

Covenant Health

Financial Statements
March 31, 2020



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, 2020 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, 2020;
- 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.

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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, 2020

Covenant Health

Management's Responsibility for Financial Reporting

Financial Statements

March 31, 2020

The accompanying financial statements for the year ended March 31, 2020 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 15, 2020



Sheila Smith
Chief Financial Officer
Covenant Health

Date

July 15, 2020

Covenant Health

Statement of Financial Position

As at March 31, 2020

(in thousands of dollars)

	2020 \$	2019 \$
Assets		
Current assets		
Cash and cash equivalents (note 4)	66,280	67,147
Accounts receivable	19,424	17,090
Inventories	2,879	2,669
Prepaid expenses and deposits (note 5)	4,340	15,418
Current portion of capital lease receivable (note 6)	1,410	1,364
	<u>94,333</u>	<u>103,688</u>
Investments (note 4)	79,092	74,452
Capital lease receivable (note 6)	41,784	43,028
Capital assets (note 7)	<u>380,498</u>	<u>356,810</u>
	<u>595,707</u>	<u>577,978</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 27)	78,931	72,976
Accrued vacation pay	51,271	49,108
Deferred contributions (note 9)	23,261	21,882
Current portion of long-term debt (note 10)	12,388	12,256
	<u>165,851</u>	<u>156,222</u>
Long-term debt (note 10)	108,040	95,902
Deferred capital contributions (note 11)	465	3,237
Unamortized external capital contributions	<u>249,905</u>	<u>239,239</u>
	<u>524,261</u>	<u>494,600</u>
Net Assets		
Accumulated surplus	5,186	12,465
Invested in capital assets	50,327	50,945
Internally restricted (note 26)	<u>15,933</u>	<u>19,968</u>
	<u>71,446</u>	<u>83,378</u>
	<u>595,707</u>	<u>577,978</u>
Contingencies (note 14)		
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, 2020

(in thousands of dollars)

				2020	2019
	Accumulated surplus \$	Invested in capital assets \$	Internally restricted \$ (Note 26)	Total \$	Total \$
Balance – beginning of year	12,465	50,945	19,968	83,378	83,289
(Deficiency) excess of revenue over expenses	(11,466)	-	-	(11,466)	79
Capital assets purchased with internal funds	(13,903)	17,382	(3,479)	-	-
Amortization of internally funded capital assets	4,183	(4,183)	-	-	-
Proceeds of long-term debt used to fund capital assets	16,672	(16,672)	-	-	-
Repayment of long-term debt used to fund capital assets	(3,032)	3,032	-	-	-
Capital lease receivable	169	(169)	-	-	-
Transfer to (from) internally restricted net assets	556	-	(556)	-	-
Loss on disposal of internally funded capital assets	8	(8)	-	-	-
Remeasurement of supplementary pension plan (note 13(a))	(466)	-	-	(466)	10
Balance – end of year	5,186	50,327	15,933	71,446	83,378

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

Covenant Health

Statement of Operations

For the year ended March 31, 2020

(in thousands of dollars)

	Budget 2020 \$ (Unaudited – Note 17)	Actual 2020 \$	Actual 2019 \$ (Note 30)
Revenue			
Alberta Health Services global contributions (note 18)	735,440	714,501	728,612
Other government contributions	20,763	21,569	23,045
Fees and charges (note 19)	57,889	54,073	54,503
Ancillary operations	22,336	23,183	22,908
Donations	1,280	1,430	1,479
Investment	3,014	5,066	4,040
Other income (note 20)	16,758	14,341	17,562
Amortization of external capital contributions	12,766	13,587	12,709
	<u>870,246</u>	<u>847,750</u>	<u>864,858</u>
Expenses (schedule 1)			
Inpatient acute nursing services	305,257	304,079	308,661
Emergency and outpatient services	96,087	94,674	95,302
Facility-based continuing care services	78,545	80,238	79,827
Ambulance services	2,393	2,313	2,240
Community based care	17,016	17,417	16,932
Diagnostic and therapeutic services	117,137	111,512	121,869
Promotion, prevention and protection services	324	438	2,349
Research and education	1,327	1,959	1,959
Administration (note 21)	43,703	39,806	40,935
Information technology	1,781	1,441	1,583
Support services (note 22)	206,676	196,726	193,950
	<u>870,246</u>	<u>850,603</u>	<u>865,607</u>
Deficiency of revenue over expenses before fair value adjustments	-	(2,853)	(749)
Fair value change in investments	-	(8,613)	828
(Deficiency) excess of revenue over expenses	-	(11,466)	79

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

Covenant Health

Statement of Cash Flows

For the year ended March 31, 2020

(in thousands of dollars)

	2020 \$	2019 \$ (Note 30)
Cash provided by (used in)		
Operating activities		
(Deficiency) excess of revenue over expenses	(11,466)	79
Items not affecting cash		
Amortization of capital assets		
Internally funded	4,183	3,225
Externally funded	13,584	12,709
Amortization of externally funded capital contributions	(13,584)	(12,709)
Unrealized loss (gain) from investments measured at fair value	8,613	(828)
Loss on disposal of internally funded capital assets	8	9
Remeasurement of supplementary pension plan	(466)	10
	872	2,495
Net change in non-cash working capital items (note 24)	18,447	32,408
	19,319	34,903
Investing activities		
Net purchase of investments (note 24)	(13,253)	(3,417)
Purchases of capital assets		
Internally funded – equipment	(903)	(858)
Internally funded – facility and improvements	(14,852)	(9,333)
Externally funded – equipment	(3,008)	(5,413)
Externally funded – facility and improvements	(16,796)	(11,944)
	(48,812)	(30,965)
Financing activities		
Principal payments on long-term debt	(4,402)	(4,093)
Proceeds on long-term debt	16,672	-
Capital contributions received and investment earnings on capital contributions (note 11)	16,356	13,934
	28,626	9,841
Change in cash and cash equivalents	(867)	13,779
Cash and cash equivalents – beginning of year	67,147	53,368
Cash and cash equivalents – end of year	66,280	67,147

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

Covenant Health

Notes to Financial Statements

March 31, 2020

(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 23(e).

Covenant Health

Notes to Financial Statements

March 31, 2020

(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.

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Notes to Financial Statements

March 31, 2020

(tabular amounts in thousands of dollars)

d) Financial instruments

Financial instruments consist of cash and cash equivalents, 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. 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 less accumulated amortization and any provision for impairment. The cost for contributed capital assets is considered to be fair value at the date of contributions. The cost of capital assets made up of significant separable component parts is allocated to the component parts when practicable and when estimates can be made of the estimated useful lives of the separate components. Capital assets are tested for impairment when conditions indicate that a capital asset no longer contributes to Covenant Health's ability to provide goods and services, or that the value of future economic benefits or service potential associated with the capital asset is less than its net carrying amount. When conditions indicate that a capital asset is impaired, the net carrying amount of the capital asset is written down to the asset's fair value or replacement cost. The write-downs of capital assets are recognized as expenses in the statement of operations. Write-downs are not subsequently reversed.

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Notes to Financial Statements

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(tabular amounts in thousands of dollars)

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

Land improvements	20 years
Buildings	10 – 40 years
Leasehold improvements	Lesser of the term of the related lease and any specific component useful life
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.

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 pro-rated 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.

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The economic uncertainty surrounding COVID-19 could potentially impact certain areas of the financial statements as noted throughout.

3 Summary of changes in accounting policies

Effective April 1, 2019, Covenant Health adopted the new standards of the Chartered Professional Accountants (CPA) Handbook, Part III – Accounting for Not-for-Profit Organizations (ASNPO), Section 4433 (Tangible Capital Assets Held by Not-for-Profit Organizations).

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Notes to Financial Statements

March 31, 2020

(tabular amounts in thousands of dollars)

The adoption of Section 4433 – Tangible Capital Assets Held for Not-for-Profit Organizations resulted in a change to Covenant Health's accounting policies (note 2 (f)) with respect to componentization and amortization of tangible capital assets. The cost of tangible capital assets made up of significant separable component parts is now allocated to the component parts when practicable and when estimates can be made of the estimated useful lives of the separate components. In accordance with transitional provisions in Section 4433, the cost and related accumulated amortization of those tangible capital assets identified as having significant separable components were allocated to their component parts as of April 1, 2019, based on the proportional value of their fair value at the date of transition. Estimates of the useful lives of the components were made and applied on a prospective basis.

In accordance with Section 4433, Covenant Health's accounting policy (note 2 (f)) with respect to impairment of capital assets was revised to be in line with the provisions of the new standard.

4 Cash and cash equivalents and investments

	2020		2019	
	Fair value \$	Cost \$	Fair value \$	Cost \$
Cash and term deposits	66,280	66,280	67,147	67,147
Pooled fund investments	79,092	86,877	74,452	73,624
	<u>145,372</u>	<u>153,157</u>	<u>141,599</u>	<u>140,771</u>

The pooled fund investments are summarized as follows:

	Fair value \$	Cost \$
Bonds and debentures	41,013	40,353
Canadian equities	22,609	28,915
International equities	15,470	17,609
	<u>79,092</u>	<u>86,877</u>

Cash and cash equivalents and investments are reported as:

	2020 \$	2019 \$
Cash and cash equivalents	66,280	67,147
Investments	79,092	74,452
	<u>145,372</u>	<u>141,599</u>

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.

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(tabular amounts in thousands of dollars)

The economic uncertainty surrounding COVID-19 has created volatility in the equity markets, which has had a negative impact on the fair value of Covenant Health's investments.

5 Prepaid expenses and deposits

	2020 \$	2019 \$
Basic life, short-term disability and long-term disability	2,214	10,193
Extended health, dental and vision	1,613	3,988
Other deposits and prepaid expenses	513	1,237
	<u>4,340</u>	<u>15,418</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.

6 Capital lease receivable

	2020 \$	2019 \$
Villa Marie Phase I, capital lease receivable from Covenant Care due December 2038, repayable in monthly instalments of \$18 including interest at 3.545%.	3,040	3,152
Villa Marie Phase II, capital lease receivable from Covenant Care due July 2043, repayable in monthly instalments of \$38 including interest at 2.915%.	7,868	7,920
St. Teresa Place, capital lease receivable from Covenant Care due April 2042, repayable in monthly instalments of \$165 including interest at 2.989%.	<u>32,286</u>	<u>33,320</u>
	43,194	44,392
Less: Current portion	<u>1,410</u>	<u>1,364</u>
	<u>41,784</u>	<u>43,028</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

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(tabular amounts in thousands of dollars)

receivable of \$8,522,277. During the year, residual capital costs totalling \$180,945 (2019 – \$25,079) were transferred from Covenant Health to Covenant Care.

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

	\$
2021	2,676
2022	2,676
2023	2,676
2024	2,676
2025	2,676
Thereafter	<u>45,557</u>
	58,937
Less: Amounts representing interest	<u>15,743</u>
	<u>43,194</u>

7 Capital assets

	2020		
	Cost \$	Accumulated amortization \$	Net book value \$
Operating assets			
Land	47,584	-	47,584
Land improvements	7,301	3,143	4,158
Buildings	132,648	40,027	92,621
Leasehold improvements	208,829	46,144	162,685
Major equipment	100,389	61,149	39,240
Computer software	1,681	1,681	-
Construction projects-in-progress	32,384	-	32,384
	<u>530,816</u>	<u>152,144</u>	<u>378,672</u>
Ancillary assets			
Land	120	-	120
Buildings	414	142	272
Leasehold improvements	721	72	649
Parking lot and lot improvements	1253	860	393
Major equipment	733	352	381
Construction projects-in-progress	11	-	11
	<u>3,252</u>	<u>1,426</u>	<u>1,826</u>
	<u>534,068</u>	<u>153,570</u>	<u>380,498</u>

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(tabular amounts in thousands of dollars)

	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>

8 Bank indebtedness

Covenant Health has an unsecured operating line of credit to a maximum of \$50,000,000 (2019 – \$50,000,000), which was undrawn at March 31, 2020 and March 31, 2019. Interest is charged at prime minus 0.50% (2019 – 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 (2019 – \$20,000,000), of which \$nil (2019 – \$100,000) was outstanding at March 31, 2020. Issuance fee is charged at 0.50% per annum (2019 – 0.50%).

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(tabular amounts in thousands of dollars)

9 Deferred contributions

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

	2020 \$	2019 \$
Balance – beginning of year	21,882	22,219
Contributions received during the year	3,018	3,277
Contributions recognized as revenue	(1,545)	(3,631)
Contributions transferred to Catholic Health of Alberta	(97)	-
Interest earned	3	17
	<hr/>	<hr/>
Balance – end of year	23,261	21,882

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

	2020 \$	2019 \$ (Note 30)
Research and education	1,220	1,786
Capital renewal and maintenance	20,008	18,451
Network of Innovation for Seniors Health	36	100
Patient care	1,997	1,545
	<hr/>	<hr/>
	23,261	21,882

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Notes to Financial Statements

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(tabular amounts in thousands of dollars)

10 Long-term debt

	2020 \$	2019 \$
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 \$15,753.	7,854	8,293
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 \$21,833.	16,236	17,173
St. Teresa Place mortgage, due September 2040, repayable in semi-annual instalments of \$1,060 including interest at 2.989%, secured by land and building with a net book value of \$55,456. Assets are under a capital lease arrangement (note 6) and are not recorded in these financial statements.	32,329	33,457
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 \$29,612.	12,171	12,575
Killam Health Centre 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 \$15,112.	3,589	3,696
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 \$11,951. Assets are under a capital lease arrangement (note 6) and are not recorded in these financial statements.	7,778	8,019
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 \$25,689	18,418	18,967
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.	5,381	5,978
Lethbridge Supportive Living Facility mortgage, due December 2044, repayable in semi-annual instalments of \$460 including interest of 2.691%, secured by land and building with a net book value of \$4,492.	16,672	-
	<hr/>	<hr/>
	120,428	108,158
Less: Current portion	12,388	12,256
	<hr/>	<hr/>
	108,040	95,902

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

March 31, 2020

(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:

	\$
2021	4,998
2022	5,205
2023	5,423
2024	5,649
2025	5,892
Thereafter	<u>93,261</u>
	<u>120,428</u>

11 Deferred capital contributions

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

	2020 \$	2019 \$
Balance – beginning of year	3,237	6,674
Contributions received during the year	16,348	13,890
Transferred to unamortized external capital contributions	(19,128)	(17,371)
Interest earned	8	44
Balance – end of year	<u>465</u>	<u>3,237</u>

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

	2020 \$	2019 \$
Building construction	465	3,157
Other	-	80
	<u>465</u>	<u>3,237</u>

12 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 \$15,753,479 (2019 – \$16,741,839). 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, 2020

(tabular amounts in thousands of dollars)

As at March 31, 2020, the remaining liability of \$4,832,220 (2019 – \$5,011,191) is recorded in unamortized external capital contributions and \$536,913 (2019 – \$357,942) is the contingent liability balance. Interest expense of \$299,819 (2019 – \$304,830) was forgiven for the year ended March 31, 2020.

13 Long-term employee benefits

a) Supplementary pension plan

	2020 \$	2019 \$
Accrued benefit obligation		
Accrued obligation – beginning of year	4,009	3,902
Current service cost	-	-
Benefits paid	(294)	(23)
Interest cost	136	140
Actuarial loss (gain) remeasurement	466	(10)
Accrued obligation – end of year	4,317	4,009
Fair value of plan assets	4,317	4,009
Funded status of plan (deficit)	-	-

Significant actuarial assumptions are as follows:

Discount rate	4.3%	3.4%
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, 2020.

The accrued benefit obligation of \$4,317,000 (2019 – \$4,009,000) 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 \$310,957 (2019 – \$345,860) to the DCRP.

Covenant Health

Notes to Financial Statements

March 31, 2020

(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 266,000 people and about 421 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 \$39,340,126 to LAPP (2019 – \$41,734,723).

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, 2018, LAPP reported a surplus of \$3,469,347,000 (December 31, 2017 – \$4,835,515,000).

14 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.

15 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 \$13.83 (2019 – \$13.59) per resident day. During the year, Covenant Health paid Alberta Health Services \$2,479,682 (2019 – \$2,430,408) 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. During the year, Covenant Health paid Alberta Health Services \$159,180 (2019 – \$159,180) relating to

Covenant Health

Notes to Financial Statements

March 31, 2020

(tabular amounts in thousands of dollars)

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 2018, 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 (2019 – \$3,166,615) of the total funding and to date has incurred \$3,241,659 (2019 – \$2,379,135) 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 \$3,600,000 (2019 – \$2,000,000) of the total funding and to date has incurred \$15,128,133 (2019 – \$4,158,624) in planning, development and land costs.

16 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 (2019 – \$6,401,610) when estimated using their original costs and useful lives. During the year, Alberta Health Services contributed \$5,577,826 (2019 – \$18,748,943) 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.

17 Budget (unaudited)

The budget was approved on March 28, 2019 by the Board of Directors of Covenant Health.

18 Alberta Health Services global contributions

	2020 \$	2019 \$
Alberta Health Services global contributions	716,058	730,169
Contribution allocated to deferred contributions – capital renewal and maintenance	(1,557)	(1,557)
	<u>714,501</u>	<u>728,612</u>

19 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 \$2,977,964 (2019 – \$3,576,808).

Covenant Health

Notes to Financial Statements

March 31, 2020

(tabular amounts in thousands of dollars)

20 Other income

	2020 \$	2019 \$ (Note 30)
Sales and recoveries	13,725	15,825
Other	616	1,737
	<u>14,341</u>	<u>17,562</u>

21 Administration

	2020 \$	2019 \$ (Note 30)
General administration	18,856	18,771
Finance	6,673	7,706
Human resources	11,290	11,509
Communications	2,987	2,949
	<u>39,806</u>	<u>40,935</u>

22 Support services

	2020 \$	2019 \$ (Note 30)
Facility operations	66,535	65,722
Emergency preparedness	1,247	899
Education	10,915	9,818
Housekeeping	23,228	22,634
Laundry and linen	8,981	9,025
Patient food services	30,590	30,262
Patient health records	9,534	9,699
Patient transportation	2,475	2,537
Patient registration	6,766	6,767
Materials management	15,909	16,183
Volunteer services	1,028	1,053
Ancillary operations	19,518	19,351
	<u>196,726</u>	<u>193,950</u>

23 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.

Covenant Health

Notes to Financial Statements

March 31, 2020

(tabular amounts in thousands of dollars)

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 \$188,000 (2019 – \$335,000) to Covenant Health and received \$96,724 (2019 – \$nil) in returned grant funding from Covenant Health. Catholic Health of Alberta also paid \$104,882 (2019 – \$104,404) in administrative support to Covenant Health. As at March 31, 2020, \$15,939 is payable (2019 – \$50,505 is receivable) 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 \$596,706 (2019 – \$576,758) and incurred interest expense of \$194,302 (2019 – \$214,250).

b) Covenant Living

Covenant Health paid Covenant Living, an entity under common control, rental payments of \$49,880 (2019 – \$52,985). As at March 31, 2020, \$74,348 is receivable from (2019 – \$619 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 \$32,559,838 (2019 – \$32,559,838) and accumulated amortization of \$2,567,073 (2019 – \$1,833,153) as at March 31, 2020. 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 expired on March 31, 2020 with an option for a one-year renewal term. The renewal option was not exercised, however, the parties are currently negotiating and finalizing a Memorandum of Understanding (MOU) to extend the agreement to March 31, 2021 under substantially similar terms and conditions as the expired agreement.

During the year, Covenant Health received \$960,901 (2019 – \$960,901) in rental income.

c) Covenant Care

Covenant Care paid administrative support to Covenant Health in the amount of \$466,384 (2019 – \$329,331) and made payments under the capital lease arrangements (note 6). As at March 31, 2020, \$847,493 is receivable from (2019 – \$839,823 is payable to) Covenant Care.

d) Alberta Health Services and subsidiaries

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, 2020 is \$7,069,297 (2019 – \$5,255,130) owing from Alberta Health Services. Included in accounts payable and accrued liabilities at March 31, 2020 is \$10,927,333 (2019 – \$9,198,060) owing to Alberta Health Services.

Covenant Health

Notes to Financial Statements

March 31, 2020

(tabular amounts in thousands of dollars)

Alberta Precision Laboratories is a wholly owned subsidiary of Alberta Health Services. Included in accounts receivable at March 31, 2020 is \$225,012 (2019 – \$186,022) owing from Alberta Precision Laboratories. Included in accounts payable and accrued liabilities at March 31, 2020 is \$150,347 (2019 – \$nil) owing to Alberta Precision Laboratories.

These transactions occur in the normal course of operations. 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 (Canada). The Foundations are not consolidated in these financial statements.

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

	2020			2019		
	Assets \$	Liabilities \$	Net assets \$	Assets \$	Liabilities \$	Net assets \$
Covenant Foundation	36,034	6,933	29,101	38,573	8,222	30,351
Mary Immaculate Hospital (Mundare) Foundation	319	3	316	397	92	305
Our Lady of the Rosary Hospital Foundation	743	3	740	757	20	737
St. Mary's Hospital, Camrose Foundation	4,733	41	4,692	4,638	45	4,593
St. Mary's Trochu Foundation	1,194	3	1,191	1,338	49	1,289
Killam & District Health Care Foundation	579	15	564	1,010	3	1,007
Bonnyville Health Foundation	1,494	320	1,174	1,538	161	1,377
	<u>45,096</u>	<u>7,318</u>	<u>37,778</u>	<u>48,251</u>	<u>8,592</u>	<u>39,659</u>

Covenant Health

Notes to Financial Statements

March 31, 2020

(tabular amounts in thousands of dollars)

	2020			2019		
	Revenue \$	Expenses \$	Excess (deficiency) \$	Revenue \$	Expenses \$	Excess (deficiency) \$
Covenant Foundation Mary Immaculate Hospital (Mundare) Foundation	9,204	10,454	(1,250)	9,870	9,153	717
Our Lady of the Rosary Hospital Foundation	22	10	12	75	106	(31)
St. Mary's Hospital, Camrose Foundation	31	29	2	58	71	(13)
St. Mary's Trochu Foundation	399	301	98	342	461	(119)
Killam & District Health Care Foundation	(2)	96	(98)	460	109	351
Bonnyville Health Foundation	118	563	(445)	87	54	33
	194	397	(203)	434	429	5
	9,966	11,850	(1,884)	11,326	10,383	943

	2020			2019		
	Cash flows from Operating activities \$	Cash flows from Investing activities \$	Cash flows from Financing activities \$	Cash flows from Operating activities \$	Cash flows from Investing activities \$	Cash flows from Financing activities \$
Covenant Foundation Mary Immaculate Hospital (Mundare) Foundation	(1,762)	939	-	(463)	127	-
Our Lady of the Rosary Hospital Foundation	(76)	3	-	50	83	-
St. Mary's Hospital, Camrose Foundation	10	1	-	(19)	(208)	-
St. Mary's Trochu Foundation	275	(309)	-	(636)	674	-
Killam & District Health Care Foundation	72	(471)	-	337	61	-
Bonnyville Health Foundation	(372)	334	-	24	(24)	-
	(141)	(600)	-	116	-	-
	(1,994)	(103)	-	(591)	713	-

Covenant Health

Notes to Financial Statements

March 31, 2020

(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, 2020	
			Endowments, Internally Restricted and donor restricted	Unrestricted
	2020 \$	2019 \$	\$	\$
Covenant Foundation	2,028	1,525	28,109	992
Mary Immaculate Hospital (Mundare) Foundation	3	98	172	144
Our Lady of the Rosary Hospital Foundation	9	51	149	591
St. Mary's Hospital Camrose Foundation	222	390	1,280	3,412
St. Mary's Trochu Foundation	69	49	323	868
Killam & District Health Care Foundation	536	25	260	304
Bonnyville Health Foundation	311	250	514	660
	<u>3,178</u>	<u>2,388</u>	<u>30,807</u>	<u>6,971</u>

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

	Administrative support and office space		Accounts receivable	
	2020 \$	2019 \$	2020 \$	2019 \$
Covenant Foundation	261	261	1,315	769
Mary Immaculate (Mundare) Hospital Foundation	-	-	-	90
Our Lady of the Rosary Hospital Foundation	-	-	-	17
St. Mary's Hospital, Camrose Foundation	-	-	31	32
St. Mary's Trochu Foundation	-	-	-	47
Killam & District Health Care Foundation	-	-	2	-
Bonnyville Health Foundation	38	31	77	117
	<u>299</u>	<u>292</u>	<u>1,425</u>	<u>1,072</u>

Covenant Health

Notes to Financial Statements

March 31, 2020

(tabular amounts in thousands of dollars)

24 Supplementary cash flow information

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

	2020 \$	2019 \$ (Note 30)
Accounts receivable	(2,334)	14,776
Inventories	(210)	(55)
Prepaid expenses and deposits	11,078	349
Capital lease receivable	1,367	16,946
Accounts payable and accrued liabilities	5,004	2,715
Accrued vacation pay	2,163	(1,986)
Deferred contributions	1,379	(337)
	<u>18,447</u>	<u>32,408</u>

- b) During the year, Covenant Health paid \$4,267,665 (2019 – \$4,338,573) in interest on long-term debt.

- c) During the year, Covenant Health purchased \$16,356,485 in investments and received proceeds on the sale of investments of \$3,103,678.

25 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, 2020, the balance of funds held by Covenant Health is \$2,164,421 (2019 – \$1,643,334).

26 Internally restricted net assets

	March 31, 2019 \$	Transfers in \$	Transfers out \$	March 31, 2020 \$
Care and Services Fund	10,000	-	(3,479)	6,521
Occupational Health and Safety	1,457	-	(500)	957
Benefit Surplus Fund	5,000	-	-	5,000
Leadership Development and Staff Education	56	-	(56)	-
Ancillary Capital Renewal	3,455	-	-	3,455
	<u>19,968</u>	<u>-</u>	<u>(4,035)</u>	<u>15,933</u>

27 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, \$13,693,985 (2019 – \$13,436,993) is included in accounts payable and accrued liabilities.

Covenant Health

Notes to Financial Statements

March 31, 2020

(tabular amounts in thousands of dollars)

28 Financial risks

Credit Risk

Covenant Health is subject to credit risk on certain accounts receivable and our investment portfolio. The credit risk on accounts receivable is low as the majority of balances are due from government agencies. Management has established a provision for receivables and assesses it annually to address any new concerns that may arise. Given the nature of Covenant Health's accounts receivable balances, management has assessed that, based on current economic outlook and the potential impact of COVID-19, the change to our expected credit losses is not considered material.

Covenant Health is subject to credit risk on investments and has an established investment policy with required minimum credit quality standards to manage this risk. The economic uncertainty surrounding COVID-19 has caused some volatility in the equity markets, fluctuations in the fair value of investments may be experienced as the situation evolves.

Market Risk

Covenant Health is subject to market risk with its investments recorded at fair value. Accordingly, the values of these financial instruments will fluctuate as a result of changes in market prices, market conditions, or factors affecting the fair value of the investments. Should the value of the financial instruments decrease significantly, Covenant Health could incur material losses on disposal of the investments. Given the economic uncertainty surrounding COVID-19, there is increased risk that these fair values will fluctuate significantly.

29 Subsequent event

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). Covenant Health is incurring costs associated with the pandemic, including additional staff hours, costs for additional personal protective equipment, and other related costs. The Alberta Government announced additional funding to cover incremental costs incurred as a result of the pandemic.

Further, COVID-19 has resulted in numerous health advisories and restrictions imposed by health officials which in turn has reduced or cancelled certain activities provided by Covenant Health sites and changed how other services are delivered. As such, fees and charges and ancillary operations revenues could potentially be impacted.

The full impact of COVID-19 on the financial performance of Covenant Health will depend on future developments, including the duration and spread of the outbreak and related advisories and restrictions imposed by health officials.

30 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, 2020

Schedule 1

(in thousands of dollars)

	Budget 2020 \$ (Unaudited – Note 17)	Actual 2020 \$	Actual 2019 \$ (Note 30)
Salaries, benefits and severance (schedule 2)	654,643	647,086	654,296
Drugs and gases	18,919	19,181	19,191
Medical supplies	42,055	43,871	46,864
Other contracted services	45,392	38,737	42,710
Interest on long-term debt	4,348	4,388	4,401
Other*	88,744	79,565	82,202
Amortization			
Equipment	6,710	5,895	6,807
Facilities and improvements	9,435	11,872	9,127
Loss on disposal of internally restricted capital assets	-	8	9
	<u>870,246</u>	<u>850,603</u>	<u>865,607</u>

*Significant amounts included in Other

Utilities	12,677	12,970
Food and dietary supplies	12,397	12,290
Building rent	10,241	11,017
Housekeeping, laundry and linen, plant maintenance and biomedical engineering supplies	9,436	9,056
Building and grounds expense	8,270	9,419
Equipment expense	5,126	4,633
Office supplies	4,697	4,578
Travel	3,160	3,532
Minor equipment purchases	2,181	2,848
Insurance	3,979	4,541
Licence, fees, memberships	1,696	1,785
Education	880	879
Telecommunications	870	855
Other expenses not included in the above	3,955	3,799
	<u>79,565</u>	<u>82,202</u>

Covenant Health

Schedule of Salaries, Honoraria, Benefits, Allowances and Severance For the year ended March 31, 2020

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 \$	Number of Employees	Severance ⁽⁵⁾		Total \$	Number of FTEs ⁽¹⁾	Total \$ (Note 30)
							Amount	Total			
Board chair											
Stelmach, Ed	1.0	-	16	-	16	-	-	-	16	1.0	18
Board members											
Smith, Archbishop Richard	1.0	-	-	-	-	-	-	-	-	1.0	-
Gilbertson, Ronald	1.0	-	9	-	9	-	-	-	9	1.0	8
Grant, Dennis E. (term ended December 2018)	-	-	-	-	-	-	-	-	-	0.8	9
Heid, Sr. Mary Corita	1.0	-	9	-	9	-	-	-	9	1.0	12
Hertz, Joan (LOA started January 2020)	0.8	-	7	-	7	-	-	-	7	1.0	9
Leskiw, Eugenia (term started January 2018)	1.0	-	11	-	11	-	-	-	11	1.0	10
Mack, Raymond (term ended December 2018)	-	-	-	-	-	-	-	-	-	0.8	9
Martens, Paul	1.0	-	10	-	10	-	-	-	10	1.0	9
McClellan, Shirley	1.0	-	9	-	9	-	-	-	9	1.0	9
Spelliscy, Timothy	1.0	-	10	-	10	-	-	-	10	1.0	9
Yuzwa, Greg (term started January 2018)	1.0	-	12	-	12	-	-	-	12	1.0	10
	9.8	-	93	-	93	-	-	-	93	11.6	112

Covenant Health

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

Schedule 2

For the year ended March 31, 2020

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

	2020										2019
	Number of FTEs ⁽¹⁾	Base salary ⁽²⁾ \$	Other cash benefits ⁽³⁾ \$	Other non-cash benefits ⁽⁴⁾ \$	Subtotal \$	Number of Employees	Severance ⁽⁵⁾ \$	Total \$	Number of FTEs ⁽¹⁾	Total \$	
Staff											
Chief Executive Officer	1.0	499	29	165	693	-	-	693	1.0	681	
Management persons reporting to CEO											
Chief Financial Officer	1.0	239	11	52	302	-	-	302	1.0	297	
Chief Operating Officer	1.0	339	15	96	450	-	-	450	1.0	459	
Chief Human Resources Officer	0.9	250	19	87	356	-	-	356	1.0	375	
Chief Medical Officer	1.0	423	16	90	529	-	-	529	1.0	547	
Chief Mission & Ethics Officer	1.0	225	11	56	292	-	-	292	1.0	289	
	5.9	1,975	101	546	2,622	-	-	2,622	6.0	2,648	
Management reporting to CEO direct reports	8.4	1,850	75	415	2,340	-	-	2,340	7.7	2,206	
Other management	338.5	36,416	260	8,252	44,928	6.0	362	45,290	332.7	45,323	
Regulated nurses not included above											
RNs	1,616.4	152,500	25,599	33,389	211,488	3.0	217	211,705	1,622.3	213,206	
LPNs	702.3	45,932	6,372	9,696	62,000	1.0	10	62,010	695.0	61,296	
Other health technical and professionals	757.8	70,992	3,204	15,723	89,919	-	-	89,919	786.7	93,818	
Unregulated health service providers	1,189.8	59,140	9,360	13,575	82,075	1.0	7	82,082	1,189.4	82,645	
Other staff	2,062.8	116,146	8,027	26,637	150,810	9.0	215	151,024	2,093.6	153,042	
	6,676.0	482,976	52,897	107,687	643,560	20.0	811	644,371	6,727.4	651,536	
Total salaries/benefits	6,691.7	484,951	53,091	108,233	646,275	20.0	811	647,086	6,745.0	654,296	

Covenant Health

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

Schedule 2

For the year ended March 31, 2020

- (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, 2020

Schedule 2

(in thousands of dollars)

Supplementary Pension Plan – Disclosure by Position

	2020		2019		
	Current service cost ⁽¹⁾	Other SPP costs ⁽²⁾	Total	Total	Account balances or accrued benefit obligation March 31, 2019
	\$	\$	\$	\$	\$
Board direct reports					
Chief Executive Officer	-	47	47	49	1,384
Management persons reporting to CEO					
Chief Operating Officer	-	20	20	21	698
Chief Human Resources Officer	-	16	16	16	256
Chief Mission and Ethics Officer	-	7	7	6	262
Other members	-	46	46	48	1,527
	-	136	136	140	4,317
				308	4,009
					Change during the year ⁽³⁾
					\$

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 13(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.