

# **Covenant Health**

Financial Statements

**March 31, 2024**



## 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, 2024 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, 2024;
- 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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### Unaudited budget figures

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

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



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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 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 20, 2024

## Covenant Health

### Management's Responsibility for Financial Reporting

#### Financial Statements

**March 31, 2024**

The accompanying financial statements for the year ended March 31, 2024 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.

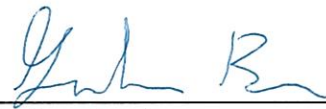
Covenant Health carries out its responsibility for the financial statements through the Audit and Finance Committee. This Committee meets with management and PricewaterhouseCoopers LLP, Covenant Health's external auditors, to review financial matters, and recommends the financial statements to the Covenant 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

July 18, 2024  
Date



Graham Barsi  
Chief Financial Officer  
Covenant Health

July 18, 2024  
Date

# Covenant Health

## Statement of Financial Position

As at March 31, 2024

(in thousands of dollars)

	2024 \$	2023 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 3)	22,783	5,202
Accounts receivable (note 23)	37,590	55,134
Inventories	2,436	2,543
Prepaid expenses and deposits (note 4)	4,189	3,244
Current portion of capital lease receivable (note 5)	2,091	2,067
	69,089	68,190
<b>Investments</b> (note 3)	49,543	103,699
<b>Capital lease receivable</b> (note 5)	51,606	54,915
<b>Land held for sale</b> (note 6)	2,793	-
<b>Capital assets</b> (note 6)	524,079	390,501
	697,110	617,305
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (notes 23 and 27)	119,430	121,993
Accrued vacation pay	57,926	57,166
Deferred contributions (note 8)	32,458	31,460
Current portion of long-term debt (note 9)	11,154	11,487
	220,968	222,106
<b>Long-term debt</b> (note 9)	87,999	93,314
<b>Unamortized external capital contributions</b> (note 11)	337,253	248,463
	646,220	563,883
<b>Net Assets</b>		
<b>Accumulated deficit</b>	(98,819)	(45,115)
<b>Invested in capital assets</b>	139,416	88,242
<b>Internally restricted</b> (note 26)	10,293	10,295
	50,890	53,422
	697,110	617,305
<b>Contingencies</b> (note 14)		
<b>Approved by the Board of Directors</b>		

\_\_\_\_\_  
Director

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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, 2024

(in thousands of dollars)

	2024			2023
	Accumulated deficit \$	Invested in capital assets \$	Internally restricted \$ (note 26)	Total \$
<b>Balance – beginning of year</b>	(45,115)	88,242	10,295	53,422
Deficiency of revenue over expenses	(2,659)	-	-	(2,659)
Capital assets purchased with internal funds	(54,297)	54,299	(2)	-
Amortization of internally funded capital assets	4,313	(4,313)	-	-
Repayment of long-term debt used to fund capital assets	(3,592)	3,592	-	-
Capital lease receivable	368	(368)	-	-
Disposal of internally funded capital assets	2,036	(2,036)	-	-
Remeasurement of supplementary pension plan (note 13(a))	127	-	-	127
<b>Balance – end of year</b>	(98,819)	139,416	10,293	50,890

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

# Covenant Health

## Statement of Operations

For the year ended March 31, 2024

(in thousands of dollars)

	<b>Budget 2024 \$</b> (Unaudited – note 17)	<b>Actual 2024 \$</b>	<b>Actual 2023 \$</b>
<b>Revenue and other income</b>			
Alberta Health Services global contributions (note 18)	834,153	846,239	781,526
Other government contributions	21,298	22,163	21,304
Fees and charges (note 19)	60,253	59,519	52,410
Ancillary operations	22,061	20,966	20,839
Donations	1,609	1,942	1,834
Investment	5,000	4,032	5,219
Other income (note 20)	10,665	10,541	12,996
Amortization of external capital contributions (note 11)	15,267	19,299	16,610
	<b>970,306</b>	<b>984,701</b>	<b>912,738</b>
<b>Expenses (schedule 1)</b>			
Inpatient acute nursing services	343,766	361,197	332,792
Emergency and outpatient services	103,766	110,983	98,468
Facility-based continuing care services	89,457	91,425	86,824
Ambulance services	2,476	2,528	2,429
Community based care	21,013	21,586	20,381
Diagnostic and therapeutic services	124,101	124,145	115,792
Promotion, prevention and protection services	4,356	2,755	7,940
Research and education	3,221	2,978	3,472
Administration (note 21)	43,646	42,747	39,177
Information technology	1,836	1,862	1,785
Support services (note 22)	232,668	229,564	219,931
	<b>970,306</b>	<b>991,770</b>	<b>928,991</b>
<b>Deficiency of revenue over expenses before other items</b>	-	(7,069)	(16,253)
Fair value change in investments	-	4,410	(4,769)
<b>Deficiency of revenue over expenses</b>	-	(2,659)	(21,022)

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



# Covenant Health

## Statement of Cash Flows

For the year ended March 31, 2024

(in thousands of dollars)

	2024 \$	2023 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Deficiency of revenue over expenses	(2,659)	(21,022)
Items not affecting cash		
Amortization of capital assets:		
Internally funded	4,313	4,123
Externally funded	19,299	16,610
Amortization of externally funded capital contributions (note 11)	(19,299)	(16,610)
Unrealized (gain) loss from investments measured at fair value	(4,410)	4,769
Disposal of internally funded capital assets	2,036	1,175
Remeasurement of supplementary pension plan (note 13(a))	127	390
	(593)	(10,565)
Net change in non-cash working capital items (note 24)	16,645	16,307
	16,052	5,742
<b>Investing activities</b>		
Proceeds on sale of investments	71,257	-
Purchase of investments	(12,691)	(3,841)
Proceeds on capital leases	3,653	1,626
Purchases of capital assets:		
Internally funded – equipment	(355)	(235)
Internally funded – facility and improvements	(53,129)	(24,051)
Externally funded – equipment	(9,578)	(7,174)
Externally funded – facility and improvements	(10,135)	(12,116)
	(10,978)	(45,791)
<b>Financing activities</b>		
Principal payments on long-term debt	(5,648)	(5,423)
Capital contributions received and investment earnings on capital contributions (note 10)	18,155	21,432
	12,507	16,009
<b>Change in cash and cash equivalents</b>	17,581	(24,040)
<b>Cash and cash equivalents – beginning of year</b>	5,202	29,242
<b>Cash and cash equivalents – end of year</b>	22,783	5,202

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

# Covenant Health

## Notes to Financial Statements

March 31, 2024

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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.

On November 8, 2023, the Government of Alberta announced plans to refocus healthcare in Alberta which will result in the creation of four organizations overseen by the Government. The four organizations are: Recovery Alberta (Mental Health and Addiction), a Primary Care organization, an Acute Care organization, and a Continuing Care organization. The refocus is in its early stages and any related financial, operational, or organizational impacts to Covenant Health cannot be reliably estimated at this time.

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

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

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

# Covenant Health

## Notes to Financial Statements

March 31, 2024

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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, 2024

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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. Financial assets originated or acquired, and financial liabilities issued or assumed in a related party transaction are initially measured at cost. For financial instruments with repayment terms, cost is determined as the sum of undiscounted cash flows, excluding interest and dividend payments, of the instrument less any impairment losses. For financial instruments with no repayment terms, cost is determined by reference to the consideration transferred or received. The instruments are subsequently measured at cost less any reduction for impairment. All other financial instruments are subsequently recorded at amortized cost.

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

### **e) Capital lease receivable**

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

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

### **f) Capital assets**

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

# Covenant Health

## Notes to Financial Statements

March 31, 2024

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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	2 – 25 years
Buildings	10 – 40 years
Leasehold improvements	Lesser of the term of the related lease and any specific component useful life
Parking lot and lot improvements	20 years
Major equipment	3 – 30 years
Computer software	1 – 5 years

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

**g) Assets held for sale**

Non-current assets and associated liabilities are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction, rather than continuing use, and a sale is highly probable.

Assets designated as held for sale are held at the lower of carrying amount at designation and fair value less cost to sell.

Depreciation is not charged against capital assets classified as held for sale.

**h) Employee future benefits**

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

# Covenant Health

## Notes to Financial Statements

March 31, 2024

(tabular amounts in thousands of dollars)

### i) 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

	2024		2023	
	Fair value \$	Cost \$	Fair value \$	Cost \$
Cash and term deposits	22,783	22,783	5,202	5,202
Pooled fund investments	49,543	44,953	103,699	103,519
	72,326	67,736	108,901	108,721

The pooled fund investments are summarized as follows:

	Fair value \$	Cost \$
Bonds and debentures	14,107	14,989
Canadian equities	6,058	5,171
International equities	29,378	24,793
	49,543	44,953

Cash and cash equivalents and investments are reported as:

	2024 \$	2023 \$
Cash and cash equivalents	22,783	5,202
Investments	49,543	103,699
	72,326	108,901

In order to earn optimal financial returns at an acceptable level of risk, the Board of Directors 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, 2024

(tabular amounts in thousands of dollars)

### 4 Prepaid expenses and deposits

	2024 \$	2023 \$
Basic life, short-term disability and long-term disability	2,881	1,875
Extended health, dental and vision	490	490
Other deposits and prepaid expenses	818	879
	<u>4,189</u>	<u>3,244</u>

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

	2024 \$	2023 \$
Villa Marie Phase I, capital lease receivable from Covenant Care due December 2038, repayable in monthly instalments of \$18 including interest at 3.545%.	2,547	2,677
Villa Marie Phase II, capital lease receivable from Covenant Care due July 2043, repayable in monthly instalments of \$38 including interest at 2.915%.	6,865	7,127
St. Teresa Place, capital lease receivable from Covenant Care due April 2042, repayable in monthly instalments of \$165 including interest at 2.989%.	27,881	29,030
Buffalo Grace Manor, capital lease receivable from Covenant Care due December 2047, repayable in monthly installments of \$78 including interest at 2.691%	16,404	18,148
	<u>53,697</u>	<u>56,982</u>
Less: Current portion	<u>2,091</u>	<u>2,067</u>
	<u>51,606</u>	<u>54,915</u>

In fiscal 2023, a capital lease arrangement was entered with Covenant Care, an entity under common control, to transfer a property constructed by Covenant Health. The lease arrangement for Buffalo Grace Manor was entered into on December 1, 2022 and amended on March 31, 2024 including a \$1,600,000 lump sum payment. The balance transferred from Covenant Health to Covenant Care included the book value of assets of \$369,013 (2023

# Covenant Health

## Notes to Financial Statements

March 31, 2024

(tabular amounts in thousands of dollars)

- \$28,591,269), external capital contributions of \$580 (2023 - \$10,314,533) and a capital lease receivable of \$368,433 (2023 - \$18,276,736).

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

	\$
2025	3,608
2026	3,608
2027	3,608
2028	3,608
2029	3,608
Thereafter	52,334
	<u>70,374</u>
Less: Amounts representing interest	<u>(16,677)</u>
	<u>53,697</u>

## 6 Capital assets

	2024		
	Cost \$	Accumulated amortization \$	Net book value \$
<b>Operating assets</b>			
Land	42,322	-	42,322
Land improvements	6,226	4,115	2,111
Buildings	126,128	55,814	70,314
Leasehold improvements	319,806	77,845	241,961
Major equipment	151,828	87,875	63,953
Computer software	1,948	1,750	198
Construction projects-in-progress	101,057	-	101,057
	<u>749,315</u>	<u>227,399</u>	<u>521,916</u>
<b>Ancillary assets</b>			
Land	120	-	120
Buildings	344	136	208
Leasehold improvements	721	153	568
Parking lot and lot improvements	2,261	1,253	1,008
Major equipment	586	327	259
	<u>4,032</u>	<u>1,869</u>	<u>2,163</u>
	<u>753,347</u>	<u>229,268</u>	<u>524,079</u>

Covenant Health has a committed plan to sell a plot of land with a net book value \$2,793,000. Land has been reclassified as held for sale as at March 31, 2024.



# Covenant Health

## Notes to Financial Statements

March 31, 2024

(tabular amounts in thousands of dollars)

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

## 7 Bank indebtedness

Covenant Health has an unsecured operating line of credit to a maximum of \$50,000,000 (2023 – \$50,000,000), which was undrawn at March 31, 2024 and March 31, 2023. Interest is charged at prime minus 0.5% (2023 – 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 (2023 – \$20,000,000), of which \$293,000 (2023 – \$nil) was outstanding at March 31, 2024. Issuance fee is charged at 0.5% per annum (2023 – 0.5%).

## 8 Deferred contributions

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

	2024 \$	2023 \$
Balance – beginning of year	31,460	28,853
Contributions received during the year	8,329	10,979
Contributions recognized as revenue	(7,065)	(8,372)
Contributions repayable	(266)	-
Balance – end of year	32,458	31,460

# Covenant Health

## Notes to Financial Statements

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(tabular amounts in thousands of dollars)

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

	2024 \$	2023 \$
Research and education	1,259	1,503
Capital renewal and maintenance	26,071	24,527
Rural capacity investment fund	-	1,070
Patient care	5,128	4,360
	<u>32,458</u>	<u>31,460</u>

## 9 Long-term debt

	2024 \$	2023 \$
Youville Home mortgage, due May 2032, repayable in monthly instalments of \$73 including interest at 5.519%, secured by land and building with a net book value of \$13,336	5,840	6,384
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 \$18,282	12,037	13,203
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 \$47,672. Assets are under a capital lease arrangement (note 5) and are not recorded in these financial statements.	27,463	28,734
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 \$25,155	10,424	10,882
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 \$14,355	3,128	3,248
Villa Marie Phase II mortgage, due June 2042, repayable in semi-annual instalments of \$237 including interest at 2.915%, secured by land and building with a net book value of \$10,320. Assets are under a capital lease arrangement (note 5) and are not recorded in these financial statements.	6,737	7,009
Covenant Health Southeast Campus mortgage, due December 2042 repayable in semi-annual instalments of \$557 including interest of 3.0035%, secured by land with a net book value of \$16,633	16,050	16,669
Covenant Health Southeast Campus loan from Spiritus Vitae Catholic Health Sponsor, 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.	2,781	3,465

# Covenant Health

## Notes to Financial Statements

March 31, 2024

(tabular amounts in thousands of dollars)

Buffalo Grace Manor mortgage, due December 2044, repayable in semi-annual instalments of \$460 including interest of 2.691%, secured by land and building with a net book value of \$26,898. Assets are under capital lease arrangement (note 5) and are not recorded in these financial statements.

	14,693	15,207
	99,153	104,801
Less: Current portion	11,154	11,487
	87,999	93,314

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.

Principal repayments over the next five years and thereafter based on the current repayment schedules are approximately as follows:

	\$
2025	5,892
2026	6,144
2027	6,409
2028	6,488
2029	6,171
Thereafter	68,049
	99,153

## 10 Deferred capital contributions

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

	2024 \$	2023 \$
Balance – beginning of year	-	-
Contributions received during the year	18,155	21,432
Transferred to unamortized external capital contributions (note 11)	(18,155)	(21,432)
Balance – end of year	-	-

# Covenant Health

## Notes to Financial Statements

March 31, 2024

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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.

	2024 \$	2023 \$
Balance – beginning of year	248,463	246,175
Transferred from deferred capital contributions (note 10)	18,155	21,432
Alberta Health Services contributed assets (note 16)	16,911	8,718
Alberta Infrastructure contributed assets (note 16)	73,138	-
Disposal of external funded capital assets	(115)	(937)
Transferred to Covenant Care as part of capital lease (note 5)	-	(10,315)
Amortization of externally funded capital assets	(19,299)	(16,610)
Balance – end of year	337,253	248,463

### 12 Forgivable loan

In 2007, Alberta Health Services advanced a forgivable loan of \$7,158,844 to Youville Home. The loan incurs interest at a rate of prime plus 2% and is due on demand. The loan is secured by land and building with a net book value of \$13,336,402 (2023 – \$13,961,823). 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, 2024, the remaining liability of \$4,116,336 (2023 – \$4,295,306) is recorded in unamortized external capital contributions and \$357,942 (2023 – \$178,971) is the contingent liability balance. Interest expense of \$407,400 (2023 – \$336,945) was forgiven for the year ended March 31, 2024.

# Covenant Health

## Notes to Financial Statements

March 31, 2024

(tabular amounts in thousands of dollars)

### 13 Long-term employee benefits

#### a) Supplementary pension plan

	2024 \$	2023 \$
<b>Accrued benefit obligation</b>		
Accrued obligation – beginning of year	2,645	3,194
Current service cost		
Benefits paid	(71)	(296)
Interest cost	135	137
Actuarial gain remeasurement	(127)	(390)
Accrued obligation – end of year	2,582	2,645
Fair value of plan assets	2,582	2,645
Funded status of plan	-	-

Significant actuarial assumptions are as follows:

Discount rate	4.90%	5.10%
Expected age of retirement	Age 60	Age 60
Salary increase	0% in 2024; 3% thereafter	6.25% in 2023; 3% thereafter

The supplementary pension plan was established in 2007 with service granted from January 1, 2007.

The above information is based on the actuarial valuation performed at March 31, 2024.

The accrued benefit obligation of \$2,582,000 (2023 – \$2,645,000) 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 \$303,448 (2023 – \$252,987) to the DCRP.

#### b) Pension expense

Employees of Covenant Health participate in the Local Authorities Pension Plan (LAPP), which is covered by the Public Sector Pension Plans Act. The Plan serves about 291,000 people and about 437 employers. It is financed by employer and employee contributions and investment earnings of the LAPP fund.

# Covenant Health

## Notes to Financial Statements

March 31, 2024

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(tabular amounts in thousands of dollars)

Contributions for current service are recorded as expenditures in the year in which they become due. In the current year, Covenant Health contributed \$36,015,545 to LAPP (2023 – \$35,452,831).

Covenant Health is required to make current service contributions to the Plan of 8.45% (8.45% to December 31, 2023) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 11.65% (12.23% to December 31, 2023) on pensionable earnings above this amount. Employees of Covenant Health are required to make current service contributions of 7.45% (7.45% to December 31, 2023) of pensionable salary up to the year's maximum pensionable salary, as defined by Canada Revenue Agency, and 10.65% (11.23% to December 31, 2023) on pensionable salary above this amount.

At December 31, 2022, LAPP reported a surplus of \$12,671,000,000 (December 31, 2021 – \$11,922,000,000).

### 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 \$15.00 (2023 – \$14.51) per resident day. During the year, Covenant Health paid Alberta Health Services \$2,695,848 (2023 – \$2,595,432) 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. During the year, Covenant Health paid Alberta Health Services \$66,614 (2023 – \$159,180) relating to storage and administration space. The annual lease commitments under the Head Lease and Sublease Agreements will fluctuate due to changes in the number of resident days and occupied square metres.

# Covenant Health

## Notes to Financial Statements

March 31, 2024

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(tabular amounts in thousands of dollars)

- c) In the prior year, Covenant Health entered into an operating lease agreement with 112 Campus Ltd. to lease corporate office space. The lease agreement expires in May 2042 with two optional five year extensions. Under the agreement, in addition to lease payments, Covenant Health is responsible for the reimbursement of operating costs including property taxes to 112 Campus Ltd.

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

	\$
2025	1,029,616
2026	1,029,616
2027	1,029,616
2028	1,231,862
2029	1,250,248
Thereafter	<u>18,931,451</u>
	<u>24,502,409</u>

- d) The Government of Alberta has committed \$3,983,000 over five (2023 – four) years to Covenant Health the purpose of funding Palliative and End of Life Care Advanced Care Planning project. During the year, the agreement was extended to September 30, 2025. Covenant Health has received the total funding of \$3,983,000 (2023 - \$2,669,000) and, to date, has incurred \$2,490,327 (2023 - \$1,846,488) in costs.
- e) Alberta Health has committed \$1,430,000 over five (2023 – four) years to Covenant Health for the purpose of funding Palliative and End of Life Care Public Awareness project. During the year, the agreement was extended to September 30, 2025. Covenant Health has received the total funding of \$1,430,000 (2023 - \$1,070,000) and, to date, has incurred \$1,129,799 (2023 - \$899,646) in costs.
- f) Alberta Health has committed \$2,120,315 over four years to Covenant Health for the purpose of funding a standardized competency based palliative care education program. Covenant Health has received \$1,561,259 (2023 - \$1,561,259) of the total funding and, to date, has incurred \$1,295,295 (2023 - \$716,429) in costs. Unspent funds of \$265,964 are included in accounts payable and accrued liabilities.
- g) The Government of Canada has committed \$957,069 over three years to Covenant Health for the purpose of funding pathways of care for individuals experiencing mental health concerns. Covenant Health has received \$100,017 (2023 - \$nil) of the total funding and, to date, has incurred \$339,822 (2023 - \$18,000) in costs.
- h) In fiscal 2022, Covenant Health entered into a development management agreement for planning, zoning, subdivision and development of a Covenant Wellness Community which will require Covenant Health to pay the development manager based on a percentage of the Covenant Wellness Community project costs over the course of the project. During the prior year, Covenant Health entered into a stipulated price contract for the construction of the Covenant Wellness Community – Community Health Centre and associated site work. The total commitments under these agreements are approximately \$100,000,000. To date, Covenant

# Covenant Health

## Notes to Financial Statements

March 31, 2024

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(tabular amounts in thousands of dollars)

Health has incurred \$82,976,126 (2023 - \$29,744,333) in planning, development and construction costs related to this project.

### 16 Contributed assets and services

Certain healthcare facilities are provided to Covenant Health by Alberta Health Services at \$nil or nominal rents. The fair value for the use of these facilities amounts to \$6,401,610 (2023 – \$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 \$16,911,205 (2023 – \$8,718,175) in kind towards Covenant Health construction projects-in-progress and Alberta Infrastructure contributed \$73,138,424 (2023 - \$nil) in kind towards Covenant Health for the Misericordia Community Hospital Emergency Department which opened on November 21, 2023. 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 17, 2023 by the Board of Directors of Covenant Health.

### 18 Alberta Health Services global contributions

	2024 \$	2023 \$
Alberta Health Services global contributions, net of repayments		
Contributions related to the year ended March 31, 2024	838,032	-
Contributions related to the year ended March 31, 2023	9,776	783,090
Contribution allocated to deferred contributions – capital renewal and maintenance	(1,569)	(1,564)
	<u>846,239</u>	<u>781,526</u>

### 19 Fees and charges

Fees and charges include amounts charged for long-term care accommodation, semi-private and private room charges and services to non-Albertan and non-Canadian residents. These amounts have been reduced by bad debts expense of \$4,034,856 (2023 – \$4,129,301).



## Covenant Health

### Notes to Financial Statements

March 31, 2024

(tabular amounts in thousands of dollars)

#### 20 Other income

	2024 \$	2023 \$
Sales and recoveries	10,378	12,406
Other	163	590
	<u>10,541</u>	<u>12,996</u>

#### 21 Administration

	2024 \$	2023 \$
General administration	19,949	18,311
Human resources	13,172	11,754
Finance	6,297	6,007
Communications	3,329	3,105
	<u>42,747</u>	<u>39,177</u>

#### 22 Support services

	2024 \$	2023 \$
Facility operations	92,402	83,717
Patient food services	33,383	31,560
Housekeeping	26,206	26,445
Ancillary operations	18,325	21,991
Materials management	17,699	16,419
Education	13,135	10,213
Laundry and linen	9,786	9,821
Patient health records	7,670	9,125
Patient registration	7,548	7,316
Patient transportation	2,017	2,002
Volunteer services	996	911
Emergency preparedness	397	411
	<u>229,564</u>	<u>219,931</u>

#### 23 Related parties

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

# Covenant Health

## Notes to Financial Statements

March 31, 2024

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(tabular amounts in thousands of dollars)

### **a) Spiritus Vitae Catholic Health Sponsor (formerly Catholic Health of Alberta and Saskatchewan)**

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

On April 12, 2024 Catholic Health of Alberta and Saskatchewan's Articles of Association were amended to change its name to Spiritus Vitae Catholic Health Sponsor.

During the year, Spiritus Vitae Catholic Health Sponsor paid grants of \$535,000 (2023 – \$663,500) to Covenant Health which were recorded by Covenant Health as deferred contributions. Spiritus Vitae Catholic Health Sponsor also paid \$100,600 (2023 – \$100,600) in administrative support to Covenant Health which is recorded as other income and as a salary and benefit recovery. As at March 31, 2024, \$24,876 (2023 – \$4,525) is receivable from Spiritus Vitae Catholic Health Sponsor.

In fiscal 2018, Spiritus Vitae Catholic Health Sponsor advanced a loan of \$6,500,000 to Covenant Health. The loan accrues interest at a rate of 3.405% annually and is unsecured. During the year, Covenant Health made principal repayments of \$683,640 (2023 – \$660,786) and incurred interest expense of \$107,368 (2023 – \$130,222).

### **b) Covenant Living**

Covenant Health paid Covenant Living, an entity under common control, rental payments of \$41,276 (2023 – \$41,470).

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 (2023 – \$32,563,606) and accumulated amortization of \$7,408,618 (2023 – \$6,293,525) as at March 31, 2024. 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 (note 9).

During the year, Covenant Health received \$960,901 (2023 – \$960,901) in rental income.

As at March 31, 2024, \$191,270 (2023 – \$164,999) is receivable from Covenant Living.

### **c) Covenant Care**

Covenant Care, an entity under common control, paid administrative support to Covenant Health in the amount of \$604,428 (2023 – \$543,494) which was recorded as other income in these financial statements and made payments under the capital lease arrangements (note 5). As at March 31, 2024, \$2,227,800 (2023 – \$1,448,801) is receivable from Covenant Care.

During the year, Covenant Care entered into a sub-lease agreement with Covenant Health to lease corporate office space. The agreement commenced April 1, 2023, and expires April 30, 2042. Annual payments escalate over the lease term ranging from \$111,494 to \$141,438.

# Covenant Health

## Notes to Financial Statements

March 31, 2024

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(tabular amounts in thousands of dollars)

### 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, 2024 is \$22,807,639 (2023 – \$31,816,883) owing from Alberta Health Services. Included in accounts payable and accrued liabilities at March 31, 2024 is \$34,813,258 (2023 – \$37,878,851) owing to Alberta Health Services.

Alberta Precision Laboratories Ltd. (APL) is a wholly owned subsidiary of Alberta Health Services. Included in accounts receivable at March 31, 2024 is \$7,331 (2023 – \$nil) owing from APL. Included in accounts payable and accrued liabilities at March 31, 2024 is \$61,522 (2023 – \$73,179) owing to APL.

These transactions occur in the normal course of operations. Other transactions are described throughout the financial statements.

In order to support the novel coronavirus (COVID-19) initiatives, Covenant Health recorded contributions of \$5,304,644 (2023 - \$32,433,824) during the year, unless otherwise noted, have been recorded as Alberta Health Services global contributions:

- \$4,219,991 (2023 - \$28,103,630) for incremental operating expenditures arising from additional costs associated with pandemic;
- \$875,509 (2023 - \$3,501,779) for additional Health Care Aides;
- \$209,144 (2023 - \$828,414) for lost accommodation revenue

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

### e) Foundations

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

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

# Covenant Health

## Notes to Financial Statements

March 31, 2024

(tabular amounts in thousands of dollars)

	2024			2023		
	Assets \$	Liabilities \$	Net assets \$	Assets \$	Liabilities \$	Net assets \$
Covenant Foundation	43,971	6,552	37,419	41,794	6,728	35,066
Mary Immaculate Hospital (Mundare) Foundation	88	10	78	92	6	86
Our Lady of the Rosary Hospital Foundation	776	14	762	765	17	748
St. Mary's Hospital, Camrose Foundation	6,861	53	6,808	6,217	19	6,198
St. Mary's Trochu Foundation	1,631	10	1,621	1,492	7	1,485
Killam & District Health Care Foundation	615	40	575	551	12	539
Bonnyville Health Foundation	1,606	379	1,227	1,311	237	1,074
	55,548	7,058	48,490	52,222	7,026	45,196

	2024			2023		
	Revenue \$	Expenses \$	Excess (deficiency) \$	Revenue \$	Expenses \$	Excess (deficiency) \$
Covenant Foundation	12,298	9,945	2,353	7,053	9,872	(2,819)
Mary Immaculate Hospital (Mundare) Foundation	20	28	(8)	18	24	(6)
Our Lady of the Rosary Hospital Foundation	64	50	14	24	44	(20)
St. Mary's Hospital, Camrose Foundation	874	263	611	80	205	(125)
St. Mary's Trochu Foundation	213	77	136	39	74	(35)
Killam & District Health Care Foundation	106	70	36	52	91	(39)
Bonnyville Health Foundation	670	517	153	266	392	(126)
	14,245	10,950	3,295	7,532	10,702	(3,170)

# Covenant Health

## Notes to Financial Statements

March 31, 2024

(tabular amounts in thousands of dollars)

	2024			2023		
	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	227	(23)	-	(1,370)	926	-
Mary Immaculate Hospital (Mundare) Foundation	1	-	-	(12)	-	-
Our Lady of the Rosary Hospital Foundation	(17)	(6)	-	(2)	(3)	-
St. Mary's Hospital, Camrose Foundation	(73)	46	-	(103)	46	-
St. Mary's Trochu Foundation	20	(2)	-	6	(12)	-
Killam & District Health Care Foundation	35	-	-	(36)	-	-
Bonnyville Health Foundation	199	5	-	(7)	(1)	-
	392	20	-	(1,524)	956	-

	Resources held by Foundation as at March 31, 2024			
	Contributions received by Covenant Health for the year ended March 31,		Endowments, Internally Restricted and donor restricted	Unrestricted
	2024 \$	2023 \$	\$	\$
Covenant Foundation	2,885	2,180	31,798	5,621
Mary Immaculate Hospital (Mundare) Foundation	16	17	31	47
Our Lady of the Rosary Hospital Foundation	9	5	588	174
St. Mary's Hospital Camrose Foundation	169	119	1,226	5,582
St. Mary's Trochu Foundation	37	41	308	1,313
Killam & District Health Care Foundation	44	68	226	349
Bonnyville Health Foundation	269	288	1,010	217
	3,429	2,718	35,187	13,303

# Covenant Health

## Notes to Financial Statements

March 31, 2024

(tabular amounts in thousands of dollars)

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

	<b>Administrative support and office space</b>		<b>Accounts receivable</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Covenant Foundation	308	283	1,899	917
Mary Immaculate (Mundare) Hospital Foundation	-	-	-	-
Our Lady of the Rosary Hospital Foundation	16	16	-	-
St. Mary's Hospital, Camrose Foundation	20	16	40	7
St. Mary's Trochu Foundation	-	-	-	1
Killam & District Health Care Foundation	-	-	30	6
Bonnyville Health Foundation	-	-	35	11
	<b>344</b>	<b>315</b>	<b>2,004</b>	<b>942</b>

Effective on the close of business on March 31, 2024, Mary Immaculate (Mundare) Hospital Foundation entered into an Asset and Liability Transfer Agreement with Covenant Foundation to transfer its assets and liabilities to Covenant Foundation.

## 24 Supplementary cash flow information

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

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Accounts receivable	17,544	(4,243)
Inventories	107	461
Prepaid expenses and deposits	(945)	(1,678)
Accounts payable and accrued liabilities	(1,819)	20,227
Accrued vacation pay	760	(1,067)
Deferred contributions	998	2,607
	<b>16,645</b>	<b>16,307</b>

b) During the year, Covenant Health paid \$3,766,288 (2023 – \$3,674,214) in interest on long-term debt.

# Covenant Health

## Notes to Financial Statements

March 31, 2024

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(tabular amounts in thousands of dollars)

### 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, 2024, the balance of funds held by Covenant Health is \$4,584,754 (2023 – \$4,135,219).

### 26 Internally restricted net assets

	March 31, 2023 \$	Transfers in \$	Transfers out \$	March 31, 2024 \$
Care and Services Fund	4,525	-	-	4,525
Benefit Surplus Fund	3,510	-	-	3,510
Ancillary Capital Renewal Fund	2,260	-	(2)	2,258
	10,295	-	(2)	10,293

### 27 Government remittances

Government remittances consist of amounts such as sales taxes and payroll withholding taxes required to be paid to government authorities and are recognized when the amounts come due. In respect of government remittances, \$7,848,415 (2023 – \$7,355,959) is included in accounts payable and accrued liabilities.

### 28 Financial risks

#### Credit Risk

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

Covenant Health is subject to credit risk on investments and has an established investment policy with required minimum credit quality standards to manage this risk.

#### Market Risk

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

# Covenant Health

## Notes to Financial Statements

March 31, 2024

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(tabular amounts in thousands of dollars)

### Liquidity Risk

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



# Covenant Health

Schedule of Expenses by Object  
For the year ended March 31, 2024

Schedule 1

(in thousands of dollars)

	Budget 2024 \$ (Unaudited – Note 17)	Actual 2024 \$	Actual 2023 \$
Salaries, benefits and severance (schedule 2)	733,401	738,842	687,047
Drugs and gases	18,544	19,574	18,786
Medical supplies	45,602	51,822	52,553
Other contracted services	44,494	52,403	45,614
Interest on long-term debt	3,749	4,156	3,998
Other*	105,327	101,693	100,152
Amortization			
Equipment	5,029	6,294	6,238
Facilities and improvements	14,160	17,318	14,495
(Gain) loss on disposal of internally funded capital assets	-	(332)	108
	970,306	991,770	928,991
*Significant amounts included in Other			
Utilities		25,875	23,376
Food and dietary supplies		14,614	13,022
Housekeeping, laundry and linen, plant maintenance and biomedical engineering supplies		13,886	15,438
Building rent		10,748	11,236
Building and grounds expense		9,936	11,386
Equipment expense		6,861	6,190
Office supplies		3,520	4,572
Minor equipment purchases		3,174	2,825
Travel		2,894	2,599
Insurance		2,763	2,603
Licence, fees, memberships		2,023	2,172
Telecommunications		1,174	891
Education		753	568
Other expenses not included in the above		3,472	3,274
		101,693	100,152

# Covenant Health

## Schedule of Salaries, Honoraria, Benefits, Allowances and Severance For the year ended March 31, 2024

## Schedule 2

(in thousands of dollars)

	2024					2023				
	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	-
Abtcil-Michalyshyn, Carole (term started January 2024)	0.2	-	1	-	1	-	-	1	-	-
Cullum, Stuart (term started January 2024)	0.2	-	1	-	1	-	-	1	-	-
Dugas, Wendy (term started July 2023)	0.7	-	7	-	7	-	-	7	-	-
Germann, Karl (term started July 2023)	0.7	-	8	-	8	-	-	8	-	-
Shandro, Tyler (term started January 2024)	0.2	-	1	-	1	-	-	1	-	-
Spelliscy, Timothy	1.0	-	12	-	12	-	-	12	1.0	10
Yuzwa, Greg	1.0	-	14	-	14	-	-	14	1.0	13
Fong, Angela (term ended November 2023)	0.6	-	6	-	6	-	-	6	1.0	10
Gilbertson, Ronald (term ended June 2023)	0.2	-	2	-	2	-	-	2	1.0	9
Heid, Sr. Mary Corita (term ended December 2023)	0.8	-	8	-	8	-	-	8	1.0	12
Hertz, Joan (term ended January 2023)	-	-	-	-	-	-	-	-	0.8	7
MacDonald, Elan (term ended February 2024)	0.9	-	9	-	9	-	-	9	1.0	10
Martens, Paul (term ended January 2023)	-	-	-	-	-	-	-	-	0.8	8
	8.5	-	87	-	87	-	-	87	9.6	97

# Covenant Health

## Schedule of Salaries, Honoraria, Benefits, Allowances and Severance For the year ended March 31, 2024

## Schedule 2

(in thousands of dollars)

	2024								2023 <sup>(6)</sup>	
	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 \$			
Staff										
Chief Executive Officer	1.0	556	12	194	762	-	-	762	1.0	780
Management persons reporting to CEO										
Chief Financial Officer	1.0	279	12	56	347	-	-	347	0.9	300
Chief Operating Officer	1.0	402	17	113	532	-	-	532	1.0	492
Chief Human Resources Officer	1.0	318	14	67	399	-	-	399	0.6	238
Chief Medical Officer	0.8	391	16	85	492	-	-	492	0.8	452
Chief Mission & Ethics Officer	1.0	240	19	56	315	-	-	315	1.0	285
Chief Innovation Officer	1.0	271	12	55	338	-	-	338	1.0	311
Chief Quality & Privacy Officer	1.0	242	11	54	307	-	-	307	1.0	290
	7.8	2,699	113	680	3,492	-	-	3,492	7.3	3,148
Management comprising remainder of Senior Leadership Team	5.2	1,382	53	338	1,773	1.0	17	1,790	5.5	1,747
Other management	326.9	38,870	650	8,939	48,459	7.0	234	48,693	317.3	44,460
Regulated nurses not included above										
RNs	1,737.6	167,014	41,867	39,902	248,783	-	-	248,783	1,599.9	221,778
LPNs	770.7	50,506	10,819	12,161	73,486	-	-	73,486	758.1	70,212
Other health technical and professionals	776.4	75,737	4,619	18,858	99,214	1.0	20	99,234	756.9	92,647
Unregulated health service providers	1,271.1	63,860	15,276	16,469	95,605	-	-	95,605	1,235.9	89,294
Other staff	2,124.1	126,304	10,452	30,806	167,562	8.0	110	167,672	2,171.5	163,664
	7,012.0	523,673	83,736	127,473	734,882	17.0	381	735,263	6,845.1	683,802
Total salaries/benefits	7,028.3	526,372	83,936	128,153	738,461	17.0	381	738,842	6,862.0	687,047

## Covenant Health

### Schedule of Salaries, Honoraria, Benefits, Allowances and Severance ... *continued* Schedule 2 For the year ended March 31, 2024

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(in thousands of dollars)

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

## Covenant Health

Schedule of Salaries, Honoraria, Benefits, Allowances and Severance ... *continued* Schedule 2

For the year ended March 31, 2024

(in thousands of dollars)

	2024		2023			
	Other SPP costs <sup>(1)</sup> \$	Total \$	Total \$	Account balances or accrued benefit obligation March 31, 2024 \$	Change during the year <sup>(2)</sup> \$	Account balances or accrued benefit obligation March 31, 2023 \$
<b>Board direct reports</b>						
Chief Executive Officer	67	67	60	1,337	31	1,306
<b>Management persons reporting to CEO</b>						
Chief Operating Officer	28	28	27	518	(26)	544
Chief Mission and Ethics Officer	6	6	10	65	(62)	127
Other members	34	34	40	662	(6)	668
	135	135	137	2,582	(63)	2,645

Under the terms of the supplementary pension plan (SPP), certain management may receive supplemental pension payments. Retirement arrangement costs as detailed above are not cash payments in the period but are the period expenses for rights to future compensation. Costs are based on actuarial assumptions described in note 13(a) and reflect the total estimated cost to provide annual pension income over an actuarially determined post-employment period. SPP provides future pension benefits to participants based on years of service and earnings.

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

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