

Covenant Health

Financial Statements
March 31, 2017



June 28, 2017

Independent Auditor's Report

To 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, 2017 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.

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*PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Covenant Health as at March 31, 2017 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, 2017

The accompanying financial statements for the year ended March 31, 2017 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.

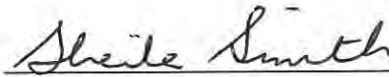
PricewaterhouseCoopers LLP provides an independent audit of the financial statements. Their examination is conducted in accordance with Canadian generally accepted auditing standards and includes tests and procedures which allow them to report on the fairness of the financial statements prepared by management.



Patrick Dumelie
President and Chief Executive Officer
Covenant Health

Date

August 4/2017



Sheila Smith
Chief Financial Officer
Covenant Health

Date

August 3/2017

Covenant Health
Statement of Financial Position
As at March 31, 2017

(in thousands of dollars)

	2017 \$	2016 \$
Assets		
Current assets		
Cash and cash equivalents (note 3)	61,088	107,616
Short-term investments (note 3)	852	1,048
Accounts receivable	26,923	20,690
Inventories	2,623	2,494
Prepaid expenses and deposits (note 4)	12,357	10,689
Current portion of capital lease receivable (note 5)	586	567
	104,429	143,104
Investments (note 3)	69,491	64,210
Capital lease receivable (note 5)	18,480	19,033
Capital assets (note 6)	347,029	299,228
	539,429	525,575
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 26)	75,763	93,271
Accrued vacation pay	48,170	44,531
Deferred contributions (note 8)	21,981	23,743
Current portion of long-term debt (note 9)	10,770	10,541
	156,684	172,086
Long-term debt (note 9)	65,434	67,102
Deferred capital contributions (note 10)	5,867	5,805
Unamortized external capital contributions	222,127	191,359
	450,112	436,352
Net Assets		
Accumulated surplus	23,675	40,934
Invested in capital assets	48,704	30,226
Internally restricted (note 25)	16,938	17,929
Endowments	-	134
	89,317	89,223
	539,429	525,575

Contingencies (note 13)

Approved by the Board of Directors

By Mail Director

John Helms 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, 2017

(in thousands of dollars)

					2017	2016
	Accumulated surplus \$	Invested in capital assets \$	Internally restricted \$ (Note 25)	Endowment \$	Total \$	Total \$
Balance – beginning of year	40,934	30,226	17,929	134	89,223	98,042
Excess (deficiency) of revenue over expenses	633	-	-	-	633	(8,961)
Capital assets purchased with internal funds	(21,791)	21,791	-	-	-	-
Amortization of internally funded capital assets	2,596	(2,596)	-	-	-	-
Repayment of long-term debt used to fund capital assets	(1,440)	1,440	-	-	-	-
Capital lease receivable	33	(33)	-	-	-	-
Transfer to (from) internally restricted net assets	991	-	(991)	-	-	-
Transfer of Endowment funds to Covenant Foundation	-	-	-	(134)	(134)	-
Loss on disposal of internally funded capital assets	2,124	(2,124)	-	-	-	-
Remeasurement of supplementary pension plan (note 12(a))	(405)	-	-	-	(405)	142
Balance – end of year	23,675	48,704	16,938	-	89,317	89,223

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

Covenant Health

Statement of Operations

For the year ended March 31, 2017

(in thousands of dollars)

	Budget 2017 \$ (Unaudited – Note 16)	Actual 2017 \$	Actual 2016 \$
Revenue			
Alberta Health Services global contributions (note 17)	717,708	715,038	697,131
Other government contributions	29,123	24,079	44,554
Fees and charges (note 18)	52,184	51,031	50,018
Ancillary operations	19,830	19,231	18,464
Donations	1,151	1,911	2,668
Investment	3,347	3,553	3,288
Other income (note 19)	15,143	18,251	18,545
Amortization of external capital contributions	15,422	11,825	14,384
	<u>853,908</u>	<u>844,919</u>	<u>849,052</u>
Expenses (schedule 1)			
Inpatient acute nursing services	311,814	315,188	310,335
Emergency and outpatient services	89,511	90,187	90,143
Facility-based continuing care services	71,876	74,509	77,115
Ambulance services	2,312	2,140	1,838
Community based care	11,532	13,432	11,892
Diagnostic and therapeutic services	131,192	132,022	128,387
Promotion, prevention and protection services	4,983	2,240	2,448
Research and education	2,593	3,439	3,111
Administration (note 20)	42,495	41,364	43,301
Information technology	1,839	2,371	17,282
Support services (note 21)	178,295	170,125	170,757
	<u>848,442</u>	<u>847,017</u>	<u>856,609</u>
Excess (deficiency) of revenue over expenses before fair value adjustments	5,466	(2,098)	(7,557)
Fair value change in investments	-	2,731	(1,404)
Excess (deficiency) of revenue over expenses	<u>5,466</u>	<u>633</u>	<u>(8,961)</u>

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

Covenant Health
Statement of Cash Flows
For the year ended March 31, 2017

(in thousands of dollars)

	2017 \$	2016 \$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses	633	(8,961)
Items not affecting cash		
Amortization of capital assets		
Internally funded	2,596	2,692
Externally funded	11,825	14,384
Amortization of externally funded capital contributions	(11,825)	(14,384)
Unrealized loss (gain) from investments measured at fair value	(1,975)	2,371
Loss on disposal of internally funded capital assets	2,124	-
Remeasurement of supplementary pension plan	(405)	142
	<u>2,973</u>	<u>(3,756)</u>
Net change in non-cash working capital items (note 23)	(23,094)	(11,115)
	<u>(20,121)</u>	<u>(14,871)</u>
Investing activities		
Net purchase of investments	(3,110)	(3,957)
Purchases of capital assets		
Internally funded – equipment	(73)	(1,170)
Internally funded – facility and improvements	(21,718)	(37,719)
Externally funded – equipment	(9,729)	(13)
Externally funded – facility and improvements	(14,807)	(14,135)
	<u>(49,437)</u>	<u>(56,994)</u>
Financing activities		
Principal payments on long-term debt	(1,440)	(1,000)
Transfer of Endowment funds to Covenant Foundation	(134)	-
Proceeds on long-term debt	-	48,802
Capital contributions received and investment earnings on capital contributions (note 10)	24,604	9,615
	<u>23,030</u>	<u>57,417</u>
Decrease in cash and cash equivalents	(46,528)	(14,448)
Cash and cash equivalents – beginning of year	107,616	122,064
Cash and cash equivalents – end of year	61,088	107,616

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

Covenant Health

Notes to Financial Statements

March 31, 2017

(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, 2017

(tabular amounts in thousands of dollars)

2 Summary of significant accounting policies

The financial statements have been prepared in accordance with Canadian Accounting Standards for Not-For-Profit Organizations (Not-For-Profit Standards) as set out in Part III of the Chartered Professional Accountants (CPA) of 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, 2017

(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 non-current assets. 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, 2017

(tabular amounts in thousands of dollars)

g) Employee future benefits

Covenant Health sponsored 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 financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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

	2017		2016	
	Fair value \$	Cost \$	Fair value \$	Cost \$
Cash and term deposits	61,088	61,088	107,616	107,616
Guaranteed investment certificates	852	852	1,048	1,048
Bonds and debentures	34,164	34,203	31,632	31,269
Equities	35,327	25,858	32,578	25,858
	<u>131,431</u>	<u>122,001</u>	<u>172,874</u>	<u>165,791</u>
			2017 \$	2016 \$
Reported as				
Cash and cash equivalents			61,088	107,616
Short-term investments			852	1,048
Investments			69,491	64,210
			<u>131,431</u>	<u>172,874</u>

Covenant Health

Notes to Financial Statements

March 31, 2017

(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 June 2031 (March 31, 2016 – August 2018 to July 2028). Bond market yields to maturity ranged from 1.4% to 3.7% as at March 31, 2017 (March 31, 2016 – 0.7% to 5.5%).

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

	2017	2016
	\$	\$
Basic life, short-term disability and long-term disability	9,981	8,578
Extended health, dental and vision	1,897	1,909
Other deposits and prepaid expenses	479	202
	<u>12,357</u>	<u>10,689</u>

Basic life, short-term disability, long-term disability and 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, 2017

(tabular amounts in thousands of dollars)

5 Capital lease receivable

	2017 \$	2016 \$
Villa Marie, capital lease receivable from Covenant Care 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 \$22,419	3,365	3,467
Holy Cross Manor, capital lease receivable from Covenant Care 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 \$25,373	6,196	6,380
St. Marguerite Manor, capital lease receivable from Covenant Care 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 \$36,467	9,505	9,753
	<u>19,066</u>	<u>19,600</u>
Less: Current portion	586	567
	<u>18,480</u>	<u>19,033</u>

In fiscal 2016, a capital lease arrangement was entered into with Covenant Care, an entity under common control, to transfer a property constructed by Covenant Health. The lease arrangement for St. Marguerite Manor 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 \$23,732 (2016 - \$26,054) and finance income of \$23,334 (2016 - \$27,233) are included in accounts receivable.

On March 31, 2017, the residual capital costs incurred during the year were transferred from Covenant Health to Covenant Care for St. Marguerite Manor totalling \$33,168.

Covenant Health

Notes to Financial Statements

March 31, 2017

(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:

	\$
2018	1,194
2019	1,194
2020	1,194
2021	1,194
2022	1,194
Thereafter	<u>20,878</u>
	26,848
Less: Amounts representing interest	<u>(7,782)</u>
	<u>19,066</u>

6 Capital assets

	2017		
	Cost \$	Accumulated amortization \$	Net \$
Operating assets			
Land	27,391	-	27,391
Land improvements	3,569	1,555	2,014
Buildings	122,915	28,794	94,121
Leasehold improvements	127,859	31,214	96,645
Major equipment	68,620	44,709	23,911
Ambulance equipment	978	832	146
Computer software	1,681	927	754
Construction projects-in-progress	100,495	-	100,495
	<u>453,508</u>	<u>108,031</u>	<u>345,477</u>
Ancillary assets			
Land	120	-	120
Buildings	414	92	322
Parking lot and lot improvements	1,211	585	626
Major equipment	627	143	484
	<u>2,372</u>	<u>820</u>	<u>1,552</u>
	<u>455,880</u>	<u>108,851</u>	<u>347,029</u>

Covenant Health

Notes to Financial Statements

March 31, 2017

(tabular amounts in thousands of dollars)

		2016	
	Cost \$	Accumulated amortization \$	Net \$
Operating assets			
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>
Ancillary assets			
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>

7 Bank indebtedness

Covenant Health has an unsecured operating line of credit to a maximum of \$50,000,000 (2016 – \$50,000,000) which was undrawn at March 31, 2017 and March 31, 2016. Interest is charged at prime minus 0.50% (2016 – 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 (2016 – \$20,000,000), of which \$150,000 (2016 – \$125,000) was outstanding at March 31, 2017. Issuance fee is charged at 0.50% per annum (2016 – 0.50%).

8 Deferred contributions

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

	2017 \$	2016 \$
Balance – beginning of year	23,743	43,831
Contributions received during the year	3,326	4,460
Contributions recognized as revenue	(4,830)	(24,774)
Contributions repayable	(215)	-
Contributions transferred to Covenant Foundation	(95)	-
Interest earned	52	226
	<u>21,981</u>	<u>23,743</u>

Covenant Health

Notes to Financial Statements

March 31, 2017

(tabular amounts in thousands of dollars)

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

	2017 \$	2016 \$
Research and education	1,797	2,124
Human resources payroll consolidation	-	1,208
Capital renewal and maintenance	15,749	14,351
Network of Innovation for Seniors Health	2,920	4,473
Patient care	1,515	1,587
	<u>21,981</u>	<u>23,743</u>

9 Long-term debt

	2017 \$	2016 \$
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 \$17,728	9,102	9,474
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 \$23,743	18,668	19,368
St. Teresa Place 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 \$65,763	35,089	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 \$32,148	13,345	13,712
	<u>76,204</u>	<u>77,643</u>
Less: Current portion	<u>10,770</u>	<u>10,541</u>
	<u>65,434</u>	<u>67,102</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.

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March 31, 2017

(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:

	\$
2018	2,062
2019	2,713
2020	2,840
2021	2,981
2022	3,126
Thereafter	<u>62,482</u>
	<u>76,204</u>

10 Deferred capital contributions

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

	2017 \$	2016 \$
Balance – beginning of year	5,805	10,342
Cash contributions received during the year	24,582	9,558
Transferred to unamortized external capital contributions	(24,542)	(14,152)
Interest earned	22	57
	<u>5,867</u>	<u>5,805</u>

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

	2017 \$	2016 \$
Building construction	4,526	3,288
Other	1,341	2,517
	<u>5,867</u>	<u>5,805</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 \$17,728,368 (2016 - \$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

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(tabular amounts in thousands of dollars)

As at March 31, 2017, the remaining liability of \$5,369,133 (2016 – \$5,548,104) is recorded within unamortized external capital contributions and \$1,789,711 (2016 – \$1,610,740) is the contingent liability balance. Interest expense of \$266,452 (2016 – \$277,290) was forgiven for the year ended March 31, 2017.

12 Long-term employee benefits

a) Supplementary pension plan

	2017 \$	2016 \$
Accrued benefit obligation		
Accrued obligation – beginning of year	3,217	2,960
Current service cost	283	392
Benefits paid	(400)	(104)
Interest cost	128	111
Actuarial loss (gain) remeasurement	405	(142)
Accrued obligation – end of year	3,633	3,217
Fair value of plan assets	3,633	3,217
Funded status of plan (deficit)	-	-

Significant actuarial assumptions are as follows:

Discount rate	3.9%	4.0%
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, 2017.

The accrued benefit obligation of \$3,633,000 (2016 – \$3,217,000) 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 accrued service until December 31, 2016. On January 1, 2017, Covenant Health offered certain executives, including the plan members above, the opportunity to participate in a Defined Contribution Benefit Plan (DCRP). The DCRP is fully paid by Covenant Health. Contributions for current service are recorded as expenses in the year they become due. In the current year, Covenant Health contributed \$148,993 (2016 – \$nil) to the DCRP.

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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 244,000 people and about 426 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 \$46,518,928 to LAPP (2016 – \$45,268,877).

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, 2015, LAPP reported a deficit of \$923,416,000 (December 31, 2014 – \$2,454,636,000).

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.

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(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 \$12.99 (2016 – \$12.60) per resident day. During the year, Covenant Health paid Alberta Health Services \$2,269,838 (2016 – \$2,260,003) 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 (2016 – \$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 \$2,285,699 (2016 – \$3,275,318) in planning, development and land costs. During the year, \$1,078,518 in architect and engineering fees were disposed of for \$nil proceeds.
- 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 \$272,199 (2016 – \$794,904) in planning, development and land costs. During the year, \$778,388 in architect and engineering fees were disposed of for \$nil proceeds.
- e) 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 \$16,875,000 of the total funding and to date has incurred \$60,545,596 (2016 – \$37,121,322) in planning, development and land costs.
- f) 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 (2016 – \$2,000,000) from the internally restricted funds and \$7,428,313 (2016 – \$5,830,274) from the deferred grant, \$4,000,000 of which relates to a removal of external restriction by Alberta Health Services in the prior year. The agreement expired on March 31, 2017 and an extension was granted by Alberta Health Services to March 31, 2019.
- g) 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 \$699,507 (2016 – \$444,191) of the total funding and to date has incurred \$608,259 (2016 – \$307,973) in costs.
- h) 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 \$2,550,000 (2016 - \$nil) of the

Covenant Health

Notes to Financial Statements

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(tabular amounts in thousands of dollars)

total funding and to date has incurred \$1,846,872 (2016 - \$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 \$6,401,610 (2016 – \$6,401,601) when estimated using their original costs and useful lives. During the year, Alberta Health Services contributed \$15,072,240 (2016 – \$15,315,456) towards Covenant Health construction projects-in-progress. Minor equipment has been included in revenue and expenses and construction projects-in-progress have 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 June 23, 2016 by the Board of Directors of Covenant Health.

17 Alberta Health Services global contributions

	2017 \$	2016 \$
Alberta Health Services global contributions	716,549	698,637
Contribution allocated to deferred contributions – capital renewal and maintenance	(1,511)	(1,506)
	<u>715,038</u>	<u>697,131</u>

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 \$3,415,793 (2016 – \$2,503,356).

19 Other income

	2017 \$	2016 \$
Sales and recoveries	18,099	17,082
Other	152	1,463
	<u>18,251</u>	<u>18,545</u>

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(tabular amounts in thousands of dollars)

20 Administration

	2017 \$	2016 \$
General administration	17,355	17,487
Finance	10,003	10,940
Human resources	10,978	11,794
Communications	3,028	3,080
	<hr/> 41,364	<hr/> 43,301

21 Support services

	2017 \$	2016 \$
Facility operations	59,983	64,657
Emergency preparedness	647	953
Education	3,469	2,540
Housekeeping	21,883	21,485
Laundry and linen	8,652	8,670
Patient food services	28,012	27,873
Patient health records	11,611	11,839
Patient transportation	2,190	790
Patient registration	4,745	4,703
Materials management	15,376	14,840
Volunteer services	1,017	1,052
Ancillary operations	12,540	11,355
	<hr/> 170,125	<hr/> 170,757

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 \$669,000 (2016 – \$1,480,658) to Covenant Health and also paid \$86,296 (2016 – \$124,736) in administrative support to Covenant Health. As at March 31, 2017, \$9,119 (2016 – \$13,141) is owing to Covenant Health.

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(tabular amounts in thousands of dollars)

b) Covenant Living

Covenant Living, an entity under common control, paid administrative support to Covenant Health in the amount of \$nil (2016 – \$46,500). Covenant Health paid Covenant Living rental payments of \$39,000 (2016 – \$nil). As at March 31, 2017, \$21,556 (2016 – \$9,163 receivable) is payable to Covenant Living.

Effective September 1, 2016, Covenant Health entered into an operating lease with Covenant Living to occupy Evanston Summit, a building with a cost of \$32,514,540 and accumulated amortization of \$366,379 as at March 31, 2017. Monthly payments under the lease are \$80,075, which were determined based upon the interest cost to Covenant Health related to its mortgage on the property. The lease expires on March 31, 2020 with an option for a one-year renewal term. During the year, Covenant Health received \$560,525 in rental income and holds a \$222,249 deposit related to this operating lease.

c) Covenant Care

Covenant Care, an entity under common control, paid administrative support to Covenant Health in the amount of \$1,710,449 (2016 – \$1,702,848) and made payments under the capital lease arrangements (note 5). As at March 31, 2017, \$184,181 (2016 – \$359,076) 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, 2017 is \$10,775,853 (2016 – \$4,584,776) owing from Alberta Health Services. Included in accounts payable and accrued liabilities at March 31, 2017 is \$7,722,568 (2016 – \$9,762,284) 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.

Effective April 1, 2016 the Minister of Health has approved the formation of Covenant Foundation. The following Foundations have entered 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
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(tabular amounts in thousands of dollars)

As a result, comparative information for Covenant Foundation has been combined to reflect the current year presentation.

Effective April 1, 2017, St. Michael's Health Centre Foundation entered into an Asset and Liability Transfer Agreement with Covenant Foundation to transfer its assets and liabilities to Covenant Foundation.

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

	2017			2016		
	Assets \$	Liabilities \$	Net assets \$	Assets \$	Liabilities \$	Net assets \$
Covenant Foundation	37,350	5,044	32,306	41,475	9,602	31,873
Mary Immaculate Hospital Foundation	359	8	351	406	10	396
Our Lady of the Rosary Hospital Foundation	790	18	772	820	34	786
St. Mary's Hospital, Camrose Foundation	5,192	79	5,113	4,829	81	4,748
St. Mary's Trochu Foundation	1,040	26	1,014	966	3	963
St. Michael's Health Centre Foundation	473	20	453	237	38	199
Killam & District Health Care Foundation	953	3	950	858	2	856
The Bonnyville Health Foundation*	1,553	264	1,289	1,633	376	1,257
	<u>47,710</u>	<u>5,462</u>	<u>42,248</u>	<u>51,224</u>	<u>10,146</u>	<u>41,078</u>

*In the prior 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.

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(tabular amounts in thousands of dollars)

	2017			2016		
	Revenue \$	Expenses \$	Excess (deficiency) \$	Revenue \$	Expenses \$	Excess (deficiency) \$
Covenant Foundation	12,089	11,725	364	8,464	9,310	(846)
Mary Immaculate Hospital Foundation	37	82	(45)	14	27	(13)
Our Lady of the Rosary Hospital Foundation	45	59	(14)	55	77	(22)
St. Mary's Hospital, Camrose Foundation	498	132	366	160	226	(66)
St. Mary's Trochu Foundation	209	158	51	133	88	45
St. Michael's Health Centre Foundation	621	357	264	350	302	48
Killam & District Health Care Foundation	120	26	94	107	25	82
The Bonnyville Health Foundation*	546	514	32	561	694	(133)
	<u>14,165</u>	<u>13,053</u>	<u>1,112</u>	<u>9,844</u>	<u>10,749</u>	<u>(905)</u>

*In the prior 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.

Covenant Health

Notes to Financial Statements

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(tabular amounts in thousands of dollars)

	Contributions received by Covenant Health for the year ended March 31,		Resources held by Foundation as at March 31, 2017	
			Endowments, internally restricted and donor restricted	Unrestricted
	2017 \$	2016 \$	\$	\$
Covenant Foundation	4,701	2,443	30,949	1,357
Mary Immaculate Hospital Foundation	73	18	-	351
Our Lady of the Rosary Hospital Foundation	27	34	95	677
St. Mary's Hospital Camrose Foundation	48	145	2,194	2,919
St. Mary's Trochu Foundation	99	42	15	998
St. Michael's Health Centre Foundation	113	50	303	150
Killam & District Health Care Foundation	2	8	184	766
The Bonnyville Health Foundation*	270	471	1,019	238
	<u>5,767</u>	<u>3,211</u>	<u>34,759</u>	<u>7,456</u>

*In the prior 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.

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

Covenant Health

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(tabular amounts in thousands of dollars)

	Administrative support and office space		Accounts receivable	
	2017 \$	2016 \$	2017 \$	2016 \$
Covenant Foundation	275	270	1,221	3,033
Mary Immaculate Hospital Foundation	-	-	4	5
Our Lady of the Rosary Hospital Foundation	-	-	15	31
St. Mary's Hospital, Camrose Foundation	-	23	71	72
St. Mary's Trochu Foundation	-	-	23	-
St. Michael's Health Centre Foundation	-	-	14	16
Killam & District Health Care Foundation	-	-	1	-
The Bonnyville Health Foundation*	17	12	-	14
	<u>292</u>	<u>305</u>	<u>1,349</u>	<u>3,171</u>

*In the prior 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.

Covenant Health

Notes to Financial Statements

March 31, 2017

(tabular amounts in thousands of dollars)

23 Supplementary cash flow information

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

	2017 \$	2016 \$
Accounts receivable	(6,233)	1,148
Inventories	(129)	(185)
Prepaid expenses and deposits	(1,668)	(675)
Capital lease receivable	567	503
Accounts payable and accrued liabilities	(17,508)	6,229
Accrued vacation pay	3,639	1,953
Deferred contributions	(1,762)	(20,088)
	<u>(23,094)</u>	<u>(11,115)</u>

- b) During the year, Covenant Health paid \$3,386,521 (2016 – \$2,258,391) 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, 2017, the balance of funds held by Covenant Health is \$1,252,967 (2016 – \$1,178,670).

25 Internally restricted net assets

	March 31, 2016 \$	Transfers in \$	Transfers out \$	March 31, 2017 \$
Care and Services Fund	10,000	-	-	10,000
Occupational Health and Safety	2,935	-	(500)	2,435
Leadership Development and Staff Education	1,155	-	(491)	664
Ancillary Capital Renewal	3,839	-	-	3,839
	<u>17,929</u>	<u>-</u>	<u>(991)</u>	<u>16,938</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, \$6,302,904 is included in accounts payable and accrued liabilities (2016 – \$6,377,307).

Covenant Health

Notes to Financial Statements

March 31, 2017

(tabular amounts in thousands of dollars)

27 Comparative figures

Certain comparative figures have been reclassified to conform to the current year Financial Statement presentation.

Covenant Health

Schedule of Expenses by Object For the year ended March 31, 2017

Schedule 1

(in thousands of dollars)

	Budget 2017 \$ (Unaudited – Note 16)	Actual 2017 \$	Actual 2016 \$
Salaries, benefits and severance (schedule 2)	635,834	643,648	639,546
Drugs and gases	16,422	17,442	16,011
Medical and surgical supplies	41,197	39,695	40,879
Other contracted services	50,445	42,981	54,014
Interest on long-term debt	2,158	2,422	2,258
Other*	84,125	84,284	86,825
Amortization			
Equipment	7,883	7,249	6,847
Facilities and improvements	10,378	7,172	10,229
Loss on disposal of internally restricted capital assets	-	2,124	-
	848,442	847,017	856,609
*Significant amounts included in Other			
Utilities		11,100	11,478
Food and dietary supplies		11,346	11,332
Building rent		11,251	10,999
Housekeeping, laundry and linen, plant maintenance and biomedical engineering supplies		8,956	8,403
Other clinical supplies		7,918	8,010
Building and grounds expense		7,093	7,394
Equipment expense		6,264	7,218
Office supplies		3,912	5,225
Travel		3,459	2,120
Minor equipment purchases		2,861	3,079
Insurance		3,419	3,413
Licence, fees, memberships		1,828	1,780
Education		889	1,155
Telecommunications		464	419
Other expenses not included in the above		3,524	4,800
		84,284	86,825

Covenant Health

Schedule of Salaries, Honoraria, Benefits, Allowances and Severance For the year ended March 31, 2017

Schedule 2

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

	2017					Severance ⁽⁵⁾			2016	
	Number of FTEs ⁽¹⁾	Base salary ⁽²⁾ \$	Other cash benefits ⁽³⁾ \$	Other non-cash benefits ⁽⁴⁾ \$	Subtotal \$	Number of FTEs	Amount \$	Total \$	Number of FTEs ⁽¹⁾	Total \$
Board chair										
Brennan, Dr. John (term ended December 2015)	-	-	-	-	-	-	-	-	0.8	18
Stelmach, Ed (term started January 2016)	1.0	-	16	-	16	-	-	16	0.2	2
Board members										
Smith, Archbishop Richard	1.0	-	-	-	-	-	-	-	1.0	-
Buddle, Harry (term ended April 2016)	0.1	-	2	-	2	-	-	2	1.0	11
Dimnik, Michael (term ended February 2016)	-	-	-	-	-	-	-	-	0.9	13
Gilbertson, Ronald (term started January 2017)	0.3	-	2	-	2	-	-	2	-	-
Grant, Dennis E.	1.0	-	15	-	15	-	-	15	1.0	14
Heelan, James (term ended June 2015)	-	-	-	-	-	-	-	-	0.2	2
Heid, Sr. Mary Corita	1.0	-	10	-	10	-	-	10	1.0	13
Hertz, Joan (term started January 2017)	0.3	-	2	-	2	-	-	2	-	-
Leavens, Richard	1.0	-	11	-	11	-	-	11	1.0	11
Mack, Raymond	1.0	-	13	-	13	-	-	13	1.0	12
Martens, Paul (term started January 2017)	0.3	-	2	-	2	-	-	2	-	-
McClellan, Shirley	1.0	-	10	-	10	-	-	10	1.0	12
Roosen, Catherine	1.0	-	-	-	-	-	-	-	1.0	-
Stelmach, Ed (term ended December 2015)	-	-	-	-	-	-	-	-	0.8	10
	9.0	-	83	-	83	-	-	83	10.9	118

Covenant Health

Schedule of Salaries, Honoraria, Benefits, Allowances and Severance ... *continued*
 For the year ended March 31, 2017

Schedule 2

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

	Number of FTEs ⁽¹⁾	Base salary ⁽²⁾ \$	Other cash benefits ⁽³⁾ \$	Other non-cash benefits ⁽⁴⁾ \$	Subtotal \$	Severance ⁽⁵⁾			Number of FTEs ⁽¹⁾	Total \$
						Number of FTEs	Amount \$	Total \$		
Staff										
President and Chief Executive Officer	1.0	456	17	198	671	-	-	671	1.0	735
Management persons reporting to CEO										
Vice President and Chief Financial Officer	1.0	215	9	40	264	-	-	264	1.0	387
Vice President and Chief Operating Officer	1.0	367	15	90	472	-	-	472	1.0	472
Vice President and Chief Human Resources Officer	1.0	283	12	99	394	-	-	394	1.0	414
Vice President and Chief Medical Officer	1.0	432	17	101	550	-	-	550	0.3	129
Vice President – Mission, Ethics and Spirituality	1.0	198	9	53	260	-	-	260	1.0	277
Vice President – Innovation and Business Development	0.4	74	2	16	92	-	-	92	1.0	266
	6.4	2,025	81	597	2,703	-	-	2,703	6.3	2,680
Management reporting to CEO direct reports	7.6	1,818	70	446	2,334	-	-	2,334	7.0	2,303
Other management	311.9	34,102	279	8,228	42,609	4.9	289	42,898	403.9	51,379
Regulated nurses not included above										
RNs	1,620.2	151,394	24,857	34,380	210,631	-	-	210,631	1,630.3	205,027
LPNs	643.9	41,174	5,528	8,991	55,693	-	-	55,693	640.7	55,814
Other health technical and professionals	840.2	77,446	4,113	18,555	100,114	2.6	31	100,145	861.0	97,452
Unregulated health service providers	1,132.2	55,034	8,063	12,768	75,865	-	-	75,865	1,066.4	71,422
Other staff	2,128.5	116,685	7,900	28,482	153,067	8.5	229	153,296	2,231.3	153,351
	6,684.5	477,653	50,810	111,850	640,313	16.0	549	640,862	6,840.6	636,748
Total salaries/benefits	6,699.9	479,678	50,974	112,447	643,099	16.0	549	643,648	6,857.8	639,546

Covenant Health

Schedule of Salaries, Honoraria, Benefits, Allowances and Severance ... *continued* Schedule 2
For the year ended March 31, 2017

- (1) 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.
- (2) Base salary includes pensionable base pay.
- (3) Other cash benefits include overtime, lump sum payments, shift differentials and honoraria.
- (4) 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.
- (5) 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
For the year ended March 31, 2017

Schedule 2

(in thousands of dollars)

Supplementary Pension Plan – Disclosure by Position

	2017			2016		Account balances or accrued benefit obligation March 31, 2017	Change during the year ⁽³⁾	Account balances or accrued benefit obligation March 31, 2016
	Current service cost ⁽¹⁾	Other SPP costs ⁽²⁾	Total	Total				
	\$	\$	\$	\$	\$	\$	\$	
Board direct reports								
President and Chief Executive Officer	94	44	138	166	1,242	123	1,119	
Management persons reporting to CEO								
Vice President and Chief Operating Officer	24	12	36	42	526	236	290	
Vice President and Chief Human Resources Officer	37	17	54	64	444	5	439	
Vice President – Mission, Ethics and Spirituality	8	4	12	13	131	27	104	
Vice President – Innovation and Business Development	6	1	7	8	-	(30)	30	
Other members	114	50	164	210	1,290	55	1,235	
	283	128	411	503	3,633	416	3,217	

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.

- (1) The current service costs are Covenant Health's contributions in the period.
- (2) Other costs include interest costs on the obligation, and initial obligations.
- (3) Changes in the accrued benefit obligation include current service cost, interest accruing on the obligation, the full amount of any actuarial gains or losses in the period, and benefits paid.