

# **Covenant Health**

Financial Statements  
**March 31, 2016**

June 23, 2016

## **Independent Auditor's Report**

### **The Members and Board of Directors of Covenant Health**

We have audited the accompanying financial statements of Covenant Health, which comprise the statement of financial position as at March 31, 2016 and the statements of operations, changes in net assets and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

#### **Management's responsibility for the financial statements**

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

#### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

*PricewaterhouseCoopers LLP*  
*TD Tower, 10088 102 Avenue NW, Suite 1501, Edmonton, Alberta, Canada T5J 3N5*  
*T: +1 780 441 6700, F: +1 780 441 6776*

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Covenant Health as at March 31, 2016 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.

*PricewaterhouseCoopers LLP*

**Chartered Professional Accountants**

## Covenant Health

### Management's Responsibility for Financial Reporting

#### Financial Statements

March 31, 2016

The accompanying financial statements for the year ended March 31, 2016 are the responsibility of management and have been reviewed and approved by Senior Management. The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and of necessity include some amounts based on estimates and judgement.

To discharge its responsibility for the integrity and objectivity of financial reporting, management maintains a system of financial management and internal controls 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 money;
- safeguard the assets and properties under Covenant Health's administration.

Covenant Health carries out its responsibility for the financial statements through the Audit and Finance Committee. This Committee meets with management and PricewaterhouseCoopers LLP, Covenant Health's external auditors, to review financial matters, and recommends the financial statements to the Covenant Health Board of Directors for approval upon finalization of the audit. PricewaterhouseCoopers LLP has free access to the Audit and Finance Committee.

PricewaterhouseCoopers LLP provides an independent audit of the financial statements. Their examination is conducted in accordance with Canadian generally accepted auditing standards and includes tests and procedures which allow them to report on the fairness of the financial statements prepared by management.

  
\_\_\_\_\_  
Patrick Dumelie  
President and Chief Executive Officer  
Covenant Health

July 13, 2016  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Sheila Smith  
Acting Chief Financial Officer  
Covenant Health

July 12/2016  
\_\_\_\_\_  
Date

# Covenant Health

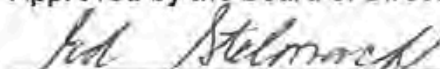
## Statement of Financial Position

As at March 31, 2016

(in thousands of dollars)

	2016 \$	2015 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 3)	107,616	122,064
Short-term investments (note 3)	1,048	1,834
Accounts receivable	20,690	21,838
Inventories	2,494	2,309
Prepaid expenses and deposits (note 4)	10,689	10,014
Current portion of capital lease receivable (note 5)	567	276
	<u>143,104</u>	<u>158,335</u>
<b>Investments</b> (note 3)	64,210	61,839
<b>Capital lease receivable</b> (note 5)	19,033	9,847
<b>Capital assets</b> (note 6)	<u>299,228</u>	<u>278,249</u>
	<u>525,575</u>	<u>508,270</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 26)	93,271	87,042
Accrued vacation pay	44,531	42,578
Deferred contributions (note 8)	23,743	43,831
Current portion of long-term debt (note 9)	10,541	10,479
	<u>172,086</u>	<u>183,930</u>
<b>Long-term debt</b> (note 9)	67,102	19,363
<b>Deferred capital contributions</b> (note 10)	5,805	10,342
<b>Unamortized external capital contributions</b>	<u>191,359</u>	<u>196,593</u>
	<u>436,352</u>	<u>410,228</u>
<b>Net Assets</b>		
<b>Accumulated surplus</b>	40,934	26,714
<b>Invested in capital assets</b>	30,226	51,812
<b>Internally restricted</b> (note 25)	17,929	19,382
<b>Endowments</b>	<u>134</u>	<u>134</u>
	<u>89,223</u>	<u>98,042</u>
	<u>525,575</u>	<u>508,270</u>
<b>Contingencies</b> (note 13)		

Approved by the Board of Directors

 Director

 Director

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

## Covenant Health

### Statement of Changes in Net Assets For the year ended March 31, 2016

(in thousands of dollars)

					2016	2015
	Accumulated surplus \$	Invested in capital assets \$	Internally restricted \$ (Note 25)	Endowment \$	Total \$	Total \$
<b>Balance – beginning of year</b>	26,714	51,812	19,382	134	98,042	97,226
(Deficiency) excess of revenue over expenses	(8,961)	-	-	-	(8,961)	1,127
Capital assets purchased with internal funds	(38,246)	38,889	(643)	-	-	-
Amortization of internally funded capital assets	2,692	(2,692)	-	-	-	-
Proceeds of debt to fund capital assets	48,802	(48,802)	-	-	-	-
Repayment of long-term debt used to fund capital assets	(1,000)	1,000	-	-	-	-
Capital lease receivable	9,981	(9,981)	-	-	-	-
Transfer to (from) internally restricted net assets	810	-	(810)	-	-	-
Re-measurement of supplementary pension plan (note 12(a))	142	-	-	-	142	(311)
<b>Balance – end of year</b>	<b>40,934</b>	<b>30,226</b>	<b>17,929</b>	<b>134</b>	<b>89,223</b>	<b>98,042</b>

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

**Covenant Health**  
**Statement of Operations**  
**For the year ended March 31, 2016**

(in thousands of dollars)

	Budget 2016 \$ (Unaudited – Note 16)	Actual 2016 \$	Actual 2015 \$
<b>Revenue</b>			
Alberta Health Services global contributions (note 17)	696,495	697,131	702,427
Other government contributions	40,663	44,554	25,397
Fees and charges (note 18)	50,664	50,018	49,235
Ancillary operations	18,234	18,464	16,887
Donations	951	2,668	939
Investment	3,330	3,288	3,689
Other income (note 19)	15,243	18,545	17,935
Amortization of external capital contributions	14,322	14,384	14,633
	<u>839,902</u>	<u>849,052</u>	<u>831,142</u>
<b>Expenses (schedule 1)</b>			
Inpatient acute nursing services	307,521	312,968	308,897
Emergency and outpatient services	90,472	90,849	88,481
Facility-based continuing care services	74,426	78,894	76,911
Ambulance services	1,974	1,838	1,970
Community based care	11,906	11,962	10,310
Diagnostic and therapeutic services	127,517	128,956	127,711
Promotion, prevention and protection services	2,337	2,448	2,337
Research and education	2,765	3,156	2,731
Administration (note 20)	42,217	43,348	41,621
Information technology	18,228	17,282	8,619
Support services (note 21)	176,143	164,908	164,210
	<u>855,506</u>	<u>856,609</u>	<u>833,798</u>
<b>Deficiency of revenue over expenses before fair value adjustments</b>	<u>(15,604)</u>	<u>(7,557)</u>	<u>(2,656)</u>
<b>Fair value change in investments</b>	<u>-</u>	<u>(1,404)</u>	<u>3,783</u>
<b>(Deficiency) excess of revenue over expenses</b>	<u>(15,604)</u>	<u>(8,961)</u>	<u>1,127</u>

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

## Covenant Health

### Statement of Cash Flows For the year ended March 31, 2016

(in thousands of dollars)

	2016 \$	2015 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
(Deficiency) excess of revenue over expenses	(8,961)	1,127
Items not affecting cash		
Amortization of capital assets		
Internally funded	2,692	2,683
Externally funded	14,384	14,633
Amortization of externally funded capital contributions	(14,384)	(14,633)
Unrealized loss (gain) from investments measured at fair value	2,371	(2,023)
Re-measurement of supplementary pension plan	142	(311)
	(3,756)	1,476
Net change in non-cash working capital items (note 23)	(11,115)	(1,222)
	(14,871)	254
<b>Investing activities</b>		
Net purchase of investments	(3,957)	(4,224)
Purchases of capital assets		
Internally funded – equipment	(1,170)	(584)
Internally funded – facility and improvements	(37,719)	(7,980)
Externally funded – equipment	(13)	(4,930)
Externally funded – facility and improvements	(14,135)	(21,120)
	(56,994)	(38,838)
<b>Financing activities</b>		
Principal payments on long-term debt	(1,000)	(939)
Proceeds on long-term debt	48,802	-
Capital contributions received and investment earnings on capital contributions (note 10)	9,615	13,217
	57,417	12,278
<b>Decrease in cash and cash equivalents</b>	(14,448)	(26,306)
<b>Cash and cash equivalents – beginning of year</b>	122,064	148,370
<b>Cash and cash equivalents – end of year</b>	107,616	122,064

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



# Covenant Health

## Notes to Financial Statements

March 31, 2016

---

(tabular amounts in thousands of dollars)

### 1 Authority, purpose and operations

Covenant Health, established under the Caritas Health Group Statutes Amendment Act 2009, hereafter referred to as the Covenant Health Act, is an operator of health facilities and programs in the Province of Alberta. Covenant Health is a registered charity under the Income Tax Act (Canada) and is, therefore, exempt from payment of income tax.

Covenant Health receives the majority of its funding from Alberta Health Services, which is responsible for the delivery of appropriate, accessible and affordable health services in Alberta. Alberta Health Services was established on April 1, 2009.

Covenant Health's operations are conducted from the following sites:

- Banff Mineral Springs Hospital, Banff
- Bonnyville Health Centre, Bonnyville
- Edmonton General Continuing Care Centre
- Grey Nuns Community Hospital, Edmonton
- Killam Health Centre, Killam
- Mary Immaculate Hospital, Mundare
- Misericordia Community Hospital, Edmonton
- Our Lady of the Rosary Hospital, Castor
- St. Joseph's Auxiliary Hospital, Edmonton
- St. Joseph's General Hospital, Vegreville
- St. Joseph's Home for the Aged, Medicine Hat
- St. Mary's Health Care Centre, Trochu
- St. Mary's Hospital, Camrose
- St. Michael's Health Centre, Lethbridge
- St. Therese Villa, Lethbridge
- Youville Home, St. Albert
- Villa Caritas, Edmonton

These financial statements do not include the assets and operations of related charitable Foundations. These Foundations are described further in note 22(e).

## Covenant Health

### Notes to Financial Statements

March 31, 2016

---

(tabular amounts in thousands of dollars)

## 2 Summary of significant accounting policies

The financial statements have been prepared in accordance with the Canadian Accounting Standards for Not-For-Profit Organizations (Not-For-Profit Standards) as set out in Part III of the Chartered Professional Accountants of (CPA Canada) Canada Handbook. The following are the significant accounting policies:

### a) Revenue recognition

These financial statements have been prepared using the deferral method of accounting for contributions, the key elements of which are:

- i) Unrestricted contributions are recognized as revenue in the year received or receivable.
- ii) Externally restricted non-capital contributions are deferred and recognized as revenue in the year the related expenses are incurred.
- iii) Externally restricted capital contributions are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts invested representing externally funded capital assets are then transferred to unamortized external capital contributions. Unamortized external capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded.
- iv) Externally restricted contributions to purchase capital assets that will not be amortized and endowments are recorded as direct increases to net assets.
- v) Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.
- vi) Donations and contributions in-kind are recorded at fair value when such value can reasonably be determined. While volunteers contribute a significant amount of time each year to assist Covenant Health, the value of their services is not recognized as revenue and expenses in the financial statements because fair value cannot be reasonably determined.

### b) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and short-term deposits, which are highly liquid with original maturities of less than three months.

### c) Inventories

Inventories are valued at the lower of cost, determined on a first-in, first-out basis, and replacement cost.

## Covenant Health

### Notes to Financial Statements

March 31, 2016

---

(tabular amounts in thousands of dollars)

#### d) Financial instruments

Financial instruments consist of cash and cash equivalents, short-term investments, accounts receivable, investments, capital lease receivable, accounts payable and accrued liabilities, accrued vacation pay and long-term debt and are initially recorded at fair value. Short-term investments and investments are subsequently measured at fair value with changes in fair value recorded in the statement of operations. All other financial instruments are subsequently recorded at amortized cost.

Transaction costs related to financial assets carried at fair value are expensed as incurred. The initial fair value of financial instruments, other than those subsequently measured at fair value, is adjusted for financing fees or transaction costs directly attributable to the origination of the instrument. Covenant Health accounts for the purchase and sale of investments using settlement date accounting.

#### e) Capital lease receivable

Covenant Health leases certain land and buildings to Covenant Care, an entity under common control. Leases where the lessee has assumed substantially all the risks and rewards of ownership are classified as capital lease receivable. The capital leases are capitalized at the lease's commencement at the lower of the fair value of the leased assets and the present value of the minimum lease payments receivable.

Each lease payment is allocated between capital lease receivable and finance income. The corresponding lease receivable, net of any direct financing fees, is included in long-term receivable. The interest element of the finance income is recognized in the statement of operations over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the receivable for each period.

#### f) Capital assets

Capital assets and construction projects-in-progress are recorded at cost.

Capital assets are amortized over their estimated useful lives on a straight-line basis as follows:

Land improvements	20 years
Buildings	20 – 40 years
Leasehold improvements	Over the term of the related lease
Parking lot and lot improvements	20 years
Major equipment	3 – 20 years
Ambulance equipment	3 – 20 years
Computer software	1 – 5 years

Construction projects-in-progress are not amortized until the project is available for use.

## Covenant Health

### Notes to Financial Statements

March 31, 2016

(tabular amounts in thousands of dollars)

#### g) Employee future benefits

Covenant Health sponsors a defined benefit Supplemental Pension Plan (SPP) which is fully funded. The SPP covers certain executives and supplements the benefits under the Local Authorities Pension Plan that are limited by the Income Tax Act (Canada). The obligations and costs of the benefits are determined annually through an actuarial valuation as at March 31 using the projected benefit method prorated on services and management's best estimate assumptions, including a market-related discount rate.

The net benefit cost of the SPP reported in these financial statements includes the current service cost, interest cost on the current service cost and obligations, as well as initial obligations and net actuarial gains and losses. Actuarial gains and losses are recognized immediately in the statement of changes in net assets.

#### h) Measurement uncertainty

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets, and assets and obligations related to employee future benefits. Actual results could differ from those estimates.

### 3 Cash and cash equivalents and investments

	2016		2015	
	Fair value \$	Cost \$	Fair value \$	Cost \$
Cash and term deposits	107,616	107,616	122,064	122,064
Guaranteed investment certificates	1,048	1,048	1,834	1,834
Bonds and debentures	31,632	31,269	28,327	27,232
Equities	32,578	25,858	33,512	24,995
	<u>172,874</u>	<u>185,791</u>	<u>185,737</u>	<u>176,125</u>
			2016 \$	2015 \$
Reported as				
Cash and cash equivalents			107,616	122,064
Short-term investments			1,048	1,834
Investments			64,210	61,839
			<u>172,874</u>	<u>185,737</u>

## Covenant Health

### Notes to Financial Statements

March 31, 2016

(tabular amounts in thousands of dollars)

Income and financial returns are exposed to credit and price risks. Credit risk relates to the possibility that a loss may occur from failure by another party to perform according to terms of the contract. Price risk comprises interest rate risk and market risk. Interest rate risk relates to the possibility that investments will change in value with future fluctuations in market interest rates. Market risk relates to the possibility that investments will change in value due to future fluctuations in market prices.

In order to earn optimal financial returns at an acceptable level of risk, the Board has established a policy asset mix of 40% to 55% for fixed income instruments and 40% to 60% for equities, with non-Canadian equities not to exceed 25%. Risk is reduced through asset class diversification, diversification within each asset class and quality constraints on fixed-income and equity instruments.

Publicly traded fixed income instruments are managed with the objective of providing optimal returns while maintaining maximum security of capital. Return is optimized within risk constraints on the portfolio by management of portfolio duration and issuer mix.

Fixed income securities have maturity dates ranging from August 2018 to July 2028 (March 31, 2015 – June 2017 to September 2037). Bond market yields to maturity ranged from 0.7% to 5.5% as at March 31, 2016 (March 31, 2015 – 0.2% to 4.0%).

Equities are comprised of publicly traded equities in Canadian and non-Canadian corporations. Risk is reduced by prudent security selection and sector distribution.

#### 4 Prepaid expenses and deposits

	2016 \$	2015 \$
Basic life, short-term disability and long-term disability	8,578	5,896
Extended health, dental and vision	1,909	3,439
Other deposits and prepaid expenses	202	679
	<u>10,689</u>	<u>10,014</u>

Basic life, short-term disability, long-term disability, extended health, dental and vision benefits are fully funded with benefit carriers.

Covenant Health is party to an Administrative Services Only Agreement (ASO Agreement) for the provision of extended health, dental and vision benefits to its employees. Under the terms of the ASO Agreement, Covenant Health assumes liability for the provision of benefits outlined in the related plan document. This liability is funded through monthly contributions to an account administered by a third-party benefits provider. Covenant Health owns any accumulated surplus and is required to reimburse any accumulated deficit in the managed account. The surplus is net of an estimated provision for unpaid claims, which is based on actual experience.

## Covenant Health

### Notes to Financial Statements

March 31, 2016

(tabular amounts in thousands of dollars)

#### 5 Capital lease receivable

	2016 \$	2015 \$
Villa Marie, capital lease receivable due December 2038, repayable in monthly instalments of \$18 including interest at 3.545%, secured by land, building and equipment with a net book value of \$22,347	3,467	3,565
Holy Cross Manor, capital lease receivable due February 2039, repayable in monthly instalments of \$33 including interest at 3.545%, secured by land, building and equipment with a net book value of \$25,364	6,380	6,558
St. Marguerite Manor, capital lease receivable due May 2040, repayable in monthly instalments of \$47 including interest at 2.989%, secured by land, building and equipment with a net book value of \$37,242	9,753	
	<hr/> 19,600	<hr/> 10,123
Less: Current portion	587	276
	<hr/> 19,033	<hr/> 9,847

In the current year, a capital lease arrangement was entered with Covenant Care, an entity under common control, to transfer a property constructed by Covenant Health. The lease arrangement was entered into on June 1, 2015. The balance transferred from Covenant Health to Covenant Care included the book value of the property of \$38,007,762, external capital contributions of \$28,026,827 and a capital lease receivable of \$9,980,935. Principal repayments of \$26,054 and finance income of \$27,233 are included in accounts receivable.

In fiscal 2014, capital lease arrangements were entered with Covenant Care, an entity under common control, to transfer two properties constructed by Covenant Health. The lease arrangements were entered on January 18, 2014 and February 19, 2014 for Villa Marie and Holy Cross Manor, respectively. The balances transferred from Covenant Health to Covenant Care included the book value of the properties of \$51,114,000, external capital contributions of \$41,097,150 and a capital lease receivable of \$10,016,850. Principal repayments of \$23,357 (2015 – \$64,803) and finance income of \$28,945 (2015 – \$85,948) are included in accounts receivable.

On March 31, 2016, the residual capital costs incurred during the year were transferred from Covenant Health to Covenant Care totalling \$nil (2015 – \$393,323).



## Covenant Health

### Notes to Financial Statements

March 31, 2016

(tabular amounts in thousands of dollars)

The minimum lease payments over the next five years and thereafter, based on the current repayment schedules, are approximately as follows:

	\$
2017	1,192
2018	1,192
2019	1,192
2020	1,192
2021	1,192
Thereafter	<u>22,033</u>
	27,993
Less: amounts representing interest	<u>(8,393)</u>
	<u>19,600</u>

## 6 Capital assets

	2016		
	Cost \$	Accumulated amortization \$	Net \$
<b>Operating assets</b>			
Land	27,071	-	27,071
Land improvements	3,774	1,444	2,330
Buildings	91,683	25,832	65,851
Leasehold improvements	127,292	34,018	93,274
Major equipment	62,041	38,096	23,945
Ambulance equipment	1,104	854	250
Computer software	1,682	254	1,428
Construction projects-in-progress	84,270	-	84,270
	<u>398,917</u>	<u>100,498</u>	<u>298,419</u>
<b>Ancillary assets</b>			
Land	120	-	120
Buildings	215	74	141
Parking lot and lot improvements	1,016	468	548
Major equipment	6	6	-
	<u>1,357</u>	<u>548</u>	<u>809</u>
	<u>400,274</u>	<u>101,046</u>	<u>299,228</u>

## Covenant Health

### Notes to Financial Statements

March 31, 2016

(tabular amounts in thousands of dollars)

	2015		
	Cost \$	Accumulated amortization \$	Net \$
<b>Operating assets</b>			
Land	30,150	-	30,150
Land improvements	3,695	1,231	2,464
Buildings	90,893	23,143	67,750
Leasehold improvements	119,051	26,966	92,085
Major equipment	57,978	31,635	26,343
Ambulance equipment	973	765	208
Computer software	1,682	254	1,428
Construction projects-in-progress	56,903	-	56,903
	<u>361,325</u>	<u>83,994</u>	<u>277,331</u>
<b>Ancillary assets</b>			
Land	120	-	120
Buildings	215	59	156
Parking lot and lot improvements	1,016	374	642
Major equipment	6	6	-
	<u>1,357</u>	<u>439</u>	<u>918</u>
	<u>362,682</u>	<u>84,433</u>	<u>278,249</u>

#### 7 Bank indebtedness

Covenant Health has an unsecured operating line of credit to a maximum of \$50,000,000 (2015 – \$50,000,000) which was undrawn at March 31, 2016 and March 31, 2015. Interest is charged at prime minus 0.50% (2015 – prime minus 0.50%).

Covenant Health has an unsecured facility for obligations to third parties by way of letters of credit and letters of guarantee to a maximum of \$20,000,000 (2015 – \$20,000,000), of which \$125,000 (2015 – \$357,875) was outstanding at March 31, 2016. Issuance fee is charged at 0.50% per annum (2015 – 0.50%).

#### 8 Deferred contributions

Deferred contributions represent externally restricted non-capital contributions for which the related expense has not been incurred.

	2016 \$	2015 \$
Balance – beginning of year	43,831	45,929
Contributions received during the year	4,460	3,338
Contributions recognized as revenue	(24,774)	(5,815)
Interest earned	226	379
Balance – end of year	<u>23,743</u>	<u>43,831</u>



## Covenant Health

### Notes to Financial Statements

March 31, 2016

(tabular amounts in thousands of dollars)

The balance at the end of the year is restricted for the following purposes:

	2016 \$	2015 \$
Research and education	2,124	2,083
Human resources payroll consolidation	1,208	17,600
Capital renewal and maintenance	14,351	12,820
Network of Innovation for Seniors Health	4,473	10,190
Occupational health and safety	-	906
Patient care	1,587	232
	<u>23,743</u>	<u>43,831</u>

## 9 Long-term debt

	2016 \$	2015 \$
Youville Home mortgage, due May 2032, repayable in monthly instalments of \$73 including interest at 5.519%, secured by land and building with a net book value of \$18,638	9,474	9,827
St. Therese Villa mortgage, due October 2028, repayable in monthly instalments of \$175 including interest at 7.35%, secured by land and building with a net book value of \$24,451	19,368	20,015
Redstone mortgage, due September 2040, repayable in semi-annual instalments of \$524 interest only at 2.989% until March 2018, then instalments of \$1,060 including interest at 2.989%, secured by land and building with a net book value of \$42,306	35,089	-
Evanston summit mortgage, due March 2041, repayable in semi-annual instalments of \$398 including interest at 3.153%, secured by land and building with a net book value of \$25,454	13,712	-
	<u>77,643</u>	<u>29,842</u>
Less: Current portion	<u>10,541</u>	<u>10,479</u>
	<u>67,102</u>	<u>19,363</u>

Covenant Health is subject to certain covenants under long-term debt agreements which, if violated, give the lender the right to demand repayment. Covenant Health is in violation of certain of these covenants and as a result, the entire Youville Home mortgage is presented as a current liability. Repayment has not been demanded and management does not anticipate that the lender will require the loan to be repaid in full within the next twelve months.

## Covenant Health

### Notes to Financial Statements

March 31, 2016

(tabular amounts in thousands of dollars)

Principal repayments over the next five years and thereafter based on the current repayment schedules are approximately as follows:

	\$
2017	1,440
2018	2,062
2019	2,713
2020	2,840
2021	2,981
Thereafter	65,607
	<u>77,643</u>

#### 10 Deferred capital contributions

Deferred capital contributions represent externally restricted capital contributions that have not yet been invested in capital assets.

	2016 \$	2015 \$
Balance – beginning of year	10,342	23,050
Cash contributions received during the year	9,558	13,070
Transferred to unamortized external capital contributions	(14,152)	(25,925)
Interest earned	57	147
Balance – end of year	<u>5,805</u>	<u>10,342</u>

The balance at the end of the year is restricted for the following purposes:

	2016 \$	2015 \$
Building construction	3,288	7,679
Other	2,517	2,663
	<u>5,805</u>	<u>10,342</u>

#### 11 Forgivable loan

In 2007, Alberta Health Services advanced a forgivable loan of \$7,158,844 to Youville Home. The loan incurs interest at a rate of prime plus 2% and is due on demand. The loan is secured by land and building with a net book value of \$18,638,467. As Covenant Health has complied with, and expects to continue complying with, the terms of the agreement, the loan balance has been recorded as an unamortized external capital contribution and is being amortized to revenue on the same basis as the related assets are being amortized. As forgiveness of the balance occurs at the end of each five-year period, any amounts amortized to revenue that have not been forgiven are considered a contingent liability that is not recorded in the accounts.

## Covenant Health

### Notes to Financial Statements

March 31, 2016

(tabular amounts in thousands of dollars)

As at March 31, 2016, the remaining liability of \$5,548,104 (2015 – \$5,727,075) is recorded within unamortized external capital contributions and \$1,610,740 (2015 – \$1,431,769) is the contingent liability balance. Interest expense of \$277,290 (2015 – \$299,846) was forgiven for the year ended March 31, 2016.

#### 12 Long-term employee benefits

##### a) Supplementary pension plan

	2016 \$	2015 \$
<b>Accrued benefit obligation</b>		
Accrued obligation – beginning of year	2,960	2,047
Current service cost	392	333
Benefits paid	(104)	(23)
Interest cost	111	104
Change in accountancy policy – adjustment to eliminate early re-measurement date	-	188
Actuarial loss (gain) re-measurement	(142)	311
Accrued obligation – end of year	3,217	2,960
Fair value of plan assets	3,217	2,960
Funded status of plan (deficit)	-	-

Significant actuarial assumptions are as follows:

Discount rate	4.0%	3.8%
Expected age of retirement	Age 60	Age 60
Salary increase	Nil%	Nil%

The supplementary pension plan was established in 2007 with service granted from January 1, 2007.

The above information is based on the actuarial valuation performed at March 31, 2016.

The accrued benefit obligation of \$3,217,000 (2015 – \$2,960,146) is included in accounts payable and accrued liabilities. Investments in term deposits and guaranteed investment certificates have been allocated to fully fund the supplementary pension plan.

Enrolment to this supplementary pension plan was closed on July 1, 2014. Plan members accrue service until December 31, 2016 and then will participate in a defined contribution retirement plan for services after this date.

## Covenant Health

### Notes to Financial Statements

March 31, 2016

---

(tabular amounts in thousands of dollars)

Effective April 1, 2014, Covenant Health adopted retrospectively the CPA Handbook – Accounting Part III – Section 3463, *Reporting Employee Future Benefits by Not-for-Profit Organizations*. This standard requires that for defined benefit plans re-measurements and other items for the period be recognized directly in the statement of net assets. In the prior year, the change in accounting policy was accounted for retrospectively resulting in an increase to the accrued benefit obligation recorded in accounts payable and accrued liabilities by \$188,000.

#### b) Pension expense

Employees of Covenant Health participate in the Local Authorities Pension Plan (LAPP), which is covered by the Public Sector Pension Plans Act. The Plan serves about 214,000 people and about 423 employers. It is financed by employer and employee contributions and investment earnings of the LAPP fund.

Contributions for current service are recorded as expenditures in the year in which they become due. In the current year, Covenant Health contributed \$45,404,934 to LAPP (2015 – \$44,230,073).

Covenant Health is required to make current service contributions to the Plan of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount. Employees of Covenant Health are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary, as defined by Canada Revenue Agency, and 14.84% on pensionable salary above this amount.

At December 31, 2014, LAPP reported a deficit of \$2,454,636,000 (December 31, 2013 – \$4,861,516,000).

### 13 Contingencies

Covenant Health has been named as defendant in various legal actions. The outcome of these actions cannot be estimated at this time. However, management believes the amount of damages, if any, resulting from these claims would not materially affect the financial position of Covenant Health. In accordance with standard provincial requirements, Covenant Health maintains liability insurance coverage. Any costs in excess of Covenant Health's liability insurance on settlement would be recorded as an expense in the period of settlement.

### 14 Significant agreements

- a) Covenant Health is party to various agreements to lease land and buildings for nominal amounts. The lease agreements for twelve sites are with Alberta Health Services and expire in March 2050. Banff Mineral Springs Hospital land is leased from Parks Canada with a 42-year term expiring January 2028 with an option to extend for a further seven years.

## Covenant Health

### Notes to Financial Statements

March 31, 2016

---

(tabular amounts in thousands of dollars)

- b) Covenant Health is party to a Head Lease Agreement on a month-to-month basis with Alberta Health Services to sublease a portion of the Edmonton General site for the operation of an approved continuing care program. Covenant Health will pay as its share of annual operating costs \$12.60 (2015 – \$12.33) per resident day. During the year, Covenant Health paid Alberta Health Services \$2,260,003 (2015 – \$2,205,445) for the operating costs of the Edmonton General site. Concurrent with the Head Lease Agreement, Covenant Health entered into a Sublease Agreement on a month-to-month basis to sublease a portion of the Edmonton General site for administrative activities. Covenant Health will pay \$35.00 per square meter of occupied storage space and \$70.00 per square meter of occupied administrative space. In addition, Covenant Health will pay an annual Base Operating Amount relating to support costs incurred in operating the Hospital's laundry facilities. During the year, Covenant Health paid Alberta Health Services \$159,180 (2015 – \$159,180) relating to storage space, administration space and laundry facilities. The annual lease commitments under the Head Lease and Sublease Agreements will fluctuate due to changes in the number of resident days and occupied square meters.
- c) Alberta Health has committed to fund Covenant Health \$6,333,229 for the construction of a new 100-unit supportive living facility in Lethbridge. Covenant Health has received \$3,166,615 of the total funding and to date has incurred \$3,275,318 (2015 – \$3,210,806) in planning, development and land costs.
- d) Alberta Health has committed to fund Covenant Health \$4,000,000 for the construction of a new 60-unit supportive living facility in Killam. Covenant Health has received \$nil of the total funding and to date has incurred \$794,904 (2015 – \$782,416) in planning, development and land costs.
- e) Alberta Municipal Affairs has committed to fund Covenant Health \$5,600,000 for the construction of a new 40-unit housing project for the homeless in Lethbridge. Covenant Health has received \$1,680,000 of the total funding and to date has incurred \$2,101,434 (2015 – \$2,068,207) in planning, development and land costs. During the year, Covenant Health informed Alberta Municipal Affairs that the project will not be proceeding as planned. A portion of the funds received will be paid back to Alberta Municipal Affairs, who is currently reviewing the results of the audited statement of contributions and expenditures. Management has estimated \$1,122,935 will be repayable, which is included in accounts payable and accrued liabilities.
- f) Alberta Health has committed to fund Covenant Health \$18,750,000 for the construction of a new 250-unit supportive living facility in Calgary. Covenant Health has received \$9,375,000 of the total funding and to date has incurred \$30,348,384 (2015 – \$8,564,336) in planning, development and land costs.
- g) Alberta Health Services has provided Covenant Health with \$10,000,000 for the purpose of establishing a Network of Innovation for Seniors Health to create capacity and expertise with a focus on shifting towards a sustainable model of care for seniors. Covenant Health has internally restricted \$2,000,000 for this project within the same time period as Alberta Health Services and to date has incurred \$2,000,000 (2015 – \$2,000,000) from the internally restricted funds and \$5,830,274 (2015 – \$195,287) from the deferred grant, \$4,000,000 of which relates to a removal of external restriction by Alberta Health Services. The agreement expires in 2017 and any unspent balances will need to be refunded.



## Covenant Health

### Notes to Financial Statements

March 31, 2016

---

(tabular amounts in thousands of dollars)

- h) On April 1, 2015, the Government of Alberta has provided Covenant Health with \$500,000 for the purpose of funding Covenant Health's Musculoskeletal Injury Prevention Program. For the year ended March 31, 2016, Covenant Health has incurred over \$500,000 in costs. The agreement expired on March 31, 2016.
- i) Alberta Health has committed to fund Covenant Health \$28,000,000 for the construction of a new 129-unit supportive living facility in Calgary. Covenant Health has received \$28,000,000 of the total funding and to date has incurred \$34,675,956 (2015 – \$32,144,944) in planning, development and construction costs.
- j) On April 1, 2014, the Government of Alberta provided Covenant Health with \$500,000 for the purpose of funding the Covenant Work Place Abuse and Harassment Program. To date, Covenant Health has incurred \$509,365 (2015 – \$94,202) in costs. The agreement expired on December 31, 2015.
- k) On January 1, 2015, the Government of Alberta committed \$917,876 over four years to Covenant Health for the purpose of funding the Baby Friendly Initiative Project. Covenant Health received \$444,191 of the total funding and to date has incurred \$307,973 (2015 – \$nil) in costs.
- l) Alberta Health has committed to fund Covenant Health \$5,100,000 for construction of a second phase 60-unit supportive living facility in Red Deer. Covenant Health has received \$nil of the total funding and to date has incurred \$113,555 in planning, development and land costs.

#### 15 Contributed assets and services

Certain healthcare facilities are provided to Covenant Health by Alberta Health Services at nil or nominal rents. The fair value for the use of these facilities amounts to \$6,401,601 (2015 – \$6,401,609) when estimated using their original costs and useful lives. During the year, construction projects-in-progress of \$15,315,456 (2015 – \$8,140,061) were purchased by Alberta Health Services for use in Covenant Health sites. Minor equipment has been included in revenue and expenses and construction projects-in-progress has been included in capital assets and unamortized external capital contributions. Computer equipment and other support services are also provided by Alberta Health Services at no charge. The fair value for the use of these assets and services cannot be reasonably determined and has not been included in the financial statements.

#### 16 Budget (unaudited)

The budget was approved on December 17, 2015 by the Board of Directors of Covenant Health.

#### 17 Alberta Health Services global contributions

	2016 \$	2015 \$
Alberta Health Services global contributions	698,637	703,887
Contribution allocated to deferred contributions – capital renewal and maintenance	(1,506)	(1,460)
	<u>697,131</u>	<u>702,427</u>

# Covenant Health

## Notes to Financial Statements

March 31, 2016

(tabular amounts in thousands of dollars)

### 18 Fees and charges

Fees and charges include amounts charged for long-term care accommodation, semi-private and private room charges, and services to non-Alberta and non-Canadian residents. These amounts have been reduced by bad debts expense of \$2,503,356 (2015 – \$3,270,035).

### 19 Other income

	2016 \$	2015 \$
Sales and recoveries	17,082	17,380
Other	1,463	555
	<u>18,545</u>	<u>17,935</u>

### 20 Administration

	2016 \$	2015 \$
General administration	17,513	17,322
Finance	10,941	9,976
Human resources	11,814	11,429
Communications	3,080	2,894
	<u>43,348</u>	<u>41,621</u>

### 21 Support services

	2016 \$	2015 \$
Facility operations	58,351	55,913
Emergency preparedness	953	1,234
Education	2,540	2,251
Housekeeping	21,504	21,874
Laundry and linen	8,670	8,683
Patient food services	28,090	28,227
Patient health records	11,910	11,750
Patient transportation	790	2,322
Patient registration	4,703	4,924
Materials management	14,990	15,052
Volunteer services	1,052	1,051
Ancillary operations	11,355	10,929
	<u>164,908</u>	<u>164,210</u>

## **Covenant Health**

### Notes to Financial Statements

March 31, 2016

---

(tabular amounts in thousands of dollars)

#### **22 Related parties**

**a) Catholic Health of Alberta**

Catholic Health of Alberta controls Covenant Health through its mandate to appoint the Covenant Health Board of Directors.

During the current year, Catholic Health of Alberta paid grants of \$1,480,658 (2015 – \$224,000) to Covenant Health and also paid \$124,736 (2015 – \$106,406) in administrative support to Covenant Health. As at March 31, 2016, \$13,141 (2015 – \$2,691) is owing to Covenant Health.

**b) Covenant Living**

Covenant Living, an entity under common control, paid administrative support to Covenant Health in the amount of \$46,500 (2015 – \$139,500). As at March 31, 2016, \$9,163 (2015 – \$31,867) is receivable from Covenant Living.

**c) Covenant Care**

Covenant Care, an entity under common control, paid administrative support to Covenant Health in the amount of \$1,702,848 (2015 – \$1,098,800) and made payments under the capital lease arrangements (note 5). As at March 31, 2016, \$359,076 (2015 – \$1,180,566) is receivable from Covenant Care.

**d) Alberta Health Services**

Alberta Health Services has an economic interest in Covenant Health as it holds resources in the form of facilities and funding necessary for Covenant Health to operate its health facilities and programs. Included in accounts receivable at March 31, 2016 is \$4,584,776 (2015 – \$3,890,206) owing from Alberta Health Services. Included in accounts payable and accrued liabilities at March 31, 2016 is \$9,762,284 (2015 – \$10,103,083) owing to Alberta Health Services. These transactions occur in the normal course of operations and will be settled on a current basis. Other transactions are described throughout the financial statements.

**e) Foundations**

Covenant Health has responsibility for appointing the Board of Trustees of various Foundations, and as such, controls the Foundations. These Foundations raise funds to benefit Covenant Health and are registered charities under the Income Tax Act. The Foundations are not consolidated in these financial statements.



**Covenant Health**  
Notes to Financial Statements  
March 31, 2016

(tabular amounts in thousands of dollars)

The financial summary of the Foundations as at March 31 and for the years then ended is as follows:

	2016			2015		
	Assets \$	Liabilities \$	Net assets \$	Assets \$	Liabilities \$	Net assets \$
Mary Immaculate Hospital Foundation	406	10	396	419	10	409
Misericordia Hospital Foundation**	14,992	5,482	9,510	15,471	4,199	11,272
Our Lady of the Rosary Hospital Foundation	820	34	786	810	2	808
St. Joseph's Auxiliary Hospital Foundation	1,954	232	1,722	1,225	189	1,036
St. Joseph's General Hospital Foundation	102	72	30	98	78	20
St. Mary's Hospital, Camrose Foundation	4,829	81	4,748	4,993	179	4,814
St. Mary's Trochu Foundation	966	3	963	920	2	918
St. Michael's Health Centre Foundation	237	38	199	180	30	150
The General Hospital (Grey Nuns) of Edmonton Hospital Foundation**	24,427	3,816	20,611	24,426	4,035	20,391
Killam & District Health Care Foundation	858	2	856	776	2	774
Banff Mineral Springs Hospital Foundation	-	-	-	-	-	-
The Bonnyville Health Foundation*	1,650	393	1,257	1,720	330	1,390
	<u>51,241</u>	<u>10,163</u>	<u>41,078</u>	<u>51,038</u>	<u>9,056</u>	<u>41,982</u>

\*During the year, the Bonnyville Health Foundation changed its year end from June 30 to March 31. Amounts as at March 31, 2016 represent financial information for the 9 month period then ended.

\*\*The Misericordia Hospital Foundation and The General Hospital (Grey Nuns) of Edmonton Hospital Foundation operate under the name Caritas Hospitals Foundation and follow the restricted fund method of accounting.

## Covenant Health

### Notes to Financial Statements

March 31, 2016

(tabular amounts in thousands of dollars)

	2016			2015		
	Revenue \$	Expenses \$	Excess (deficiency) \$	Revenue \$	Expenses \$	Excess (deficiency) \$
Mary Immaculate Hospital Foundation	14	27	(13)	38	35	3
Misericordia Hospital Foundation**	958	2,719	(1,761)	7,769	9,349	(1,580)
Our Lady of the Rosary Hospital Foundation	55	77	(22)	86	56	30
St. Joseph's Auxiliary Hospital Foundation	829	143	686	357	372	(15)
St. Joseph's General Hospital Foundation	31	21	10	34	32	2
St. Mary's Hospital, Camrose Foundation	160	76	84	500	77	423
St. Mary's Trochu Foundation	133	88	45	128	79	49
St. Michael's Health Centre Foundation	350	302	48	425	458	(33)
The General Hospital (Grey Nuns) of Edmonton Hospital Foundation**	6,646	6,427	219	5,119	3,652	1,467
Killam & District Health Care Foundation	107	25	82	88	28	60
Banff Mineral Springs Hospital Foundation	-	-	-	-	-	-
The Bonnyville Health Foundation*	561	694	(133)	361	237	124
	<u>9,844</u>	<u>10,599</u>	<u>(755)</u>	<u>14,905</u>	<u>14,375</u>	<u>530</u>

\*During the year, the Bonnyville Health Foundation changed its year end from June 30 to March 31. Amounts as at March 31, 2016 represent financial information for the 9 month period then ended.

\*\*The Misericordia Hospital Foundation and The General Hospital (Grey Nuns) of Edmonton Hospital Foundation operate under the name Caritas Hospitals Foundation and follow the restricted fund method of accounting.

## Covenant Health

### Notes to Financial Statements

March 31, 2016

(tabular amounts in thousands of dollars)

	<u>Resources held by Foundation as at March 31, 2016</u>			
	<u>Contributions received by Covenant Health for the year ended March 31,</u>		<u>Endowments, internally restricted and donor restricted</u>	<u>Unrestricted</u>
	2016 \$	2015 \$	\$	\$
Mary Immaculate Hospital Foundation	18	26	-	396
Misericordia Hospital Foundation**	1,976	3,254	7,705	1,805
Our Lady of the Rosary Hospital Foundation	34	5	40	680
St. Joseph's Auxiliary Hospital Foundation	37	284	764	958
St. Joseph's General Hospital Foundation	18	28	-	30
St. Mary's Hospital Camrose Foundation	145	160	2,196	2,552
St. Mary's Trochu Foundation	42	36	84	879
St. Michael's Health Centre Foundation	50	184	185	14
The General Hospital (Grey Nuns) of Edmonton Hospital Foundation**	412	1,869	18,987	1,623
Killam & District Health Care Foundation	8	23	175	681
Banff Mineral Springs Hospital Foundation	-	-	-	-
The Bonnyville Health Foundation*	471	195	1,031	574
	<u>3,211</u>	<u>6,064</u>	<u>31,167</u>	<u>10,192</u>

\*During the year, the Bonnyville Health Foundation changed its year end from June 30 to March 31. Amounts as at March 31, 2016 represent financial information for the 9 month period then ended.

\*\*The Misericordia Hospital Foundation and The General Hospital (Grey Nuns) of Edmonton Hospital Foundation operate under the name Caritas Hospitals Foundation and follow the restricted fund method of accounting.

Contributions include donor restricted amounts for equipment, programs, research and education.

## Covenant Health

### Notes to Financial Statements

March 31, 2016

(tabular amounts in thousands of dollars)

	Administrative support and office space		Accounts receivable	
	2016 \$	2015 \$	2016 \$	2015 \$
Mary Immaculate Hospital Foundation	-	-	5	5
Misericordia Hospital Foundation**	122	143	1,074	1,075
Our Lady of the Rosary Hospital Foundation	-	-	31	-
St. Joseph's Auxiliary Hospital Foundation	26	38	228	186
St. Joseph's General Hospital Foundation	-	-	-	-
St. Mary's Hospital, Camrose Foundation	23	19	72	167
St. Mary's Trochu Foundation	-	-	-	-
St. Michael's Health Centre Foundation	-	-	16	21
The General Hospital (Grey Nuns) of Edmonton Hospital Foundation**	122	88	1,731	1,396
Killam & District Health Care Foundation	-	-	-	-
Banff Mineral Springs Hospital Foundation	-	-	-	-
The Bonnyville Health Foundation*	12	17	14	19
	305	305	3,171	2,869

\*During the year, the Bonnyville Health Foundation changed its year end from June 30 to March 31. Amounts as at March 31, 2016 represent financial information for the 9 month period then ended.

\*\*The Misericordia Hospital Foundation and The General Hospital (Grey Nuns) of Edmonton Hospital Foundation operate under the name Caritas Hospitals Foundation and follow the restricted fund method of accounting.

The Minister of Health has approved the formation of Covenant Foundation effective April 1, 2016. The following foundations will each enter into an Asset and Liability Transfer Agreement with Covenant Foundation to transfer their respective assets and liabilities to Covenant Foundation:

- Misericordia Hospital Foundation
- St. Joseph's Auxiliary Hospital Foundation
- St. Joseph's General Hospital Foundation
- The General Hospital (Grey Nuns) of Edmonton Hospital Foundation
- Banff Mineral Springs Hospital Foundation

## Covenant Health

### Notes to Financial Statements

March 31, 2016

(tabular amounts in thousands of dollars)

#### 23 Supplementary cash flow information

- a) Net change in non-cash working capital items

	2016	2015
	\$	\$
Accounts receivable	1,148	1,758
Inventories	(185)	(157)
Prepaid expenses	(675)	(4,420)
Capital lease receivable	503	(138)
Accounts payable and accrued liabilities	6,229	1,095
Accrued vacation pay	1,953	2,738
Deferred contributions	(20,088)	(2,098)
	<u>(11,115)</u>	<u>(1,222)</u>

- b) During the year, Covenant Health paid \$2,258,391 (2015 – \$2,341,663) in interest on long-term debt.

#### 24 Trust funds

Covenant Health receives funds in trust for research and educational program purposes. These amounts are not reported in the financial statements. At March 31, 2016, the balance of funds held by Covenant Health is \$1,178,670 (2015 – \$1,167,199).

#### 25 Internally restricted net assets

	March 31, 2015	Transfers in	Transfers out	March 31, 2016
	\$	\$	\$	\$
Care and Services Fund	10,000	-	-	10,000
Occupational Health and Safety	3,435	-	(500)	2,935
Leadership Development and Staff Education	1,465	-	(310)	1,155
Ancillary Capital Renewal	4,482	-	(643)	3,839
	<u>19,382</u>	<u>-</u>	<u>(1,453)</u>	<u>17,929</u>

#### 26 Government remittances

Government remittances consist of amounts such as sales taxes and payroll withholding taxes required to be paid to government authorities and are recognized when the amounts come due. In respect of government remittances, \$6,377,307 is included in accounts payable and accrued liabilities (2015 – \$7,904,586).

# Covenant Health

## Schedule of Expenses by Object For the year ended March 31, 2016

Schedule 1

(in thousands of dollars)

	Budget 2016 \$ (Unaudited – Note 16)	Actual 2016 \$	Actual 2015 \$
Salaries, benefits and severance (schedule 2)	632,737	639,546	620,429
Drugs and gases	16,448	16,011	14,994
Medical and surgical supplies	41,245	40,879	41,292
Other contracted services	56,523	54,014	48,697
Interest on long-term debt	3,351	2,258	2,342
Other*	88,041	86,825	88,728
Amortization			
Equipment	7,083	6,847	7,261
Facilities and improvements	10,078	10,229	10,055
	<u>855,506</u>	<u>856,609</u>	<u>833,798</u>
*Significant amounts included in Other			
Utilities		11,478	13,128
Food and dietary supplies		11,332	11,229
Building rent		10,999	10,103
Housekeeping, laundry and linen, plant maintenance and biomedical engineering supplies		8,403	8,507
Other clinical supplies		8,010	8,039
Building and grounds expense		7,394	7,879
Equipment expense		7,218	6,769
Office supplies		5,225	5,425
Travel		2,120	4,284
Minor equipment purchases		3,079	3,724
Insurance		3,413	3,124
Licence, fees, memberships		1,780	1,278
Education		1,155	1,234
Telecommunications		419	410
Other expenses not included in the above		4,800	3,595
		<u>86,825</u>	<u>88,728</u>

## Covenant Health

### Schedule of Salaries, Honoraria, Benefits, Allowances and Severance For the year ended March 31, 2016

Schedule 2

(in thousands of dollars, except for number of FTEs)

	2016					Severance <sup>(3)</sup>			2015	
	Number of FTEs <sup>(1)</sup>	Base salary <sup>(2)</sup> \$	Other cash benefits <sup>(3)</sup> \$	Other non-cash benefits <sup>(4)</sup> \$	Sub-total \$	Number of FTEs	Amount \$	Total \$	Number of FTEs <sup>(1)</sup>	Total \$
<b>Board chair</b>										
Brennan, Dr. John (term ended December 2015)	0.8	-	18	-	18	-	-	18	1.0	19
Stelmach, Ed (term started January 2016)	0.2	-	2	-	2	-	-	2	-	-
<b>Board members</b>										
Smith, Archbishop Richard	1.0	-	-	-	-	-	-	-	1.0	-
Buddle, Harry	1.0	-	11	-	11	-	-	11	1.0	11
Dimnik, Michael (term ended February 2016)	0.9	-	13	-	13	-	-	13	1.0	13
Grant, Dennis E.	1.0	-	14	-	14	-	-	14	1.0	11
Heelan, James (term ended June 2015)	0.2	-	2	-	2	-	-	2	1.0	10
Heid, Sr. Mary Corita	1.0	-	13	-	13	-	-	13	0.2	2
Leavens, Richard	1.0	-	11	-	11	-	-	11	1.0	12
Mack, Raymond	1.0	-	12	-	12	-	-	12	1.0	14
McClellan, Shirley	1.0	-	12	-	12	-	-	12	1.0	12
Roozen, Catherine	1.0	-	-	-	-	-	-	-	0.2	4
Skene, Mary Pat (term ended December 2014)	-	-	-	-	-	-	-	-	0.8	6
Stelmach, Ed (term ended December 2015)	0.8	-	10	-	10	-	-	10	1.0	11
	10.9	-	118	-	118	-	-	118	11.2	125

## Covenant Health

Schedule of Salaries, Honoraria, Benefits, Allowances and Severance ... *continued*  
 For the year ended March 31, 2016

Schedule 2

(in thousands of dollars, except for number of FTEs)

	2016					Severance <sup>(4)</sup>			2015	
	Number of FTEs <sup>(1)</sup>	Base salary <sup>(2)</sup> \$	Other cash benefits <sup>(3)</sup> \$	Other non-cash benefits <sup>(4)</sup> \$	Sub-total \$	Number of FTEs	Amount \$	Total \$	Number of FTEs <sup>(1)</sup>	Total \$
<b>Staff</b>										
President and Chief Executive Officer	1.0	529	29	177	735	-	-	735	1.0	668
<b>Management persons reporting to CEO</b>										
Vice President and Chief Financial Officer	1.0	289	13	85	387	-	-	387	1.0	362
Vice President and Chief Human Resources Officer	1.0	293	13	108	414	-	-	414	1.0	375
Vice President and Chief Operating Officer	1.0	361	12	99	472	-	-	472	1.0	436
Vice President and Chief Medical Officer	0.3	106	11	12	129	-	-	129	-	-
Vice President - Mission, Ethics and Spirituality	1.0	218	10	49	277	-	-	277	1.0	273
Vice President - Innovation and Business Development	1.0	209	9	48	266	-	-	266	1.0	264
	6.3	2,005	97	578	2,680	-	-	2,680	6.0	2,378
Management reporting to CEO direct reports	7.0	1,827	14	462	2,303	-	-	2,303	6.5	1,891
Other management	403.9	40,801	478	9,866	51,145	7	234	51,379	428.7	55,383
Regulated nurses not included above										
RNs	1,630.3	141,809	29,786	33,332	204,927	1	100	205,027	1,614.9	202,561
LPNs	640.7	41,507	5,540	8,767	55,814	-	-	55,814	616.7	51,365
Other health technical and professionals	861.0	75,194	4,709	17,526	97,429	1	23	97,452	856.5	91,826
Unregulated health service providers	1,066.4	53,087	6,850	11,447	71,384	1	38	71,422	965.5	61,281
Other staff	2,231.3	116,882	7,809	27,960	152,651	32	700	153,351	2,199.0	153,619
	6,840.6	471,107	55,186	109,360	635,653	42	1,095	636,748	6,687.8	617,926
<b>Total salaries/benefits</b>	6,857.8	473,112	55,401	109,938	638,451	42	1,095	639,546	6,705.0	620,429



## Covenant Health

Schedule of Salaries, Honoraria, Benefits, Allowances and Severance ... *continued*  
For the year ended March 31, 2016

Schedule 2

<sup>(1)</sup> Full time equivalent (FTE) is determined at the rate of 2,022.75 hours for each full-time employee. FTE for board members are pro-rated using the number of days in the fiscal year between either the date of appointment and the end of the year, or the beginning of the year and the termination date.

<sup>(2)</sup> Base salary includes pensionable base pay.

<sup>(3)</sup> Other cash benefits include overtime, lump sum payments, shift differentials and honoraria.

<sup>(4)</sup> Other non-cash benefits include:

- a) Employer's current service cost of the supplementary pension plan.
- b) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, supplementary health and wellness, dental coverage, out of country medical benefits, group life insurance, accidental death and dismemberment, long-term disability plans, Canada Pension Plan, employment insurance, workers' compensation, car allowances and club memberships.

<sup>(5)</sup> Severance expense includes amounts paid in lieu of notice and certain other severance related costs.

## Covenant Health

Schedule of Salaries, Honoraria, Benefits, Allowances and Severance ...continued

Schedule 2

For the year ended March 31, 2016

(in thousands of dollars)

	2016		2015		Account balances or accrued benefit obligation March 31, 2016	Change during the year <sup>(3)</sup>	Account balances or accrued benefit obligation March 31, 2015
	Current service cost <sup>(1)</sup>	Other SPP costs <sup>(2)</sup>	Total	Total			
	\$	\$	\$	\$	\$	\$	\$
<b>Board direct reports</b>							
President and Chief Executive Officer	128	38	166	134	1,119	105	1,014
<b>Management persons reporting to CEO</b>							
Vice President and Chief Financial Officer	32	10	42	36	290	38	252
Vice President and Chief Human Resources Officer	49	15	64	50	439	47	392
Vice President and Chief Operating Officer	52	6	58	45	194	49	145
Vice President – Mission, Ethics and Spirituality	10	3	13	17	104	19	85
Vice President – Innovation and Business Development	7	1	8	9	30	10	20
Other members	114	38	152	146	1,041	(11)	1,052
	392	111	503	437	3,217	257	2,960

Under the terms of the supplementary pension plan (SPP), certain management may receive supplemental pension payments. Retirement arrangement costs as detailed above are not cash payments in the period but are the period expenses for rights to future compensation. Costs are based on actuarial assumptions described in note 12(a) and reflect the total estimated cost to provide annual pension income over an actuarially determined post-employment period. SPP provides future pension benefits to participants based on years of service and earnings.

<sup>(1)</sup> The current service costs are Covenant Health's contributions in the period.

<sup>(2)</sup> Other costs include interest costs on the obligation, initial obligations and net actuarial gains and losses.

<sup>(3)</sup> Changes in the accrued benefit obligation include current service cost, interest accruing on the obligation, and the full amount of any actuarial gains or losses in the period.