

Covenant Health

Financial Statements
March 31, 2023



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, 2023 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, 2023;
- 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 significant accounting policies and other explanatory information.

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.

Unaudited budget figures

The budget figures on the statement of operations are supplementary information and have not been audited.

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



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.

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 30, 2023

Covenant Health

Management's Responsibility for Financial Reporting

Financial Statements

March 31, 2023

The accompanying financial statements for the year ended March 31, 2023 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

Dec 15, 2023

Date



Graham Barsi
Chief Financial Officer
Covenant Health

Dec 15, 2023

Date

Covenant Health

Statement of Financial Position

As at March 31, 2023

(in thousands of dollars)

	2023 \$	2022 \$
Assets		
Current assets		
Cash and cash equivalents (note 3)	5,202	29,242
Accounts receivable (note 23)	55,134	50,891
Inventories	2,543	3,004
Prepaid expenses and deposits (note 4)	3,244	1,566
Current portion of capital lease receivable (note 5)	2,067	1,496
	<u>68,190</u>	<u>86,199</u>
Investments (note 3)	103,699	104,627
Capital lease receivable (note 5)	54,915	38,835
Capital assets (note 6)	<u>390,501</u>	<u>382,575</u>
	<u>617,305</u>	<u>612,236</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (notes 23 and 27)	121,993	94,697
Accrued vacation pay	57,166	58,233
Deferred contributions (note 8)	31,460	28,853
Current portion of long-term debt (note 9)	11,487	11,807
	<u>222,106</u>	<u>193,590</u>
Long-term debt (note 9)	93,314	98,417
Unamortized external capital contributions (note 11)	<u>248,463</u>	<u>246,175</u>
	<u>563,883</u>	<u>538,182</u>
Net Assets		
Accumulated (deficit) surplus	(45,115)	116
Invested in capital assets	88,242	63,471
Internally restricted (note 26)	<u>10,295</u>	<u>10,467</u>
	<u>53,422</u>	<u>74,054</u>
	<u>617,305</u>	<u>612,236</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, 2023

(in thousands of dollars)

				2023	2022
	Accumulated (deficit) surplus \$	Invested in capital assets \$	Internally restricted \$ (note 26)	Total \$	Total \$
Balance – beginning of year	116	63,471	10,467	74,054	84,794
Deficiency of revenue over expenses	(21,022)	-	-	(21,022)	(11,148)
Capital assets purchased with internal funds	(29,045)	29,214	(169)	-	-
Amortization of internally funded capital assets	4,123	(4,123)	-	-	-
Repayment of long-term debt used to fund capital assets	(3,925)	3,925	-	-	-
Transfer to (from) internally restricted net assets	3	-	(3)	-	-
Capital lease receivable	3,069	(3,069)	-	-	-
Loss on disposal of internally funded capital assets	1,176	(1,176)	-	-	-
Remeasurement of supplementary pension plan (note 13(a))	390	-	-	390	408
Balance – end of year	(45,115)	88,242	10,295	53,422	74,054

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

Covenant Health

Statement of Operations

For the year ended March 31, 2023

(in thousands of dollars)

	Budget 2023 \$	Actual 2023 \$	Actual 2022 \$
	(Unaudited – note 17)		
Revenue and other income			
Alberta Health Services global contributions (note 18)	775,019	781,526	774,488
Other government contributions	21,000	21,304	21,516
Fees and charges (note 19)	55,903	52,410	48,677
Ancillary operations	19,833	20,839	18,642
Donations	1,600	1,834	1,569
Investment	5,000	5,219	8,226
Other income (note 20)	13,479	12,996	12,963
Amortization of external capital contributions (note 11)	18,076	16,610	15,270
	<u>909,910</u>	<u>912,738</u>	<u>901,351</u>
Expenses (schedule 1)			
Inpatient acute nursing services	323,743	332,792	322,766
Emergency and outpatient services	94,366	98,468	93,298
Facility-based continuing care services	86,389	86,824	84,345
Ambulance services	2,462	2,429	2,335
Community based care	19,393	20,381	19,077
Diagnostic and therapeutic services	119,024	115,792	114,238
Promotion, prevention and protection services	7,626	7,940	6,996
Research and education	1,675	3,472	2,864
Administration (note 21)	39,481	39,177	38,295
Information technology	1,924	1,785	1,540
Support services (note 22)	213,827	219,931	215,413
	<u>909,910</u>	<u>928,991</u>	<u>901,167</u>
(Deficiency) excess of revenue over expenses before other items	-	(16,253)	184
Other items			
Fair value change in investments	-	(4,769)	(2,238)
Impairment of capital assets (note 6)	-	-	(9,094)
Deficiency of revenue over expenses	-	<u>(21,022)</u>	<u>(11,148)</u>

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

Covenant Health

Statement of Cash Flows

For the year ended March 31, 2023

(in thousands of dollars)

	2023 \$	2022 \$
Cash provided by (used in)		
Operating activities		
Deficiency of revenue over expenses	(21,022)	(11,148)
Items not affecting cash		
Amortization of capital assets:		
Internally funded	4,123	4,440
Externally funded	16,610	15,270
Amortization of externally funded capital contributions (note 11)	(16,610)	(15,270)
Unrealized loss from investments measured at fair value	4,769	2,238
Impairment loss on internally funded capital assets (note 6)	-	9,094
Loss on disposal of internally funded capital assets	1,175	95
Remeasurement of supplementary pension plan (note 13(a))	390	408
	(10,565)	5,127
Net change in non-cash working capital items (note 24)	16,307	(12,654)
	5,742	(7,527)
Investing activities		
Proceeds on sale of investments	-	4,602
Purchase of investments	(3,841)	(12,426)
Proceeds on capital leases (note 5)	1,626	1,453
Purchases of capital assets:		
Internally funded – equipment	(235)	(752)
Internally funded – facility and improvements	(24,051)	(16,305)
Externally funded – equipment	(7,174)	(7,260)
Externally funded – facility and improvements	(12,116)	(5,017)
	(45,791)	(35,705)
Financing activities		
Principal payments on long-term debt	(5,423)	(5,206)
Capital contributions received and investment earnings on capital contributions (note 10)	21,432	11,209
	16,009	6,003
Change in cash and cash equivalents	(24,040)	(37,229)
Cash and cash equivalents – beginning of year	29,242	66,471
Cash and cash equivalents – end of year	5,202	29,242

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

Covenant Health

Notes to Financial Statements

March 31, 2023

(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, 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, 2023

(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, 2023

(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. Financial assets originated or acquired, and financial liabilities issued or assumed in a related party transaction are initially measured at cost. For financial instruments with repayment terms, cost is determined as the sum of undiscounted cash flows, excluding interest and dividend payments, of the instrument less any impairment losses. For financial instruments with no repayment terms, cost is determined by reference to the consideration transferred or received. The instruments are subsequently measured at cost less any reduction for impairment. 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 an expense. Write-downs are not subsequently reversed.

Covenant Health

Notes to Financial Statements

March 31, 2023

(tabular amounts in thousands of dollars)

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

Land improvements	2 – 25 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 – 30 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 prorated on services and management's best estimate assumptions, including a market-related discount rate. The obligation is measured using the actuarial valuation for accounting purposes.

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.

Employees of Covenant Health participate in the Local Authorities Pension Plan (LAPP) which is a registered defined benefit multi-employer pension plan. As sufficient information to follow accounting standards for defined benefit plans is not available, the LAPP is accounted for following the standards of defined contribution plans.

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.

Covenant Health

Notes to Financial Statements

March 31, 2023

(tabular amounts in thousands of dollars)

3 Cash and cash equivalents and investments

	2023		2022	
	Fair value \$	Cost \$	Fair value \$	Cost \$
Cash and term deposits	5,202	5,202	29,242	29,242
Pooled fund investments	103,699	103,519	104,627	99,677
	<u>108,901</u>	<u>108,721</u>	<u>133,869</u>	<u>128,919</u>

The pooled fund investments are summarized as follows:

	Fair value \$	Cost \$
Bonds and debentures	40,541	45,870
Canadian equities	11,089	9,918
International equities	52,069	47,731
	<u>103,699</u>	<u>103,519</u>

Cash and cash equivalents and investments are reported as:

	2023 \$	2022 \$
Cash and cash equivalents	5,202	29,242
Investments	103,699	104,627
	<u>108,901</u>	<u>133,869</u>

In order to earn optimal financial returns at an acceptable level of risk, the Board has established a policy asset mix. Risk is reduced through asset class diversification, diversification within each asset class and quality constraints on fixed-income and equity instruments.

Subsequent to year end, Covenant Health redeemed \$35,000,000 of pooled fund investments.

4 Prepaid expenses and deposits

	2023 \$	2022 \$
Basic life, short-term disability and long-term disability	1,875	-
Extended health, dental and vision	490	967
Other deposits and prepaid expenses	879	599
	<u>3,244</u>	<u>1,566</u>

Covenant Health

Notes to Financial Statements

March 31, 2023

(tabular amounts in thousands of dollars)

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.

5 Capital lease receivable

	2023 \$	2022 \$
Villa Marie Phase I, capital lease receivable from Covenant Care due December 2038, repayable in monthly instalments of \$18 including interest at 3.545%.	2,677	2,802
Villa Marie Phase II, capital lease receivable from Covenant Care due July 2043, repayable in monthly instalments of \$38 including interest at 2.915%.	7,127	7,381
St. Teresa Place, capital lease receivable from Covenant Care due April 2042, repayable in monthly instalments of \$165 including interest at 2.989%.	29,030	30,148
Buffalo Grace Manor, capital lease receivable from Covenant Care due December 2047, repayable in monthly installments of \$83 including interest at 2.691%	18,148	-
	<hr/> 56,982	<hr/> 40,331
Less: Current portion	2,067	1,496
	<hr/> 54,915	<hr/> 38,835

During the year, a capital lease arrangement was entered with Covenant Care, an entity under common control, to transfer a property constructed by Covenant Health. The lease arrangement for Buffalo Grace Manor was entered into on December 1, 2022. The balance transferred from Covenant Health to Covenant Care included the book value of the property of \$28,591,269, external capital contributions of \$10,314,533 and a capital lease receivable of \$18,276,736. Principal repayments of \$129,013 and finance income of \$121,180 are included in accounts receivable.

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Notes to Financial Statements

March 31, 2023

(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:

	\$
2024	3,678
2025	3,678
2026	3,678
2027	3,678
2028	3,678
Thereafter	57,305
	<u>75,695</u>
Less: Amounts representing interest	18,713
	<u>56,982</u>

6 Capital assets

	<u>2023</u>		
	Cost \$	Accumulated amortization \$	Net book value \$
Operating assets			
Land	46,812	-	46,812
Land improvements	5,707	3,796	1,911
Buildings	125,515	51,572	73,943
Leasehold improvements	235,835	67,918	167,917
Major equipment	143,816	79,339	64,477
Computer software	1,925	1,711	214
Construction projects-in-progress	32,865	-	32,865
	<u>592,475</u>	<u>204,336</u>	<u>388,139</u>
Ancillary assets			
Land	120	-	120
Buildings	344	120	224
Leasehold improvements	721	133	588
Parking lot and lot improvements	2,257	1,123	1,134
Major equipment	586	290	296
	<u>4,028</u>	<u>1,666</u>	<u>2,362</u>
	<u>596,503</u>	<u>206,002</u>	<u>390,501</u>

Covenant Health

Notes to Financial Statements

March 31, 2023

(tabular amounts in thousands of dollars)

	2022		
	Cost	Accumulated	Net book
	\$	amortization	value
	\$	\$	\$
Operating assets			
Land	49,220	-	49,220
Land improvements	5,680	3,494	2,186
Buildings	124,570	47,470	77,100
Leasehold improvements	220,742	60,443	160,299
Major equipment	129,034	71,106	57,928
Computer software	1,711	1,711	-
Construction projects-in-progress	33,349	-	33,349
	<u>564,306</u>	<u>184,224</u>	<u>380,082</u>
Ancillary assets			
Land	120	-	120
Buildings	343	113	230
Leasehold improvements	721	113	608
Parking lot and lot improvements	1,242	986	256
Major equipment	628	374	254
Construction projects-in-progress	1,025	-	1,025
	<u>4,079</u>	<u>1,586</u>	<u>2,493</u>
	<u>568,385</u>	<u>185,810</u>	<u>382,575</u>

On December 16, 2021, the Board of Directors approved the demolition of the Southeast Campus Building. As at March 31, 2022, an impairment loss of \$7,523,090 was incurred on Buildings and \$1,571,096 was incurred on Land Improvements.

7 Bank indebtedness

Covenant Health has an unsecured operating line of credit to a maximum of \$50,000,000 (2022 – \$50,000,000), which was undrawn at March 31, 2023 and March 31, 2022. Interest is charged at prime minus 0.5% (2022 – prime minus 0.5%). 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 (2022 – \$20,000,000), of which \$ nil (2022 – \$ nil) was outstanding at March 31, 2023. Issuance fee is charged at 0.5% per annum (2022 – 0.5%).

Covenant Health

Notes to Financial Statements

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(tabular amounts in thousands of dollars)

8 Deferred contributions

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

	2023 \$	2022 \$
Balance – beginning of year	28,853	27,963
Contributions received during the year	10,979	8,686
Contributions recognized as revenue	(8,372)	(6,828)
Contributions repayable	-	(968)
	<hr/>	<hr/>
Balance – end of year	31,460	28,853

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

	2023 \$	2022 \$
Research and education	1,503	1,387
Capital renewal and maintenance	24,527	23,123
Rural capacity investment fund	1,070	-
Patient care	4,360	4,343
	<hr/>	<hr/>
	31,460	28,853

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Notes to Financial Statements

March 31, 2023

(tabular amounts in thousands of dollars)

9 Long-term debt

	2023 \$	2022 \$
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 \$13,962	6,384	6,901
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 \$19,149	13,203	14,289
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 \$48,558. Assets are under a capital lease arrangement (note 5) and are not recorded in these financial statements.	28,734	29,969
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 \$26,270	10,882	11,325
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 \$15,227	3,248	3,365
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 \$10,725. Assets are under a capital lease arrangement (note 5) and are not recorded in these financial statements.	7,009	7,272
Covenant Health Southeast Campus mortgage, due December 2042 repayable in semi-annual instalments of \$557 including interest of 3.0035%, secured by land with a net book value of \$16,633	16,669	17,269
Covenant Health Southeast Campus loan from Catholic Health of Alberta and Saskatchewan, a related party (note 23(a)), 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.	3,465	4,125
Buffalo Grace Manor 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 \$29,030. Assets are under capital lease arrangement (note 5) and are not recorded in these financial statements.	15,207	15,709
	<u>104,801</u>	<u>110,224</u>
Less: Current portion	11,487	11,807
	<u>93,314</u>	<u>98,417</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:

	\$
2024	5,649
2025	5,892
2026	6,144
2027	6,409
2028	6,487
Thereafter	74,220
	<u>104,801</u>

10 Deferred capital contributions

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

	2023 \$	2022 \$
Balance – beginning of year	-	-
Contributions received during the year	21,432	11,209
Transferred to unamortized external capital contributions (note 11)	(21,432)	(11,209)
	<u>-</u>	<u>-</u>

11 Unamortized external capital contributions

Unamortized external capital contributions represent externally restricted capital contributions that have been invested in capital assets less amounts that have been amortized to revenue. The contribution is taken into revenue and other income as the related externally funded asset is amortized.

	2023 \$	2022 \$
Balance – beginning of year	246,175	247,356
Transferred from deferred capital contributions (note 10)	21,432	11,209
Alberta Health Services contributed assets (note 16)	8,718	3,553
Disposal of external funded capital assets	(937)	(673)
Transferred to Covenant Care as part of capital lease (note 5)	(10,315)	-
Amortization of externally funded capital assets	(16,610)	(15,270)
	<u>248,463</u>	<u>246,175</u>

Covenant Health

Notes to Financial Statements

March 31, 2023

(tabular amounts in thousands of dollars)

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 \$13,961,823 (2022 – \$14,606,100). 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.

As at March 31, 2023, the remaining liability of \$4,295,306 (2022 – \$4,474,278) is recorded in unamortized external capital contributions and \$178,971 (2022 – \$894,856) is the contingent liability balance. Interest expense of \$336,945 (2022 – \$212,355) was forgiven for the year ended March 31, 2023.

13 Long-term employee benefits

a) Supplementary pension plan

	2023 \$	2022 \$
Accrued benefit obligation		
Accrued obligation – beginning of year	3,194	3,701
Current service cost		
Benefits paid	(296)	(227)
Interest cost	137	128
Actuarial gain remeasurement	(390)	(408)
Accrued obligation – end of year	2,645	3,194
Fair value of plan assets	2,645	3,194
Funded status of plan	-	-

Significant actuarial assumptions are as follows:

Discount rate	5.10%	4.3%
Expected age of retirement	Age 60	Age 60
		0% until July
Salary increase	6.25% in 2023; 3% thereafter	1, 2022; 3% thereafter

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, 2023.

Covenant Health

Notes to Financial Statements

March 31, 2023

(tabular amounts in thousands of dollars)

The accrued benefit obligation of \$2,645,000 (2022 – \$3,194,000) 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 \$252,987 (2022 – \$265,186) to the DCRP.

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 282,000 people and about 435 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 \$35,452,831 to LAPP (2022 – \$37,059,585).

Covenant Health is required to make current service contributions to the Plan of 8.45% (8.45% to December 31, 2022) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.23% (12.80% to December 31, 2022) on pensionable earnings above this amount. Employees of Covenant Health are required to make current service contributions of 7.45% (7.45% to December 31, 2022) of pensionable salary up to the year's maximum pensionable salary, as defined by Canada Revenue Agency, and 11.23% (11.80% to December 31, 2022) on pensionable salary above this amount.

At December 31, 2021, LAPP reported a surplus of \$11,922,000,000 (December 31, 2020 – \$4,961,337,000).

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.

Covenant Health

Notes to Financial Statements

March 31, 2023

(tabular amounts in thousands of dollars)

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 \$14.51 (2022 – \$14.30) per resident day. During the year, Covenant Health paid Alberta Health Services \$2,595,432 (2022 – \$2,557,380) 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 (2022 – \$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) Covenant Health entered into an operating lease agreement with 112 Campus Ltd. to lease corporate office space. The lease agreement expires in May 2042 with two optional five year extensions. Under the agreement, in addition to lease payments, Covenant Health is responsible for the reimbursement of operating costs including property taxes to 112 Campus Ltd.

The aggregate minimum annual commitments under the operating lease is as follows:

	\$
2024	257,404
2025	1,029,616
2026	1,029,616
2027	1,029,616
2028	1,231,862
Thereafter	<u>20,181,699</u>
	<u>24,759,813</u>

- d) Alberta Health has committed to fund Covenant Health \$6,333,229 for the construction of a new 102-unit supportive living facility in Lethbridge (Buffalo Grace Manor). 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 \$9,346,567 (2022 – \$6,599,921) of the total funding and at March 31, 2023 \$686,662 (2022 - \$2,746,646) is recorded as receivable. To date, Covenant Health has incurred \$28,591,269 (2022 – \$23,602,171) in planning, development and land costs. In fiscal 2023, the property was transferred to Covenant Care under capital lease arrangement (note 5).

Covenant Health

Notes to Financial Statements

March 31, 2023

(tabular amounts in thousands of dollars)

- e) The Government of Alberta has committed \$3,983,000 over four years to Covenant Health the purpose of funding Palliative and End of Life Care Advanced Care Planning project. Covenant Health has received \$2,669,000 (2022 - \$1,330,000) of the total funding and, to date, has incurred \$1,846,488 (2022 - \$993,354) in costs.
- f) Alberta Health has committed \$1,430,000 over four years to Covenant Health for the purpose of funding Palliative and End of Life Care Public Awareness project. Covenant Health has received \$1,070,000 (2022 - \$670,000) of the total funding and, to date, has incurred \$899,646 (2022 - \$483,410) in costs.
- g) Alberta Health has committed \$2,120,315 over four years to Covenant Health for the purpose of funding a standardized competency based palliative care education program. Covenant Health has received \$1,561,259 (2022 - \$1,000,000) of the total funding and, to date, has incurred \$716,429 (2022 - \$133,217) in costs.
- h) In the prior year, Covenant Health entered into a development management agreement for planning, zoning, subdivision and development of a Covenant Wellness Community which will require Covenant Health to pay the development manager based on a percentage of the Covenant Wellness Community project costs over the course of the project. During the year, Covenant Health entered into a stipulated price contract for the construction of the Covenant Wellness Community – Community Health Centre and associated site work. The total commitments under these agreements are approximately \$100,000,000. To date, Covenant Health has incurred \$29,744,333 (2022 - \$9,950,608) in planning, development and construction costs related to this project.

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 (2022 – \$6,401,610) when estimated using their original costs and useful lives. The fair value has been recorded as an other government contribution and an operating expense. During the year, Alberta Health Services contributed \$8,718,175 (2022 – \$3,552,887) in kind 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 this computer equipment and support services cannot be reasonably determined and has not been included in the financial statements.

17 Budget (unaudited)

The budget was approved on October 3, 2022 by the Board of Directors of Covenant Health.

Covenant Health

Notes to Financial Statements

March 31, 2023

(tabular amounts in thousands of dollars)

18 Alberta Health Services global contributions

	2023 \$	2022 \$
Alberta Health Services global contributions, net of repayments	783,090	776,052
Contribution allocated to deferred contributions – capital renewal and maintenance	(1,564)	(1,564)
	<u>781,526</u>	<u>774,488</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 \$4,129,301 (2022 – \$3,558,465).

20 Other income

	2023 \$	2022 \$
Sales and recoveries	12,406	12,795
Other	590	168
	<u>12,996</u>	<u>12,963</u>

21 Administration

	2023 \$	2022 \$
General administration	18,311	17,695
Human resources	11,754	11,756
Finance	6,007	5,693
Communications	3,105	3,151
	<u>39,177</u>	<u>38,295</u>

Covenant Health

Notes to Financial Statements

March 31, 2023

(tabular amounts in thousands of dollars)

22 Support services

	2023 \$	2022 \$
Facility operations	83,717	77,413
Patient food services	31,560	29,880
Housekeeping	26,445	27,150
Ancillary operations	21,991	24,821
Materials management	16,419	16,136
Education	10,213	10,148
Laundry and linen	9,821	10,178
Patient health records	9,125	8,881
Patient registration	7,316	7,056
Patient transportation	2,002	2,494
Volunteer services	911	869
Emergency preparedness	411	387
	<hr/>	<hr/>
	219,931	215,413

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.

a) Catholic Health of Alberta and Saskatchewan

Catholic Health of Alberta and Saskatchewan controls Covenant Health through its mandate to appoint the Covenant Health Board of Directors. Catholic Health of Alberta and Saskatchewan also controls Emmanuel Health, a catholic health organization operating in Saskatchewan, Canada.

During the year, Catholic Health of Alberta and Saskatchewan paid grants of \$663,500 (2022 – \$480,000) to Covenant Health which are recorded by Covenant Health as deferred contributions. Catholic Health of Alberta and Saskatchewan also paid \$100,600 (2022 – \$100,600) in administrative support to Covenant Health which is recorded as other income and as a salary and benefit recovery. As at March 31, 2023, \$4,525 is receivable from (2022 – \$29,277) Catholic Health of Alberta and Saskatchewan.

In fiscal 2018, Catholic Health of Alberta and Saskatchewan advanced a loan of \$6,500,000 to Covenant Health. The loan accrues interest at a rate of 3.405% annually and is unsecured. During the year, Covenant Health made principal repayments of \$660,786 (2022 – \$638,696) and incurred interest expense of \$130,222 (2022 – \$152,312).

b) Covenant Living

Covenant Health paid Covenant Living, an entity under common control, rental payments of \$41,470 (2022 – \$40,160).

Covenant Health

Notes to Financial Statements

March 31, 2023

(tabular amounts in thousands of dollars)

Effective September 1, 2016, Covenant Health entered into an operating lease with Covenant Living to occupy Evanston Summit, a building with a cost of \$32,563,606 (2022 – \$32,563,606) and accumulated amortization of \$6,293,525 (2022 – \$5,178,432) as at March 31, 2023. 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.

During the year, Covenant Health received \$960,901 (2022 – \$960,901) in rental income.

As at March 31, 2023, \$164,999 (2022 – \$79,698) is receivable from Covenant Living.

c) Covenant Care

Covenant Care, an entity under common control, paid administrative support to Covenant Health in the amount of \$543,494 (2022 – \$601,509) which was recorded as other income in these financial statements and made payments under the capital lease arrangements (note 5). As at March 31, 2023, \$1,448,801 (2022 – \$773,325) is receivable from 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, 2023 is \$31,816,883 (2022 – \$35,160,108) owing from Alberta Health Services. Included in accounts payable and accrued liabilities at March 31, 2023 is \$37,878,851 (2022 – \$17,738,131) owing to Alberta Health Services.

Alberta Precision Laboratories Ltd. (APL) is a wholly owned subsidiary of Alberta Health Services. Included in accounts receivable at March 31, 2023 is \$nil (2022 – \$36,148) owing from APL. Included in accounts payable and accrued liabilities at March 31, 2023 is \$73,179 (2022 – \$75,137) owing to APL.

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:

Covenant Health

Notes to Financial Statements

March 31, 2023

(tabular amounts in thousands of dollars)

	2023			2022		
	Assets \$	Liabilities \$	Net assets \$	Assets \$	Liabilities \$	Net assets \$
Covenant Foundation Mary Immaculate Hospital (Mundare) Foundation	41,794	6,728	35,066	44,883	6,998	37,885
Our Lady of the Rosary Hospital Foundation	92	6	86	100	8	92
St. Mary's Hospital, Camrose Foundation	765	17	748	773	5	768
St. Mary's Trochu Foundation	6,217	19	6,198	6,332	10	6,322
Killam & District Health Care Foundation	1,492	7	1,485	1,522	3	1,519
Bonnyville Health Foundation	551	12	539	595	17	578
	1,311	237	1,074	1,256	56	1,200
	<u>52,222</u>	<u>7,026</u>	<u>45,196</u>	<u>55,461</u>	<u>7,097</u>	<u>48,364</u>

	2023			2022		
	Revenue \$	Expenses \$	Excess (deficiency) \$	Revenue \$	Expenses \$	Excess (deficiency) \$
Covenant Foundation Mary Immaculate Hospital (Mundare) Foundation	7,053	9,872	(2,819)	11,341	9,782	1,559
Our Lady of the Rosary Hospital Foundation	18	24	(6)	23	145	(122)
St. Mary's Hospital, Camrose Foundation	24	44	(20)	30	54	(24)
St. Mary's Trochu Foundation	80	205	(125)	402	152	250
Killam & District Health Care Foundation	39	74	(35)	115	61	54
Bonnyville Health Foundation	52	91	(39)	42	34	8
	266	392	(126)	251	283	(32)
	<u>7,532</u>	<u>10,702</u>	<u>(3,170)</u>	<u>12,204</u>	<u>10,511</u>	<u>1,693</u>

Covenant Health

Notes to Financial Statements

March 31, 2023

(tabular amounts in thousands of dollars)

	2023			2022		
	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	(1,370)	926	-	816	(1,737)	-
Mary Immaculate Hospital (Mundare) Foundation	(12)	-	-	(289)	-	-
Our Lady of the Rosary Hospital Foundation	(2)	(3)	-	(25)	(3)	(28)
St. Mary's Hospital, Camrose Foundation	(103)	46	-	(28)	47	-
St. Mary's Trochu Foundation	6	(12)	-	(3)	75	-
Killam & District Health Care Foundation	(36)	-	-	21	-	-
Bonnyville Health Foundation	(7)	(1)	-	(51)	-	-
	(1,524)	956	-	441	(1,618)	(28)

Resources held by Foundation as at March 31, 2023

	Contributions received by Covenant Health for the year ended March 31,		Endowments, Internally Restricted and donor restricted	Unrestricted
	2023 \$	2022 \$	\$	\$
Covenant Foundation	2,180	2,279	30,351	4,715
Mary Immaculate Hospital (Mundare) Foundation	17	139	25	61
Our Lady of the Rosary Hospital Foundation	5	16	509	239
St. Mary's Hospital Camrose Foundation	119	66	1,295	4,903
St. Mary's Trochu Foundation	41	33	327	1,158
Killam & District Health Care Foundation	68	27	146	393
Bonnyville Health Foundation	288	163	925	149
	2,718	2,723	33,578	11,618

Covenant Health

Notes to Financial Statements

March 31, 2023

(tabular amounts in thousands of dollars)

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

	Administrative support and office space		Accounts receivable	
	2023	2022	2023	2022
	\$	\$	\$	\$
Covenant Foundation	283	275	917	1,406
Mary Immaculate (Mundare) Hospital Foundation	-	-	-	5
Our Lady of the Rosary Hospital Foundation	16	16	-	-
St. Mary's Hospital, Camrose Foundation	16	18	9	-
St. Mary's Trochu Foundation	-	-	1	-
Killam & District Health Care Foundation	-	-	6	14
Bonnyville Health Foundation	-	21	11	48
	315	330	944	1,473

24 Supplementary cash flow information

a) Net change in non-cash working capital items

	2023	2022
	\$	\$
Accounts receivable	(4,243)	(16,919)
Inventories	461	(31)
Prepaid expenses and deposits	(1,678)	2,582
Accounts payable and accrued liabilities	20,227	1,013
Accrued vacation pay	(1,067)	(189)
Deferred contributions	2,607	890
	16,307	(12,654)

b) During the year, Covenant Health paid \$3,674,214 (2022 – \$3,777,545) in interest on long-term debt.

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, 2023, the balance of funds held by Covenant Health is \$4,135,219 (2022 – \$3,651,010).

Covenant Health

Notes to Financial Statements

March 31, 2023

(tabular amounts in thousands of dollars)

26 Internally restricted net assets

	March 31, 2022 \$	Transfers in \$	Transfers out \$	March 31, 2023 \$
Care and Services Fund	4,525	-	-	4,525
Occupational Health and Safety	3	-	(3)	-
Benefit Surplus Fund	3,510	-	-	3,510
Ancillary Capital Renewal	2,429	-	(169)	2,260
	<hr/>			
	10,467	-	(172)	10,295

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, \$7,355,959 (2022 – \$14,521,622) is included in accounts payable and accrued liabilities.

Covenant Health

Notes to Financial Statements

March 31, 2023

(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, including trade 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, 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.

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.

Liquidity Risk

Liquidity risk is the risk Covenant Health will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivery of cash or another financial asset. Covenant Health is exposed to liquidity risk mainly with respect to its accounts payable and accrued liabilities and long-term debt. Refer to note 9 on long-term debt for further details on the aggregate minimum amount of payments. Cash flows from operations provides a substantial portion of Covenant Health's cash requirements. Refer to note 15 for commitments under significant agreements. Short term borrowing to meet financial obligations would be available through established credit facilities as described in note 7. Subsequent to year end, Covenant Health redeemed investments as described in note 3.

29 Impact of COVID-19

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.

Covenant Health

Notes to Financial Statements

March 31, 2023

(tabular amounts in thousands of dollars)

In order to support COVID-19 initiatives, Covenant Health recorded contributions of \$32,433,824 (2022 - \$48,519,664) during the year as follows which, unless otherwise noted, have been recorded as Alberta Health Services global contributions:

- \$28,103,630 (2022 - \$44,402,344) for incremental operating expenditures arising from additional costs associated with the pandemic;
- \$3,501,779 (2022 - \$3,274,234) for additional Health Care Aides;
- \$828,414 (2022 - \$843,086) for lost accommodation revenue;

In May 2023, the World Health Organization declared that COVID-19 no longer constitutes a public health emergency but rather as an established and ongoing health issue. As Alberta progresses through the response to COVID-19, Covenant Health continues to closely monitor the impacts of COVID-19 on its operations.

Covenant Health

Schedule of Expenses by Object
For the year ended March 31, 2023

Schedule 1

(in thousands of dollars)

	Budget 2023 \$ (Unaudited – Note 17)	Actual 2023 \$	Actual 2022 \$
Salaries, benefits and severance (schedule 2)	682,817	687,047	678,934
Drugs and gases	19,323	18,786	18,760
Medical supplies	50,023	52,553	48,909
Other contracted services	44,843	45,614	41,067
Interest on long-term debt	3,775	3,998	3,977
Other*	87,011	100,152	89,715
Amortization			
Equipment	7,031	6,238	5,785
Facilities and improvements	15,087	14,495	13,925
Loss on disposal of internally funded capital assets	-	108	95
	<u>909,910</u>	<u>928,991</u>	<u>901,167</u>
*Significant amounts included in Other			
Utilities		23,376	18,956
Housekeeping, laundry and linen, plant maintenance and biomedical engineering supplies		15,438	16,359
Food and dietary supplies		13,022	11,429
Building and grounds expense		11,386	8,282
Building rent		11,236	10,492
Equipment expense		6,190	5,752
Office supplies		4,572	4,024
Minor equipment purchases		2,825	2,485
Insurance		2,603	2,366
Travel		2,599	2,850
Licence, fees, memberships		2,172	2,057
Telecommunications		891	970
Education		568	405
Other expenses not included in the above		3,274	3,288
		<u>100,152</u>	<u>89,715</u>

Covenant Health

Schedule of Salaries, Honoraria, Benefits, Allowances and Severance For the year ended March 31, 2023

Schedule 2

(in thousands of dollars)

	2023		2022							
	Number of FTEs ⁽¹⁾	Base salary ⁽²⁾ \$	Other cash benefits ⁽³⁾ \$	Other non-cash benefits ⁽⁴⁾ \$	Subtotal \$	Number of Employees	Severance ⁽⁵⁾ Amount \$	Total \$	Number of FTEs ⁽¹⁾	Total \$
Board chair										
Stelmach, Ed	1.0	-	18	-	18	-	-	18	1.0	18
Board members										
Smith, Archbishop Richard	1.0	-	-	-	-	-	-	-	1.0	-
Gilbertson, Ronald	1.0	-	9	-	9	-	-	9	1.0	9
Heid, Sr. Mary Corita	1.0	-	12	-	12	-	-	12	1.0	9
Hertz, Joan (term ended January 2023)	0.8	-	7	-	7	-	-	7	1.0	10
Leskiw, Eugenia (term ended December 2021)	-	-	-	-	-	-	-	-	0.8	8
MacDonald, Eilan (term started June 2021)	1.0	-	10	-	10	-	-	10	0.8	7
Martens, Paul (term ended January 2023)	0.8	-	8	-	8	-	-	8	1.0	11
Spelliscy, Timothy	1.0	-	10	-	10	-	-	10	1.0	11
Yuzwa, Greg	1.0	-	13	-	13	-	-	13	1.0	11
Fong, Angela	1.0	-	10	-	10	-	-	10	1.0	11
	9.6	-	97	-	97	-	-	97	10.6	105

Covenant Health

Schedule of Salaries, Honoraria, Benefits, Allowances and Severance

For the year ended March 31, 2023

Schedule 2

(in thousands of dollars)

	2023		2022 ⁽⁶⁾							
	Number of FTEs ⁽¹⁾	Base salary ⁽²⁾ \$	Other cash benefits ⁽³⁾ \$	Other non-cash benefits ⁽⁴⁾ \$	Subtotal \$	Number of Employees	Amount \$	Total \$	Number of FTEs ⁽¹⁾	Total \$
Staff										
Chief Executive Officer	1.0	559	36	185	780	-	-	780	1.0	700
Management persons reporting to CEO										
Chief Financial Officer	0.9	236	14	50	300	-	-	300	1.0	347
Chief Operating Officer	1.0	370	16	106	492	-	-	492	1.0	465
Chief Human Resources Officer	0.6	178	10	50	238	-	-	238	1.0	339
Chief Medical Officer	0.8	361	16	75	452	-	-	452	1.0	519
Chief Mission & Ethics Officer	1.0	220	12	53	285	-	-	285	1.0	287
Chief Innovation Officer	1.0	248	12	51	311	-	-	311	1.0	248
Chief Quality & Privacy Officer	1.0	230	10	50	290	-	-	290	1.0	283
	7.3	2,402	126	620	3,148	-	-	3,148	8.0	3,188
Management reporting to CEO direct reports										
Other management	6.5	1,331	53	363	1,747	-	-	1,747	5.4	1,421
Regulated nurses not included above	317.3	35,727	403	8,288	44,418	7.0	42	44,460	318.2	42,702
RNs										
LPNs	1,599.9	149,401	38,857	33,520	221,778	-	-	221,778	1,583.8	218,563
Other health technical and professionals	758.1	48,604	10,904	10,704	70,212	-	-	70,212	738.8	68,652
Unregulated health service providers	756.9	71,374	4,883	16,390	92,647	-	-	92,647	756.1	92,064
Other staff	1,235.9	59,700	15,411	14,113	89,224	1.0	70	89,294	1,238.8	89,531
	2,171.5	122,800	12,586	28,214	163,600	3.0	64	163,664	2,167.0	162,708
	6,846.1	488,937	83,097	111,592	683,626	11.0	176	683,802	6,808.1	675,641
Total salaries/benefits	6,863.0	491,339	83,320	112,212	686,871	11.0	176	687,047	6,826.7	678,934

Covenant Health

Schedule of Salaries, Honoraria, Benefits, Allowances and Severance ... *continued* Schedule 2 For the year ended March 31, 2023

(in thousands of dollars)

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

Covenant Health

Schedule of Salaries, Honoaria, Benefits, Allowances and Severance ... continued
 For the year ended March 31, 2023

Schedule 2

(in thousands of dollars)

	2023	2022		
	Total	Total	Account balances or accrued benefit obligation March 31, 2023	Account balances or accrued benefit obligation March 31, 2022
	\$	\$	\$	\$
Other SPP costs⁽¹⁾	Total	Total	Change during the year⁽²⁾	Change during the year⁽²⁾
	\$	\$	\$	\$
Board direct reports				
Chief Executive Officer	60	52	1,306	1,405
Management persons reporting to CEO				
Chief Operating Officer	27	23	544	639
Chief Mission and Ethics Officer	10	8	127	215
Other members	40	45	668	935
	137	128	2,645	3,194

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) Other costs include interest costs on the obligation, and initial obligations.

(2) 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.