

Covenant Health

Financial Statements

March 31, 2025



Independent auditor's report

To the Members and Board of Directors of Covenant Health

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Covenant Health (the Organization) as at March 31, 2025 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, 2025;
- the statement of changes in net assets for the year then ended;
- the statement of operations for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Unaudited budget figures

The budget figures in the Budget 2025 column on the statement of operations are supplementary information and have not been audited.

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



Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern.



If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Edmonton, Alberta
June 20, 2025

Covenant Health

Management's Responsibility for Financial Reporting

Financial Statements

March 31, 2025

The accompanying financial statements for the year ended March 31, 2025 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

June 20, 2025
Date



Graham Barsi
Senior Corporate Officer, Finance
Covenant Health

June 20, 2025
Date

Covenant Health

Statement of Financial Position

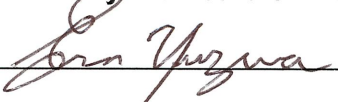
As at March 31, 2025

(in thousands of dollars)

	2025 \$	2024 \$
Assets		
Current assets		
Cash and cash equivalents (note 3)	20,325	22,783
Accounts receivable (note 22)	39,785	37,590
Inventories	2,628	2,436
Prepaid expenses and deposits	4,667	4,189
Current portion of capital lease receivable (note 4)	2,152	2,091
	69,557	69,089
Investments (note 3)	55,622	49,543
Capital lease receivable (note 4)	49,454	51,606
Land held for sale	-	2,793
Capital assets (note 5)	563,206	524,079
	737,839	697,110
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (notes 22 and 26)	137,630	119,430
Accrued vacation pay	59,762	57,926
Deferred contributions (note 7)	34,423	32,458
Current portion of long-term debt (note 8)	10,798	11,154
	242,613	220,968
Long-term debt (note 8)	82,463	87,999
Unamortized external capital contributions (note 10)	342,918	337,253
	667,994	646,220
Net Assets		
Accumulated deficit	(113,610)	(98,819)
Invested in capital assets	173,859	139,416
Internally restricted (note 25)	9,596	10,293
	69,845	50,890
	737,839	697,110

Contingencies (note 13)

Approved by the Board of Directors

 Director

 Director

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

Covenant Health

Statement of Changes in Net Assets

For the year ended March 31, 2025

(in thousands of dollars)

	2025			2024	
	Accumulated deficit \$	Invested in capital assets \$	Internally restricted \$ (note 25)	Total \$	Total \$
Balance – beginning of year	(98,819)	139,416	10,293	50,890	53,422
Excess (deficiency) of revenue over expenses	19,101	-	-	19,101	(2,659)
Capital assets purchased with internal funds	(37,108)	37,805	(697)	-	-
Amortization of internally funded capital assets	4,330	(4,330)	-	-	-
Repayment of long-term debt used to fund capital assets	(3,774)	3,774	-	-	-
Disposal of internally funded capital assets	2,806	(2,806)	-	-	-
Remeasurement of supplementary pension plan (note 12(a))	(146)	-	-	(146)	127
Balance – end of year	(113,610)	173,859	9,596	69,845	50,890

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

Covenant Health

Statement of Operations

For the year ended March 31, 2025

(in thousands of dollars)

	Budget 2025 \$ (Unaudited – note 16)	Actual 2025 \$	Actual 2024 \$
Revenue and other income			
Global contributions (note 17)	891,049	906,309	846,239
Other government contributions	19,733	21,479	22,163
Fees and charges (note 18)	64,505	63,759	59,519
Ancillary operations	22,623	21,967	20,966
Donations	2,000	1,742	1,942
Investment	1,800	4,618	4,032
Other income (note 19)	11,480	9,227	10,541
Amortization of external capital contributions (note 10)	21,618	22,813	19,299
	<u>1,034,808</u>	<u>1,051,914</u>	<u>984,701</u>
Expenses (schedule 1) (note 28)			
Acute care	470,727	498,358	472,180
Continuing care	94,020	93,923	91,425
Emergency medical services	2,576	2,771	2,528
Community care	21,063	20,868	21,586
Diagnostic and therapeutic services	126,101	131,394	124,145
Population and public health	4,606	1,984	2,755
Research and education	3,221	2,281	2,978
Administration (note 20)	47,946	47,162	42,747
Information technology	2,086	2,118	1,862
Support services (note 21)	262,462	235,135	229,564
	<u>1,034,808</u>	<u>1,035,994</u>	<u>991,770</u>
Excess (deficiency) of revenue over expenses before other items	-	15,920	(7,069)
Fair value change in investments	-	3,181	4,410
Excess (deficiency) of revenue over expenses	-	19,101	(2,659)

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

Covenant Health

Statement of Cash Flows

For the year ended March 31, 2025

(in thousands of dollars)

	2025 \$	2024 \$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses	19,101	(2,659)
Items not affecting cash		
Amortization of capital assets:		
Internally funded	4,330	4,313
Externally funded	22,813	19,299
Amortization of externally funded capital contributions (note 10)	(22,813)	(19,299)
Unrealized gain from investments measured at fair value	(3,181)	(4,410)
Disposal of internally funded capital assets	2,806	2,036
Remeasurement of supplementary pension plan (note 12(a))	(146)	127
	22,910	(593)
Net change in non-cash working capital items (note 23)	17,339	16,645
	40,249	16,052
Investing activities		
Proceeds on sale of investments	-	71,257
Purchase of investments	(2,898)	(12,691)
Proceeds on capital leases	2,091	3,653
Purchases of capital assets:		
Internally funded – equipment	(803)	(355)
Internally funded – facility and improvements	(36,952)	(53,129)
Externally funded – equipment	(6,153)	(9,578)
Externally funded – facility and improvements	(9,917)	(10,135)
	(54,632)	(10,978)
Financing activities		
Principal payments on long-term debt	(5,892)	(5,648)
Capital contributions received and investment earnings on capital contributions (note 9)	17,817	18,155
	11,925	12,507
Change in cash and cash equivalents	(2,458)	17,581
Cash and cash equivalents – beginning of year	22,783	5,202
Cash and cash equivalents – end of year	20,325	22,783

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

Covenant Health

Notes to Financial Statements March 31, 2025

(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 received the majority of its funding from Alberta Health Services, which was 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 resulted in the creation of four provincial health agencies overseen by the government. Subsequent announcements have expanded on the scope of the refocusing as summarized below:

Provincial Health Agency	Government Ministry	Effective
Recovery Alberta	Alberta Mental Health and Addictions	July 2024 – legal entity September 2024 – operational
Assisted Living Alberta	Alberta Seniors, Community & Social Services	April 2025 – legal entity
Acute Care Alberta	Alberta Hospital and Surgical Health Services	February 2025 – legal entity April 2025 – operational
Primary Care Alberta	Alberta Primary and Preventative Health Services	November 2024 – legal entity February 2025 – operational
Provincial Health Corporation		
Shared Services Organization	To be established Summer 2025	
Emergency Health Services	Acute Care Alberta	June 2025 – legal entity
Cancer Care Alberta	Acute Care Alberta	June 2025 – legal entity
Give Life Alberta	Acute Care Alberta	June 2025 – legal entity

The refocus work is ongoing. It is known that Covenant Health will be a service delivery organization funded by and accountable to the Provincial Health Agencies based on function. Further financial, operational or organizational impacts to Covenant Health cannot be reliably estimated at this time.

Covenant Health

Notes to Financial Statements

March 31, 2025

(tabular amounts in thousands of dollars)

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

In fall 2025, Covenant Health will assume operations of La Crete Community Health and Continuing Care Centre from Alberta Health Services ahead of the opening of La Crete Maternity and Community Health Centre in 2027.

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

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

Covenant Health

Notes to Financial Statements

March 31, 2025

(tabular amounts in thousands of dollars)

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.

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.

Covenant Health

Notes to Financial Statements

March 31, 2025

(tabular amounts in thousands of dollars)

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. Cost includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the asset. Cost includes overhead directly attributable to construction and development as well as interest costs that are directly attributable to the acquisition or construction of the asset, and asset retirement costs. 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.

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.

Covenant Health

Notes to Financial Statements

March 31, 2025

(tabular amounts in thousands of dollars)

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.

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.

j) Summary of changes in accounting policies

Effective April 1, 2024, Covenant Health adopted Accounting Guideline – 20, Customer's accounting for Cloud Computing Arrangements. The guideline provides guidance on accounting for a customer's expenditure in a cloud computing arrangement and determining whether a software intangible asset exists in the arrangement. The adoption of this accounting guideline did not have a material impact on the financial statements.

Covenant Health

Notes to Financial Statements

March 31, 2025

(tabular amounts in thousands of dollars)

3 Cash and cash equivalents and investments

	2025		2024	
	Fair value \$	Cost \$	Fair value \$	Cost \$
Cash and term deposits	20,325	20,325	22,783	22,783
Pooled fund investments	55,622	47,851	49,543	44,953
	75,947	68,176	72,326	67,736

The pooled fund investments are summarized as follows:

	Fair value \$	Cost \$
Bonds and debentures	16,073	16,378
Canadian equities	6,840	5,630
International equities	32,709	25,843
	55,622	47,851

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.

4 Capital lease receivable

	2025 \$	2024 \$
Villa Marie Phase I, capital lease receivable from Covenant Care due December 2038, repayable in monthly instalments of \$18 including interest at 3.545%	2,413	2,547
Villa Marie Phase II, capital lease receivable from Covenant Care due July 2043, repayable in monthly instalments of \$38 including interest at 2.915%	6,596	6,865
St. Teresa Place, capital lease receivable from Covenant Care due April 2042, repayable in monthly instalments of \$166 including interest at 2.989%	26,695	27,881
Buffalo Grace Manor, capital lease receivable from Covenant Care due December 2047, repayable in monthly installments of \$78 including interest at 2.691%	15,902	16,404
	51,606	53,697
Less: Current portion	2,152	2,091
	49,454	51,606

Covenant Health

Notes to Financial Statements

March 31, 2025

(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:

	\$
2026	3,608
2027	3,608
2028	3,608
2029	3,608
2030	3,608
Thereafter	48,725
	<u>66,765</u>
Less: Amounts representing interest	<u>(15,159)</u>
	<u>51,606</u>

5 Capital assets

	2025		
	Cost	Accumulated	Net book
	\$	amortization	value
		\$	\$
Operating assets			
Land	42,329	-	42,329
Land improvements	6,340	4,476	1,864
Buildings	127,046	60,082	66,964
Leasehold improvements	326,157	89,876	236,281
Major equipment	169,637	97,183	72,454
Computer software	2,381	2,262	119
Construction projects-in-progress	140,715	-	140,715
	<u>814,605</u>	<u>253,879</u>	<u>560,726</u>
Ancillary assets			
Land	120	-	120
Buildings	344	152	192
Leasehold improvements	721	173	548
Parking lot and lot improvements	2,330	1,383	947
Major equipment	609	46	563
Construction projects-in-progress	110	-	110
	<u>4,234</u>	<u>1,754</u>	<u>2,480</u>
	<u>818,839</u>	<u>255,633</u>	<u>563,206</u>

Covenant Health

Notes to Financial Statements

March 31, 2025

(tabular amounts in thousands of dollars)

	2024		
	Cost \$	Accumulated amortization \$	Net book value \$
Operating assets			
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
	749,315	227,399	521,916
Ancillary assets			
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
	4,032	1,869	2,163
	753,347	229,268	524,079

6 Bank indebtedness

Covenant Health has an unsecured operating line of credit to a maximum of \$50,000,000 (2024 – \$50,000,000), which was undrawn at March 31, 2025 and March 31, 2024. Interest is charged at prime minus 0.5% (2024 – 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 (2024 – \$20,000,000), of which \$314,000 (2024 – \$293,000) was outstanding at March 31, 2025. Issuance fee is charged at 0.5% per annum (2024 – 0.5%).

7 Deferred contributions

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

	2025 \$	2024 \$
Balance – beginning of year	32,458	31,460
Contributions received during the year	4,485	8,329
Contributions recognized as revenue	(2,511)	(7,065)
Contributions repayable	(9)	(266)
Balance – end of year	34,423	32,458

Covenant Health

Notes to Financial Statements

March 31, 2025

(tabular amounts in thousands of dollars)

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

	2025 \$	2024 \$
Research and education	2,343	1,259
Capital renewal and maintenance	27,284	26,071
Patient care	4,796	5,128
	<u>34,423</u>	<u>32,458</u>

8 Long-term debt

	2025 \$	2024 \$
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 \$12,584	5,262	5,840
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 \$17,947	10,780	12,037
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 \$45,752. Assets are under a capital lease arrangement (note 4) and are not recorded in these financial statements.	26,153	27,463
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 \$24,040	9,953	10,424
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 \$13,643	3,003	3,128
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 \$9,915. Assets are under a capital lease arrangement (note 4) and are not recorded in these financial statements.	6,458	6,737
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	15,413	16,050
Covenant Health Southeast Campus loan from Spiritus Vitae Catholic Health Sponsor, a related party (note 22(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.	2,074	2,781
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 4) and are not recorded in these financial statements.	<u>14,165</u>	<u>14,693</u>

Covenant Health

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(tabular amounts in thousands of dollars)

	93,261	99,153
Less: Current portion	10,798	11,154
	<u>82,463</u>	<u>87,999</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.

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

	\$
2026	6,144
2027	6,409
2028	6,488
2029	6,171
2030	6,451
Thereafter	<u>61,598</u>
	<u>93,261</u>

9 Deferred capital contributions

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

	2025	2024
	\$	\$
Balance – beginning of year	-	-
Contributions received during the year	17,817	18,155
Transferred to unamortized external capital contributions (note 10)	<u>(17,817)</u>	<u>(18,155)</u>
Balance – end of year	<u>-</u>	<u>-</u>

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(tabular amounts in thousands of dollars)

10 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.

	2025 \$	2024 \$
Balance – beginning of year	337,253	248,463
Transferred from deferred capital contributions (note 9)	17,817	18,155
Alberta Health Services contributed assets (note 15)	9,137	16,911
Alberta Infrastructure contributed assets (note 15)	1,609	73,138
Disposal of external funded capital assets	(85)	(115)
Amortization of externally funded capital assets	(22,813)	(19,299)
Balance – end of year	342,918	337,253

11 Forgivable loan

In 2007, Alberta Health Services advanced a forgivable loan of \$7,158,844 to Youville Home. The loan incurs interest at a rate of prime plus 2% and is due on demand. The loan is secured by land and building with a net book value of \$12,584,391 (2024 – \$13,336,402). 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, 2025, the remaining liability of \$3,937,364 (2024 – \$4,116,336) is recorded in unamortized external capital contributions and \$536,913 (2024 – \$357,942) is the contingent liability balance. Interest expense of \$349,584 (2024 – \$407,400) was forgiven for the year ended March 31, 2025.

Covenant Health

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(tabular amounts in thousands of dollars)

12 Long-term employee benefits

a) Supplementary pension plan

	2025 \$	2024 \$
Accrued benefit obligation		
Accrued obligation – beginning of year	2,582	2,645
Benefits paid	(113)	(71)
Interest cost	127	135
Actuarial loss (gain) remeasurement	146	(127)
Accrued obligation – end of year	2,742	2,582
Fair value of plan assets	2,742	2,582
Funded status of plan	-	-

Significant actuarial assumptions are as follows:

Discount rate	4.70%	4.90%
Expected age of retirement	Age 60	Age 60
	0% in fiscal 2025;	0% in fiscal 2024;
Salary increase	3% thereafter	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, 2025.

The accrued benefit obligation of \$2,742,000 (2024 – \$2,582,000) 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 \$348,259 (2024 – \$303,448) to the DCRP.

b) Pension expense

Employees of Covenant Health participate in the Local Authorities Pension Plan (LAPP), which is covered by the Alberta Employment Pension Plans Act. The Plan serves about 304,000 people and about 444 employers. It is financed by employer and employee contributions and investment earnings of the LAPP fund.

Covenant Health

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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 \$39,962,286 to LAPP (2024 – \$36,015,545).

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

At December 31, 2023, LAPP reported a surplus of \$15,057,000,000 (December 31, 2022 – \$12,671,000,000).

13 Contingencies

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

14 Significant agreements

As part of the ongoing healthcare refocusing, on May 16, 2024, the Real Property Governance Act included provisions to transfer ownership of all freehold property owned by Alberta Health Services to Alberta Infrastructure. The properties are expected to be leased back to the health system under similar terms and conditions as the current leases with Alberta Health Services. To date, there have been no changes to Covenant Health lease agreements with Alberta Health Services.

- 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 \$15.70 (2024 – \$15.00) per resident day. During the year, Covenant Health paid Alberta Health Services \$2,807,541 (2024 – \$2,695,848) 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 (2024 – \$66,614) relating to storage and administration space. The annual lease commitments

(tabular amounts in thousands of dollars)

under the Head Lease and Sublease Agreements will fluctuate due to changes in the number of resident days and occupied square metres.

- c) Covenant Health has 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:

	\$
2026	1,029,616
2027	1,029,616
2028	1,231,862
2029	1,250,248
2030	1,250,248
Thereafter	<u>17,681,203</u>
	<u>23,472,793</u>

- d) The Government of Alberta has committed \$3,983,000 over five years to Covenant Health for the purpose of funding Palliative and End of Life Care Advanced Care Planning project. Covenant Health has received the total funding of \$3,983,000 (2024 - \$3,983,000) and, to date, has incurred \$3,374,974 (2024 - \$2,490,327) in costs.
- e) Alberta Health has committed \$1,430,000 over five years to Covenant Health for the purpose of funding Palliative and End of Life Care Public Awareness project. Covenant Health has received the total funding of \$1,430,000 (2024 - \$1,430,000) and, to date, has incurred \$1,208,820 (2024 - \$1,129,799) in costs.
- f) 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 \$550,174 (2024 - \$100,017) of the total funding and, to date, has incurred \$725,956 (2024 - \$339,822) in costs.
- g) 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. In fiscal 2023, Covenant Health entered into a stipulated price contract for the construction of the Covenant Wellness Community – Community Health Centre and associated site work. The total commitments under these agreements are approximately \$100,000,000. To date, Covenant Health has incurred \$119,732,966 (2024 - \$82,976,126) in planning, development and construction costs related to this project.

Covenant Health

Notes to Financial Statements

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(tabular amounts in thousands of dollars)

15 Contributed assets and services

Certain healthcare facilities are provided to Covenant Health by Alberta Health Services at \$nil or nominal rents. The fair value for the use of these facilities amounts to \$6,401,610 (2024 – \$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 \$9,137,324 (2024 – \$16,911,205) in kind towards Covenant Health construction projects-in-progress and Alberta Infrastructure contributed \$1,608,815 (2024 - \$73,138,424) 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.

16 Budget (unaudited)

The budget was approved on March 15, 2024 by the Board of Directors of Covenant Health.

17 Global contributions

	2025 \$	2024 \$
Alberta Health Services global contributions, net of repayments		
Contributions related to the year ended March 31, 2025	891,065	-
Contributions related to the year ended March 31, 2024	-	838,032
Contributions related to the year ended March 31, 2023	-	9,776
Alberta Health global contributions, net of repayments		
Contributions related to the year ended March 31, 2024	16,800	-
Contribution allocated to deferred contributions – capital renewal and maintenance	(1,556)	(1,569)
	<u>906,309</u>	<u>846,239</u>

18 Fees and charges

Fees and charges include fees for service to non-Alberta residents and out of country patients, and fees charged to residents for continuing care accommodations. These amounts have been reduced by bad debts expense of \$4,987,415 (2024 – \$4,034,856).

Covenant Health

Notes to Financial Statements

March 31, 2025

(tabular amounts in thousands of dollars)

19 Other income

	2025 \$	2024 \$
Sales and recoveries	9,144	10,378
Other	83	163
	<u>9,227</u>	<u>10,541</u>

20 Administration

	2025 \$	2024 \$
General administration	23,218	19,949
Human resources	13,842	13,172
Finance	6,828	6,297
Communications	3,274	3,329
	<u>47,162</u>	<u>42,747</u>

21 Support services

	2025 \$	2024 \$
Facility operations	91,185	92,402
Patient food services	35,703	33,383
Housekeeping	27,495	26,206
Ancillary operations	19,457	18,325
Materials management	18,801	17,699
Education	15,072	13,135
Laundry and linen	9,955	9,786
Patient registration	7,649	7,548
Patient health records	5,872	7,670
Patient transportation	2,415	2,017
Volunteer services	1,095	996
Emergency preparedness	436	397
	<u>235,135</u>	<u>229,564</u>

22 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) Spiritus Vitae Catholic Health Sponsor

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.

Covenant Health

Notes to Financial Statements

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(tabular amounts in thousands of dollars)

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 \$1,400,000 (2024 – \$535,000) to Covenant Health which were recorded by Covenant Health as deferred contributions. Spiritus Vitae Catholic Health Sponsor also paid \$100,600 (2024 – \$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, 2025, \$113,824 (2024 – \$24,876) 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 \$707,285 (2024 – \$683,640) and incurred interest expense of \$83,723 (2024 – \$107,368).

b) Covenant Living

Covenant Living, an entity under common control, received rental payments from Covenant Health of \$39,398 (2024 – \$41,276).

Effective September 1, 2016, Covenant Living entered into an operating lease with Covenant Health to occupy Evanston Summit, a building with a cost of \$32,563,606 and accumulated amortization of \$8,523,711 (2024 – \$7,408,618) as at March 31, 2025. 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 8).

During the year, Covenant Health received \$960,901 (2024 – \$960,901) in rental income.

As at March 31, 2025, \$80,821 (2024 – \$191,270) 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 \$314,086 (2024 – \$604,428) which was recorded as other income in these financial statements and made payments under the capital lease arrangements (note 4). As at March 31, 2025, \$278,110 (2024 – \$2,227,800) is receivable from Covenant Care.

In fiscal 2024, 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

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March 31, 2025

(tabular amounts in thousands of dollars)

d) Alberta Health Services and subsidiaries

Alberta Health Services had 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, 2025 is \$24,627,020 (2024 – \$22,807,639) owing from Alberta Health Services. Included in accounts payable and accrued liabilities at March 31, 2025 is \$30,237,134 (2024 – \$34,813,258) 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, 2025 is \$8,037 (2024 – \$7,331) owing from APL. Included in accounts payable and accrued liabilities at March 31, 2025 is \$29,250 (2024 – \$61,522) 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:

	2025			2024		
	Assets \$	Liabilities \$	Net assets \$	Assets \$	Liabilities \$	Net assets \$
Covenant Foundation	46,698	5,748	40,950	43,971	6,552	37,419
Mary Immaculate Hospital (Mundare) Foundation	-	-	-	88	10	78
Our Lady of the Rosary Hospital Foundation	787	22	765	776	14	762
St. Mary's Hospital, Camrose Foundation	7,301	24	7,277	6,861	53	6,808
St. Mary's Trochu Foundation	1,697	11	1,686	1,631	10	1,621
Killam & District Health Care Foundation	689	6	683	615	40	575
Bonnyville Health Foundation	2,424	383	2,041	1,606	379	1,227
	59,596	6,194	53,402	55,548	7,058	48,490

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(tabular amounts in thousands of dollars)

	2025			2024		
	Revenue \$	Expenses \$	Excess (deficiency) \$	Revenue \$	Expenses \$	Excess (deficiency) \$
Covenant Foundation	8,715	5,262	3,453	12,298	9,945	2,353
Mary Immaculate Hospital (Mundare) Foundation	-	-	-	20	28	(8)
Our Lady of the Rosary Hospital Foundation	77	73	4	64	50	14
St. Mary's Hospital, Camrose Foundation	934	466	468	874	263	611
St. Mary's Trochu Foundation	129	63	66	213	77	136
Killam & District Health Care Foundation	173	66	107	106	70	36
Bonnyville Health Foundation	1,400	587	813	670	517	153
	11,428	6,517	4,911	14,245	10,950	3,295
	2025			2024		
	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	(101)	1,092	-	227	(23)	-
Mary Immaculate Hospital (Mundare) Foundation	-	-	-	1	-	-
Our Lady of the Rosary Hospital Foundation	(12)	81	-	(17)	(6)	-
St. Mary's Hospital, Camrose Foundation	(225)	250	-	(73)	46	-
St. Mary's Trochu Foundation	(7)	9	-	20	(2)	-
Killam & District Health Care Foundation	38	(36)	-	35	-	-
Bonnyville Health Foundation	814	(1,500)	-	199	5	-
	507	(104)	-	392	20	-

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March 31, 2025

(tabular amounts in thousands of dollars)

			Resources held by Foundation as at March 31, 2025	
			Endowments, Internally Restricted and donor restricted	Unrestricted
	Contributions received by Covenant Health for the year ended March 31,			
	2025 \$	2024 \$	\$	\$
Covenant Foundation	3,020	2,885	34,269	6,681
Mary Immaculate Hospital (Mundare) Foundation	-	16	-	-
Our Lady of the Rosary Hospital Foundation	27	9	628	137
St. Mary's Hospital Camrose Foundation	374	169	1,060	6,217
St. Mary's Trochu Foundation	19	37	293	1,393
Killam & District Health Care Foundation	44	44	294	389
Bonnyville Health Foundation	222	269	1,797	244
	3,706	3,429	38,341	15,061

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

	Administrative support and office space		Accounts receivable	
	2025 \$	2024 \$	2025 \$	2024 \$
Covenant Foundation	328	308	2,019	1,899
Mary Immaculate (Mundare) Hospital Foundation	-	-	-	-
Our Lady of the Rosary Hospital Foundation	16	16	-	-
St. Mary's Hospital, Camrose Foundation	20	20	10	40
St. Mary's Trochu Foundation	-	-	-	-
Killam & District Health Care Foundation	-	-	-	30
Bonnyville Health Foundation	-	-	32	35
	364	344	2,061	2,004

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March 31, 2025

(tabular amounts in thousands of dollars)

Effective on the close of business on March 31, 2024, Mary Immaculate (Mundare) Hospital Foundation transferred its assets and liabilities to Covenant Foundation.

23 Supplementary cash flow information

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

	2025 \$	2024 \$
Accounts receivable	(2,195)	17,544
Inventories	(192)	107
Prepaid expenses and deposits	(478)	(945)
Accounts payable and accrued liabilities	16,403	(1,819)
Accrued vacation pay	1,836	760
Deferred contributions	1,965	998
	<u>17,339</u>	<u>16,645</u>

b) During the year, Covenant Health paid \$3,523,891 (2024 – \$3,766,288) in interest on long-term debt.

24 Trust funds

Covenant Health receives funds in trust for research and educational program purposes. These amounts are not reported in the financial statements. As at March 31, 2025, the balance of funds held by Covenant Health is \$5,238,015 (2024 – \$4,584,754).

25 Internally restricted net assets

	March 31, 2024 \$	Transfers in \$	Transfers out \$	March 31, 2025 \$
Care and Services Fund	4,525	-	-	4,525
Benefit Surplus Fund	3,510	-	-	3,510
Ancillary Capital Renewal Fund	2,258	-	(697)	1,561
	<u>10,293</u>	<u>-</u>	<u>(697)</u>	<u>9,596</u>

26 Government remittances

Government remittances consist of amounts such as sales taxes and payroll withholding taxes required to be paid to government authorities and are recognized when the amounts come due. In respect of government remittances, \$7,594,590 (2024 – \$7,848,415) is included in accounts payable and accrued liabilities.

Covenant Health

Notes to Financial Statements

March 31, 2025

(tabular amounts in thousands of dollars)

27 Financial risks

Credit Risk

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

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

Market Risk

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

Liquidity Risk

Liquidity risk is the risk Covenant Health will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivery of cash or another financial asset. Covenant Health is exposed to liquidity risk mainly with respect to its accounts payable and accrued liabilities and long-term debt. Refer to note 8 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 14 for commitments under significant agreements. Short term borrowing to meet financial obligations would be available through established credit facilities as described in note 6.

On March 14, 2025, Covenant Health submitted a loan application to the Alberta Treasury Board and Finance for a 30-year loan in the amount of \$107,700,000 with an anticipated interest rate of 4.56% for Covenant Health's Community Health Centre. As of the date of the financial statement preparation, formal approval from the Alberta Treasury Board and Finance is outstanding. Final approval is at the discretion of the Alberta Treasury Board and Finance.

28 Comparative Figures

In fiscal 2025, Covenant Health revised the description of the expenses line items in the Statement of Operations and combined the line items Inpatient acute nursing services and Emergency and outpatient services into one line item called Acute Care.

Covenant Health

Schedule of Expenses by Object
For the year ended March 31, 2025

Schedule 1

(in thousands of dollars)

	Budget 2025 \$ (Unaudited – Note 16)	Actual 2025 \$	Actual 2024 \$
Salaries and benefits (schedule 2)	760,899	782,507	738,842
Drugs and gases	18,934	21,724	19,574
Medical supplies	57,823	56,537	51,822
Other contracted services	57,958	48,983	52,403
Interest on long-term debt	4,020	3,855	4,156
Other*	108,782	95,875	101,693
Amortization			
Equipment	7,698	7,538	6,294
Facilities and improvements	18,694	19,605	17,318
Gain on disposal of internally funded capital assets	-	(630)	(332)
	<u>1,034,808</u>	<u>1,035,994</u>	<u>991,770</u>
*Significant amounts included in Other			
Utilities		17,857	25,875
Food and dietary supplies		15,989	14,614
Housekeeping, laundry and linen, plant maintenance and biomedical engineering supplies		14,860	13,886
Building rent		11,933	10,748
Building and grounds expense		9,641	9,936
Equipment expense		7,076	6,861
Travel		3,172	2,894
Office supplies		2,988	3,520
Insurance		2,849	2,763
Minor equipment purchases		2,061	3,174
Licence, fees, memberships		1,851	2,023
Telecommunications		1,503	1,174
Education		610	753
Other expenses not included in the above		3,485	3,472
		<u>95,875</u>	<u>101,693</u>

Covenant Health

Schedule of Salaries, Honoraria, Benefits, Allowances and Severance For the year ended March 31, 2025

Schedule 2

(in thousands of dollars)

	2025							2024		
	Number of FTEs ⁽¹⁾	Base salary ⁽²⁾ \$	Other cash benefits ⁽³⁾ \$	Other non-cash benefits ⁽⁴⁾ \$	Subtotal \$	Severance ⁽⁵⁾		Total \$	Number of FTEs ⁽¹⁾	Total \$
						Number of Employees	Amount \$			
Board chair										
Spelliscy, Timothy (term started January 2025)	0.3	-	4	-	4	-	-	4	-	-
Stelmach, Ed (term ended December 2024)	0.7	-	13	-	13	-	-	13	1.0	18
Board members										
Smith, Archbishop Richard	1.0	-	-	-	-	-	-	-	1.0	-
Abtcil-Michalyshyn, Carole (term started January 2024)	1.0	-	11	-	11	-	-	11	0.2	1
Cullum, Stuart (term started January 2024)	1.0	-	11	-	11	-	-	11	0.2	1
Dugas, Wendy (term started July 2023)	1.0	-	12	-	12	-	-	12	0.7	7
Germann, Karl (term started July 2023)	1.0	-	15	-	15	-	-	15	0.7	8
Hjlesvold, Brian (term started July 2024)	0.8	-	8	-	8	-	-	8	-	-
Miller, Colette (term started April 2024)	1.0	-	11	-	11	-	-	11	-	-
Singh, Meghna (term started July 2024)	0.8	-	8	-	8	-	-	8	-	-
Shandro, Tyler (term started January 2024)	1.0	-	12	-	12	-	-	12	0.2	1
Spelliscy, Timothy (term ended December 2024)	0.7	-	9	-	9	-	-	9	1.0	12
Stelmach, Ed (term started January 2025)	0.3	-	3	-	3	-	-	3	-	-
Yuzwa, Greg	1.0	-	13	-	13	-	-	13	1.0	14
Fong, Angela (term ended November 2023)	-	-	-	-	-	-	-	-	0.6	6
Gilbertson, Ronald (term ended June 2023)	-	-	-	-	-	-	-	-	0.2	2
Heid, Sr. Mary Corita (term ended December 2023)	-	-	-	-	-	-	-	-	0.8	8
MacDonald, Elan (term ended February 2024)	-	-	-	-	-	-	-	-	0.9	9
	11.6	-	130	-	130	-	-	130	8.5	87

Covenant Health

Schedule of Salaries, Honoraria, Benefits, Allowances and Severance For the year ended March 31, 2025

Schedule 2

(in thousands of dollars)

	2025								2024	
	Number of FTEs ⁽¹⁾	Base salary ⁽²⁾ \$	Other cash benefits ⁽³⁾ \$	Other non-cash benefits ⁽⁴⁾ \$	Subtotal \$	Severance ⁽⁵⁾		Total \$	Number of FTEs ⁽¹⁾	Total \$
						Number of Employees	Amount \$			
Staff										
Chief Executive Officer	1.0	535	46	212	793	-	-	793	1.0	762
Management persons reporting to CEO										
Chief Financial Officer	1.0	303	13	61	377	-	-	377	1.0	347
Chief Operating Officer	1.0	437	18	116	571	-	-	571	1.0	532
Chief Human Resources Officer	1.0	340	15	67	422	-	-	422	1.0	399
Chief Medical Officer	0.8	404	16	82	502	-	-	502	0.8	492
Chief Mission & Ethics Officer	1.0	251	7	59	317	-	-	317	1.0	315
Chief Innovation Officer	1.0	247	1	54	302	-	-	302	1.0	338
Chief Quality & Privacy Officer	1.0	252	12	57	321	-	-	321	1.0	307
	7.8	2,769	128	708	3,605	-	-	3,605	7.8	3,492
Management comprising remainder of Senior Leadership Team	5.9	1,655	68	391	2,114	-	-	2,114	5.2	1,790
Other management	330.3	41,803	508	9,960	52,271	13.0	575	52,846	326.9	48,693
Regulated nurses not included above										
RNs	1,775.7	185,163	39,360	43,230	267,753	1.0	24	267,777	1,737.6	248,783
LPNs	781.4	52,760	10,506	13,162	76,428	-	-	76,428	770.7	73,486
Other health technical and professionals	774.7	78,805	4,222	20,089	103,116	1.0	6	103,122	776.4	99,234
Unregulated health service providers	1,281.7	66,932	14,398	17,846	99,176	-	-	99,176	1,271.1	95,605
Other staff	2,141.7	132,536	9,828	34,661	177,025	14.0	284	177,309	2,124.1	167,672
	7,091.4	559,654	78,890	139,339	777,883	29.0	889	778,772	7,012.0	735,263
Total salaries/benefits	7,110.8	562,423	79,148	140,047	781,618	29.0	889	782,507	7,028.3	738,842

Covenant Health

Schedule of Salaries, Honoraria, Benefits, Allowances and Severance ... *continued* Schedule 2 For the year ended March 31, 2025

(in thousands of dollars)

- (1) For this schedule, full-time equivalent (FTE) are determined by actual hours earned divided by 2,022.75 annual base hours, except leap years when it is 2,030.50 annual base hours. FTE for Board members are prorated 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 is regular salary and includes all payments earned related to actual hours earned other than those reported as other cash benefits.
- (3) Other cash benefits include, honoraria, acting pay, membership fees, and lump sum payments. Relocation expenses are excluded from compensation disclosure as they are considered to be recruiting costs and not part of compensation unless related to severance. Expense reimbursements are also excluded from compensation disclosure except where the expenses meet the definition of the other cash benefits listed above.
- (4) Other non-cash benefits include:
 - a) Employer's current period benefit cost and other costs 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, dental and vision coverage, out of country medical benefits, group life insurance, accidental death and dismemberment insurance, and long and short-term disability plans, Canada Pension Plan, employment insurance, workers' compensation, car allowances and club memberships.
 - c) Vacation accruals, and
 - d) Employer's share of the cost of additional benefits including sabbaticals or other special leave with pay.
- (5) Severance expense includes direct or indirect payments to individuals upon termination which are not included in other cash benefits or other non-cash benefits.

Covenant Health

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

For the year ended March 31, 2025

(in thousands of dollars)

	2025		2024			
	Other SPP costs ⁽¹⁾ \$	Total \$	Total \$	Account balances or accrued benefit obligation March 31, 2025 \$	Change during the year ⁽²⁾ \$	Account balances or accrued benefit obligation March 31, 2024 \$
Board direct reports						
Chief Executive Officer	66	66	67	1,477	140	1,337
Management persons reporting to CEO						
Chief Operating Officer	26	26	28	578	60	518
Chief Mission and Ethics Officer	3	3	6	-	(65)	65
Other members	32	32	34	687	25	662
	127	127	135	2,742	160	2,582

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

(1) 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.