

Covenant Health

Financial Statements
March 31, 2018



June 27, 2018

Independent Auditor's Report

The Members and Board of Directors of Covenant Health

We have audited the accompanying financial statements of Covenant Health, which comprise the statement of financial position as at March 31, 2018 and the statements of operations, changes in net assets and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Covenant Health as at March 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Covenant Health

Management's Responsibility for Financial Reporting

Financial Statements

March 31, 2018

The accompanying financial statements for the year ended March 31, 2018 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

August 7, 2018
Date



Sheila Smith
Chief Financial Officer
Covenant Health

August 7, 2018
Date

Covenant Health
Statement of Financial Position
As at March 31, 2018

(in thousands of dollars)

	2018 \$	2017 \$
Assets		
Current assets		
Cash and cash equivalents (note 3)	53,368	61,088
Short-term investments (note 3)	479	852
Accounts receivable	31,866	26,923
Inventories	2,614	2,623
Prepaid expenses and deposits (note 4)	15,767	12,357
Current portion of capital lease receivable (note 5)	1,591	586
	105,685	104,429
Investments (note 3)	69,727	69,491
Capital lease receivable (note 5)	50,931	18,480
Capital assets (note 6)	341,822	347,029
	568,165	539,429
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 26)	71,568	75,763
Accrued vacation pay	51,094	48,170
Deferred contributions (note 8)	22,219	21,981
Current portion of long-term debt (note 9)	12,137	10,770
	157,018	156,684
Long-term debt (note 9)	100,115	65,434
Deferred capital contributions (note 10)	6,674	5,867
Unamortized external capital contributions	221,069	222,127
	484,876	450,112
Net Assets		
Accumulated surplus	19,122	23,675
Invested in capital assets	43,109	48,704
Internally restricted (note 25)	21,058	16,938
	83,289	89,317
	568,165	539,429

Contingencies (note 13)

Approved by the Board of Directors

 Director

 Director

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

Covenant Health

Statement of Changes in Net Assets For the year ended March 31, 2018

(in thousands of dollars)

				2018	2017
	Accumulated surplus \$	Invested in capital assets \$	Internally restricted \$ (Note 25)	Total \$	Total \$
Balance – beginning of year	23,675	48,704	16,938	89,317	89,223
(Deficiency) excess of revenue over expenses	(5,877)	-	-	(5,877)	633
Capital assets purchased with internal funds	(34,106)	34,210	(104)	-	-
Amortization of internally funded capital assets	3,334	(3,334)	-	-	-
Proceeds of long-term debt used to fund capital assets	37,996	(37,996)	-	-	-
Repayment of long-term debt used to fund capital assets	(1,641)	1,641	-	-	-
Transfer to (from) internally restricted net assets	(4,224)	-	4,224	-	-
Transfer of Endowment funds to Covenant Foundation	-	-	-	-	(134)
Loss on disposal of internally funded capital assets	116	(116)	-	-	-
Remeasurement of supplementary pension plan (note 12(a))	(151)	-	-	(151)	(405)
Balance – end of year	19,122	43,109	21,058	83,289	89,317

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

Covenant Health

Statement of Operations

For the year ended March 31, 2018

(in thousands of dollars)

	Budget 2018 \$ (Unaudited – Note 16)	Actual 2018 \$	Actual 2017 \$
Revenue			
Alberta Health Services global contributions (note 17)	711,792	724,855	715,038
Other government contributions	23,323	22,242	24,079
Fees and charges (note 18)	52,984	52,346	51,031
Ancillary operations	19,615	21,384	19,231
Donations	1,184	1,494	1,911
Investment	3,447	3,449	3,553
Other income (note 19)	16,694	16,268	18,251
Amortization of external capital contributions	11,771	11,463	11,825
	<u>840,810</u>	<u>853,501</u>	<u>844,919</u>
Expenses (schedule 1)			
Inpatient acute nursing services	314,682	313,741	309,456
Emergency and outpatient services	91,486	93,210	91,933
Facility-based continuing care services	73,439	75,616	74,401
Ambulance services	2,139	2,238	2,140
Community based care	13,337	13,751	13,432
Diagnostic and therapeutic services	132,945	133,061	131,890
Promotion, prevention and protection services	2,462	1,761	2,240
Research and education	2,030	1,796	2,408
Administration (note 20)	41,909	42,351	42,582
Information technology	837	653	2,371
Support services (note 21)	180,542	179,996	174,164
	<u>855,808</u>	<u>858,174</u>	<u>847,017</u>
Deficiency of revenue over expenses before fair value adjustments	(14,998)	(4,673)	(2,098)
Fair value change in investments	-	(1,204)	2,731
(Deficiency) excess of revenue over expenses	<u>(14,998)</u>	<u>(5,877)</u>	<u>633</u>

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

Covenant Health

Statement of Cash Flows

For the year ended March 31, 2018

(in thousands of dollars)

	2018 \$	2017 \$
Cash provided by (used in)		
Operating activities		
(Deficiency) excess of revenue over expenses	(5,877)	633
Items not affecting cash		
Amortization of capital assets		
Internally funded	3,334	2,596
Externally funded	11,463	11,825
Amortization of externally funded capital contributions	(11,463)	(11,825)
Unrealized loss (gain) from investments measured at fair value	2,303	(1,975)
Loss on disposal of internally funded capital assets	116	2,124
Remeasurement of supplementary pension plan	(151)	(405)
	(275)	2,973
Net change in non-cash working capital items (note 23)	(7,916)	(23,094)
	(8,191)	(20,121)
Investing activities		
Net purchase of investments	(2,167)	(3,110)
Purchases of capital assets		
Internally funded – equipment	(920)	(73)
Internally funded – facility and improvements	(33,290)	(21,718)
Externally funded – equipment	(10,193)	(9,729)
Externally funded – facility and improvements	(9,841)	(14,807)
	(56,411)	(49,437)
Financing activities		
Principal payments on long-term debt	(2,121)	(1,440)
Transfer of Endowment funds to Covenant Foundation	-	(134)
Proceeds on long-term debt	38,169	-
Capital contributions received and investment earnings on capital contributions, net of contributions repaid and interest (note 10)	20,834	24,604
	56,882	23,030
Decrease in cash and cash equivalents	(7,720)	(46,528)
Cash and cash equivalents – beginning of year	61,088	107,616
Cash and cash equivalents – end of year	53,368	61,088

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

Covenant Health

Notes to Financial Statements

March 31, 2018

(tabular amounts in thousands of dollars)

1 Authority, purpose and operations

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

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

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

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

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

Covenant Health

Notes to Financial Statements

March 31, 2018

(tabular amounts in thousands of dollars)

2 Summary of significant accounting policies

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

a) Revenue recognition

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

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

b) Cash and cash equivalents

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

c) Inventories

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

Covenant Health

Notes to Financial Statements

March 31, 2018

(tabular amounts in thousands of dollars)

d) Financial instruments

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

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

e) Capital lease receivable

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

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

f) Capital assets

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

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

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

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

Covenant Health

Notes to Financial Statements

March 31, 2018

(tabular amounts in thousands of dollars)

g) Employee future benefits

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

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

h) Measurement uncertainty

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

3 Cash and cash equivalents and investments

	2018		2017	
	Fair value \$	Cost \$	Fair value \$	Cost \$
Cash and term deposits	53,368	53,368	61,088	61,088
Guaranteed investment certificates	479	479	852	852
Bonds and debentures	34,983	35,516	34,164	34,203
Equities	34,744	27,096	35,327	25,858
	<u>123,574</u>	<u>116,459</u>	<u>131,431</u>	<u>122,001</u>
			2018 \$	2017 \$
Reported as				
Cash and cash equivalents			53,368	61,088
Short-term investments			479	852
Investments			<u>69,727</u>	<u>69,491</u>
			<u>123,574</u>	<u>131,431</u>

Covenant Health

Notes to Financial Statements

March 31, 2018

(tabular amounts in thousands of dollars)

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

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

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

Fixed income securities have maturity dates ranging from June 2021 to June 2033 (March 31, 2017 – August 2018 to June 2031). Bond market yields to maturity ranged from 1.2% to 3.6% as at March 31, 2018 (March 31, 2017 – 1.4% to 3.7%).

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

4 Prepaid expenses and deposits

	2018 \$	2017 \$
Basic life, short-term disability and long-term disability	10,056	9,981
Extended health, dental and vision	4,973	1,897
Other deposits and prepaid expenses	738	479
	<u>15,767</u>	<u>12,357</u>

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

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

Covenant Health

Notes to Financial Statements

March 31, 2018

(tabular amounts in thousands of dollars)

5 Capital lease receivable

	2018 \$	2017 \$
Villa Marie, capital lease receivable from Covenant Care due December 2038, repayable in monthly instalments of \$18 including interest at 3.545%.	3,260	3,365
Holy Cross Manor, capital lease receivable from Covenant Care due February 2039, repayable in monthly instalments of \$33 including interest at 3.545%.	6,005	6,196
St. Marguerite Manor, capital lease receivable from Covenant Care due May 2040, repayable in monthly instalments of \$47 including interest at 2.989%.	9,215	9,505
St. Teresa Place, capital lease receivable from Covenant Care due April 2042, repayable in monthly installments of \$165 including interest at 2.989%.	34,042	-
	<u>52,522</u>	<u>19,066</u>
Less: Current portion	1,591	586
	<u>50,931</u>	<u>18,480</u>

In fiscal 2018, a capital lease arrangement was entered into with Covenant Care, an entity under common control, to transfer a property constructed by Covenant Health. The lease arrangement for St. Teresa Place was entered into on May 1, 2017. The balance transferred from Covenant Health to Covenant Care included the book value of the property of \$60,416,770, external capital contributions of \$25,500,000 and a capital lease receivable of \$34,916,770. Principal repayments of \$80,815 and finance income of \$83,850 are included in accounts receivable.

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

	\$
2019	3,170
2020	3,170
2021	3,170
2022	3,170
2023	3,170
Thereafter	<u>57,392</u>
	73,242
Less: Amounts representing interest	<u>(20,720)</u>
	<u>52,522</u>

Covenant Health

Notes to Financial Statements

March 31, 2018

(tabular amounts in thousands of dollars)

6 Capital assets

	2018		
	Cost \$	Accumulated amortization \$	Net \$
Operating assets			
Land	36,694	-	36,694
Land improvements	6,373	2,439	3,934
Buildings	132,311	32,109	100,202
Leasehold improvements	171,450	34,800	136,650
Major equipment	79,696	50,586	29,110
Ambulance equipment	978	914	64
Computer software	1,681	1,403	278
Construction projects-in-progress	33,455	-	33,455
	<u>462,638</u>	<u>122,251</u>	<u>340,387</u>
Ancillary assets			
Land	120	-	120
Buildings	414	110	304
Parking lot and lot improvements	1,253	687	566
Major equipment	649	204	445
	<u>2,436</u>	<u>1,001</u>	<u>1,435</u>
	<u>465,074</u>	<u>123,252</u>	<u>341,822</u>

Covenant Health

Notes to Financial Statements

March 31, 2018

(tabular amounts in thousands of dollars)

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

7 Bank indebtedness

Covenant Health has an unsecured operating line of credit to a maximum of \$50,000,000 (2017 – \$50,000,000), which was undrawn at March 31, 2018 and March 31, 2017. Interest is charged at prime minus 0.50% (2017 – 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 (2017 – \$20,000,000), of which \$150,000 (2017 – \$150,000) was outstanding at March 31, 2018. Issuance fee is charged at 0.50% per annum (2017 – 0.50%).

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Notes to Financial Statements

March 31, 2018

(tabular amounts in thousands of dollars)

8 Deferred contributions

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

	2018 \$	2017 \$
Balance – beginning of year	21,981	23,743
Contributions received during the year	2,944	3,326
Contributions recognized as revenue	(2,592)	(4,830)
Contributions repayable	-	(215)
Contributions transferred to Catholic Health of Alberta	(159)	-
Contributions transferred to Covenant Foundation	-	(95)
Interest earned	45	52
	<hr/>	<hr/>
Balance – end of year	22,219	21,981

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

	2018 \$	2017 \$
Research and education	1,657	1,797
Capital renewal and maintenance	17,144	15,749
Network of Innovation for Seniors Health (note 14(f))	1,899	2,920
Patient care	1,519	1,515
	<hr/>	<hr/>
	22,219	21,981

Covenant Health

Notes to Financial Statements

March 31, 2018

(tabular amounts in thousands of dollars)

9 Long-term debt

	2018 \$	2017 \$
Youville Home mortgage, due May 2032, repayable in monthly instalments of \$73 including interest at 5.519%, secured by land and building with a net book value of \$17,287.	8,708	9,102
St. Therese Villa mortgage, due October 2028, repayable in monthly instalments of \$175 including interest at 7.35%, secured by land and building with a net book value of \$23,173.	17,916	18,668
St. Teresa Place mortgage, due September 2040, repayable in semi-annual instalments of \$524 interest only at 2.989% until March 2018, then instalments of \$1,060 including interest at 2.989%, secured by land and building with a net book value of \$59,972. Assets are under a capital lease arrangement (note 5) and are not recorded in these financial statements.	34,553	35,089
Evanston Summit mortgage, due March 2041, repayable in semi-annual instalments of \$398 including interest at 3.153%, secured by land and building with a net book value of \$31,461.	12,966	13,345
Killam Mortgage, due December 2042, repayable in semi-annual instalments of \$109 including interest at 3.0035% secured by a leasehold interest over Covenant Health's operating lease with Alberta Health Services and building improvements and equipment with a net book value of \$1,961.	3,800	-
Villa Marie 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 \$9,748.	8,254	-
Covenant Health Southeast Campus mortgage, due December 2042 repayable in semi-annual instalments of \$557 including interest of 3.0035%, secured by land and building with a net book value of \$25,635.	19,500	-
Covenant Health Southeast Campus loan from Catholic Health of Alberta, a related party, due December 2027. Accrues interest annually at 3.405% and is unsecured. Full payment, including accrued interest, is due prior to the expiry of the term.	6,555	-
	<u>112,252</u>	<u>76,204</u>
Less: Current portion	<u>12,137</u>	<u>10,770</u>
	<u>100,115</u>	<u>65,434</u>

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

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Notes to Financial Statements

March 31, 2018

(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:

	\$
2019	3,844
2020	3,746
2021	3,913
2022	4,087
2023	4,270
Thereafter	<u>92,392</u>
	<u>112,252</u>

10 Deferred capital contributions

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

	2018 \$	2017 \$
Balance – beginning of year	5,867	5,805
Cash contributions received during the year	20,905	24,582
Cash contributions repaid during the year	(93)	-
Transferred to unamortized external capital contributions	(20,027)	(24,542)
Interest earned	22	22
	<u>6,674</u>	<u>5,867</u>

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

	2018 \$	2017 \$
Building construction	5,410	4,526
Other	<u>1,264</u>	<u>1,341</u>
	<u>6,674</u>	<u>5,867</u>

11 Forgivable loan

In 2007, Alberta Health Services advanced a forgivable loan of \$7,158,844 to Youville Home. The loan incurs interest at a rate of prime plus 2% and is due on demand. The loan is secured by land and building with a net book value of \$17,286,715 (2017 – \$17,728,368). 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, 2018

(tabular amounts in thousands of dollars)

As at March 31, 2018, the remaining liability of \$5,190,617 (2017 – \$5,369,133) is recorded within unamortized external capital contributions and \$1,968,682 (2017 – \$1,789,711) is the contingent liability balance. Interest expense of \$280,082 (2017 – \$266,452) was forgiven for the year ended March 31, 2018.

12 Long-term employee benefits

a) Supplementary pension plan

	2018 \$	2017 \$
Accrued benefit obligation		
Accrued obligation – beginning of year	3,633	3,217
Current service cost	-	283
Benefits paid	(23)	(400)
Interest cost	141	128
Actuarial loss (gain) remeasurement	151	405
Accrued obligation – end of year	3,902	3,633
Fair value of plan assets	3,902	3,633
Funded status of plan (deficit)	-	-

Significant actuarial assumptions are as follows:

Discount rate	3.6%	3.9%
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, 2018.

The accrued benefit obligation of \$3,902,000 (2017 – \$3,633,000) 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 \$334,207 (2017 – \$148,993) to the DCRP.

Covenant Health

Notes to Financial Statements

March 31, 2018

(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 254,000 people and about 417 employers. It is financed by employer and employee contributions and investment earnings of the LAPP fund.

Contributions for current service are recorded as expenditures in the year in which they become due. In the current year, Covenant Health contributed \$45,837,513 to LAPP (2017 – \$46,518,928).

Covenant Health is required to make current service contributions to the Plan of 10.39% (11.39% to December 31, 2017) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.84% (15.84% to December 31, 2017) on pensionable earnings above this amount. Employees of Covenant Health are required to make current service contributions of 9.39% (10.39% to December 31, 2017) of pensionable salary up to the year's maximum pensionable salary, as defined by Canada Revenue Agency, and 13.84% (14.84% to December 31, 2017) on pensionable salary above this amount.

At December 31, 2016, LAPP reported a deficit of \$637,357,000 (December 31, 2015 – \$923,416,000).

13 Contingencies

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

14 Significant agreements

- a) Covenant Health is party to various agreements to lease land and buildings for nominal amounts. The lease agreements for twelve sites are with Alberta Health Services and expire in March 2050. Banff Mineral Springs Hospital land is leased from Parks Canada with a 42-year term expiring January 2028 with an option to extend for a further seven years.
- b) Covenant Health is party to a Head Lease Agreement on a month-to-month basis with Alberta Health Services to sublease a portion of the Edmonton General site for the operation of an approved continuing care program. Covenant Health will pay as its share of annual operating costs \$13.30 (2017 – \$12.99) per resident day. During the year, Covenant Health paid Alberta Health Services \$2,378,536 (2017 – \$2,269,838) for the operating costs of the Edmonton General site. Concurrent with the Head Lease Agreement, Covenant Health entered into a Sublease Agreement on a month-to-month basis to sublease a portion of the Edmonton General site for administrative activities. Covenant Health will pay \$35.00 per square meter of occupied storage space and \$70.00 per square meter of occupied administrative space. In addition, Covenant Health will pay an annual Base Operating Amount relating to support costs incurred in operating the Hospital's laundry facilities. During the year, Covenant Health paid Alberta Health

Covenant Health

Notes to Financial Statements

March 31, 2018

(tabular amounts in thousands of dollars)

Services \$159,180 (2017 – \$159,180) relating to storage space, administration space and laundry facilities. The annual lease commitments under the Head Lease and Sublease Agreements will fluctuate due to changes in the number of resident days and occupied square meters.

- c) Alberta Health has committed to fund Covenant Health \$6,333,229 for the construction of a new 100-unit supportive living facility in Lethbridge. Covenant Health has received \$3,166,615 of the total funding and to date has incurred \$2,322,512 (2017 – \$2,285,699) in planning, development and land costs.
- d) Alberta Health has committed to fund Covenant Health \$4,000,000 for the construction of a new 50-unit supportive living facility in Killam. Covenant Health has received \$2,000,000 of the total funding and to date has incurred \$751,874 (2017 – \$272,199) in planning, development and land costs.
- e) Alberta Health has committed to fund Covenant Health \$18,750,000 for the construction of a new 250-unit supportive living facility in Calgary. Covenant Health has received \$18,750,000 of the total funding and to date has incurred \$60,416,770 (2017 – \$59,513,655) in planning, development and land costs. In fiscal 2018, the property was transferred to Covenant Care under a capital lease arrangement (note 5).
- f) Alberta Health Services has provided Covenant Health with \$10,000,000 for the purpose of establishing a Network of Innovation for Seniors Health to create capacity and expertise with a focus on shifting towards a sustainable model of care for seniors. Covenant Health has internally restricted \$2,000,000 for this project within the same time period as Alberta Health Services and to date has incurred \$2,000,000 (2017 – \$2,000,000) from the internally restricted funds and \$8,682,395 (2017 – \$7,623,600) from the deferred grant, \$4,000,000 of which relates to a removal of external restriction by Alberta Health Services in the prior year. Covenant Health has also earned \$581,677 (2017 – \$543,261) in interest. The agreement expired on March 31, 2017 and an extension was granted by Alberta Health Services to March 31, 2019.
- g) On January 1, 2015, the Government of Alberta committed \$917,876 over four years to Covenant Health for the purpose of funding the Baby Friendly Initiative Project. Covenant Health received \$917,879 (2017 – \$699,507) of the total funding and to date has incurred \$931,208 (2017 – \$608,259) in costs.
- h) Alberta Health has committed to fund Covenant Health \$5,100,000 for construction of a second phase 60-unit long-term care facility in Red Deer. Covenant Health has received \$4,590,000 of the total funding and to date has incurred \$9,748,739 (2017 – \$1,846,872) in planning, development and land costs.

15 Contributed assets and services

Certain healthcare facilities are provided to Covenant Health by Alberta Health Services at \$nil or nominal rents. The fair value for the use of these facilities amounts to \$6,401,610 (2017 – \$6,401,610) when estimated using their original costs and useful lives. During the year, Alberta Health Services contributed \$17,502,920 (2017 – \$15,072,240) 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.

Covenant Health

Notes to Financial Statements

March 31, 2018

(tabular amounts in thousands of dollars)

16 Budget (unaudited)

The budget was approved on June 27, 2017 by the Board of Directors of Covenant Health.

17 Alberta Health Services global contributions

	2018 \$	2017 \$
Alberta Health Services global contributions	726,390	716,549
Contribution allocated to deferred contributions – capital renewal and maintenance	<u>(1,535)</u>	<u>(1,511)</u>
	<u>724,855</u>	<u>715,038</u>

18 Fees and charges

Fees and charges include amounts charged for long-term care accommodation, semi-private and private room charges, and services to non-Albertan and non-Canadian residents. These amounts have been reduced by bad debts expense of \$2,546,010 (2017 – \$3,415,793).

19 Other income

	2018 \$	2017 \$
Sales and recoveries	16,214	18,099
Other	<u>54</u>	<u>152</u>
	<u>16,268</u>	<u>18,251</u>

20 Administration

	2018 \$	2017 \$
General administration	18,963	18,573
Finance	9,147	10,003
Human resources	11,033	10,978
Communications	<u>3,208</u>	<u>3,028</u>
	<u>42,351</u>	<u>42,582</u>

Covenant Health

Notes to Financial Statements

March 31, 2018

(tabular amounts in thousands of dollars)

21 Support services

	2018	2017
	\$	\$
Facility operations	60,671	59,983
Emergency preparedness	754	647
Education	8,872	8,402
Housekeeping	22,462	21,883
Laundry and linen	8,358	8,652
Patient food services	29,148	28,012
Patient health records	10,427	10,717
Patient transportation	2,328	2,190
Patient registration	5,289	4,745
Materials management	15,671	15,376
Volunteer services	1,042	1,017
Ancillary operations	14,974	12,540
	<u>179,996</u>	<u>174,164</u>

22 Related parties

a) Catholic Health of Alberta

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

During the year, Catholic Health of Alberta paid grants of \$251,000 (2017 – \$669,000) to Covenant Health and also paid \$104,656 (2017 – \$86,296) in administrative support to Covenant Health. As at March 31, 2018, \$137,548 (2017 – \$9,119) is payable to Catholic Health of Alberta.

b) Covenant Living

Covenant Health paid Covenant Living, an entity under common control, rental payments of \$36,000 (2017 – \$39,000). As at March 31, 2018, \$105,219 (2017 – \$21,556 payable) is receivable from Covenant Living.

Effective September 1, 2016, Covenant Health entered into an operating lease with Covenant Living to occupy Evanston Summit, a building with a cost of \$32,559,838 (2017 – \$32,514,540) and accumulated amortization of \$1,099,137 (2017 – \$366,379) as at March 31, 2018. Monthly payments under the lease are \$80,075, which were determined based upon the interest cost to Covenant Health related to its mortgage on the property. The lease expires on March 31, 2020 with an option for a one-year renewal term. During the year, Covenant Health received \$960,901 (2017 – \$560,525) in rental income and holds a \$nil (2017 – \$222,249) deposit related to this operating lease.

Covenant Health

Notes to Financial Statements

March 31, 2018

(tabular amounts in thousands of dollars)

c) Covenant Care

Covenant Care, an entity under common control, paid administrative support to Covenant Health in the amount of \$286,870 (2017 – \$1,710,449) and made payments under the capital lease arrangements (note 5). As at March 31, 2018, \$287,255 (2017 – \$184,181) is receivable from Covenant Care.

d) Alberta Health Services

Alberta Health Services has an economic interest in Covenant Health as it holds resources in the form of facilities and funding necessary for Covenant Health to operate its health facilities and programs. Included in accounts receivable at March 31, 2018 is \$19,742,051 (2017 – \$10,775,853) owing from Alberta Health Services. Included in accounts payable and accrued liabilities at March 31, 2018 is \$10,915,619 (2017 – \$7,722,568) owing to Alberta Health Services. These transactions occur in the normal course of operations and will be settled on a current basis. Other transactions are described throughout the financial statements.

e) Foundations

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

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

Covenant Health
Notes to Financial Statements
March 31, 2018

(tabular amounts in thousands of dollars)

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

	2018			2017		
	Assets \$	Liabilities \$	Net assets \$	Assets \$	Liabilities \$	Net assets \$
Covenant Foundation	38,360	8,727	29,633	37,350	5,044	32,306
Mary Immaculate Hospital (Mundare) Hospital Foundation	341	5	336	359	8	351
Our Lady of the Rosary Hospital Foundation	753	3	750	790	18	772
St. Mary's Hospital, Camrose Foundation	5,090	378	4,712	5,192	79	5,113
St. Mary's Trochu Foundation	947	9	938	1,040	26	1,014
St. Michael's Health Centre Foundation	-	-	-	473	20	453
Killam & District Health Care Foundation	978	3	975	953	3	950
The Bonnyville Health Foundation	1,454	82	1,372	1,553	264	1,289
	47,923	9,207	38,716	47,710	5,462	42,248

	2018			2017		
	Revenue \$	Expenses \$	Excess (deficiency) \$	Revenue \$	Expenses \$	Excess (deficiency) \$
Covenant Foundation	10,180	13,305	(3,125)	12,089	11,725	364
Mary Immaculate Hospital (Mundare) Hospital Foundation	6	21	(15)	37	82	(45)
Our Lady of the Rosary Hospital Foundation	29	50	(21)	45	59	(14)
St. Mary's Hospital, Camrose Foundation	363	763	(400)	498	132	366
St. Mary's Trochu Foundation	29	105	(76)	209	158	51
St. Michael's Health Centre Foundation	-	-	-	621	357	264
Killam & District Health Care Foundation	112	87	25	120	26	94
The Bonnyville Health Foundation	519	435	84	546	514	32
	11,238	14,766	(3,528)	14,165	13,053	1,112

Covenant Health
Notes to Financial Statements
March 31, 2018

(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, 2018	
			Endowments, internally restricted and donor restricted	Unrestricted
	2018 \$	2017 \$	\$	\$
Covenant Foundation	6,247	4,701	27,980	1,653
Mary Immaculate Hospital (Mundare) Hospital Foundation	13	73	113	223
Our Lady of the Rosary Hospital Foundation	32	27	114	636
St. Mary's Hospital Camrose Foundation	678	48	1,700	3,012
St. Mary's Trochu Foundation	76	99	71	867
St. Michael's Health Centre Foundation	-	113	-	-
Killam & District Health Care Foundation	55	2	541	434
The Bonnyville Health Foundation	193	270	988	359
	<u>7,294</u>	<u>5,333</u>	<u>31,507</u>	<u>7,184</u>

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

Covenant Health

Notes to Financial Statements

March 31, 2018

(tabular amounts in thousands of dollars)

	Administrative support and office space		Accounts receivable	
	2018 \$	2017 \$	2018 \$	2017 \$
Covenant Foundation	231	275	1,259	1,221
Mary Immaculate Hospital (Mundare) Hospital Foundation	-	-	2	4
Our Lady of the Rosary Hospital Foundation	-	-	-	15
St. Mary's Hospital, Camrose Foundation	-	-	368	71
St. Mary's Trochu Foundation	-	-	-	23
St. Michael's Health Centre Foundation	-	-	-	14
Killam & District Health Care Foundation	-	-	-	1
The Bonnyville Health Foundation	18	17	-	-
	<u>249</u>	<u>292</u>	<u>1,629</u>	<u>1,349</u>

23 Supplementary cash flow information

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

	2018 \$	2017 \$
Accounts receivable	(4,943)	(6,233)
Inventories	9	(129)
Prepaid expenses and deposits	(3,410)	(1,668)
Capital lease receivable	1,461	567
Accounts payable and accrued liabilities	(4,195)	(17,508)
Accrued vacation pay	2,924	3,639
Deferred contributions	238	(1,762)
	<u>(7,916)</u>	<u>(23,094)</u>

- b) During the year, Covenant Health paid \$3,422,762 (2017 – \$3,386,521) in interest on long-term debt.

24 Trust funds

Covenant Health receives funds in trust for research and educational program purposes. These amounts are not reported in the financial statements. At March 31, 2018, the balance of funds held by Covenant Health is \$1,321,368 (2017 – \$1,252,967).

Covenant Health

Notes to Financial Statements

March 31, 2018

(tabular amounts in thousands of dollars)

25 Internally restricted net assets

	March 31, 2017 \$	Transfers in \$	Transfers out \$	March 31, 2018 \$
Care and Services Fund	10,000	-	-	10,000
Occupational Health and Safety	2,435	-	(478)	1,957
Benefit Surplus Fund	-	5,000	-	5,000
Leadership Development and Staff Education	664	-	(298)	366
Ancillary Capital Renewal	3,839	-	(104)	3,735
	<u>16,938</u>	<u>5,000</u>	<u>(880)</u>	<u>21,058</u>

26 Government remittances

Government remittances consist of amounts such as sales taxes and payroll withholding taxes required to be paid to government authorities and are recognized when the amounts come due. In respect of government remittances, \$6,660,626 (2017 – \$6,302,904) is included in accounts payable and accrued liabilities.

27 Comparative figures

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

Covenant Health

Schedule of Expenses by Object For the year ended March 31, 2018

Schedule 1

(in thousands of dollars)

	Budget 2018 \$ (Unaudited – Note 16)	Actual 2018 \$	Actual 2017 \$
Salaries, benefits and severance (schedule 2)	652,018	654,067	643,648
Drugs and gases	17,525	18,154	17,442
Medical and surgical supplies	39,878	40,949	39,695
Other contracted services	44,366	40,243	42,981
Interest on long-term debt	3,301	3,750	2,422
Other*	83,870	86,098	84,284
Amortization			
Equipment	6,870	6,694	7,249
Facilities and improvements	7,980	8,103	7,172
Loss on disposal of internally restricted capital assets	-	116	2,124
	<u>855,808</u>	<u>858,174</u>	<u>847,017</u>
*Significant amounts included in Other			
Utilities		12,403	11,100
Food and dietary supplies		11,832	11,346
Building rent		11,551	11,251
Housekeeping, laundry and linen, plant maintenance and biomedical engineering supplies		9,002	8,956
Other clinical supplies		8,187	7,918
Building and grounds expense		7,658	7,093
Equipment expense		5,933	6,264
Office supplies		4,659	3,912
Travel		3,604	3,459
Minor equipment purchases		2,234	2,861
Insurance		3,459	3,419
Licence, fees, memberships		1,748	1,828
Education		728	889
Telecommunications		385	464
Other expenses not included in the above		2,715	3,524
		<u>86,098</u>	<u>84,284</u>

Covenant Health

Schedule of Salaries, Honoraria, Benefits, Allowances and Severance For the year ended March 31, 2018

Schedule 2

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

	2018					2017				
	Number of FTEs ⁽¹⁾	Base salary ⁽²⁾ \$	Other cash benefits ⁽³⁾ \$	Other non-cash benefits ⁽⁴⁾ \$	Subtotal \$	Severance ⁽⁵⁾			Number of FTEs ⁽¹⁾	Total \$
						Number of FTEs	Amount \$	Total \$		
Board chair										
Stelmach, Ed	1.0	-	17	-	17	-	-	17	1.0	16
Board members										
Smith, Archbishop Richard	1.0	-	-	-	-	-	-	-	1.0	-
Buddle, Hary (term ended April 2016)	-	-	-	-	-	-	-	-	0.1	2
Gilbertson, Ronald (term started January 2017)	1.0	-	9	-	9	-	-	9	0.3	2
Grant, Dennis E.	1.0	-	13	-	13	-	-	13	1.0	15
Heid, Sr. Mary Corita	1.0	-	9	-	9	-	-	9	1.0	10
Hertz, Joan (term started January 2017)	1.0	-	9	-	9	-	-	9	0.3	2
Leavens, Richard (term ended December 2017)	0.8	-	7	-	7	-	-	7	1.0	11
Leskiw, Eugenia (term started January 2018)	0.3	-	2	-	2	-	-	2	-	-
Mack, Raymond	1.0	-	12	-	12	-	-	12	1.0	13
Martens, Paul (term started January 2017)	1.0	-	9	-	9	-	-	9	0.3	2
McClellan, Shirley	1.0	-	9	-	9	-	-	9	1.0	10
Roozen, Catherine (term ended December 2017)	0.8	-	-	-	-	-	-	-	1.0	-
Spelliscy, Timothy (term started November 2017)	0.4	-	2	-	2	-	-	2	-	-
Yuzwa, Greg (term started January 2018)	0.3	-	3	-	3	-	-	3	-	-
	11.8	-	101	-	101	-	-	101	9.0	83

Covenant Health

Schedule of Salaries, Honoraria, Benefits, Allowances and Severance ... *continued*
 For the year ended March 31, 2018

Schedule 2

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

	2017									
	Number of FTEs ⁽¹⁾	Base salary ⁽²⁾ \$	Other cash benefits ⁽³⁾ \$	Other non-cash benefits ⁽⁴⁾ \$	Subtotal \$	Severance ⁽⁵⁾			Number of FTEs ⁽¹⁾	Total \$
						Number of FTEs	Amount \$	Total \$		
Staff										
President and Chief Executive Officer	1.0	485	16	168	669	-	-	669	1.0	671
Management persons reporting to CEO										
Vice President and Chief Financial Officer	1.0	236	11	52	299	-	-	299	1.0	264
Vice President and Chief Operating Officer	1.0	335	15	98	448	-	-	448	1.0	472
Vice President and Chief Human Resources Officer	1.0	273	13	87	373	-	-	373	1.0	394
Vice President and Chief Medical Officer	1.0	419	18	85	522	-	-	522	1.0	550
Vice President – Mission, Ethics and Spirituality	1.0	202	10	54	266	-	-	266	1.0	260
Vice President – Innovation and Business Development	-	-	-	-	-	-	-	-	0.4	92
	<u>6.0</u>	<u>1,950</u>	<u>63</u>	<u>544</u>	<u>2,577</u>	<u>-</u>	<u>-</u>	<u>2,577</u>	<u>6.4</u>	<u>2,703</u>
Management reporting to CEO direct reports	6.9	1,587	76	423	2,086	-	-	2,086	7.6	2,334
Other management	321.9	35,499	212	8,576	44,287	2.8	179	44,466	311.9	42,898
Regulated nurses not included above										
RNs	1,639.3	152,484	27,532	33,628	213,644	1.3	114	213,758	1,620.2	210,531
LPNs	664.0	42,170	6,229	9,288	57,687	-	-	57,687	643.9	55,693
Other health technical and professionals	840.3	77,585	4,178	18,196	99,959	0.2	7	99,966	840.2	100,145
Unregulated health service providers	1,169.3	56,580	9,359	13,246	79,185	-	-	79,185	1,132.2	75,865
Other staff	2,121.8	118,634	8,015	27,552	154,201	1.1	40	154,241	2,128.5	153,295
	<u>6,763.5</u>	<u>484,539</u>	<u>55,601</u>	<u>110,909</u>	<u>651,049</u>	<u>5.4</u>	<u>340</u>	<u>651,389</u>	<u>6,684.5</u>	<u>640,862</u>
Total salaries/benefits	<u>6,781.1</u>	<u>486,489</u>	<u>55,785</u>	<u>111,453</u>	<u>653,727</u>	<u>5.4</u>	<u>340</u>	<u>654,067</u>	<u>6,699.9</u>	<u>643,648</u>

Covenant Health

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

Schedule 2

For the year ended March 31, 2018

⁽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

Schedule 2

For the year ended March 31, 2018

(in thousands of dollars)

Supplementary Pension Plan – Disclosure by Position

	2018		2017		Account balances or accrued benefit obligation March 31, 2018	Change during the year ⁽³⁾	Account balances or accrued benefit obligation March 31, 2017
	Current service cost ⁽¹⁾	Other SPP costs ⁽²⁾	Total	Total			
	\$	\$	\$	\$	\$	\$	\$
Board direct reports							
President and Chief Executive Officer	-	49	49	138	1,375	133	1,242
Management persons reporting to CEO							
Vice President and Chief Operating Officer	-	21	21	36	581	55	526
Vice President and Chief Human Resources Officer	-	17	17	54	439	(5)	444
Vice President – Mission, Ethics and Spirituality	-	5	5	12	158	27	131
Vice President – Innovation and Business Development	-	-	-	7	-	-	-
Other members	-	49	49	164	1,349	59	1,290
	-	141	141	411	3,902	269	3,633

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

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

⁽²⁾ Other costs include interest costs on the obligation, and initial obligations.

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