

Covenant Health

Financial Statements
March 31, 2019



Independent auditor's report

To the Members and Board of Directors of Covenant Health

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Covenant Health (the Organization) as at March 31, 2019 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.

What we have audited

The Organization's financial statements comprise:

- the statement of financial position as at March 31, 2019;
- the statement of changes in net assets for the year then ended;
- the statement of operations for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

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

Responsibilities of management and those charged with governance for the financial statements

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

PricewaterhouseCoopers LLP
Stantec Tower, 10220 103 Avenue NW, Suite 2200, Edmonton, Alberta, Canada T5J 0K4
T: +1 780 441 6700, F: +1 780 441 6776

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



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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Edmonton, Alberta
June 26, 2019

Covenant Health

Management's Responsibility for Financial Reporting

Financial Statements

March 31, 2019

The accompanying financial statements for the year ended March 31, 2019 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
Chief Executive Officer
Covenant Health

Date

July 24, 2019



Sheila Smith
Chief Financial Officer
Covenant Health

Date

July 23/2019

Covenant Health

Statement of Financial Position

As at March 31, 2019

(in thousands of dollars)

	2019 \$	2018 \$
Assets		
Current assets		
Cash and cash equivalents (note 3)	67,147	53,368
Short-term investments (note 3)	-	479
Accounts receivable	17,090	31,866
Inventories	2,669	2,614
Prepaid expenses and deposits (note 4)	15,418	15,767
Current portion of capital lease receivable (note 5)	1,364	1,591
	<u>103,688</u>	<u>105,685</u>
Investments (note 3)	74,452	69,727
Capital lease receivable (note 5)	43,028	50,931
Capital assets (note 6)	<u>356,810</u>	<u>341,822</u>
	<u>577,978</u>	<u>568,165</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 26)	72,976	71,568
Accrued vacation pay	49,108	51,094
Deferred contributions (note 8)	21,882	22,219
Current portion of long-term debt (note 9)	12,256	12,137
	<u>156,222</u>	<u>157,018</u>
Long-term debt (note 9)	95,902	100,115
Deferred capital contributions (note 10)	3,237	6,674
Unamortized external capital contributions	<u>239,239</u>	<u>221,069</u>
	<u>494,600</u>	<u>484,876</u>
Net Assets		
Accumulated surplus	12,465	19,122
Invested in capital assets	50,945	43,109
Internally restricted (note 25)	<u>19,968</u>	<u>21,058</u>
	<u>83,378</u>	<u>83,289</u>
	<u>577,978</u>	<u>568,165</u>
Contingencies (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, 2019

(in thousands of dollars)

				2019	2018
	Accumulated surplus \$	Invested in capital assets \$	Internally restricted \$ (Note 25)	Total \$	Total \$
Balance – beginning of year	19,122	43,109	21,058	83,289	89,317
Excess (deficiency) of revenue over expenses	79	-	-	79	(5,877)
Capital assets purchased with internal funds	(8,587)	8,867	(280)	-	-
Amortization of internally funded capital assets	3,225	(3,225)	-	-	-
Proceeds of long-term debt used to fund capital assets	173	(173)	-	-	-
Repayment of long-term debt used to fund capital assets	(2,649)	2,649	-	-	-
Capital lease receivable	273	(273)	-	-	-
Transfer to (from) internally restricted net assets	810	-	(810)	-	-
Loss on disposal of internally funded capital assets	9	(9)	-	-	-
Remeasurement of supplementary pension plan (note 12(a))	10	-	-	10	(151)
Balance – end of year	12,465	50,945	19,968	83,378	83,289

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

Covenant Health

Statement of Operations

For the year ended March 31, 2019

(in thousands of dollars)

	Budget 2019 \$ (Unaudited – Note 16)	Actual 2019 \$	Actual 2018 \$
Revenue			
Alberta Health Services global contributions (note 17)	729,458	728,612	724,855
Other government contributions	23,323	23,045	22,242
Fees and charges (note 18)	54,702	54,843	52,346
Ancillary operations	22,768	22,570	21,384
Donations	544	1,479	1,494
Investment	3,283	4,040	3,449
Other income (note 19)	16,561	18,583	16,268
Amortization of external capital contributions	12,161	12,709	11,463
	<u>862,800</u>	<u>865,881</u>	<u>853,501</u>
Expenses (schedule 1)			
Inpatient acute nursing services	314,371	313,111	313,741
Emergency and outpatient services	94,210	95,538	93,210
Facility-based continuing care services	80,316	79,923	75,616
Ambulance services	2,260	2,241	2,238
Community based care	13,893	14,241	13,751
Diagnostic and therapeutic services	121,413	122,023	133,061
Promotion, prevention and protection services	2,183	2,165	1,761
Research and education	1,916	1,904	1,796
Administration (note 20)	43,277	45,313	42,351
Information technology	660	649	653
Support services (note 21)	188,301	189,522	179,996
	<u>862,800</u>	<u>866,630</u>	<u>858,174</u>
Deficiency of revenue over expenses before fair value adjustments	-	(749)	(4,673)
Fair value change in investments	-	828	(1,204)
Excess (deficiency) of revenue over expenses	-	79	(5,877)

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

Covenant Health

Statement of Cash Flows

For the year ended March 31, 2019

(in thousands of dollars)

	2019 \$	2018 \$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses	79	(5,877)
Items not affecting cash		
Amortization of capital assets		
Internally funded	3,225	3,334
Externally funded	12,709	11,463
Amortization of externally funded capital contributions	(12,709)	(11,463)
Unrealized (gain) loss from investments measured at fair value	(828)	2,303
Loss on disposal of internally funded capital assets	9	116
Remeasurement of supplementary pension plan	10	(151)
	2,495	(275)
Net change in non-cash working capital items (note 23)	31,101	(7,916)
	33,596	(8,191)
Investing activities		
Net purchase of investments	(3,417)	(2,167)
Purchases of capital assets		
Internally funded – equipment	(1,136)	(920)
Internally funded – facility and improvements	(7,731)	(33,290)
Externally funded – equipment	(5,425)	(10,193)
Externally funded – facility and improvements	(11,949)	(9,841)
	(29,658)	(56,411)
Financing activities		
Principal payments on long-term debt	(4,093)	(2,121)
Proceeds on long-term debt	-	38,169
Capital contributions received and investment earnings on capital contributions, net of contributions repaid (note 10)	13,934	20,834
	9,841	56,882
Change in cash and cash equivalents	13,779	(7,720)
Cash and cash equivalents – beginning of year	53,368	61,088
Cash and cash equivalents – end of year	67,147	53,368

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

Covenant Health

Notes to Financial Statements

March 31, 2019

(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, 2019

(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 incurred. 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.
- vii) Fees and charges, ancillary operations, and other income are recognized in the period that the goods are delivered or the services are provided.

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, 2019

(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
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, 2019

(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

	2019		2018	
	Fair value \$	Cost \$	Fair value \$	Cost \$
Cash and term deposits	67,147	67,147	53,368	53,368
Guaranteed investment certificates	-	-	479	479
Pooled fund investments	74,452	73,624	-	-
Bonds and debentures	-	-	34,983	35,516
Equities	-	-	34,744	27,096
	<u>141,599</u>	<u>140,771</u>	<u>123,574</u>	<u>116,459</u>

The pooled fund investments are summarized as follows:

	Fair value \$	Cost \$
Bonds and debentures	37,649	36,812
Canadian equities	21,975	22,107
International equities	14,828	14,705
	<u>74,452</u>	<u>73,624</u>

Covenant Health

Notes to Financial Statements

March 31, 2019

(tabular amounts in thousands of dollars)

Cash and cash equivalents and investments are reported as:

	2019 \$	2018 \$
Cash and cash equivalents	67,147	53,368
Short-term investments	-	479
Investments	74,452	69,727
	<u>141,599</u>	<u>123,574</u>

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.

For the year ended March 31, 2018, fixed income securities had maturity dates ranging from June 2021 to June 2033. Bond market yields to maturity ranged from 1.2% to 3.6%.

4 Prepaid expenses and deposits

	2019 \$	2018 \$
Basic life, short-term disability and long-term disability	10,193	10,056
Extended health, dental and vision	3,988	4,973
Other deposits and prepaid expenses	1,237	738
	<u>15,418</u>	<u>15,767</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.

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Notes to Financial Statements

March 31, 2019

(tabular amounts in thousands of dollars)

5 Capital lease receivable

	2019 \$	2018 \$
Villa Marie Phase I, capital lease receivable from Covenant Care due December 2038, repayable in monthly instalments of \$18 including interest at 3.545%.	3,152	3,260
Villa Marie Phase II, capital lease receivable from Covenant Care due July 2043, repayable in monthly instalments of \$38 including interest at 2.915%.	7,920	-
Holy Cross Manor, capital lease receivable from Covenant Care due February 2039, repayable in monthly instalments of \$33 including interest at 3.545%. Covenant Care repaid the capital lease receivable in full during the year.	-	6,005
St. Marguerite Manor, capital lease receivable from Covenant Care due May 2040, repayable in monthly instalments of \$47 including interest at 2.989%. Covenant Care repaid the capital lease receivable in full during the year.	-	9,215
St. Teresa Place, capital lease receivable from Covenant Care due April 2042, repayable in monthly instalments of \$165 including interest at 2.989%.	33,320	34,042
	<u>44,392</u>	<u>52,522</u>
Less: Current portion	1,364	1,591
	<u>43,028</u>	<u>50,931</u>

In fiscal 2019, 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 for Villa Marie Phase II was entered into on July 17, 2018. The balance transferred from Covenant Health to Covenant Care included the book value of the property of \$13,622,277, external capital contributions of \$5,100,000 and a capital lease receivable of \$8,522,277. Subsequent to the capital lease arrangement, additional capital costs of \$25,079 were transferred from Covenant Health to Covenant Care.

In fiscal 2018, a capital lease arrangement was entered into with Covenant Care to transfer a property constructed by Covenant Health. The lease arrangement for St. Teresa Place was entered into on May 1, 2017. The balance transferred from Covenant Health to Covenant Care included the book value of the property of \$60,416,770, external capital contributions of \$25,500,000 and a capital lease receivable of \$34,916,770. During fiscal 2019, residual capital costs totalling \$267,336 were transferred from Covenant Health to Covenant Care for St. Teresa Place.

Covenant Health

Notes to Financial Statements

March 31, 2019

(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:

	\$
2020	2,666
2021	2,666
2022	2,666
2023	2,666
2024	2,666
Thereafter	48,046
	<u>61,376</u>
Less: Amounts representing interest	16,984
	<u>44,392</u>

6 Capital assets

	2019		
	Cost \$	Accumulated amortization \$	Net book value \$
Operating assets			
Land	38,881	-	38,881
Land improvements	6,797	2,763	4,034
Buildings	132,427	35,615	96,812
Leasehold improvements	188,876	39,689	149,187
Major equipment	87,536	57,593	29,943
Computer software	1,681	1,681	-
Construction projects-in-progress	35,908	-	35,908
	<u>492,106</u>	<u>137,341</u>	<u>354,765</u>
Ancillary assets			
Land	120	-	120
Buildings	414	126	288
Leasehold improvements	721	52	669
Parking lot and lot improvements	1,253	774	479
Major equipment	758	280	478
Construction projects-in-progress	11	-	11
	<u>3,277</u>	<u>1,232</u>	<u>2,045</u>
	<u>495,383</u>	<u>138,573</u>	<u>356,810</u>

Covenant Health

Notes to Financial Statements

March 31, 2019

(tabular amounts in thousands of dollars)

	2018		
	Cost \$	Accumulated amortization \$	Net book value \$
Operating assets			
Land	36,694	-	36,694
Land improvements	6,373	2,439	3,934
Buildings	132,311	32,109	100,202
Leasehold improvements	170,996	34,766	136,230
Major equipment	80,674	51,500	29,174
Computer software	1,681	1,403	278
Construction projects-in-progress	33,455	-	33,455
	<u>462,184</u>	<u>122,217</u>	<u>339,967</u>
Ancillary assets			
Land	120	-	120
Buildings	414	110	304
Leasehold improvements	454	34	420
Parking lot and lot improvements	1,253	687	566
Major equipment	649	204	445
	<u>2,890</u>	<u>1,035</u>	<u>1,855</u>
	<u>465,074</u>	<u>123,252</u>	<u>341,822</u>

7 Bank indebtedness

Covenant Health has an unsecured operating line of credit to a maximum of \$50,000,000 (2018 – \$50,000,000), which was undrawn at March 31, 2019 and March 31, 2018. Interest is charged at prime minus 0.50% (2018 – 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 (2018 – \$20,000,000), of which \$100,000 (2018 – \$150,000) was outstanding at March 31, 2019. Issuance fee is charged at 0.50% per annum (2018 – 0.50%).

Covenant Health

Notes to Financial Statements

March 31, 2019

(tabular amounts in thousands of dollars)

8 Deferred contributions

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

	2019 \$	2018 \$
Balance – beginning of year	22,219	21,981
Contributions received during the year	3,277	2,944
Contributions recognized as revenue	(3,631)	(2,592)
Contributions transferred to Catholic Health of Alberta	-	(159)
Interest earned	17	45
	<hr/>	<hr/>
Balance – end of year	21,882	22,219

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

	2019 \$	2018 \$
Research and education	1,536	1,657
Capital renewal and maintenance	18,701	17,144
Network of Innovation for Seniors Health (note 14(f))	100	1,899
Patient care	1,545	1,519
	<hr/>	<hr/>
	21,882	22,219

Covenant Health

Notes to Financial Statements

March 31, 2019

(tabular amounts in thousands of dollars)

9 Long-term debt

	2019 \$	2018 \$
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 \$16,742.	8,293	8,708
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 \$22,349.	17,173	17,916
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 \$58,254. Assets are under a capital lease arrangement (note 5) and are not recorded in these financial statements.	33,457	34,553
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 \$30,727.	12,575	12,966
Killam Mortgage, due December 2042, repayable in semi-annual instalments of \$109 including interest at 3.0035% secured by a leasehold interest over Covenant Health's operating lease with Alberta Health Services and building improvements and equipment with a net book value of \$4,997.	3,696	3,800
Villa Marie Phase II mortgage, due June 2042, repayable in semi-annual instalments of \$237 including interest at 2.915%, secured by land and building with a net book value of \$12,943. Assets are under a capital lease arrangement (note 5) and are not recorded in these financial statements.	8,019	8,254
Covenant Health Southeast Campus mortgage, due December 2042 repayable in semi-annual instalments of \$557 including interest of 3.0035%, secured by land and building with a net book value of \$25,948.	18,967	19,500
Covenant Health Southeast Campus loan from Catholic Health of Alberta, a related party, due December 2027. Accrues interest annually at 3.405% and is unsecured. Full payment, including accrued interest, is due prior to the expiry of the term.	5,978	6,555
	<u>108,158</u>	<u>112,252</u>
Less: Current portion	<u>12,256</u>	<u>12,137</u>
	<u>95,902</u>	<u>100,115</u>

Covenant Health is subject to certain covenants under long-term debt agreements that, if violated, give the lender the right to demand repayment. Covenant Health is in violation of certain of these covenants including the Youville Home Mortgage, which is therefore 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

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(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:

	\$
2020	4,402
2021	4,523
2022	4,717
2023	4,922
2024	5,134
Thereafter	<u>84,460</u>
	<u>108,158</u>

10 Deferred capital contributions

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

	2019 \$	2018 \$
Balance – beginning of year	6,674	5,867
Contributions received during the year	13,890	20,905
Contributions repaid during the year	-	(93)
Transferred to unamortized external capital contributions	(17,371)	(20,027)
Interest earned	44	22
	<u>3,237</u>	<u>6,674</u>

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

	2019 \$	2018 \$
Building construction	3,157	5,410
Other	80	1,264
	<u>3,237</u>	<u>6,674</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 \$16,741,839 (2018 – \$17,286,715). 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, 2019

(tabular amounts in thousands of dollars)

As at March 31, 2019, the remaining liability of \$5,011,191 (2018 – \$5,190,617) is recorded in unamortized external capital contributions and \$357,942 (2018 – \$178,971) is the contingent liability balance. Interest expense of \$304,830 (2018 – \$280,082) was forgiven for the year ended March 31, 2019.

12 Long-term employee benefits

a) Supplementary pension plan

	2019 \$	2018 \$
Accrued benefit obligation		
Accrued obligation – beginning of year	3,902	3,633
Current service cost	-	-
Benefits paid	(23)	(23)
Interest cost	140	141
Actuarial loss (gain) remeasurement	(10)	151
Accrued obligation – end of year	4,009	3,902
Fair value of plan assets	4,009	3,902
Funded status of plan (deficit)	-	-

Significant actuarial assumptions are as follows:

Discount rate	3.4%	3.6%
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, 2019.

The accrued benefit obligation of \$4,009,000 (2018 – \$3,902,000) 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 \$345,860 (2018 – \$334,207) to the DCRP.

Covenant Health

Notes to Financial Statements

March 31, 2019

(tabular amounts in thousands of dollars)

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 260,000 people and about 420 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 \$41,734,723 to LAPP (2018 – \$45,837,513).

Covenant Health is required to make current service contributions to the Plan of 9.39% (10.39% to December 31, 2018) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% (14.84% to December 31, 2018) on pensionable earnings above this amount. Employees of Covenant Health are required to make current service contributions of 8.39% (9.39% to December 31, 2018) of pensionable salary up to the year's maximum pensionable salary, as defined by Canada Revenue Agency, and 12.84% (13.84% to December 31, 2018) on pensionable salary above this amount.

At December 31, 2017, LAPP reported a surplus of \$4,835,515,000 (December 31, 2016 – deficit of \$637,357,000).

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.
- 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 \$13.59 (2018 – \$13.30) per resident day. During the year, Covenant Health paid Alberta Health Services \$2,430,408 (2018 – \$2,378,536) 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 metre of occupied storage space and \$70.00 per square metre of occupied administrative space. In addition, Covenant Health will pay an annual Base Operating Amount relating to support costs incurred

Covenant Health

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(tabular amounts in thousands of dollars)

in operating the Hospital's laundry facilities. During the year, Covenant Health paid Alberta Health Services \$159,180 (2018 – \$159,180) relating to storage and administration space. 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 metres.

- 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. During the year, Alberta Health committed additional funding to a maximum of \$10,033,229 subject to the terms and requirements of an amended grant funding agreement. Covenant Health has received \$3,166,615 of the total funding and to date has incurred \$2,379,135 (2018 – \$2,322,512) in planning, development and land costs.
- d) Alberta Health has committed to fund Covenant Health \$4,000,000 for the construction of a new 50-unit supportive living facility in Killam. Covenant Health has received \$2,000,000 of the total funding and to date has incurred \$4,158,624 (2018 – \$751,874) in planning, development and land costs.
- e) Alberta Health 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 \$18,750,000 of the total funding and to date has incurred \$60,684,106 (2018 – \$60,416,770) in planning, development and land costs. In fiscal 2018, the property was transferred to Covenant Care under a capital lease arrangement (note 5).
- f) Alberta Health Services has provided Covenant Health with \$10,000,000 for the purpose of establishing a Network of Innovation for Seniors Health and Wellness 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 (2018 – \$2,000,000) from the internally restricted funds and \$10,598,611 (2018 – \$8,682,395) from the deferred grant, \$4,000,000 of which relates to a removal of external restriction by Alberta Health Services in the prior year. Covenant Health has also earned \$598,611 (2018 – \$581,677) in interest. The agreement expired on March 31, 2019. In 2019, Alberta Health granted \$100,000 to Covenant Health for the Network of Innovation for Seniors and Wellness initiative of which \$nil has been spent. The agreement expires on August 31, 2020.
- g) Alberta Health has committed to fund Covenant Health \$5,100,000 for construction of a second phase 60-unit long-term care facility in Red Deer. Covenant Health has received \$5,100,000 of the total funding and to date has incurred \$13,647,356 (2018 – \$9,748,739) in planning, development and land costs. In fiscal 2019, the property was transferred to Covenant Care under a capital lease arrangement (note 5).

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 (2018 – \$6,401,610) when estimated using their original costs and useful lives. During the year, Alberta Health Services contributed \$18,748,943 (2018 – \$17,502,920) 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

Covenant Health

Notes to Financial Statements

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(tabular amounts in thousands of dollars)

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 October 11, 2018 by the Board of Directors of Covenant Health.

17 Alberta Health Services global contributions

	2019 \$	2018 \$
Alberta Health Services global contributions	730,169	726,390
Contribution allocated to deferred contributions – capital renewal and maintenance	(1,557)	(1,535)
	<u>728,612</u>	<u>724,855</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-Albertan and non-Canadian residents. These amounts have been reduced by bad debts expense of \$3,576,808 (2018 – \$2,546,010).

19 Other income

	2019 \$	2018 \$
Sales and recoveries	16,846	16,214
Other	1,737	54
	<u>18,583</u>	<u>16,268</u>

20 Administration

	2019 \$	2018 \$
General administration	21,805	18,963
Finance	8,540	9,147
Human resources	11,838	11,033
Communications	3,130	3,208
	<u>45,313</u>	<u>42,351</u>

Covenant Health

Notes to Financial Statements

March 31, 2019

(tabular amounts in thousands of dollars)

21 Support services

	2019 \$	2018 \$
Facility operations	65,808	60,671
Emergency preparedness	904	754
Education	8,358	8,872
Housekeeping	22,667	22,462
Laundry and linen	9,026	8,358
Patient food services	30,285	29,148
Patient health records	9,703	10,427
Patient transportation	2,538	2,328
Patient registration	5,455	5,289
Materials management	16,208	15,671
Volunteer services	1,053	1,042
Ancillary operations	17,517	14,974
	<u>189,522</u>	<u>179,996</u>

22 Related parties

Unless otherwise noted, the following transactions are in the normal course of operations and have been recorded in the financial statements at the exchange amount, which is the amount of consideration established and agreed to by the 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 year, Catholic Health of Alberta paid grants of \$335,000 (2018 – \$251,000) to Covenant Health and also paid \$104,404 (2018 – \$104,656) in administrative support to Covenant Health. As at March 31, 2019, \$50,505 is receivable (2018 – \$137,548 payable) from Catholic Health of Alberta.

In fiscal 2018, Catholic Health of Alberta advanced a loan of \$6,500,000. The loan accrues interest at a rate of 3.405% annually and is unsecured. During the year, Covenant Health made principal repayments of \$576,758 (2018 – \$nil) and incurred interest expense of \$214,250 (2018 – \$54,943). Included in the loan balance is accrued interest of \$nil (2018 – \$54,943).

b) Covenant Living

Covenant Health paid Covenant Living, an entity under common control, rental payments of \$36,000 (2018 – \$36,000). As at March 31, 2019, \$619 is payable to (2018 – \$105,219 receivable from) 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 \$32,559,838 (2018 – \$32,559,838) and accumulated

Covenant Health

Notes to Financial Statements

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(tabular amounts in thousands of dollars)

amortization of \$1,833,153 (2018 – \$1,099,137) as at March 31, 2019. 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 \$960,901 (2018 – \$960,901) in rental income.

c) Covenant Care

Covenant Care paid administrative support to Covenant Health in the amount of \$329,331 (2018 – \$286,870) and made payments under the capital lease arrangements (note 5). As at March 31, 2019, \$839,823 is payable to (2018 – \$287,255 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, 2019 is \$5,441,152 (2018 – \$19,742,051) owing from Alberta Health Services. Included in accounts payable and accrued liabilities at March 31, 2019 is \$9,198,060 (2018 – \$10,915,619) owing to Alberta Health Services. Other transactions are described throughout the financial statements.

On September 1, 2018, Covenant Health entered into an asset transfer agreement with Alberta Public Laboratories Ltd. (APL), a wholly owned subsidiary of AHS, to transfer assets, liabilities and employees of Covenant Health to APL as directed by the Minister of Health to implement a consolidation of laboratory services in Alberta. The difference in value between the assets sold and liabilities transferred was a net liability of \$970,666 which was settled by a cash payment from Covenant Health to APL. Included in accounts receivable at March 31, 2019 is \$186,022 owing from APL for reimbursement of costs paid by Covenant Health in the normal course of operations.

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 (Canada). The Foundations are not consolidated in these financial statements.

Covenant Health

Notes to Financial Statements

March 31, 2019

(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:

	2019			2018		
	Assets \$	Liabilities \$	Net assets \$	Assets \$	Liabilities \$	Net assets \$
Covenant Foundation	38,573	8,222	30,351	38,360	8,727	29,633
Mary Immaculate Hospital (Mundare) Foundation	397	92	305	341	5	336
Our Lady of the Rosary Hospital Foundation	757	20	737	753	3	750
St. Mary's Hospital, Camrose Foundation	4,638	45	4,593	5,090	378	4,712
St. Mary's Trochu Foundation	1,338	49	1,289	947	9	938
Killam & District Health Care Foundation	1,010	3	1,007	978	3	975
The Bonnyville Health Foundation	1,538	161	1,377	1,454	82	1,372
	<u>48,251</u>	<u>8,592</u>	<u>39,659</u>	<u>47,923</u>	<u>9,207</u>	<u>38,716</u>

	2019			2018		
	Revenue \$	Expenses \$	Excess (deficiency) \$	Revenue \$	Expenses \$	Excess (deficiency) \$
Covenant Foundation	9,870	9,153	717	10,180	13,305	(3,125)
Mary Immaculate Hospital (Mundare) Foundation	75	106	(31)	6	21	(15)
Our Lady of the Rosary Hospital Foundation	58	71	(13)	29	50	(21)
St. Mary's Hospital, Camrose Foundation	342	461	(119)	363	763	(400)
St. Mary's Trochu Foundation	460	109	351	29	105	(76)
Killam & District Health Care Foundation	87	54	33	112	87	25
The Bonnyville Health Foundation	434	429	5	519	435	84
	<u>11,326</u>	<u>10,383</u>	<u>943</u>	<u>11,238</u>	<u>14,766</u>	<u>(3,528)</u>

Covenant Health

Notes to Financial Statements

March 31, 2019

(tabular amounts in thousands of dollars)

	Resources held by Foundation as at March 31, 2019			
	Contributions received by Covenant Health for the year ended March 31,		Endowments, internally restricted and donor restricted	Unrestricted
	2019 \$	2018 \$	\$	\$
Covenant Foundation	1,553	5,934	27,971	2,380
Mary Immaculate Hospital (Mundare) Foundation	98	13	125	180
Our Lady of the Rosary Hospital Foundation	51	32	101	636
St. Mary's Hospital Camrose Foundation	390	678	1,407	3,186
St. Mary's Trochu Foundation	49	76	327	962
Killam & District Health Care Foundation	25	55	540	467
The Bonnyville Health Foundation	250	193	770	607
	2,416	6,981	31,241	8,418

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

	Administrative support and office space		Accounts receivable	
	2019 \$	2018 \$	2019 \$	2018 \$
Covenant Foundation	261	231	769	1,259
Mary Immaculate (Mundare) Hospital Foundation	-	-	90	2
Our Lady of the Rosary Hospital Foundation	-	-	17	-
St. Mary's Hospital, Camrose Foundation	-	-	32	368
St. Mary's Trochu Foundation	-	-	47	-
Killam & District Health Care Foundation	-	-	-	-
The Bonnyville Health Foundation	31	31	117	50
	292	262	1,072	1,679

Covenant Health

Notes to Financial Statements

March 31, 2019

(tabular amounts in thousands of dollars)

23 Supplementary cash flow information

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

	2019 \$	2018 \$
Accounts receivable	14,776	(4,943)
Inventories	(55)	9
Prepaid expenses and deposits	349	(3,410)
Capital lease receivable	16,946	1,461
Accounts payable and accrued liabilities	1,408	(4,195)
Accrued vacation pay	(1,986)	2,924
Deferred contributions	(337)	238
	<u>31,101</u>	<u>(7,916)</u>

- b) During the year, Covenant Health paid \$4,338,573 (2018 – \$3,422,762) 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. As at March 31, 2019, the balance of funds held by Covenant Health is \$1,643,334 (2018 – \$1,321,368).

25 Internally restricted net assets

	March 31, 2018 \$	Transfers in \$	Transfers out \$	March 31, 2019 \$
Care and Services Fund	10,000	-	-	10,000
Occupational Health and Safety	1,957	-	(500)	1,457
Benefit Surplus Fund	5,000	-	-	5,000
Leadership Development and Staff Education	366	-	(310)	56
Ancillary Capital Renewal	3,735	-	(280)	3,455
	<u>21,058</u>	<u>-</u>	<u>(1,090)</u>	<u>19,968</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, \$13,436,993 (2018 – \$6,660,626) is included in accounts payable and accrued liabilities.

27 Comparative figures

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.

Covenant Health

Schedule of Expenses by Object For the year ended March 31, 2019

Schedule 1

(in thousands of dollars)

	Budget 2019 \$	Actual 2019 \$	Actual 2018 \$
	(Unaudited – Note 16)		
Salaries, benefits and severance (schedule 2)	656,096	655,319	654,067
Drugs and gases	18,534	19,191	18,452
Medical and surgical supplies	41,486	40,568	39,223
Other contracted services	43,435	42,542	40,243
Interest on long-term debt	4,247	4,401	3,750
Other*	83,821	88,667	87,526
Amortization			
Equipment	6,387	6,807	6,694
Facilities and improvements	8,794	9,126	8,103
Loss on disposal of internally restricted capital assets	-	9	116
	<u>862,800</u>	<u>866,630</u>	<u>858,174</u>
*Significant amounts included in Other			
Utilities		12,970	12,407
Food and dietary supplies		12,290	11,797
Building rent		11,017	11,551
Housekeeping, laundry and linen, plant maintenance and biomedical engineering supplies		9,056	9,795
Other clinical supplies		6,295	8,113
Building and grounds expense		9,419	7,658
Equipment expense		5,536	5,924
Office supplies		4,578	4,660
Travel		3,543	3,604
Minor equipment purchases		2,683	2,306
Insurance		4,541	3,459
Licence, fees, memberships		1,785	1,744
Education		879	728
Telecommunications		284	385
Other expenses not included in the above		3,791	3,395
		<u>88,667</u>	<u>87,526</u>

Covenant Health

Schedule of Salaries, Honoraria, Benefits, Allowances and Severance

Schedule 2

For the year ended March 31, 2019

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

	2019					Severance ⁽⁵⁾			2018	
	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										
Stelmach, Ed	1.0	-	18	-	18	-	-	18	1.0	17
Board members										
Smith, Archbishop Richard	1.0	-	-	-	-	-	-	-	1.0	-
Gilbertson, Ronald	1.0	-	8	-	8	-	-	8	1.0	9
Grant, Dennis E. (term ended December 2018)	0.8	-	9	-	9	-	-	9	1.0	13
Heid, Sr. Mary Corita	1.0	-	12	-	12	-	-	12	1.0	9
Hertz, Joan	1.0	-	9	-	9	-	-	9	1.0	9
Leavens, Richard (term ended December 2017)	-	-	-	-	-	-	-	-	0.8	7
Leskiw, Eugenia (term started January 2018)	1.0	-	10	-	10	-	-	10	0.3	2
Mack, Raymond (term ended December 2018)	0.8	-	9	-	9	-	-	9	1.0	12
Martens, Paul	1.0	-	9	-	9	-	-	9	1.0	9
McClellan, Shirley	1.0	-	9	-	9	-	-	9	1.0	9
Roozen, Catherine (term ended December 2017)	-	-	-	-	-	-	-	-	0.8	-
Spelliscy, Timothy (term started November 2017)	1.0	-	9	-	9	-	-	9	0.4	2
Yuzwa, Greg (term started January 2018)	1.0	-	10	-	10	-	-	10	0.3	3
	11.6	-	112	-	112	-	-	112	11.6	101

Covenant Health

Schedule of Salaries, Honoraria, Benefits, Allowances and Severance ... *continued*
 For the year ended March 31, 2019

Schedule 2

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

	2019					Severance ⁽⁵⁾			2018	
	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 \$
Staff										
Chief Executive Officer	1.0	474	26	181	681	-	-	681	1.0	669
Management persons reporting to CEO										
Chief Financial Officer	1.0	231	11	55	297	-	-	297	1.0	299
Chief Operating Officer	1.0	346	15	98	459	-	-	459	1.0	448
Chief Human Resources Officer	1.0	278	13	84	375	-	-	375	1.0	373
Chief Medical Officer	1.0	433	18	96	547	-	-	547	1.0	522
Chief Mission & Ethics Officer	1.0	221	11	57	289	-	-	289	1.0	266
	6.0	1,983	94	571	2,648	-	-	2,648	6.0	2,577
Management reporting to CEO direct reports	7.7	1,696	75	435	2,206	-	-	2,206	6.9	2,086
Other management	332.7	36,224	235	8,756	45,215	3.7	110	45,325	321.9	44,466
Regulated nurses not included above										
RNs	1,622.3	151,960	27,632	34,110	213,702	-	-	213,702	1,639.3	213,758
LPNs	695	44,985	6,659	9,732	61,376	-	-	61,376	664.0	57,687
Other health technical and professionals	786.7	72,748	3,942	17,157	93,847	-	-	93,847	840.3	99,966
Unregulated health service providers	1,189.4	58,571	10,413	13,806	82,790	-	-	82,790	1,169.3	79,185
Other staff	2,093.6	117,151	8,424	27,651	153,226	1.3	87	153,313	2,121.8	154,241
	6,727.4	483,335	57,380	111,647	652,362	5.0	197	652,559	6,763.5	651,389
Total salaries/benefits	6,745.0	485,318	57,586	112,218	655,122	5.0	197	655,319	6,781.1	654,067

Covenant Health

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

Schedule 2

For the year ended March 31, 2019

- (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, 2019

Schedule 2

(in thousands of dollars)

Supplementary Pension Plan – Disclosure by Position

	2019		2018		Account balances or accrued benefit obligation March 31, 2019	Change during the year ⁽³⁾	Account balances or accrued benefit obligation March 31, 2018
	Current service cost ⁽¹⁾	Other SPP costs ⁽²⁾	Total	Total			
	\$	\$	\$	\$	\$	\$	\$
Board direct reports							
Chief Executive Officer	-	49	49	49	1,384	9	1,375
Management persons reporting to CEO							
Chief Operating Officer	-	21	21	21	594	13	581
Chief Human Resources Officer	-	16	16	17	467	28	439
Chief Mission and Ethics Officer	-	6	6	5	208	50	158
Other members	-	48	48	49	1,356	7	1,349
	-	140	140	141	4,009	107	3,902

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.