for a pension of 1.4% for each year of pensionable service based on the average salary of the highest five consecutive years up to the average Canada Pension Plan's Year's Maximum Pensionable Earnings (YMPE), over the same five consecutive year period and 2.0% on the excess, subject to the maximum pension benefit limit allowed under the *Income Tax Act* (Canada). The maximum pensionable service allowable under the plan is 35 years.

(ii) LAPP Surplus

The LAPP carried out an actuarial valuation as at December 31, 2024 and these results were then extrapolated to December 31, 2025.

	December 31, 2025	December 31, 2024
LAPP net assets available for benefits	$ 76,076,000	$ 70,698,830
LAPP pension obligation	53,514,754	51,141,682
LAPP surplus	**$ 22,561,246**	**$ 19,557,148**

The 2026 and 2025 LAPP contribution rates are as follows:

Calendar 2026		Calendar 2025	
Employer	**Employees**	**Employer**	**Employees**
7.52% of pensionable earnings up to the YMPE and 10.32% of the excess	6.52% of pensionable earnings up to the YMPE and 9.32% of the excess	8.45% of pensionable earnings up to the YMPE and 11.65% of the excess	7.45% of pensionable earnings up to the YMPE and 10.65% of the excess

(c) Pension Expense

	2026	2025 *(9 months)*
Local Authorities Pension Plan	$ 47,575	$ 37,754
Defined contribution pension plans and group RRSPs	3,904	2,654
Other pension plans	135	66
	$ 51,614	**$ 40,474**

Note 14 Unspent Deferred Operating Contributions

(a) Changes in the unspent deferred operating contributions balance are as follows:

	2026				2025
	MHA	Other Government[i]	Non-Government	Total	Total
Balance, beginning of year/period	$ 59,227	$ 540	$ 3,470	$ 63,237	$ -
Balance transferred from AHS RHA September 1, 2024 (Note 3)	-	-	-	-	66,786
Transfers to/from provincial health entities[ii]	-	330	-	330	-
Received or receivable during the year	92,890	9,075	4,226	106,191	71,157
Unspent deferred operating contributions returned	(21,595)	-	-	(21,595)	(104)
Transferred to unspent deferred capital contributions[iii]	(39)	-	(24)	(63)	(18)
Recognized as revenue	(96,498)	(6,757)	(5,825)	(109,080)	(74,584)
Balance, end of year/period	**$ 33,985**	**$ 3,188**	**$ 1,847**	**$ 39,020**	**$ 63,237**

(i) The balance includes $100 (2025 - $36) of unspent deferred operating contributions received from government entities outside the Province of Alberta. The remaining balance all relates to the Province of Alberta (Note 20).
(ii) The balance includes $330 of contributions transferred from AHS RHA on December 1, 2025.
(iii) The transfer is mainly comprised of restricted capital funding that was used for approved expenditures that did not meet the definition of a tangible capital asset.

(b) The unspent deferred operating contributions balance at the end of the year is externally restricted for the following purposes:

	2026				2025
	MHA	Other Government	Non-Government	Total	Total
Community care	$ 33,925	$ 3,019	$ 950	$ 37,894	$ 57,572
Acute care	54	-	416	470	2,884
Diagnostic and therapeutic services	-	102	134	236	1,962
Other	6	67	347	420	819
	$ 33,985	**$ 3,188**	**$ 1,847**	**$ 39,020**	**$ 63,237**

Note 15 Unspent Deferred Capital Contributions

Changes in the unspent deferred capital contributions balance are as follows:

	2026				2025
	MHA	Other Government[i]	Non-Government	Total	Total
Balance, beginning of year/period	$ -	$ 14	$ -	$ 14	$ -
Received or receivable during the year	14	2,587	238	2,839	113
Transferred to spent deferred capital contributions	(53)	(2,601)	(262)	(2,916)	(117)
Transferred from unspent deferred operating contributions[ii]	39	-	24	63	18
Balance, end of year/period[iii]	**$ -**	**$ -**	**$ -**	**$ -**	**$ 14**

(i) The balance relates to the Province of Alberta.
(ii) The transfer is mainly comprised of restricted capital funding of approved expenditures that did not meet the definition of a tangible capital asset.
(iii) The unspent deferred capital contributions balance at the end of the year of $nil (2025 - $14) is externally restricted for purpose of equipment purchases.

Note 16 Spent Deferred Capital Contributions

Changes in the spent deferred capital contributions balance are as follows:

	2026				2025
	MHA	Other Government[(i)]	Non-Government	Total	Total
Balance, beginning of year/period	$ 77	$ 1,589	$ 453	$ 2,119	$ -
Balance transferred from AHS RHA on September 1, 2024 (Note 3)	-	-	-	-	2,288
Balance transferred from AHS RHA	-	328	134	462	-
Transferred from unspent deferred capital contributions	53	2,601	262	2,916	117
Recognized as revenue	(15)	(591)	(178)	(784)	(286)
Balance, end of year/period	**$ 115**	**$ 3,927**	**$ 671**	**$ 4,713**	**$ 2,119**

(i) The balance relates to the Province of Alberta (Note 20).

Note 17 Tangible Capital Assets

Cost	2025	Additions[a]	Disposals/ Write-downs	2026
Equipment	$ 16,746	$ 3,773	$ (116)	$ 20,403
Leased equipment	1,877	942	-	2,819
	$ 18,623	**$ 4,715**	**$ (116)**	**$ 23,222**

Accumulated Amortization	2025	Amortization Expense	Disposals/ Write-downs	2026
Equipment	$ 13,819	$ 1,101	$ (113)	$ 14,807
Leased equipment	606	692	-	1,298
	$ 14,425	**$ 1,793**	**$ (113)**	**$ 16,105**

Cost	Balance transferred as at September 1, 2024 (Note 3)	Additions[a]	Disposals/ Write-downs	2025
Equipment	$ 16,681	$ 155	$ (90)	$ 16,746
Leased equipment	1,522	355	-	1,877
	$ 18,203	**$ 510**	**$ (90)**	**$ 18,623**

Accumulated Amortization	Balance transferred as at September 1, 2024 (Note 3)	Amortization Expense	Disposals/ Write-downs	2025
Equipment	$ 13,466	$ 443	$ (90)	$ 13,819
Leased equipment	-	606	-	606
	$ 13,466	**$ 1,049**	**$ (90)**	**$ 14,425**

	Net Book Value	
	2026	2025
Equipment	$ 5,596	$ 2,927
Leased equipment	1,521	1,271
	$ 7,117	**$ 4,198**

(a) Additions

Additions include tangible capital assets contributed from other sources of $462 (2025 – $nil).

Note 18 Accumulated Surplus

Accumulated surplus is comprised of the following:

	2026			2025
	Unrestricted Surplus	Invested in Tangible Capital Assets[(a)]	Total	Total
Balance, beginning of year/period	$ 15,880	$ 808	$ 16,688	$ -
Annual operating surplus	62,992	-	62,992	16,688
Net investment in tangible capital assets	(75)	75	-	-
Balance, end of year/period	**$ 78,797**	**$ 883**	**$ 79,680**	**$ 16,688**

(a) Invested in Tangible Capital Assets

Invested in tangible capital assets represents the portion of accumulated surpluses that has been invested in the acquisition of Recovery Alberta's assets.

Reconciliation of invested in tangible capital assets:

	2026	2025
Tangible capital assets (Note 17)	$ 7,117	$ 4,198
Less funded by:		
Spent deferred capital contributions (Note 16)	(4,713)	(2,119)
Obligations under capital leases (Note 12)	(1,521)	(1,271)
	$ 883	**$ 808**

Note 19 Contractual Obligations and Contingent Liabilities

(a) Contractual Obligations

Contractual obligations are Recovery Alberta's obligations to others that will become liabilities in the future when the terms of those contracts or agreements are met.

The estimated aggregate amount payable for the unexpired terms of these contractual obligations are as follows:

Year ended March 31	Services[(i)]	Other[(ii)]	Capital Projects	Total
2027	$ 262,991	$ 12,330	$ 123	$ 275,444
2028	10,869	12,331	-	23,200
2029	1,584	55	-	1,639
2030	744	55	-	799
2031	460	55	-	515
Thereafter	-	-	-	-
March 31, 2026	**$ 276,648**	**$ 24,826**	**$ 123**	**$ 301,597**
March 31, 2025	$ 528,485	$ 9,001	$ -	$ 537,486

(i) Service obligations include $2,107 with AHS RHA, through APL, $39,190 with Acute Care Alberta (ACA), through AHS PHC, and $154,146 with HSS in contractual commitments under the Transition Services Framework Agreements (Note 3).

(ii) Other obligations include contractual commitments to fund nursing recruitment and retention strategies in rural and remote areas of Alberta.

Note 19 Contractual Obligations and Contingent Liabilities (continued)

(b) Contingent Liabilities

(i) Legal Claims

Recovery Alberta is subject to legal claims during its normal course of business. Recovery Alberta recognizes a liability when the assessment of a claim indicates that a future event is likely to confirm that a liability has been incurred at the date of the financial statements and the amount of the contingent loss can be reasonably estimated.

Recovery Alberta has been named in 2 legal claims (2025 – 1 claim) related to conditions in existence at March 31, 2026 where the likelihood of the occurrence of a future event confirming a contingent loss is not determinable. Of these, 2 claims have $701 in specified amounts and 0 claims have no specified amounts (2025 – 1 claim with no specified amounts). The resolution of indeterminable claims may result in a liability, if any, that is different than the claimed amount.

(ii) Collective Agreements

Recovery Alberta currently has 1 (2025 – 5) collective agreement that has expired as at March 31, 2026.

Note 20 Related Parties

Transactions with related parties are included within these financial statements, unless otherwise stated.

Recovery Alberta was established as part of the Government of Alberta's initiative to refocus the healthcare system, which resulted in the establishment of separate health sector entities, including also HSS, Assisted Living Alberta (ALA), Primary Care Alberta (PCA), and Acute Care Alberta (ACA). Transactions between Recovery Alberta and these related parties are disclosed below. A significant portion of transactions with AHS RHA, ACA, and HSS relates to services provided under transition service agreements.

The Minister appoints the sole member of the Board. The viability of Recovery Alberta's operations depends on transfers from MHA. Transactions between Recovery Alberta and MHA are reported and disclosed in the Statement of Operations, the Statement of Financial Position, and the Notes to the Financial Statements, and are therefore excluded from the tables below.

Related parties also include key management personnel of Recovery Alberta. Recovery Alberta has defined key management personnel to include those disclosed in Schedules 2A and 2B of these financial statements, except management reporting to CEO direct reports. Related party transactions with key management personnel primarily consist of compensation related payments and are undertaken on similar terms and conditions to those adopted if the entities were dealing at arm's length.

Recovery Alberta is a related party with respect to those entities consolidated or included on a modified equity basis in the financial statements of the Province of Alberta. Entities consolidated or included on a modified equity basis have been grouped with their respective ministry and transactions between Recovery Alberta and the other ministries are recorded at their exchange amount as follows:

	Revenues[a]		Expenses	
	2026	2025 *(9 months)* (Note 22)	2026	2025 *(9 months)* (Note 22)
AHS RHA[b]	$ 6,594	$ 5,251	$ 173,580	$ 155,584
ACA[c]	246	-	34,729	-
HSS[d]	326	-	49,820	-
ALA	105	-	2,689	-
PCA	40	-	-	-
Ministry of Assisted Living and Social Services[e]	7,210	4,937	-	151
Ministry of Primary and Preventative Health Services[f]	2,615	-	-	-
School Boards[g]	1,379	938	6,146	9,269
Other ministries	3,554	2,177	44	-
Total for the year/period	**$ 22,069**	**$ 13,303**	**$ 267,008**	**$ 165,004**

	Receivable from		Payable to	
	2026	2025 (Note 22)	2026	2025
AHS RHA[b]	$ -	$ 251,864	$ -	$ -
HSS[d]	272,739	-	-	-
Ministry of Assisted Living and Social Services[e]	293	1,153	254	-
Ministry of Primary and Preventative Health Services[f]	403	-	754	-
School Boards[g]	221	363	418	397
Other ministries	901	140	6,007	-
Balance, end of year	**$ 274,557**	**$ 253,520**	**$ 7,433**	**$ 397**

Note 20 Related Parties (continued)

(a) Revenues from Province of Alberta ministries include other government transfers of $11,871 (2025 - $6,548) (Note 5), and other income of $2,887 (2025 - $1,356) (Note 7).

(b) Revenue from AHS RHA comprises an allocation of investment income recognized by AHS RHA (Note 7). Expenses with AHS RHA relate primarily to corporate and clinical support services provided by AHS RHA in accordance with the TSFA. The provision of transition services was subsequently restructured with clinical support services being provided by ACA, through AHS PHC, and corporate support services being provided by HSS effective December 1, 2025. The prior period-end receivable related primarily to the restructuring transaction and represented Recovery Alberta's share of cash and investments centrally managed by AHS RHA. The receivable from AHS RHA was unsecured, non-interest bearing and had no fixed terms of repayment.

(c) Expenses with ACA relate primarily to clinical support services provided by ACA, through AHS PHC, in accordance with the TSFA.

(d) Revenue from HSS primarily comprises an allocation of investment income recognized by HSS (Note 7). Expenses with HSS primarily relate to corporate support services provided under the TSFA. Recovery Alberta operates in facilities governed by a master lease agreement between HSS and Alberta Infrastructure (AI), effective March 1, 2026, formerly between AHS RHA and AI. Recovery Alberta does not hold the master lease directly; rather, access to and use of the facilities is provided through the TSFA with HSS. The year-end receivable was transferred from AHS RHA to HSS effective December 1, 2025 with HSS undertaking all managerial responsibilities related to it. The receivable from HSS is unsecured, non-interest bearing and had no fixed terms of repayment.

(e) Transactions with the Ministry of Assisted Living and Social Services relate to various health programs promoting wellness aimed to improve quality of life and integration of patients back in community living.

(f) Transactions with the Ministry of Primary and Preventative Health Services (PPHS) relate to mental health services provided by physicians under Alternative Relationship Plans which are overseen by PPHS and programs to prevent sexually transmitted and blood-borne infections.

(g) Transactions with the School Boards relate to providing health programs in schools promoting Mental Health in Children and Youth. The provincial School Boards are accountable to and funded by the Ministry of Education and Childcare.

During the year, Recovery Alberta purchased pharmaceutical inventory from ACA and all other inventory from HSS and AHS RHA. Inventory is consumed immediately upon receipt, with pharmaceutical inventory procurement, management, and storage being centrally managed by ACA, and all other inventory procurement, management, and storage being centrally managed by HSS.

At March 31, 2026, Recovery Alberta has recorded contributions from other ministries within the Province of Alberta, excluding MHA, of $3,088 (2025 - $576) related to unexpended deferred operating revenue (Note 14) and $3,927 (2025 - $1,589) related to expended deferred capital revenue (Note 16). These amounts are excluded from the table above and are disclosed separately in the respective notes.

Contingent liabilities in which Recovery Alberta has been jointly named with other government entities within the Province of Alberta are disclosed in Note 19.

Note 21 Segment Disclosure

The Schedule of Segment Disclosures – *Schedule 3* is intended to enable users to better understand the reporting entity and identify the resources allocated to the major activities of Recovery Alberta.

Recovery Alberta's revenues, as reported on the Statement of Operations, are most informatively presented by source and are not reasonably assignable to the reportable segments. For each reported segment, the expenses are directly or reasonably attributable to the segment.

The segments have been selected based on the presentation that is adopted for the financial reporting, planning and budget processes, and represent the major distinguishable activities of Recovery Alberta.

Segments include:

(a) Continuing care

Continuing care is comprised of mental health and addiction psychiatric long-term care.

(b) Community care

Community care is comprised of community bed-based services such as withdrawal management, addiction treatment, and mental health supports. The provision of addiction and mental health and addiction services via outpatient, virtual, and outreach services.

(c) Acute care

Acute care is comprised predominantly of mental health and addiction patient-care units.

(d) Emergency medical services

Emergency medical services is comprised of ground ambulance, air ambulance, patient transport, and central dispatch. Also includes community paramedic programs, as well as other programs that support the learning, development, quality, and safety of emergency medical services professionals.

(e) Diagnostic and therapeutic services

Diagnostic and therapeutic services is comprised of rehabilitation services such as physiotherapy, occupational therapy, respiratory therapy and speech-language pathology, diagnostic, and pharmacy services.

(f) Population and public health

Population and public health is comprised primarily of health promotion and some harm reduction services.

(g) Research and education

Research and education is comprised primarily of costs pertaining to formally organized mental health and addiction research and education.

(h) Information technology

Information technology is comprised of costs pertaining to the provision of service and consultation in the design, development, implementation, security and support of information technology services and systems.

(i) Support services

Support services is comprised of building maintenance operations (including utilities), materials management (including purchasing, central warehousing, distribution, and sterilization), housekeeping, patient registration, health records, food services, emergency preparedness, and infection prevention and control.

Note 21 Segment Disclosure (continued)

(j) Administration

Administration is comprised of human resources, finance, communications, and general administration. General administration includes senior executives and many functions such as planning and development, quality assurance, patient safety, insurance, privacy, public relations, risk management, internal audit, legal, and coordination of virtual health services.

Note 22 Corresponding Amounts

Certain amounts have been reclassified to conform to 2026 presentation.

Note 23 Subsequent Events

Effective April 1, 2026, as a result of the Government of Alberta's initiative to refocus the healthcare system and in accordance with the Government of Alberta's ministerial orders related to the restructuring of AHS RHA, responsibility for certain legal claims was transferred from AHS RHA to the named successors in ministerial order 815/2026, including Recovery Alberta. Those transferred to Recovery Alberta include 24 legal claims related to conditions in existence at March 31, 2026 where the likelihood of the occurrence of a future event confirming a contingent loss is not determinable. Of these, 20 claims have $18,265 in specified amounts and 4 have no specified amounts.

Note 24 Approval of Financial Statements

The financial statements were approved by the Board on October 6, 2026 and submitted to the Ministry of Mental Health and Addiction.

SCHEDULE 1 – SCHEDULE OF EXPENSES BY OBJECT
FOR THE YEAR ENDED MARCH 31, 2026

(with comparative figures for the nine-month period ended March 31, 2025)

	2026		2025
	Budget (Note 4)	Actual	Actual *(9 months)*
Salaries and benefits	$ 900,532	$ 970,243	$ 565,117
Contracts with health service providers	487,695	488,936	296,170
Drugs and gases	13,832	14,740	7,754
Medical supplies	2,531	2,057	1,181
Other contracted services	31,406	23,787	11,974
Other[(a)]	22,043	14,355	8,974
Amortization and loss on disposals/write-downs of tangible capital assets (Note 17)		1,796	1,049
	$ 1,458,039	**$ 1,515,914**	**$ 892,219**
(a) Significant amounts included in Other are:			
Travel	$ 3,513	$ 3,276	$ 1,607
Office supplies and courier	5,917	2,028	1,442
Housekeeping, laundry and linen, staff wearing apparel, plant maintenance and biomedical engineering supplies	2,033	1,444	955
Food and dietary supplies	1,341	1,255	890
Minor equipment purchases	533	1,101	573
Building rent	787	1,072	441
Equipment expense	1,655	995	748
Building and ground expenses	336	359	198
Education	532	347	232
Licenses, fees, and memberships	326	193	77
Insurance and liability claims	25	39	24
Utilities	3	9	3
Telecommunications	47	8	5
Other	4,995	2,229	1,779
	$ 22,043	**$ 14,355**	**$ 8,974**

SCHEDULE 2 - SCHEDULES OF REMUNERATION AND BENEFITS FOR THE YEAR ENDED MARCH 31, 2026

SCHEDULE 2A – BOARD REMUNERATION FOR THE YEAR ENDED MARCH 31, 2026

	Term	2026 Remuneration	2025 Remuneration
Board Chair			
Kerry Bales	Since Jul 1, 2024	$ -	$ -
Total Board		**$ -**	**$ -**

The Board Chair did not receive honoraria for this position.

SCHEDULE 2B - EXECUTIVE REMUNERATION AND BENEFITS FOR THE YEAR ENDED MARCH 31, 2026

	2026						
For the Current Fiscal Year	FTE [a]	Base Salary [b]	Other Cash Benefits [c]	Other Non-Cash Benefits [d]	Subtotal	Severance [e]	Total
Board Direct Reports							
Kerry Bales – Chief Executive Officer[h]	1.00	$ 425	$ 6	$ 83	$ 514	$ -	$ 514
CEO Direct Reports							
Chief Operating Officer[i]	1.00	298	1	57	356	-	356
Chief Medical Officer[f, i]	0.77	351	11	81	443	-	443
Lead, Communications[i]	1.00	158	-	51	209	-	209
General Counsel[i]	1.00	211	3	53	267	-	267
Lead, Strategy, Planning and Performance[i]	1.00	175	-	36	211	-	211
Lead, Medical Affairs[g]	0.84	146	-	43	189	-	189
Lead, People and Culture[i]	1.00	187	-	43	230	-	230
Lead, Finance[i]	1.00	175	1	45	221	-	221
Total Executive	**8.61**	**$ 2,126**	**$ 22**	**$ 492**	**$ 2,640**	**$ -**	**$ 2,640**
Management Reporting to CEO Direct Reports	**4.25**	**$ 807**	**$ 6**	**$ 181**	**$ 994**	**$ -**	**$ 994**

	2025						
For the Prior Fiscal Period	FTE [a]	Base Salary [b]	Other Cash Benefits [c]	Other Non-Cash Benefits [d]	Subtotal	Severance [e]	Total
Board Direct Reports							
Kerry Bales – Chief Executive Officer	0.75	$ 319	$ 5	$ 79	$ 403	$ -	$ 403
CEO Direct Reports							
Chief Operating Officer	0.58	163	1	46	210	-	210
Interim Chief Medical Officer	0.40	212	-	-	212	-	212
Lead, Communications	0.33	48	-	16	64	-	64
General Counsel	0.35	70	3	18	91	-	91
Lead, Strategy, Planning and Performance	0.58	86	5	22	113	-	113
Lead, Medical Affairs	0.58	91	-	24	115	-	115
Lead, People and Culture	0.58	99	-	25	124	-	124
Lead, Finance	0.58	91	-	29	120	-	120
Total Executive	**4.73**	**$ 1,179**	**$ 14**	**$ 259**	**$ 1,452**	**$ -**	**$ 1,452**
Management Reporting to CEO Direct Reports	**3.37**	**$ 708**	**$ 3**	**$ 163**	**$ 874**	**$ -**	**$ 874**

SCHEDULE 2C - EXECUTIVE SUPPLEMENTAL PENSION PLAN

Certain employees will receive retirement benefits that supplement the benefits limited under the registered plans for service. The Supplemental Pension Plan (SPP) is a defined contribution plan. The amounts in this table represent the total SPP benefits earned by the individual during the fiscal year. The current period benefit costs for SPP included in other non-cash benefits disclosed in Schedule 2B are prorated for the period of time the individual was in their position directly reporting to the Board or directly reporting to the Chief Executive Officer. Only individuals holding a position directly reporting to the Board or Chief Executive Officer during the current fiscal year are disclosed.

	2026		2025			
	SPP		SPP			
	Current Period Benefit Costs[1]	Total	Total	Account Balance[2] April 1, 2025	Change During the Year[3]	Account Balance[2] March 31, 2026
Kerry Bales - Chief Executive Officer	$ 25	$ 25	$ 15	$ 320	$ 46	$ 366
Chief Operating Officer	10	10	4	7	10	17
Chief Medical Officer	13	13	-	-	13	13
Lead, Communications[4]	-	-	-	-	-	-
General Counsel[4]	-	-	-	-	-	-
Lead, Strategy, Planning and Performance[4]	-	-	-	-	-	-
Lead, Medical Affairs[4]	-	-	-	-	-	-
Lead, People and Culture[4]	-	-	-	-	-	-
Lead, Finance[4]	-	-	-	-	-	-

(1) The SPP current period benefit costs are Recovery Alberta contributions earned in the period.
(2) The account balance represents the total cumulative earned contributions to the SPP as well as cumulative investment gains or losses on the contributions.
(3) Changes in the account balance include the current benefit costs and investment gains or losses related to the account.
(4) The incumbent's pensionable earnings were below the threshold for enrollment in the SPP.

FOOTNOTES TO THE SCHEDULES OF REMUNERATION AND BENEFITS FOR THE YEAR ENDED MARCH 31, 2026

Definitions

a. For this schedule, full time equivalents (FTE) are determined by actual hours earned divided by 2,022.75 annual base hours (2025 – 2,022.75 hours).

b. Base salary is regular salary and includes all payments earned related to actual hours earned other than those reported as other cash benefits.

c. Other cash benefits include, as applicable, honoraria, acting pay, membership fees, car allowance, and lump sum payments. Relocation expenses are excluded from compensation disclosure as they are considered to be recruiting costs to Recovery Alberta and not part of compensation unless related to severance. Expense reimbursements are also excluded from compensation disclosure except where the expenses meet the definition of the other cash benefits listed above.

d. Other non-cash benefits include:
   - Employer's current period benefit costs of the supplemental pension plan as defined in Schedule 2C
   - Employer's share of employee benefit contributions and payments made on behalf of employees including pension, health care, dental and vision coverage, out-of-country medical benefits, group life insurance, accidental disability and dismemberment insurance, and long and short-term disability plans
   - Vacation accruals, and
   - Employer's share of the cost of additional benefits including sabbaticals or other special leave with pay.

e. Severance includes direct or indirect payments to individuals upon termination which are not included in other cash benefits or other non-cash benefits.

Executive

f. The incumbent held the position of Interim Chief Medical Officer until August 4, 2025 at which time they were appointed to Chief Medical Officer. The incumbent's remuneration while Interim Chief Medical Officer was as per the terms of a Medical Administrative Services Agreement. The incumbent became an employee of Recovery Alberta with their appointment as Chief Medical Officer.

g. As a result of restructuring, the incumbent ceased to be a direct report to the Chief Executive Officer effective February 2, 2026.

Termination Obligations

h. In the case of termination without just cause by Recovery Alberta, the incumbent shall receive severance pay in the amount of the lesser of (i) 52 weeks' salary and benefits; or (ii) the greater of the number of weeks between the date of termination and the term date of June 30, 2030; or the minimum notice period required by the Alberta *Employee Standards Code*.

i. The incumbent's termination benefits have not been predetermined, and as such is deemed to be the minimum notice period required by the Alberta *Employee Standards Code*.

SCHEDULE 3 - SCHEDULE OF SEGMENT DISCLOSURES FOR THE YEAR/PERIOD ENDED MARCH 31

(with comparative figures for the nine-month period ended March 31, 2025)

	2026							
	Salaries and benefits	Contracts with health service providers	Drugs and gases	Medical supplies	Other contracted services	Other	Amortization and loss on disposals/ write-downs of tangible capital assets	Total
Continuing care	$ 125	$ 4,336	$ -	$ -	$ -	$ 5	$ -	$ 4,466
Community care	467,105	193,948	8,134	806	4,990	7,605	639	683,227
Acute care	389,902	42,085	6,616	1,193	10,045	4,632	914	455,387
Emergency medical services	-	64	-	-	-	-	-	64
Diagnostic and therapeutic services	77,930	34,361	5	79	547	818	87	113,827
Population and public health	5,212	199	1	5	-	64	7	5,488
Research and education	2,349	923	-	-	-	11	-	3,283
Information technology	863	42,426	-	-	-	-	-	43,289
Support services	12,872	138,981	(16)	(26)	51	871	138	152,871
Administration	13,885	31,613	-	-	8,154	349	11	54,012
Total	**$ 970,243**	**$ 488,936**	**$ 14,740**	**$ 2,057**	**$ 23,787**	**$ 14,355**	**$ 1,796**	**$ 1,515,914**

SCHEDULE 3 - SCHEDULE OF SEGMENT DISCLOSURES FOR THE YEAR/PERIOD ENDED MARCH 31 (CONTINUED)

(with comparative figures for the nine-month period ended March 31, 2025)

	2025 *(9 months)*							
	Salaries and benefits	Contracts with health service providers	Drugs and gases	Medical supplies	Other contracted services	Other	Amortization and loss on disposals/ write-downs of tangible capital assets	Total
Continuing care	$ 341	$ 2,347	$ -	$ -	$ -	$ -	$ -	$ 2,688
Community care	281,518	116,947	4,543	423	5,175	5,394	507	414,507
Acute care	218,534	22,128	3,207	708	4,366	2,283	420	251,646
Diagnostic and therapeutic services	46,925	22,812	4	40	486	500	20	70,787
Population and public health	3,151	140	-	2	-	44	9	3,346
Research and education	1,493	2,043	-	-	-	6	-	3,542
Information technology	642	24,546	-	-	-	-	-	25,188
Support services	7,693	84,068	-	5	847	618	83	93,314
Administration	4,820	21,139	-	3	1,100	129	10	27,201
Total	**$ 565,117**	**$ 296,170**	**$ 7,754**	**$ 1,181**	**$ 11,974**	**$ 8,974**	**$ 1,049**	**$ 892,219**