

# **Covenant Health**

Financial Statements  
**March 31, 2021**



## Independent auditor's report

To the Members and Board of Directors of Covenant Health

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### 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, 2021 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, 2021;
- 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.

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### 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.

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### 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

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

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.

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### 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, 2021

# Covenant Health

## Management's Responsibility for Financial Reporting

### Financial Statements

March 31, 2021

The accompanying financial statements for the year ended March 31, 2021 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 Dumelle  
Chief Executive Officer  
Covenant Health  
*July 15/21*  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Sheila Smith  
Chief Financial Officer  
Covenant Health  
July 8, 2021  
\_\_\_\_\_  
Date

# Covenant Health

## Statement of Financial Position

As at March 31, 2021

(in thousands of dollars)

	2021 \$	2020 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 3)	66,471	66,280
Accounts receivable (note 23)	33,972	19,424
Inventories	2,973	2,879
Prepaid expenses and deposits (note 4)	4,148	4,340
Current portion of capital lease receivable (note 5)	1,453	1,410
	<u>109,017</u>	<u>94,333</u>
<b>Investments</b> (note 3)	99,041	79,092
<b>Capital lease receivable</b> (note 5)	40,331	41,784
<b>Capital assets</b> (note 6)	<u>378,189</u>	<u>380,498</u>
	<u>626,578</u>	<u>595,707</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 23 and 27)	92,613	78,931
Accrued vacation pay	58,422	51,271
Deferred contributions (note 8)	27,963	23,261
Current portion of long-term debt (note 9)	12,106	12,388
	<u>191,104</u>	<u>165,851</u>
<b>Long-term debt</b> (note 9)	103,324	108,040
<b>Deferred capital contributions</b> (note 10)	-	465
<b>Unamortized external capital contributions</b> (note 11)	<u>247,356</u>	<u>249,905</u>
	<u>541,784</u>	<u>524,261</u>
<b>Net Assets</b>		
<b>Accumulated surplus</b>	17,221	5,186
<b>Invested in capital assets</b>	54,153	50,327
<b>Internally restricted</b> (note 26)	<u>13,420</u>	<u>15,933</u>
	<u>84,794</u>	<u>71,446</u>
	<u>626,578</u>	<u>595,707</u>
<b>Contingencies</b> (note 14)		

### Approved by the Board of Directors

signed by Paul Martens\* \_\_\_\_\_ Director

signed by Greg Yuzwa\* \_\_\_\_\_ Director

The accompanying notes are an integral part of these financial

\*signature page included on page 40 due to low quality of scan.

## Covenant Health

### Statement of Changes in Net Assets For the year ended March 31, 2021

(in thousands of dollars)

				2021	2020
	Accumulated surplus \$	Invested in capital assets \$	Internally restricted \$ (Note 26)	Total \$	Total \$
<b>Balance – beginning of year</b>	5,186	50,327	15,933	71,446	83,378
Excess (deficiency) of revenue over expenses	12,931	-	-	12,931	(11,466)
Capital assets purchased with internal funds	(2,710)	4,723	(2,013)	-	-
Amortization of internally funded capital assets	4,470	(4,470)	-	-	-
Repayment of long-term debt used to fund capital assets	(3,586)	3,586	-	-	-
Transfer to (from) internally restricted net assets	500	-	(500)	-	-
Loss on disposal of internally funded capital assets	13	(13)	-	-	-
Remeasurement of supplementary pension plan (note 13(a))	417	-	-	417	(466)
<b>Balance – end of year</b>	<b>17,221</b>	<b>54,153</b>	<b>13,420</b>	<b>84,794</b>	<b>71,446</b>

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

## Covenant Health

### Statement of Operations

For the year ended March 31, 2021

(in thousands of dollars)

	Budget 2021 \$ (Unaudited – Note 17)	Actual 2021 \$	Actual 2020 \$
<b>Revenue and other income</b>			
Alberta Health Services global contributions (note 18)	716,842	742,153	714,501
Other government contributions	20,576	20,675	21,569
Fees and charges (note 19)	57,027	44,644	54,073
Ancillary operations	22,838	15,970	23,183
Donations	1,494	1,052	1,430
Investment	4,078	5,326	5,066
Other income (note 20)	16,050	11,611	14,341
Amortization of external capital contributions (note 11)	13,524	15,168	13,587
	<u>852,429</u>	<u>856,599</u>	<u>847,750</u>
<b>Expenses (schedule 1)</b>			
Inpatient acute nursing services	302,437	305,398	304,079
Emergency and outpatient services	94,960	89,820	94,674
Facility-based continuing care services	77,960	85,299	80,238
Ambulance services	2,359	2,236	2,313
Community based care	16,884	17,180	17,417
Diagnostic and therapeutic services	116,286	110,594	111,512
Promotion, prevention and protection services	740	5,335	438
Research and education	1,502	1,954	1,959
Administration (note 21)	39,359	38,726	39,806
Information technology	1,766	1,477	1,441
Support services (note 22)	198,676	200,621	196,726
	<u>852,929</u>	<u>858,640</u>	<u>850,603</u>
<b>Deficiency of revenue over expenses before fair value adjustments</b>	(500)	(2,041)	(2,853)
<b>Fair value change in investments</b>	-	14,972	(8,613)
<b>Excess (deficiency) of revenue over expenses</b>	<u>(500)</u>	<u>12,931</u>	<u>(11,466)</u>

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



## Covenant Health

### Statement of Cash Flows

For the year ended March 31, 2021

(in thousands of dollars)

	2021 \$	2020 \$ (note 30)
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess (deficiency) of revenue over expenses	12,931	(11,466)
Items not affecting cash		
Amortization of capital assets:		
Internally funded	4,470	4,183
Externally funded	15,168	13,584
Amortization of externally funded capital contributions	(15,168)	(13,584)
Unrealized (gain) loss from investments measured at fair value	(14,972)	8,613
Loss on disposal of internally funded capital assets	13	8
Remeasurement of supplementary pension plan	417	(466)
	2,859	872
Net change in non-cash working capital items (note 24)	12,388	17,080
	15,247	17,952
<b>Investing activities</b>		
Proceeds on sale of investments	52,260	3,103
Purchase of investments	(57,237)	(16,356)
Proceeds on capital leases (note 5)	1,410	1,367
Purchases of capital assets:		
Internally funded – equipment	(216)	(903)
Internally funded – facility and improvements	(5,465)	(14,852)
Externally funded – equipment	(4,421)	(3,008)
Externally funded – facility and improvements	(7,090)	(16,796)
	(20,759)	(47,445)
<b>Financing activities</b>		
Principal payments on long-term debt	(4,998)	(4,402)
Proceeds on long-term debt	-	16,672
Capital contributions received and investment earnings on capital contributions (note 10)	10,701	16,356
	5,703	28,626
<b>Change in cash and cash equivalents</b>	191	(867)
<b>Cash and cash equivalents – beginning of year</b>	66,280	67,147
<b>Cash and cash equivalents – end of year</b>	66,471	66,280

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

# Covenant Health

## Notes to Financial Statements

March 31, 2021

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(tabular amounts in thousands of dollars)

### 1 Authority, purpose and operations

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

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

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

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

These financial statements do not include the assets and operations of related charitable Foundations. These Foundations are described further in note 23(e).

# Covenant Health

## Notes to Financial Statements

March 31, 2021

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(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, 2021

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(tabular amounts in thousands of dollars)

### d) Financial instruments

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

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

### e) Capital lease receivable

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

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

### f) Capital assets

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

## Covenant Health

### Notes to Financial Statements

March 31, 2021

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(tabular amounts in thousands of dollars)

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

Land improvements	20 years
Buildings	10 – 40 years
Leasehold improvements	Lesser of the term of the related lease and any specific component useful life
Parking lot and lot improvements	20 years
Major equipment	3 – 20 years
Computer software	1 – 5 years

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

#### g) Employee future benefits

Covenant Health sponsored a defined benefit Supplemental Pension Plan (SPP), which is fully funded. The SPP covers certain executives and supplements the benefits under the Local Authorities Pension Plan that are limited by the Income Tax Act (Canada). The obligations and costs of the benefits are determined annually through an actuarial valuation as at March 31 using the projected benefit method 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.

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

## Covenant Health

### Notes to Financial Statements

March 31, 2021

(tabular amounts in thousands of dollars)

#### 3 Cash and cash equivalents and investments

	2021		2020	
	Fair value \$	Cost \$	Fair value \$	Cost \$
Cash and term deposits	66,471	66,402	66,280	66,280
Pooled fund investments	99,041	91,854	79,092	86,877
	<u>165,512</u>	<u>158,256</u>	<u>145,372</u>	<u>153,157</u>

The pooled fund investments are summarized as follows:

	Fair value \$	Cost \$
Bonds and debentures	38,986	38,294
Canadian equities	10,194	9,235
International equities	49,861	44,325
	<u>99,041</u>	<u>91,854</u>

Cash and cash equivalents and investments are reported as:

	2021 \$	2020 \$
Cash and cash equivalents	66,471	66,280
Investments	99,041	79,092
	<u>165,512</u>	<u>145,372</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.

## Covenant Health

### Notes to Financial Statements

March 31, 2021

(tabular amounts in thousands of dollars)

#### 4 Prepaid expenses and deposits

	2021 \$	2020 \$
Basic life, short-term disability and long-term disability	367	2,214
Extended health, dental and vision	3,357	1,613
Other deposits and prepaid expenses	424	513
	<u>4,148</u>	<u>4,340</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.

#### 5 Capital lease receivable

	2021 \$	2020 \$
Villa Marie Phase I, capital lease receivable from Covenant Care due December 2038, repayable in monthly instalments of \$18 including interest at 3.545%.	2,923	3,040
Villa Marie Phase II, capital lease receivable from Covenant Care due July 2043, repayable in monthly instalments of \$38 including interest at 2.915%.	7,628	7,868
St. Teresa Place, capital lease receivable from Covenant Care due April 2042, repayable in monthly instalments of \$165 including interest at 2.989%.	31,233	32,286
	<u>41,784</u>	<u>43,194</u>
Less: Current portion	1,453	1,410
	<u>40,331</u>	<u>41,784</u>

## Covenant Health

### Notes to Financial Statements

March 31, 2021

(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:

	\$
2022	2,676
2023	2,676
2024	2,676
2025	2,676
2026	2,676
Thereafter	42,881
	<u>56,261</u>
Less: Amounts representing interest	14,477
	<u>41,784</u>

## 6 Capital assets

	2021		
	Cost \$	Accumulated amortization \$	Net book value \$
<b>Operating assets</b>			
Land	48,084	-	48,084
Land improvements	7,667	3,533	4,134
Buildings	133,129	44,408	88,721
Leasehold improvements	216,980	53,196	163,784
Major equipment	108,223	64,179	44,044
Computer software	1,681	1,681	-
Construction projects-in-progress	27,786	-	27,786
	<u>543,550</u>	<u>166,997</u>	<u>376,553</u>
<b>Ancillary assets</b>			
Land	120	-	120
Buildings	353	97	256
Leasehold improvements	721	92	629
Parking lot and lot improvements	1,242	935	307
Major equipment	619	300	319
Construction projects-in-progress	5	-	5
	<u>3,060</u>	<u>1,424</u>	<u>1,636</u>
	<u>546,610</u>	<u>168,421</u>	<u>378,189</u>



## Covenant Health

### Notes to Financial Statements

March 31, 2021

(tabular amounts in thousands of dollars)

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

## 7 Bank indebtedness

Covenant Health has an unsecured operating line of credit to a maximum of \$50,000,000 (2020 – \$50,000,000), which was undrawn at March 31, 2021 and March 31, 2020. Interest is charged at prime minus 0.5% (2020 – 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 (2020 – \$20,000,000), of which \$nil (2020 – \$ nil) was outstanding at March 31, 2021. Issuance fee is charged at 0.5% per annum (2020 – 0.5%).

## Covenant Health

### Notes to Financial Statements

March 31, 2021

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(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.

	2021 \$	2020 \$
Balance – beginning of year	23,261	21,882
Contributions received during the year	10,470	3,018
Contributions recognized as revenue	(5,768)	(1,545)
Contributions transferred to Catholic Health of Alberta	-	(97)
Interest earned	-	3
	<hr/>	<hr/>
Balance – end of year	27,963	23,261

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

	2021 \$	2020 \$
Research and education	1,130	1,220
Capital renewal and maintenance	21,569	20,008
Network of Innovation for Seniors Health	-	36
Patient care	5,264	1,997
	<hr/>	<hr/>
	27,963	23,261

## Covenant Health

### Notes to Financial Statements

March 31, 2021

(tabular amounts in thousands of dollars)

#### 9 Long-term debt

	2021 \$	2020 \$
Youville Home mortgage, due May 2032, repayable in monthly instalments of \$73 including interest at 5.519%, secured by land and building with a net book value of \$15,077.	7,390	7,854
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 \$20,876.	15,298	16,236
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 \$53,407. Assets are under a capital lease arrangement (note 5) and are not recorded in these financial statements.	31,166	32,329
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 \$28,500.	11,755	12,171
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 \$17,157.	3,479	3,589
Villa Marie Phase II mortgage, due June 2042, repayable in semi-annual instalments of \$237 including interest at 2.915%, secured by land and building with a net book value of \$11,535. Assets are under a capital lease arrangement (note 5) and are not recorded in these financial statements.	7,529	7,778
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 \$25,987.	17,852	18,418
Covenant Health Southeast Campus loan from Catholic Health of Alberta, 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.	4,764	5,381
Lethbridge Supportive Living Facility mortgage, due December 2044, repayable in semi-annual instalments of \$460 including interest of 2.691%, secured by land and building with a net book value of \$9,964.	16,197	16,672
	<u>115,430</u>	<u>120,428</u>
Less: Current portion	12,106	12,388
	<u>103,324</u>	<u>108,040</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:

	\$
2022	5,205
2023	5,423
2024	5,649
2025	5,892
2026	6,144
Thereafter	<u>87,117</u>
	<u>115,430</u>

#### 10 Deferred capital contributions

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

	2021 \$	2020 \$
Balance – beginning of year	465	3,237
Contributions received during the year	10,568	16,348
Transferred to unamortized external capital contributions	(11,166)	(19,128)
Interest earned	133	8
	<u>-</u>	<u>465</u>

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

	2021 \$	2020 \$
Building construction	-	465
Other	-	-
	<u>-</u>	<u>465</u>

## Covenant Health

### Notes to Financial Statements

March 31, 2021

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(tabular amounts in thousands of dollars)

#### 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.

	2021 \$	2020 \$
Balance – beginning of year	249,905	239,239
Transferred from deferred capital contributions	11,166	19,128
Alberta Health Services contributed assets (note 16)	1,561	5,578
Disposal of external funded assets	(107)	(456)
Amortization of externally funded capital assets	(15,168)	(13,584)
	<hr/>	<hr/>
Balance – end of year	247,357	249,905

#### 12 Forgivable loan

In 2007, Alberta Health Services advanced a forgivable loan of \$7,158,844 to Youville Home. The loan incurs interest at a rate of prime plus 2% and is due on demand. The loan is secured by land and building with a net book value of \$15,076,738 (2020 – \$15,753,479). 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, 2021, the remaining liability of \$4,653,249 (2020 – \$4,832,220) is recorded in unamortized external capital contributions and \$715,884 (2020 – \$536,913) is the contingent liability balance. Interest expense of \$219,474 (2020 – \$299,819) was forgiven for the year ended March 31, 2021.

## Covenant Health

### Notes to Financial Statements

March 31, 2021

(tabular amounts in thousands of dollars)

#### 13 Long-term employee benefits

##### a) Supplementary pension plan

	2021 \$	2020 \$
<b>Accrued benefit obligation</b>		
Accrued obligation – beginning of year	4,317	4,009
Current service cost		–
Benefits paid	(378)	(294)
Interest cost	179	136
Actuarial (gain) loss remeasurement	(417)	466
Accrued obligation – end of year	3,701	4,317
Fair value of plan assets	3,701	4,317
Funded status of plan	–	–

Significant actuarial assumptions are as follows:

Discount rate	3.5%	4.3%
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, 2021.

The accrued benefit obligation of \$3,701,000 (2020 – \$4,317,000) 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 \$297,173 (2020 – \$310,957) to the DCRP.

# Covenant Health

## Notes to Financial Statements

March 31, 2021

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(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 274,000 people and about 421 employers. It is financed by employer and employee contributions and investment earnings of the LAPP fund.

Contributions for current service are recorded as expenditures in the year in which they become due. In the current year, Covenant Health contributed \$38,640,470 to LAPP (2020 – \$39,340,126).

Covenant Health is required to make current service contributions to the Plan of 9.39% (9.39% to December 31, 2019) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% (13.84% to December 31, 2019) on pensionable earnings above this amount. Employees of Covenant Health are required to make current service contributions of 8.39% (8.39% to December 31, 2019) of pensionable salary up to the year's maximum pensionable salary, as defined by Canada Revenue Agency, and 12.84% (12.84% to December 31, 2019) on pensionable salary above this amount.

At December 31, 2019, LAPP reported a surplus of \$7,913,261,000 (December 31, 2018 – \$3,469,347,000).

## 14 Contingencies

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

## 15 Significant agreements

- a) Covenant Health is party to various agreements to lease land and buildings for nominal amounts. The lease agreements for twelve sites are with Alberta Health Services and expire in March 2050. Banff Mineral Springs Hospital land is leased from Parks Canada with a 42-year term expiring January 2028 with an option to extend for a further seven years.
- b) Covenant Health is party to a Head Lease Agreement on a month-to-month basis with Alberta Health Services to sublease a portion of the Edmonton General site for the operation of an approved continuing care program. Covenant Health will pay as its share of annual operating costs \$14.05 (2020 – \$13.83) per resident day. During the year, Covenant Health paid Alberta Health Services \$2,513,908 (2020 – \$2,479,682) 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 (2020 – \$159,180) relating to

## Covenant Health

### Notes to Financial Statements

March 31, 2021

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(tabular amounts in thousands of dollars)

storage and administration space. The annual lease commitments under the Head Lease and Sublease Agreements will fluctuate due to changes in the number of resident days and occupied square metres.

- c) Alberta Health has committed to fund Covenant Health \$6,333,229 for the construction of a new 100-unit supportive living facility in Lethbridge. During 2018, Alberta Health committed additional funding to a maximum of \$10,033,229 subject to the terms and requirements of an amended grant funding agreement. Covenant Health has received \$6,599,921 (2020 – \$3,166,615) of the total funding and to date has incurred \$8,713,212 (2020 – \$3,241,659) 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 \$4,000,000 (2020 – \$3,600,000) of the total funding and to date has incurred \$17,570,066 (2020 – \$15,128,133) in planning, development and land costs.
- e) During the year, the Government of Alberta committed \$3,983,000 over three years to Covenant Health the purpose of funding Palliative and End of Life Care Advanced Care Planning project. Covenant Health has received \$1,330,000 of the total funding and, to date, has incurred \$148,084 in costs.
- f) During the year, the Alberta Health committed \$1,430,000 over three years to Covenant Health for the purpose of funding Palliative and End of Life Care Public Awareness project. Covenant Health has received \$545,000 of the total funding and, to date, has incurred \$112,670 in costs.

#### 16 Contributed assets and services

Certain healthcare facilities are provided to Covenant Health by Alberta Health Services at \$nil or nominal rents. The fair value for the use of these facilities amounts to \$6,401,610 (2020 – \$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 \$1,560,768 (2020 – \$5,577,826) 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 March 25, 2020 by the Board of Directors of Covenant Health.



## Covenant Health

### Notes to Financial Statements

March 31, 2021

(tabular amounts in thousands of dollars)

#### 18 Alberta Health Services global contributions

	2021 \$	2020 \$
Alberta Health Services global contributions	743,714	716,058
Contribution allocated to deferred contributions – capital renewal and maintenance	(1,561)	(1,557)
	<u>742,153</u>	<u>714,501</u>

#### 19 Fees and charges

Fees and charges include amounts charged for long-term care accommodation, semi-private and private room charges and services to non-Albertan and non-Canadian residents. These amounts have been reduced by bad debts expense of \$2,811,727 (2020 – \$2,977,964).

#### 20 Other income

	2021 \$	2020 \$
Sales and recoveries	11,499	13,725
Other	112	616
	<u>11,611</u>	<u>14,341</u>

#### 21 Administration

	2021 \$	2020 \$
General administration	17,427	18,856
Finance	5,821	6,673
Human resources	12,448	11,290
Communications	3,030	2,987
	<u>38,726</u>	<u>39,806</u>

## Covenant Health

### Notes to Financial Statements

March 31, 2021

(tabular amounts in thousands of dollars)

#### 22 Support services

	2021 \$	2020 \$
Facility operations	71,011	66,535
Emergency preparedness	390	1,247
Education	10,248	10,915
Housekeeping	27,166	23,228
Laundry and linen	9,565	8,981
Patient food services	29,186	30,590
Patient health records	9,070	9,534
Patient transportation	2,205	2,475
Patient registration	6,531	6,766
Materials management	15,720	15,909
Volunteer services	956	1,028
Ancillary operations	18,573	19,518
	<u>200,621</u>	<u>196,726</u>

#### 23 Related parties

Unless otherwise noted, the following transactions are in the normal course of operations and have been recorded in the financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

##### 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 \$327,000 (2020 – \$188,000) to Covenant Health and recorded as deferred contributions and received \$nil (2020 – \$96,724) in returned grant funding from Covenant Health. Catholic Health of Alberta also paid \$104,840 (2020 – \$104,882) in administrative support to Covenant Health recorded in these financial statements as other income and as a salary and benefit recovery. As at March 31, 2021, \$110,412 is payable (2020 – \$15,939) from Catholic Health of Alberta.

In fiscal 2018, Catholic Health of Alberta advanced a loan of \$6,500,000. The loan accrues interest at a rate of 3.405% annually and is unsecured. During the year, Covenant Health made principal repayments of \$617,344 (2020 – \$596,706) and incurred interest expense of \$173,664 (2020 – \$194,302).

## **Covenant Health**

### Notes to Financial Statements

March 31, 2021

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(tabular amounts in thousands of dollars)

#### **b) Covenant Living**

Covenant Health paid Covenant Living, an entity under common control, rental payments of \$43,260 (2020 – \$49,880).

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 (2020 – \$32,559,838) and accumulated amortization of \$4,063,339 (2020 – \$2,567,073) as at March 31, 2021. 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, the lease was amended to extend the term to March 31, 2022.

During the year, Covenant Health received \$960,901 (2020 – \$960,901) in rental income.

As at March 31, 2021, \$80,545 is receivable from (2020 – \$74,348) Covenant Living.

#### **c) Covenant Care**

Covenant Care paid administrative support to Covenant Health in the amount of \$502,830 (2020 – \$466,384) which was recorded as other income in these financial statements and made payments under the capital lease arrangements (note 5). As at March 31, 2021, \$58,277 is payable to (2020 – \$847,493 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, 2021 is \$24,324,489 (2020 – \$7,069,297) owing from Alberta Health Services. Included in accounts payable and accrued liabilities at March 31, 2021 is \$16,821,873 (2020 – \$10,927,333) owing to Alberta Health Services.

## Covenant Health

### Notes to Financial Statements

March 31, 2021

(tabular amounts in thousands of dollars)

Alberta Precision Laboratories Ltd. (APL) is a wholly owned subsidiary of Alberta Health Services. Included in accounts receivable at March 31, 2021 is \$119,695 (2020 – \$225,012) owing from APL. Included in accounts payable and accrued liabilities at March 31, 2021 is \$47,163 (2020 – \$150,347) 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:

	2021			2020		
	Assets \$	Liabilities \$	Net assets \$	Assets \$	Liabilities \$	Net assets \$
Covenant Foundation	42,177	5,851	36,326	36,034	6,933	29,101
Mary Immaculate Hospital (Mundare) Foundation	389	175	214	319	3	316
Our Lady of the Rosary Hospital Foundation	795	3	792	743	3	740
St. Mary's Hospital, Camrose Foundation	6,086	14	6,072	4,733	41	4,692
St. Mary's Trochu Foundation	1,468	3	1,465	1,194	3	1,191
Killam & District Health Care Foundation	574	4	570	579	15	564
Bonnyville Health Foundation	1,348	116	1,232	1,494	320	1,174
	<u>52,837</u>	<u>6,166</u>	<u>46,671</u>	<u>45,096</u>	<u>7,318</u>	<u>37,778</u>

# Covenant Health

## Notes to Financial Statements

March 31, 2021

(tabular amounts in thousands of dollars)

	2021			2020		
	Revenue \$	Expenses \$	Excess (deficiency) \$	Revenue \$	Expenses \$	Excess (deficiency) \$
Covenant Foundation	15,966	8,741	7,225	7,991	9,241	(1,250)
Mary Immaculate Hospital (Mundare) Foundation	77	180	(103)	22	10	12
Our Lady of the Rosary Hospital Foundation	102	49	53	31	29	2
St. Mary's Hospital, Camrose Foundation	1,541	161	1,380	399	301	98
St. Mary's Trochu Foundation	291	17	274	(2)	96	(98)
Killam & District Health Care Foundation	207	201	6	118	563	(445)
Bonnyville Health Foundation	291	233	58	194	397	(203)
	<u>18,475</u>	<u>9,582</u>	<u>8,893</u>	<u>8,753</u>	<u>10,637</u>	<u>(1,884)</u>

	2021			2020		
	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	455	232	-	(2,066)	1,242	-
Mary Immaculate Hospital (Mundare) Foundation	9	294	-	(75)	2	-
Our Lady of the Rosary Hospital Foundation	(2)	(2)	-	10	1	-
St. Mary's Hospital, Camrose Foundation	100	(229)	-	265	(300)	-
St. Mary's Trochu Foundation	41	(8)	-	(67)	(332)	-
Killam & District Health Care Foundation	(86)	170	-	(438)	400	-
Bonnyville Health Foundation	(101)	600	-	(141)	(600)	-
	<u>416</u>	<u>1,057</u>	<u>-</u>	<u>(2,512)</u>	<u>413</u>	<u>-</u>

# Covenant Health

## Notes to Financial Statements

March 31, 2021

(tabular amounts in thousands of dollars)

	<b>Resources held by Foundation as at March 31, 2021</b>			
	<b>Contributions received by Covenant Health for the year ended March 31,</b>		<b>Endowments, Internally Restricted and donor restricted</b>	<b>Unrestricted</b>
	<b>2021 \$</b>	<b>2020 \$</b>	<b>\$</b>	<b>\$</b>
Covenant Foundation	1,687	2,028	31,034	5,292
Mary Immaculate Hospital (Mundare) Foundation	172	3	132	82
Our Lady of the Rosary Hospital Foundation	7	9	175	617
St. Mary's Hospital Camrose Foundation	91	222	1,346	4,726
St. Mary's Trochu Foundation Killam & District Health Care Foundation	2	69	357	1,108
Bonnyville Health Foundation	195	536	108	462
	114	311	469	763
	<b>2,268</b>	<b>3,178</b>	<b>33,621</b>	<b>13,050</b>

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

	<b>Administrative support and office space</b>		<b>Accounts receivable</b>	
	<b>2021 \$</b>	<b>2020 \$</b>	<b>2021 \$</b>	<b>2020 \$</b>
Covenant Foundation	262	261	352	1,315
Mary Immaculate (Mundare) Hospital Foundation	-	-	172	-
Our Lady of the Rosary Hospital Foundation	20	-	-	-
St. Mary's Hospital, Camrose Foundation	-	-	-	31
St. Mary's Trochu Foundation	-	-	-	-
Killam & District Health Care Foundation	-	-	-	2
Bonnyville Health Foundation	44	38	16	77
	<b>326</b>	<b>299</b>	<b>540</b>	<b>1,425</b>

## Covenant Health

### Notes to Financial Statements

March 31, 2021

(tabular amounts in thousands of dollars)

#### 24 Supplementary cash flow information

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

	2021 \$	2020 \$ (note 30)
Accounts receivable	(14,547)	(2,334)
Inventories	(94)	(210)
Prepaid expenses and deposits	192	11,078
Accounts payable and accrued liabilities	14,984	5,004
Accrued vacation pay	7,151	2,163
Deferred contributions	4,702	1,379
	<u>12,388</u>	<u>17,080</u>

- b) During the year, Covenant Health paid \$ 3,972,145 (2020 – \$4,267,665) 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, 2021, the balance of funds held by Covenant Health is \$3,223,988 (2020 – \$2,164,421).

#### 26 Internally restricted net assets

	March 31, 2020 \$	Transfers in \$	Transfers out \$	March 31, 2021 \$
Care and Services Fund	6,521	-	(1,996)	4,525
Occupational Health and Safety	957	-	(500)	457
Benefit Surplus Fund	5,000	-	-	5,000
Ancillary Capital Renewal	3,455	-	(17)	3,438
	<u>15,933</u>	<u>-</u>	<u>(2,513)</u>	<u>13,420</u>

#### 27 Government remittances

Government remittances consist of amounts such as sales taxes and payroll withholding taxes required to be paid to government authorities and are recognized when the amounts come due. In respect of government remittances, \$13,657,327 (2020 – \$13,693,985) is included in accounts payable and accrued liabilities.

# Covenant Health

## Notes to Financial Statements

March 31, 2021

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(tabular amounts in thousands of dollars)

### 28 Financial risks

#### Credit Risk

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

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

#### Market Risk

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

#### 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. Short term borrowing to meet financial obligations would be available through established credit facilities as described in note 7.

### 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.

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



## Covenant Health

### Notes to Financial Statements

March 31, 2021

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(tabular amounts in thousands of dollars)

In order to support COVID-19 initiatives, Covenant Health recorded contributions of \$26,725,050 during the year as follows which, unless otherwise noted, have been recorded as Alberta Health Services global contributions:

- \$21,234,718 for incremental operating expenditures arising from additional costs associated with the pandemic;
- \$3,488,653 for additional Health Care Aides;
- \$853,887 for lost accommodation revenue;
- \$1,147,792 as an advance for Continuing Care. This amount is recorded in Deferred Contributions (note 8) and will be utilized next fiscal year.

As Alberta progresses through the response to COVID-19, Covenant Health continues to closely monitor the impacts of COVID-19 on its operations. Overall, as the response is ongoing and an end to the pandemic is indeterminable, the related financial and operational impacts of the pandemic cannot be reliably estimated at this time.

### 30 Comparative figures

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

# Covenant Health

## Schedule of Expenses by Object For the year ended March 31, 2021

Schedule 1

(in thousands of dollars)

	Budget 2021 \$ (Unaudited – Note 17)	Actual 2021 \$	Actual 2020 \$
Salaries, benefits and severance (schedule 2)	644,597	660,138	647,086
Drugs and gases	19,803	17,796	19,181
Medical supplies	44,524	38,270	43,871
Other contracted services	41,286	36,914	38,737
Interest on long-term debt	4,255	4,179	4,388
Other*	81,160	81,692	79,565
Amortization			
Equipment	6,816	6,284	5,895
Facilities and improvements	10,488	13,354	11,872
Loss on disposal of internally restricted capital assets	-	13	8
	<u>852,929</u>	<u>858,640</u>	<u>850,603</u>
*Significant amounts included in Other			
Utilities		14,633	12,677
Food and dietary supplies		10,695	12,397
Building rent		10,378	10,241
Housekeeping, laundry and linen, plant maintenance and biomedical engineering supplies		16,535	9,436
Building and grounds expense		6,949	8,270
Equipment expense		5,425	5,126
Office supplies		3,908	4,697
Travel		2,364	3,160
Minor equipment purchases		2,084	2,181
Insurance		2,153	3,979
Licence, fees, memberships		1,960	1,696
Education		303	880
Telecommunications		949	870
Other expenses not included in the above		3,356	3,955
		<u>81,692</u>	<u>79,565</u>

## Covenant Health

Schedule of Salaries, Honoraria, Benefits, Allowances and Severance  
For the year ended March 31, 2021

Schedule 2

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

	2021										2020	
	Number of FTEs <sup>(1)</sup>	Base salary <sup>(2)</sup> \$	Other cash benefits <sup>(3)</sup> \$	Other non-cash benefits <sup>(4)</sup> \$	Subtotal \$	Severance <sup>(5)</sup>		Total \$	Number of FTEs <sup>(1)</sup>	Total \$		
						Number of Employees	Amount \$					
<b>Board chair</b>												
Stelmach, Ed	1.0	-	18	-	18	-	-	18	1.0	18		
<b>Board members</b>												
Smith, Archbishop Richard	1.0	-	-	-	-	-	-	-	1.0	-		
Fong, Angela (term started June 2020)	0.8	-	9	-	9	-	-	9	1.0	9		
Gilbertson, Ronald	1.0	-	9	-	9	-	-	9	1.0	9		
Heid, Sr. Mary Conita	1.0	-	9	-	9	-	-	9	1.0	9		
Hertz, Joan (LOA January 2020 – July 2020)	0.8	-	8	-	8	-	-	8	0.8	7		
Leskiw, Eugenia	1.0	-	11	-	11	-	-	11	1.0	11		
Martens, Paul	1.0	-	11	-	11	-	-	11	1.0	10		
McClellan, Shirley (term ended December 2020)	0.8	-	8	-	8	-	-	8	1.0	9		
Spelliscy, Timothy	1.0	-	11	-	11	-	-	11	1.0	10		
Yuzwa, Greg	1.0	-	11	-	11	-	-	11	1.0	12		
	<b>10.4</b>	<b>-</b>	<b>103</b>	<b>-</b>	<b>103</b>	<b>-</b>	<b>-</b>	<b>103</b>	<b>9.8</b>	<b>83</b>		

## Covenant Health

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

Schedule 2

For the year ended March 31, 2021

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

	Number of FTEs <sup>(1)</sup>	Base salary <sup>(2)</sup> \$	Other cash benefits <sup>(3)</sup> \$	Other non-cash benefits <sup>(4)</sup> \$	Subtotal \$	Severance <sup>(5)</sup>			Number of FTEs <sup>(1)</sup>	Total \$
						Number of Employees	Amount \$	Total \$		
<b>Staff</b>										
Chief Executive Officer	1.0	555	22	187	764	-	-	764	1.0	693
<b>Management persons reporting to CEO</b>										
Chief Financial Officer	1.0	276	12	59	347	-	-	347	1.0	302
Chief Operating Officer	1.0	350	15	103	468	-	-	468	1.0	450
Chief Human Resources Officer	1.0	289	16	60	365	-	-	365	0.9	356
Chief Medical Officer	1.0	456	21	93	570	-	-	570	1.0	529
Chief Mission & Ethics Officer	1.0	234	11	62	307	-	-	307	1.0	292
	6.0	2,160	97	564	2,821	-	-	2,821	5.9	2,622
<b>Management reporting to CEO direct reports</b>										
Other management	7.2	1,667	81	402	2,150	1.0	227	2,377	8.4	2,340
Regulated nurses not included above	342.3	36,530	525	8,289	45,344	5.0	231	45,575	338.5	45,290
RNs	1,588.4	148,304	29,775	32,962	211,041	6.0	-	211,041	1,616.4	211,706
LPNs	721.0	46,784	7,968	10,133	64,885	-	-	64,885	702.3	62,010
Other health technical and professionals	752.7	70,383	3,419	16,301	90,103	8.0	351	90,454	757.8	89,919
Unregulated health service providers	1,261.2	61,598	11,833	14,362	87,793	2.0	5	87,798	1,189.8	82,082
Other staff	2,123.3	118,390	9,337	27,333	155,060	3.0	24	155,084	2,062.8	151,024
	6,796.1	483,656	62,938	109,782	656,376	25.0	838	657,214	6,676.0	644,371
<b>Total salaries/benefits</b>	6,812.5	485,816	63,138	110,346	659,300	25.0	838	660,138	6,691.7	647,086

## Covenant Health

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

Schedule 2

For the year ended March 31, 2021

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- (1) Full-time equivalent (FTE) is determined at the rate of 2,022.75 hours for each full-time employee. FTE for board members are pro-rated using the number of days in the fiscal year between either the date of appointment and the end of the year, or the beginning of the year and the termination date.
- (2) Base salary includes pensionable base pay.
- (3) Other cash benefits include overtime, lump sum payments, shift differentials and honoraria.
- (4) Other non-cash benefits include:
- a) Employer's current service cost of the supplementary pension plan.
  - b) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, supplementary health and wellness, dental coverage, out of country medical benefits, group life insurance, accidental death and dismemberment, long-term disability plans, Canada Pension Plan, employment insurance, workers' compensation, car allowances and club memberships.
- (5) Severance expense includes amounts paid in lieu of notice and certain other severance related costs.

## Covenant Health

Schedule of Salaries, Honoraria, Benefits, Allowances and Severance ...continued  
For the year ended March 31, 2021

Schedule 2

(in thousands of dollars)

### Supplementary Pension Plan – Disclosure by Position

	2021		2020			
	Other SPP costs <sup>(1)</sup>	Total	Total	Account balances or accrued benefit obligation March 31, 2021	Change during the year <sup>(2)</sup>	Account balances or accrued benefit obligation March 31, 2020
	\$	\$	\$	\$	\$	\$
<b>Board direct reports</b>						
Chief Executive Officer	68	68	47	1,482	(92)	1,574
<b>Management persons reporting to CEO</b>						
Chief Operating Officer	30	30	20	664	(34)	698
Ex-Chief Human Resources Officer	5	5	16	-	(256)	256
Chief Mission and Ethics Officer	11	11	7	244	(18)	262
Other members	65	65	46	1,311	(216)	1,527
	179	179	136	3,701	(616)	4,317

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.

<sup>(1)</sup> Other costs include interest costs on the obligation, and initial obligations

<sup>(2)</sup> 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.

**Covenant Health**  
**Statement of Financial Position**  
**As at March 31, 2021**

(in thousands of dollars)

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 3)	66,471	66,280
Accounts receivable (note 23)	33,972	19,424
Inventories	2,973	2,879
Prepaid expenses and deposits (note 4)	4,148	4,340
Current portion of capital lease receivable (note 5)	1,453	1,410
	<u>109,017</u>	<u>94,333</u>
Investments (note 3)	99,041	79,002
Capital lease receivable (note 5)	40,331	41,784
Capital assets (note 6)	378,189	380,498
	<u>828,578</u>	<u>595,707</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 23 and 27)	92,613	78,931
Accrued vacation pay	58,422	61,271
Deferred contributions (note 8)	27,963	22,257
Current portion of long-term debt (note 9)	12,106	2,348
	<u>191,104</u>	<u>165,851</u>
Long-term debt (note 9)	103,324	108,040
Deferred capital contributions (note 10)		465
Unamortized external capital contributions (note 11)	247,358	249,905
	<u>541,786</u>	<u>524,261</u>
<b>Net Assets</b>		
Accumulated surplus	17,221	5,186
Invested in capital assets	54,153	50,327
Internally restricted (note 26)	13,420	15,933
	<u>84,794</u>	<u>71,446</u>
	<u>628,578</u>	<u>595,707</u>
<b>Contingencies (note 14)</b>		

Approved by the Board of Directors



Chairman



Director

The accompanying notes are an integral part of these financial