Alberta Health Services

# CONSOLIDATED FINANCIAL STATEMENTS

## MARCH 31, 2011

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

## MARCH 31, 2011

The accompanying consolidated financial statements for the year ended March 31, 2011 are the responsibility of management and have been reviewed and approved by senior management. The consolidated financial statements were prepared in accordance with Canadian Generally Accepted Accounting Principles and the financial directives issued by Alberta Health and Wellness, and of necessity include some amounts based on estimates and judgment.

To discharge its responsibility for the integrity and objectivity of financial reporting, management maintains a system of internal accounting controls comprising written policies, standards and procedures, a formal authorization structure, and satisfactory processes for reviewing internal controls. This system provides management with reasonable assurance that transactions are in accordance with governing legislation and are properly authorized, reliable financial records are maintained, and assets are adequately safeguarded.

Alberta Health Services carries out its responsibility for the consolidated financial statements through the Audit and Finance Committee. This Committee meets with management and the Auditor General of Alberta to review financial matters, and recommends the consolidated financial statements to the Alberta Health Services Board for approval upon finalization of the audit. The Auditor General of Alberta has free access to the Audit and Finance Committee.

The Auditor General of Alberta provides an independent audit of the consolidated financial statements. His examination is conducted in accordance with Canadian Generally Accepted Auditing Standards and includes tests and procedures which allow him to report on the fairness of the consolidated financial statements prepared by management.

[Original signed by Dr. Chris Eagle]
Dr. Chris Eagle
President and Chief Executive Officer
Alberta Health Services

[Original signed by Chris Mazurkewich]
Chris Mazurkewich
Executive Vice President and Chief Financial Officer
Alberta Health Services

June 10, 2011

Independent Auditor's Report

To the Members of the Alberta Health Services Board
and the Minister of Health and Wellness

**Report on the Consolidated Financial Statements**

I have audited the accompanying consolidated financial statements of Alberta Health Services, which comprise the consolidated statement of financial position as at March 31, 2011, and the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Alberta Health Services as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

[Original signed by Merwan N. Saher, CA]
Auditor General

June 10, 2011

Edmonton, Alberta

(thousands of dollars)

## CONSOLIDATED STATEMENT OF OPERATIONS
## FOR THE YEAR ENDED MARCH 31, 2011

| | 2011 | | 2010 |
|---|---|---|---|
| | Budget (Schedule 3) | Actual | Actual (Note 21) |
| Revenue: | | | |
| Alberta Health and Wellness contributions | | | |
| Unrestricted ongoing | $ 9,037,311 | $ 9,037,311 | $ 7,712,855 |
| Unrestricted deficit funding (Note 4) | 527,235 | 527,235 | 343,000 |
| Restricted | 735,680 | 747,830 | 795,747 |
| Other government contributions | 97,972 | 100,893 | 102,529 |
| Fees and charges | 611,980 | 621,481 | 577,644 |
| Ancillary operations | 112,404 | 112,367 | 120,330 |
| Donations | 29,646 | 28,574 | 20,383 |
| Investment and other income (Note 5) | 288,730 | 292,119 | 261,331 |
| Amortized external capital contributions (Note 14) | 370,329 | 364,181 | 305,054 |
| TOTAL REVENUE | 11,811,287 | 11,831,991 | 10,238,873 |
| Expenses: | | | |
| Inpatient acute nursing services | 2,664,563 | 2,584,209 | 2,523,169 |
| Emergency and outpatient services | 1,265,973 | 1,220,870 | 1,150,680 |
| Facility-based continuing care services | 852,608 | 844,753 | 806,303 |
| Ambulance services | 364,395 | 343,034 | 326,319 |
| Community-based care | 768,382 | 800,256 | 706,667 |
| Home care | 404,054 | 402,375 | 381,523 |
| Diagnostic and therapeutic services | 1,909,167 | 1,861,589 | 1,796,378 |
| Promotion, prevention and protection services | 296,125 | 289,508 | 303,728 |
| Research and education | 214,659 | 214,253 | 215,859 |
| Administration (Note 6) | 374,726 | 307,342 | 381,663 |
| Information technology | 385,315 | 387,655 | 293,490 |
| Support services | 1,478,968 | 1,521,754 | 1,427,440 |
| Amortization of facilities and improvements | 202,352 | 198,238 | 147,338 |
| Write down of capital assets (Note 9(d)) | - | - | 2,682 |
| Funded transition costs | - | - | 13,804 |
| TOTAL EXPENSES (Schedule 1) | 11,181,287 | 10,975,836 | 10,477,043 |
| Operating surplus (deficiency) of revenue over expenses | $ 630,000 | $ 856,155 | $ (238,170) |

*The accompanying notes and schedules are part of these consolidated financial statements.*

(thousands of dollars)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT MARCH 31, 2011

| | 2011 Actual | 2010 Actual (Note 21) |
|---|---|---|
| **ASSETS** | | |
| Current: | | |
| Cash and cash equivalents (Note 8) | $ 1,721,465 | $ 977,216 |
| Accounts receivable | 201,293 | 166,807 |
| Contributions receivable from Alberta Health and Wellness | 200,313 | 79,233 |
| Inventories | 99,097 | 108,339 |
| Prepaid expenses | 61,646 | 54,903 |
| | 2,283,814 | 1,386,498 |
| Non-current cash and investments (Note 8) | 599,335 | 999,614 |
| Capital contributions receivable from Alberta Health and Wellness | 11,476 | 4,372 |
| Capital assets (Note 9) | 6,707,464 | 6,151,112 |
| Other assets (Note 10) | 214,546 | 233,188 |
| TOTAL ASSETS | $ 9,816,635 | $ 8,774,784 |
| **LIABILITIES AND NET ASSETS** | | |
| Current: | | |
| Accounts payable and accrued liabilities | $ 1,136,937 | $ 953,357 |
| Accrued vacation pay | 385,525 | 367,187 |
| Deferred contributions (Note 11) | 595,292 | 567,732 |
| Current portion of long-term debt (Note 13) | 153,799 | 12,938 |
| | 2,271,553 | 1,901,214 |
| Deferred contributions (Note 11) | 163,725 | 163,250 |
| Deferred capital contributions (Note 12) | 541,856 | 1,046,140 |
| Long-term debt (Note 13) | 182,500 | 262,766 |
| Unamortized external capital contributions (Note 14) | 5,598,973 | 5,254,711 |
| Other liabilities (Note 15) | 97,454 | 18,431 |
| | 8,856,061 | 8,646,512 |
| Net assets: | | |
| Accumulated surplus (deficit) | 115,741 | (527,235) |
| Accumulated net unrealized gains (losses) on investments | (9,110) | 17,243 |
| Other internally restricted net assets (Note 16) | 66,722 | - |
| Internally restricted net assets invested in capital assets | 777,071 | 628,114 |
| Operating net assets | 950,424 | 118,122 |
| Endowments (Note 17) | 10,150 | 10,150 |
| | 960,574 | 128,272 |
| TOTAL LIABILITIES AND NET ASSETS | $ 9,816,635 | $ 8,774,784 |

Commitments and contingencies (Note 18)

*The accompanying notes and schedules are part of these consolidated financial statements.*

(thousands of dollars)

## CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
## FOR THE YEAR ENDED MARCH 31, 2011

| | 2011 | | | | | | | 2010 |
|---|---|---|---|---|---|---|---|---|
| | Accumulated surplus (deficit) | Accumulated net unrealized gains/ (losses) on investments | Other internally restricted net assets (Note 16) | Internally restricted net assets invested in capital assets | Sub-total operating net assets | Endowments (Note 17) | Total | Total |
| Balance at beginning of year | $ (527,235) | $ 17,243 | $ - | $ 628,114 | $ 118,122 | $ 10,150 | $ 128,272 | $ 320,790 |
| Operating surplus (deficiency) of revenue over expenses | 856,155 | - | - | - | 856,155 | - | 856,155 | (238,170) |
| Capital assets purchased with internal funds | (244,694) | - | - | 244,694 | - | - | - | - |
| Amortization of internally funded capital assets | 105,905 | - | - | (105,905) | - | - | - | - |
| Repayment of long-term debt used to fund capital assets | (7,880) | - | - | 7,880 | - | - | - | - |
| Net repayment of life lease deposits | 212 | - | - | (212) | - | - | - | - |
| Purchase of land | - | - | - | 2,500 | 2,500 | - | 2,500 | 5,723 |
| Transfer of other internally restricted net assets | (66,722) | - | 66,722 | - | - | - | - | - |
| Net unrealized gain (losses) arising during the period on investments | - | (5,074) | - | - | (5,074) | - | (5,074) | 39,382 |
| Transfer of net realized losses (gains) on investments to revenue | - | (21,279) | - | - | (21,279) | - | (21,279) | (4,402) |
| Reclassification adjustments | - | - | - | - | - | - | - | 4,949 |
| Balance at end of year | $ 115,741 | $ (9,110) | $ 66,722 | $ 777,071 | $ 950,424 | $ 10,150 | $ 960,574 | $ 128,272 |

*The accompanying notes and schedules are part of these consolidated financial statements.*

(thousands of dollars)

## CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED MARCH 31, 2011

| | 2011 Budget (Note 3) | 2011 Actual | 2010 Actual (Note 21) |
|---|---|---|---|
| Operating activities: | | | |
| Operating surplus (deficiency) of revenue over expenses | $ 630,000 | $ 856,155 | $ (238,170) |
| Non-cash transactions: | | | |
| Amortization expense, loss on disposal and write down (Schedule 1) | 479,000 | 470,511 | 411,585 |
| Amortized external capital contributions | (371,000) | (364,606) | (305,357) |
| Other | 31,000 | (2,503) | (147,554) |
| Changes in non-cash working capital | 155,000 | (2,169) | 107,095 |
| Cash generated from (used by) operating activities | 924,000 | 957,388 | (172,401) |
| Investing activities: | | | |
| Purchase of capital assets: | | | |
| Internally funded equipment | (65,000) | (107,612) | (36,097) |
| Internally funded information systems | (135,000) | (137,082) | - |
| Internally funded facilities and improvements | - | - | (7,103) |
| Externally funded equipment | (25,000) | (94,365) | (139,317) |
| Externally funded information systems | (70,000) | (43,331) | (42,256) |
| Externally funded facilities and improvements | (1,210,000) | (467,154) | (708,985) |
| Debt funded facilities and improvements | (96,000) | (71,353) | (89,107) |
| Purchase of investments | (775,000) | (7,343,537) | (341,196) |
| Proceeds on sale of investments | 787,000 | 5,995,607 | 412,688 |
| Allocations from non-current cash and investments | 925,000 | 1,774,562 | 775,595 |
| Changes in non-cash working capital | (287,000) | 76,458 | (53,911) |
| Other | - | - | (329) |
| Cash used by investing activities | (951,000) | (417,807) | (230,018) |
| Financing activities: | | | |
| Capital contributions received | 300,000 | 202,923 | 160,992 |
| Capital contributions returned | - | (58,850) | - |
| Proceeds from long-term debt | 96,000 | 73,160 | 88,830 |
| Principal payments on long-term debt | (12,000) | (12,565) | (14,410) |
| Cash generated from financing activities | 384,000 | 204,668 | 235,412 |
| Net increase (decrease) in current cash and cash equivalents | 357,000 | 744,249 | (167,007) |
| Current cash and cash equivalents, beginning of year | 977,000 | 977,216 | 1,144,223 |
| Current cash and cash equivalents, end of year | $ 1,334,000 | $ 1,721,465 | $ 977,216 |

*The accompanying notes and schedules are part of these consolidated financial statements*

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
# MARCH 31, 2011

## Note 1 Authority, Purpose and Operations

Alberta Health Services (AHS) was established under the *Regional Health Authorities Act* (Alberta). Effective April 1, 2009, the name of East Central Health was amended to Alberta Health Services (AHS). All other Regional Health Authorities, the Alberta Mental Health Board, the Alberta Cancer Board and the Alberta Alcohol and Drug Abuse Commission were disestablished and amalgamated with AHS. All assets, liabilities, rights and obligations of the disestablished entities were assumed by AHS.

Effective July 15, 2010, the operations and administration of Correctional Health Services in Provincial Correctional Institutions within the province of Alberta were transitioned from the Solicitor General and Minister of Public Security to AHS. The Consolidated Statement of Operations includes $11,435 related to health services in provincial correctional institutions.

Effective October 1, 2010, the operations and administration of fixed wing and other rotary air ambulance services within the province of Alberta were transitioned to AHS. The Consolidated Statement of Operations includes $22,168 related to fixed wing and other rotary air ambulance services.

AHS is responsible in Alberta to:

- promote and protect the health of the population and work toward the prevention of disease and injury;
- assess on an ongoing basis the health needs of the population;
- determine priorities in the provision of health services and allocate resources accordingly;
- ensure reasonable access to quality health services; and
- promote the provision of health services in a manner that is responsive to the needs of individuals and communities and supports the integration of services and facilities.

AHS's operations include the facilities and sites listed in the AHS annual report. AHS is a registered charity under the *Income Tax Act* (Canada) and is exempt from the payment of income tax.

## Note 2 Significant Accounting Policies and Reporting Practices

### (a) Basis of Presentation

The financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles and the reporting requirements of Alberta Health and Wellness (AHW) Financial Directive 4.

(i) These financial statements have been prepared on a consolidated basis. Included in these consolidated financial statements are the following wholly owned subsidiaries:

**Note 2 Significant Accounting Policies and Reporting Practices (continued)**

- Calgary Laboratory Services Ltd. (CLS), who provides medical diagnostic services in Calgary and southern Alberta.
- Capital Care Group Inc. (CCGI), who manages continuing care programs and facilities in the Edmonton area.
- Carewest, who manages continuing care programs and facilities in the Calgary area.

The transactions between AHS and these subsidiaries have been eliminated on consolidation. These entities of AHS are exempt from the payment of income tax.

(ii) AHS uses the proportionate consolidation method to account for its 50% interest in the Northern Alberta Clinical Trials Centre joint venture with the University of Alberta (Note 19(a)(i)), and its 50% interest in the Primary Care Networks disclosed in Note 19 (b).

(iii) AHS consolidates its interest in the Provincial Health Authorities of Alberta Liability and Property Insurance Plan (LPIP). AHS has the majority of representation on the LPIP's governance board and is therefore considered to control the LPIP. The main purpose of LPIP is to share the risks of general and professional liability to lessen the impact on any one subscriber. LPIP is exempt from the payment of income tax but is subject to the Alberta provincial premium tax.

(iv) These consolidated financial statements do not include the assets, liabilities and operations of controlled foundations (Note 19 (c)), voluntary or private facilities providing health services in the Province (Note 19(d)), or the Health Benefits Trust of Alberta (Note 19(e)). These consolidated financial statements do not include trust funds administered on behalf of others (Note 20).

**(b) Revenue Recognition**

These consolidated financial statements have been prepared using the deferral method of accounting for contributions; the key elements of AHS's revenue recognition policies are:

(i) Unrestricted contributions are recognized as revenue in the year 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 invested in capital assets. Amounts expended, representing externally funded capital assets, are then transferred to unamortized external capital contributions. Unamortized external capital contributions are recognized as revenue in the year the related amortization expense of the funded capital asset is recorded.

(iv) Contributions receivable from AHW and capital contributions receivable from Alberta Health and Wellness are recorded as receivable when confirmed with AHW.

(v) Pledges receivable from foundations are recorded as receivable when amounts to be received can be reasonably estimated and ultimate collection is reasonably assured.

**Note 2 Significant Accounting Policies and Reporting Practices (continued)**

(vi) Externally restricted contributions to purchase capital assets that will not be amortized and endowments are treated as direct increases to net assets.

(vii) Investment income includes dividend and interest income, and realized gains or losses on the sale of investments. Unrealized gains and losses on available for sale investments are included directly in net assets or deferred contributions as appropriate, until the related investments are sold. Unrealized gains and losses on held for trading investments are included in the Consolidated Statement of Operations. Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Other unrestricted investment income is recognized as revenue when earned.

(viii) Donations and contributions in kind are recorded at fair value when such value can reasonably be determined.

(ix) Revenue from sales of goods and services is recorded in the period that goods are delivered or services are provided.

**(c) Full Cost**

AHS accounts for all costs of services for which it is responsible. Full cost transactions comprise the following:

(i) Revenue earned by contracted health service providers from AHW designated fees and charges are recorded as AHS's fees and charges. An equivalent amount is recorded as program expenses as this revenue funds part of the cost of AHS's programs.

(ii) AHW payments directly to contracted health service providers are recorded as revenue and an equivalent amount is recorded as program expenses as these payments represent part of the cost of AHS's programs.

(iii) The estimated cost for use of acute care facilities not owned by AHS is recorded as other government contributions and as program expenses, since AHS's contract payments do not include an amount for the use of these facilities.

(iv) The estimated cost for use of non-acute care facilities not owned by AHS and provided to AHS at zero or nominal rent is recorded as other government contributions and as program expenses.

(v) Other assets, supplies and service contributions that would otherwise have been purchased are recorded as revenue and expenses, at fair value at the date of contribution, when a fair value can be reasonably determined. Volunteers contribute a significant amount of time each year to assist AHS in carrying out its programs and services. However, contributed services of volunteers are not recognized as revenue and expenses in the consolidated financial statements because fair value cannot be reasonably determined.

**(d) Cash, Cash Equivalents and Investments**

Cash and cash equivalents consist of cash on hand, balances with banks and investments in money market securities with original maturities of less than three months.

Current cash and cash equivalents are comprised of both unrestricted and restricted funds. Unrestricted funds are used for general operating purposes or internally funded capital projects.

**Note 2 Significant Accounting Policies and Reporting Practices (continued)**

Restricted funds comprise received but unspent deferred contributions, as well as amounts restricted to fund long-term insurance obligations (Note 8(d)).

Non-current cash and investments consist of cash on hand, balances with banks and investments in fixed income and equities. All non-current cash and investments are restricted and are comprised of received but not spent non-current deferred contributions and deferred capital contributions.

Investments are accounted for in accordance with the accounting policies described in Note 2(f). Transaction costs associated with the acquisition and disposal of investments are capitalized and are included in the acquisition costs or reduce proceeds on disposal. Investment management fees are expensed as incurred. The purchase and sale of investments are accounted for using trade-date accounting.

**(e) Inventories**

Inventories for consumption or distribution at no charge are valued at lower of cost (defined as moving average cost) and current replacement value. All other inventories are valued at lower of cost (defined as moving average cost) and net realizable value.

**(f) Financial Instruments**

AHS has classified its financial assets and financial liabilities as follows:

| Financial Assets and Liabilities | Classification | Subsequent Measurement and Recognition |
|---|---|---|
| Cash and cash equivalents | Held for trading | Measured at fair value with changes in those fair values recognized in the Consolidated Statement of Operations. |
| Investments | Available for sale | Measured at fair value with changes in fair values recognized in the Consolidated Statement of Changes in Net Assets or deferred contributions until realized, at which time the cumulative changes in fair value are recognized in the Consolidated Statement of Operations. |
| | Held for trading | Measured at fair value with changes in those fair values recognized in the Consolidated Statement of Operations. |
| Accounts receivable, contributions and capital contributions receivable from AHW | Loans and receivables | After initial fair value measurement, measured at amortized cost using the effective interest rate method. |
| Accounts payable and accrued liabilities, long-term debt, provision for unpaid claims and life lease deposits | Other financial liabilities | After initial fair value measurement, measured at amortized cost using the effective interest rate method. |

(thousands of dollars)

**Note 2 Significant Accounting Policies and Reporting Practices (continued)**

AHS does not use hedge accounting and is not impacted by the requirements of Canadian Institute of Chartered Accountants (CICA) accounting standard Section 3865 - Hedges. AHS as a not-for-profit organization elected to not apply the standards for embedded derivatives in non-financial contracts. In addition, AHS has elected not to adopt Section 3862 Financial Instruments - Disclosures and Section 3863 Financial Instruments - Presentation, and instead has continued to disclose financial instruments under Section 3861 – Financial Instruments Disclosure and Presentation.

When it is determined that an impairment of a financial instrument classified as available for sale is other than temporary, the cumulative loss that had been recognized directly in net assets or deferred contributions is removed and recognized in the Consolidated Statement of Operations even though the financial asset has not been derecognized. Impairment losses recognized in the Consolidated Statement of Operations for a financial instrument classified as available for sale are not reversed.

The carrying value of current cash and cash equivalents, accounts receivable, contributions and capital contributions receivable from AHW, accounts payable and accrued liabilities approximate their fair value because of the short term nature of these items. Unless otherwise noted, it is management's opinion that AHS is not exposed to significant interest, currency or credit risks arising from its financial instruments.

Further disclosure on financial instruments is provided in Note 2(d) Cash, Cash Equivalents and Investments, Note 13 Long-term Debt and Note 15 Other Liabilities.

**(g) Capital Assets**

Capital assets and work in progress are recorded at cost. Capital assets and work in progress acquired from other government organizations are recorded at the carrying value of that government organization. Costs incurred by Alberta Infrastructure (AI) to build capital assets on behalf of AHS are recorded by AHS as work in progress and unamortized external capital contributions as AI incurs costs. The threshold for capitalizing new systems development is $250 and major enhancements is $100. The threshold for all other capital assets of $5. All land is capitalized.

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

| | Useful Life |
|---|---|
| Facilities and improvements | 10-40 years |
| Equipment | 2-20 years |
| Information systems | 3-5 years |
| Leased facilities and improvements | term of lease |
| Building service equipment | 5-40 years |
| Land improvements | 5-40 years |

Work in progress, which includes facilities and improvements projects and development of information systems, is not amortized until after a project is complete. Leases transferring substantially all benefits and risks of capital asset ownership are reported as capital asset acquisitions financed by long-term obligations.

**Note 2 Significant Accounting Policies and Reporting Practices (continued)**

**(h) Asset Retirement Obligations**

AHS recognizes the fair value of a future asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that results from the acquisition, construction, development, and/or normal use of the assets. AHS concurrently recognizes a corresponding increase in the carrying amount of the related long-lived asset that is amortized over the life of the asset. The fair value of the asset retirement obligation is estimated using the expected cash flow approach that reflects a range of possible outcomes discounted at a credit-adjusted risk-free interest rate.

Subsequent to the initial measurement, the asset retirement obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. Changes in the obligation due to the passage of time are recognized as an operating expense using the effective interest method. Changes in the obligation due to changes in estimated cash flows are recognized as an adjustment of the carrying amount of the related long-lived asset that is amortized over the remaining life of the asset.

An asset retirement obligation related to the removal of hazardous material that would be required as part of a capital project is only recognized when there is approval from the Minister of Health and Wellness to proceed with the project.

**(i) Employee Future Benefits**

**Registered Benefit Pension Plan**

AHS participates in the following registered benefit pension plans: the Local Authorities Pension Plan (LAPP) and the Management Employee Pension Plan (MEPP). These multi-employer public sector final average plans provide pensions for participants, based on years of service and earnings. Benefits for post-1991 service payable under these plans are limited by the *Income Tax Act* (Canada). As these plans are multi-employer plans and sufficient information is not available, these plans are accounted for on a defined contribution basis.

**Other Defined Contribution Pension Plans**

AHS sponsors Group Registered Retirement Savings Plans (GRRSPs) for certain employee groups. Under the GRRSPs, AHS matches a certain percentage of any contribution made by plan participants up to certain limits. AHS also sponsors a defined contribution pension plan for certain employee groups where the employee and employer each contribute specified percentages of pensionable earnings. In addition, AHS administers a supplemental defined contribution pension plan for a certain employee group. AHS contributes a specified percentage of an employee's earnings in excess of the limits of the *Income Tax Act* (Canada). These plans provide participants with an account balance at retirement based on the contributions made to the plan and investment income earned on the contributions based on investment decisions made by the participant.

**Note 2 Significant Accounting Policies and Reporting Practices (continued)**

**Supplemental Executive Retirement Plans (SERPs)**

AHS sponsors three defined benefit SERPs which are funded. These plans cover certain employees and supplement the benefits under AHS's registered plans that are limited by the *Income Tax Act* (Canada). Each plan was closed to new entrants effective April 1, 2009. A majority of the SERPs are final average plans, however, certain participant groups have their benefits determined on a career average basis. Also, some participant groups receive post-retirement indexing similar to the benefits provided under the registered defined benefit pension plans; while others receive non-indexed benefits. The obligations and costs of these benefits are determined annually through an actuarial valuation as at March 31 using the projected benefit method pro-rated on service and management's best estimate assumptions, including a market-related discount rate.

Due to *Income Tax Act* (Canada) requirements, the SERPs are subject to the Retirement Compensation Arrangement (RCA) rules; therefore approximately half the assets are held in a non-interest bearing Refundable Tax Account with the Canada Revenue Agency. The remaining assets of the SERPs are invested in a fixed income portfolio. The net benefit cost of SERPs reported in these financial statements include the current service cost, interest cost on the current service cost and obligations, as well as the amortization of past service cost, initial obligations and net actuarial gains and losses. These amounts are offset by the expected return on the plans' assets.

Past service costs, including the initial obligations of the plans, are amortized on a straight-line basis over the average remaining service lifetime of the relevant employee group. Cumulative net actuarial gains or losses over 10 percent of the greater of the benefit obligation and fair value of the plans' assets, are amortized on a straight-line basis over the average remaining service lifetime of the employee group. When an employee's accrued benefit obligation is fully discharged, all unrecognized amounts associated with that employee are fully recognized in the net benefit cost in the following year.

**Supplemental Pension Plan (SPP)**

The AHS Board has approved a defined contribution SPP for staff not participating in SERP that supplements the benefits under AHS registered plans that are limited by the *Income Tax Act* (Canada). AHS contributes a certain percentage of an eligible employee's pensionable earnings, excluding pay at risk, in excess of the limits of the *Income Tax Act* (Canada). This plan will provide participants with an account balance at retirement based on the contributions made to the plan and investment income earned on the contributions based on investment decisions made by the participant.

**Other Benefits**

AHS provides its employees with basic life, accidental death and dismemberment, short term disability, long term disability, extended health, dental and vision benefits through benefits carriers. AHS's contributions are expensed to the extent that they do not relate to discretionary reserves. AHS fully accrues its obligations for employee non-pension future benefits.

**Note 2 Significant Accounting Policies and Reporting Practices (continued)**

**(j) Internally Restricted Net Assets Invested in Capital Assets**

AHS discloses internally restricted net assets invested in capital assets separately on the Consolidated Statement of Financial Position and Consolidated Statement of Changes in Net Assets. The AHS Board has approved the restriction of net assets equal to the net book value of internally funded capital assets that will be amortized.

**(k) Grants for Research and Other Initiatives**

AHS awards grants to other organizations for research and other initiatives. The term of the grants range from less than one year to more than one year. AHS records the committed value of the grant awarded as an expense when it has been approved and when the agreement between AHS and the principal investigator has been executed.

**(l) Measurement Uncertainty**

The consolidated financial statements, by their nature, contain estimates and are subject to measurement uncertainty. Measurement uncertainty exists when there is a significant variance between the recognized or disclosed amount and another reasonably possible amount. The amounts recorded for amortization of capital assets and amortization of external capital contributions are based on the estimated useful life of the related assets. The amounts recorded for asset retirement and employee future benefits obligations are based on estimated future cash flows. As disclosed in Note 15, the provision for unpaid claims is subject to significant management estimates and assumptions. These estimates and assumptions are reviewed periodically. Actual results could differ from the estimates determined by management in these financial statements, and these differences, which may be material, could require adjustment in subsequent reporting periods.

**(m) Capital Disclosure**

For operating purposes, AHS defines capital as including working capital and unrestricted net assets. For capital purposes, AHS defines capital as including deferred capital contributions, long term debt, unamortized external capital contributions, and internally restricted net assets invested in capital assets.

AHS's objectives for managing capital are:

- In the short term, to safeguard its financial ability to continue to deliver health services; and
- In the long term, to plan and build sufficient physical capacity to meet future needs for health services.

The majority of AHS's operating funds are from AHW. AHW provides the operating funds on the first of each month. AHS monitors and forecasts its working capital and cash flow as part of its ongoing cash management activities.

AHW approves health care facilities based on long-term capital plans and Alberta Infrastructure (AI) provides the majority of the funding through one-time capital grants. AHS funds the required equipment and systems by a combination of allocating a portion of operating funds and obtaining external funding from charitable donations and capital grants. AHS borrows to finance capital investments related to ancillary operations, which includes parking and rental operations, non-patient food services and the sale of goods and services, since AHW and AI do not fund ancillary operations.

(thousands of dollars)

**Note 2 Significant Accounting Policies and Reporting Practices (continued)**

AHS complied with all debt covenants during the year. In the event of default, the entire outstanding indebtedness secured by and payable to Alberta Capital Financing Authority (ACFA), at their option, becomes due and payable forthwith and without notice to AHS. ACFA may also elect to retain all or any part of the collateral in satisfaction of the indebtedness of AHS. AHS monitors and forecasts all debt covenants as part of its ongoing debt management activities.

Where AHS has incurred an accumulated deficit, legislation requires submission of a deficit elimination plan.

**(n) Changes to Accounting Framework**

The Public Sector Accounting Board of the CICA (PSAB) has issued a framework for financial reporting by government not-for-profit organizations. The framework includes the 4400 series of standards from the CICA Handbook – Accounting, which have been incorporated into the Public Sector Accounting (PSA) Handbook as PS 4200 series of standards. This framework will be effective for fiscal periods beginning on or after January 1, 2012. Government not-for-profit organizations have been given the choice to apply either PS 4200 series of standards plus the PSA Handbook, or PSA Handbook without the PS 4200 series of standards. AHS will adopt a framework effective April 1, 2012. However, AHS has not yet decided which option it will adopt and therefore the impact of this framework cannot be determined. AHS will identify the differences in the standards that will impact the financial statements and quantify the differences. AHS will also determine whether any of the specific exemptions and exceptions applicable to the first time adoption of PSA standards by government organizations will be applicable to AHS.

**Note 3 Budget**

A preliminary business plan with a budgeted surplus of $630,000 was approved by the Board on June 29, 2010 and the full financial plan was submitted to the Minister of Health and Wellness. The reported budget reflects the original $630,000 surplus and additional reclassifications required for more consistent presentation with current and prior year results (Schedule 3).

**Note 4 Unrestricted Deficit Funding**

AHS started on April 1, 2009 with an opening accumulated deficit of $343,219 from the former health entities. In February 2010 the five-year funding commitment for health was announced including funding the accumulated deficit of AHS after the first year of operations in two phases: $343,000 in the prior year and $527,235 in the current year.

The Consolidated Statement of Operations reports the operating surplus (deficit) including the deficit funding. The operating surplus (deficit) excluding the deficit funding is as follows:

| | 2011 | 2010 |
|---|---|---|
| Operating surplus (deficiency) | $ 856,155 | $ (238,170) |
| Less: Deficit funding | (527,235) | (343,000) |
| Operating surplus (deficit) excluding deficit funding | $ 328,920 | $ (581,170) |

(thousands of dollars)

## Note 5 Investment and Other Income

| | 2011 | 2010 |
|---|---|---|
| Investment income | $ 55,936 | $ 25,480 |
| Other income | 236,183 | 235,851 |
| | $ 292,119 | $ 261,331 |

## Note 6 Administration Expense

| | 2011 | 2010 |
|---|---|---|
| General administration | $ 90,627 | $ 134,397 |
| Human resources | 90,119 | 120,813 |
| Finance | 62,598 | 66,577 |
| Administration- contracts with health service providers | 63,998 | 59,876 |
| | $ 307,342 | $ 381,663 |

## Note 7 Pension Expense

| | 2011 | 2010 |
|---|---|---|
| Registered benefit pension plans [(a)] | $ 322,009 | $ 300,513 |
| Costs to transfer employees to LAPP | - | 33,000 |
| Defined contribution pension plans and Group RRSPs | 12,922 | 10,850 |
| Supplemental Executive Retirement Plans | 3,351 | 4,233 |
| Supplemental Pension Plan | 458 | 476 |
| | $ 338,740 | $ 349,072 |

**(a) Registered Benefit Pension Plans**

AHS participates in the Local Authorities Pension Plan (LAPP) and the Management Employee Pension Plan (MEPP), which are multi-employer defined benefit plans. The pension expense recorded in these consolidated financial statements is equivalent to AHS's contributions to the plan during the year as determined by LAPP and MEPP. At December 31, 2010 LAPP reported a deficiency of $4,635,250 (2009 - deficiency of $3,998,614), and MEPP reported a deficiency of $397,087 (2009 – deficiency of $483,199).

(thousands of dollars)

**Note 8 Cash, Cash Equivalents and Investments**

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | Fair Market Value | Cost | Fair Market Value | Cost |
| Cash | $ 457,951 | $ 457,951 | $ 1,552,995 | $ 1,552,995 |
| Money market securities | 614,132 | 614,132 | 65,101 | 65,095 |
| Fixed income securities | 1,220,750 | 1,230,108 | 251,528 | 247,374 |
| Equities | 27,967 | 25,678 | 107,206 | 94,123 |
| | $ 2,320,800 | $ 2,327,869 | $ 1,976,830 | $ 1,959,587 |
| Classified as: | | | | |
| Current | | | | |
| Unrestricted | $ 1,170,910 | | $ 313,663 | |
| Restricted | 550,555 | | 663,553 | |
| | 1,721,465 | | 977,216 | |
| Non-current | | | | |
| Restricted[(d)] | 599,335 | | 999,614 | |
| | $ 2,320,800 | | $ 1,976,830 | |

In order to earn optimal financial returns at an acceptable level of risk, AHS has established an investment bylaw with maximum asset mix ranges of 0% to 100% for cash and money market securities, 0% to 80% for fixed income securities, and 0% to 40% for equities. Risk is reduced through asset class diversification, diversification within each asset class, and quality constraints on fixed income securities and equity investments.

**(a) Interest Rate Risk**

AHS manages the interest rate risk exposure of its fixed income investments by management of average duration and laddered maturity dates.

Money market securities are comprised of Government of Canada treasury bills maturing June 2011 and bearing interest at an average effective yield of 0.74% (2010 – 0.22%) per annum.

Fixed income securities, such as bonds, have an average effective yield of 2.07% (2010 – 3.70%) per year, maturing between 2011 and 2044. The securities have the following maturity structure:

| | 2011 | 2010 |
|---|---|---|
| 1 – 5 years | 88% | 42% |
| 6 – 10 years | 9% | 30% |
| Over 10 years | 3% | 28% |

**(b) Currency Rate Risk**

AHS is exposed to foreign exchange fluctuations on its investments denominated in foreign currencies. However, this risk is managed by the fact that AHS's investment bylaw limits non-Canadian equities to 25% of the total investment portfolio. As at March 31, 2011, investments in non-Canadian equities represented 0.57% (2010 – 4.55%) of total investments.

(thousands of dollars)

**Note 8 Cash, Cash Equivalents and Investments (continued)**

**(c) Credit and Market Risks**

AHS is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the value of AHS's receivables are from AHW; therefore credit risk is considered to be minimal.

AHS's investment bylaw restricts the types and proportions of eligible investments, thus mitigating AHS's exposure to market risk. Money market securities are limited to a rating of R1 or equivalent or higher and no more than 10% may be invested in any one issuer. Investments in corporate bonds are limited to BBB or equivalent rated bonds or higher and no more than 40% of the total fixed income securities. Investments in debt and equity of any one issuer are limited to 5% of the issuer's total debt and equity. Short selling is not permitted.

**(d) Restricted Funds for Long Term Insurance Obligations**

Included in restricted cash are cash and investments held by AHS to meet long term liability and property insurance obligations. Amounts totaling $85,386 are restricted as provision for unpaid claims and include an amount to satisfy the reserve and guarantee funds under the *Insurance Act* (Alberta).

**Note 9 Capital Assets**

| | 2011 | | | 2010 |
|---|---|---|---|---|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| Facilities and improvements | $ 6,001,129 | $ 2,118,659 | $ 3,882,470 | $ 3,135,415 |
| Work in progress | 1,669,214 | - | 1,669,214 | 1,824,049 |
| Equipment | 1,740,142 | 1,160,474 | 579,668 | 542,220 |
| Information systems | 757,329 | 541,302 | 216,027 | 266,082 |
| Building service equipment | 349,066 | 194,307 | 154,759 | 168,688 |
| Land | 108,830 | - | 108,830 | 106,330 |
| Leased facilities and improvements | 162,892 | 81,900 | 80,992 | 90,576 |
| Land improvements | 63,512 | 48,008 | 15,504 | 17,752 |
| | $ 10,852,114 | $ 4,144,650 | $ 6,707,464 | $ 6,151,112 |

**(a) Leased Land**

Land at the following sites has been provided to AHS at nominal values:

| Site | Leased from | Lease expiry |
|---|---|---|
| Alberta Children's Hospital | University of Calgary | 2101 |
| Banff Health Unit | Mineral Springs Hospital | 2028 |
| Cross Cancer Institute parkade | University of Alberta | 2019 |
| Foothills Medical Centre parkade | University of Calgary | 2054 |
| McConnell Place North | City of Edmonton | 2035 |
| Northeast Community Health Centre | City of Edmonton | 2048 |

(thousands of dollars)

**Note 9 Capital Assets (continued)**

**(b) Work in Progress**

During the year, the responsibility for building the following capital assets was transferred to Alberta Infrastructure (AI) (Note 19(a)(ii)):

Edson Regional Hospital
Grande Prairie Regional Health Complex
High Prairie Health Complex
Medicine Hat Regional Hospital Redevelopment
Lethbridge Chinook Regional Hospital
Sherwood Park Strathcona Hospital – Phase 1
Fort Saskatchewan Health Centre
Edmonton Clinic South
Alberta Hospital Edmonton Food Service Depot
South Calgary Health Campus
Bow Island Health Centre (Capital for Emergent Projects)
Central Alberta Cancer Centre (Red Deer)
Grande Prairie QEII Emergency Department Redevelopment and Endoscopy Suite
Lloydminster Dr. Cooke Extended Care Centre
Fort McMurray Community Health Centres (Thickwood and Timberlea)
Stollery Childrens Hospital Emergency Department Expansion
Stollery Childrens Hospital Paediatric Surgical Suite and Inter-operative Magnetic Resonance Imaging Renovations
Foothills Medical Centre-McCaig Tower Renovations
Sturgeon Community Hospital Expansion (St. Albert)
Northern Lights Health Centre Emergency Room Renovations and Ambulatory Care Upgrade (Capital for Emergent Projects) (Fort McMurray)

AHS recorded the costs incurred by AI for these capital assets of $105,966 for the year ended March 31, 2011 as additions to work in progress and capital contributions received in kind (Note 12).

**(c) Leased Equipment**

Equipment includes assets acquired through capital leases at a cost of $12,250 (2010 - $11,283) with accumulated amortization of $10,938 (2010 - $10,415).

**(d) Write-Down of Capital Assets**

During the prior year AHS discontinued operations of the Raymond Care Centre and Picture Butte Municipal Hospital, and recorded a write-down of $2,682 to reduce the facilities' carrying value to their fair market value.

**Note 10 Other Assets**

| | 2011 | 2010 |
|---|---|---|
| Long-term care partnerships – loans (Note 11(a)) | $ 122,739 | $ 93,904 |
| Capital contributions receivable | 77,600 | 126,089 |
| Other non-current assets | 14,207 | 13,195 |
| | $ 214,546 | $ 233,188 |

(thousands of dollars)

**Note 11 Deferred Contributions**

Deferred contributions represent unspent externally restricted resources. Changes in the deferred contributions balance are as follows:

| | 2011 | | | 2010 |
|---|---|---|---|---|
| | AHW | Others | Total | Total |
| Balance beginning of the year | $ 373,262 | $ 357,720 | $ 730,982 | $ 811,971 |
| Received during the year | 801,985 | 145,969 | 947,954 | 892,186 |
| Restricted investment income | 1,703 | 4,387 | 6,090 | 3,164 |
| Transferred from (to) deferred capital contributions | (20,924) | 23,047 | 2,123 | (4,475) |
| Recognized as revenue | (747,829) | (180,303) | (928,132) | (971,864) |
| Balance end of the year | $ 408,197 | $ 350,820 | $ 759,017 | $ 730,982 |

(thousands of dollars)

**Note 11 Deferred Contributions (continued)**

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

| | 2011 | | | 2010 |
|---|---|---|---|---|
| | AHW | Others | Total | Total |
| Current | | | | |
| Mental Health and Safe Communities | $ 107,364 | $ 1,225 | $ 108,589 | $ 129,901 |
| Research and education | 2,926 | 73,792 | 76,718 | 73,279 |
| Physician revenue and Alternate Relationship Plans | 53,618 | 857 | 54,475 | 39,184 |
| Continuing care and seniors health | 49,128 | 2,461 | 51,589 | 22,609 |
| Virtual site training for Calgary South Health Campus | 49,630 | - | 49,630 | - |
| Cancer prevention and research | 30,780 | 15,567 | 46,347 | 51,680 |
| Primary Care Networks (Note 19(b)) | 41,940 | - | 41,940 | 41,826 |
| Promotion, prevention and community | 27,159 | 13,470 | 40,629 | 34,800 |
| Infrastructure maintenance | - | 37,305 | 37,305 | 46,548 |
| Emergency and outpatient services | 5,306 | 7,357 | 12,663 | 13,849 |
| Inpatient acute nursing services | 3,497 | 9,061 | 12,558 | 10,089 |
| Diagnostic and therapeutic services | 6,992 | 5,131 | 12,123 | 15,617 |
| Pandemic | 8,619 | - | 8,619 | 8,613 |
| Healthy Workforce Action Plan | - | 7,595 | 7,595 | 11,128 |
| Information technology | 7,028 | 232 | 7,260 | 11,086 |
| Telehealth | 5,791 | 79 | 5,870 | 7,422 |
| EMS transition | 5,655 | - | 5,655 | 18,318 |
| Support services | 284 | 3,805 | 4,089 | 5,402 |
| Wait times | - | - | - | 9,898 |
| Regional Shared Health Information Program | - | - | - | 8,090 |
| Others less than $5,000 | 2,480 | 9,158 | 11,638 | 8,393 |
| | 408,197 | 187,095 | 595,292 | 567,732 |
| Non-current: | | | | |
| Long term care partnerships [(a)] | - | 159,691 | 159,691 | 157,435 |
| Other | - | 4,034 | 4,034 | 5,815 |
| | - | 163,725 | 163,725 | 163,250 |
| | $ 408,197 | $ 350,820 | $ 759,017 | $ 730,982 |

**Note 11 Deferred Contributions (continued)**

**(a) Long-term care partnership agreements**

AHS has entered into partnership with voluntary and private health service providers to build and operate long-term care facilities within Alberta. The Government of Alberta has supported these partnerships through providing one-time, up-front capital funding to enable AHS and the voluntary and private partners to develop the approved infrastructure. Two partnership models have been used for the payment of the grant from AHS to the partnership organizations; the Supplementary Payment Model and the Forgivable Mortgage Model.

Under the Supplementary Payment Model, AHS makes annual payments to the partner over the term of the partnership contract, which is usually the expected useful life of the infrastructure. Amounts invested under the terms of long-term care partnership agreements will be utilized to fund future payments to providers over the next 22 years. These payments have a net present value of \$20,695 at March 31, 2011 (2010 - \$26,067) discounted at 3.7% (2010 – 3.0%). The amounts invested under the terms of the long-term care partnership agreements have a market value at March 31, 2011 of \$29,654 (2010 - \$37,020). AHS is subject to risk to meet the payment obligations as they become due.

AHS recognizes the supplementary payment expenses in facility-based continuing care services on the Consolidated Statement of Operations and recognizes an equal amount of revenue as other government contributions from deferred contributions long-term care partnership projects. Investment income earned, net of management fees, is recorded as an increase to both the investment base and the deferred contribution.

Under the Forgivable Mortgage Model, AHS provides a loan to the partner who uses the funds to construct the infrastructure. AHS does not accrue interest on the loan as AHS intends to forgive the balance of the loan in accordance with the agreement. The loan is repayable on demand in the event of default and is secured by the facility. The loan is considered an asset as it is recoverable from services rendered by the owner over the life of the agreement.

AHS amortizes the long-term care partnership project asset (Note 10) on a straight line basis over the useful life of the infrastructure to facility-based continuing care services on the Consolidated Statement of Operations and recognizes an equal amount of revenue as other government contributions from deferred contributions long-term care partnership projects.

(thousands of dollars)

**Note 12 Deferred Capital Contributions**

Deferred capital contributions represent unspent externally restricted resources related to capital assets. Changes in the deferred capital contributions balance are as follows:

| | 2011 | | | | 2010 |
|---|---|---|---|---|---|
| | AHW | AI | Others | Total | Total |
| Balance beginning of the year | $230,031 | $763,983 | $ 52,126 | $1,046,140 | $1,696,776 |
| Received or receivable during the year | 74,365 | 39,227 | 43,165 | 156,757 | 236,457 |
| Received in kind | - | 105,966 | 86 | 106,052 | - |
| Restricted investment income | 965 | - | - | 965 | 272 |
| Capital contributions returned | (5,469) | (53,000) | (381) | (58,850) | - |
| Transferred to unamortized external capital contributions | (93,504) | (582,305) | (35,006) | (710,815) | (891,148) |
| Transferred from (to) deferred contributions | 20,924 | (23,025) | (22) | (2,123) | 4,475 |
| Other | (12,705) | 16,435 | - | 3,730 | (692) |
| Balance end of the year | $ 214,607 | $ 267,281 | $ 59,968 | $ 541,856 | $1,046,140 |

(thousands of dollars)

**Note 12 Deferred Capital Contributions (continued)**

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

| | 2011 | | | | 2010 |
|---|---|---|---|---|---|
| | AHW | AI | Others | Total | Total |
| Facilities and improvements: | | | | | |
| Infrastructure maintenance projects | $ - | $ 143,009 | $ - | $ 143,009 | $ 158,031 |
| Capital escalation | - | - | - | - | 63,658 |
| North Treatment Centre | - | - | 5,674 | 5,674 | 33,708 |
| Stollery Pediatric Emergency Expansion | - | - | 5,000 | 5,000 | - |
| The Edmonton Clinic | | | | | 102,731 |
| South Calgary Hospital | - | - | - | - | 93,548 |
| Rockyview General Hospital | - | - | - | - | 35,909 |
| Peter Lougheed Centre | - | - | - | - | 22,045 |
| Foothills Medical Clinic | - | - | - | - | 18,702 |
| Other initiatives | | 124,272 | 18,139 | 142,411 | 271,850 |
| | - | 267,281 | 28,813 | 296,094 | 800,182 |
| Information systems: | | | | | |
| Regional Shared Health Information Program | 44,979 | - | - | 44,979 | 36,851 |
| Diagnostic Imaging Project Year 3 | 29,004 | - | - | 29,004 | 33,201 |
| Diagnostic Imaging Project Year 4 | 26,219 | - | - | 26,219 | - |
| Provincial Health Information Exchange | 10,909 | - | - | 10,909 | 14,477 |
| Others less than $10,000 | 75,971 | - | - | 75,971 | 82,179 |
| Equipment | 27,525 | - | 31,155 | 58,680 | 79,250 |
| | $ 214,607 | $ 267,281 | $ 59,968 | $ 541,856 | $ 1,046,140 |

(thousands of dollars)

**Note 13 Long-term Debt**

| | | 2011 | | 2010 |
|---|---|---|---|---|
| Debentures payable: [a] | | | | |
| Parkade loan #1 | $ | 46,683 | $ | 48,747 |
| Parkade loan #2 | | 42,303 | | 44,020 |
| Parkade loan #3 | | 51,582 | | 53,332 |
| Parkade loan #4 | | 15,000 | | 5,000 |
| Parkade loan #5 | | 5,000 | | - |
| Calgary Laboratory Services purchase | | 16,583 | | 22,697 |
| Term loan-Parkade #4 [b] | | 138,000 | | 83,000 |
| Term loan-Parkade #5 [c] | | 2,000 | | - |
| Obligation under capital lease [d] | | 15,328 | | 16,042 |
| Other | | 3,820 | | 2,866 |
| | $ | 336,299 | $ | 275,704 |
| Current | $ | 153,799 | $ | 12,938 |
| Non-current | | 182,500 | | 262,766 |
| | $ | 336,299 | $ | 275,704 |
| Fair value of total long-term debt [e] | $ | 345,325 | $ | 282,242 |

(a) AHS issued debentures to Alberta Capital Financing Authority (ACFA), a related party, to finance the construction of parkades and the purchase of the remaining 50.01% ownership interest in CLS. AHS has pledged as security for these debentures revenues derived directly or indirectly from the operations of all parking facilities being built, renovated, owned and operated by AHS.

As at March 31, 2011, $15,000 (2010 - $5,000) of $181,000 has been advanced to AHS relating to the Parkade loan #4 debenture with the remaining to be drawn by September 1, 2011. Semi-annual principal and interest payments of $7,165 will commence March 1, 2012.

As at March 31, 2011, $5,000 (2010 - $NIL) of $42,300 has been advanced to AHS relating to the Parkade loan #5 debenture with the remaining to be drawn by June 1, 2012. Semi-annual principal payments of $1,577 will commence December 1, 2012.

The maturity dates and interest rates for the debentures are as follows:

| | Maturity Date | Interest Rate |
|---|---|---|
| Parkade loan #1 | September 2026 | 4.4025% |
| Parkade loan #2 | September 2027 | 4.3870% |
| Parkade loan #3 | March 2029 | 4.9150% |
| Parkade loan #4 | September 2031 | 4.9250% |
| Parkade loan #5 | June 2032 | 4.2280% |
| Calgary Laboratory Services purchase | May 2013 | 4.6810% |

(b) AHS obtained a term loan facility of $181,000 during 2010, of which $138,000 (2010 - $83,000) has been drawn at March 31, 2011. The facility has been secured by the issuance of the Parkade #4 debenture to ACFA. Although the loan is repayable on demand, repayment terms are for monthly payment of interest only at an average rate of 2.241%, with the full principal repayment due upon maturity on September 1, 2011. Management does not believe that the demand features of the callable debt will be exercised in the current period.

(thousands of dollars)

**Note 13 Long-term Debt (continued)**

(c) AHS obtained a term loan facility of $42,300 during 2011, of which $2,000 has been drawn at March 31, 2011. The facility has been secured by the issuance of the Parkade #5 debenture to ACFA. Although the loan is repayable on demand, repayment terms are for monthly payment of interest only at 3.22%, with the full principal repayment due upon maturity on June 1, 2012. Management does not believe that the demand features of the callable debt will be exercised in the current period.

(d) The capital lease with the University of Calgary expires January 2028. The implicit interest rate payable on this lease is 6.5%.

(e) The fair value of long-term debt is estimated based on market interest rates from ACFA for debentures of similar maturity.

(f) As at March 31, 2011 AHS held a $220,000 revolving demand facility with a Canadian chartered bank which may be used for operating purposes. Draws on the facility bear interest at the bank's prime rate less 0.5% per annum. As at March 31, 2011, AHS has no draws against this facility.

AHS also holds a $33,000 revolving demand letter of credit facility which may be used to secure AHS's obligations to third parties relating to construction projects. As at March 31, 2011, AHS had $6,024 (2010 - $4,305) in letters of credit outstanding against this facility.

AHS is committed to making payments as follows:

| Year ended March 31 | Debentures Payable, Term/Other Loan and Mortgages Payable<br>Principal payments | Capital Lease<br>Minimum lease payments |
|---|---|---|
| 2012 | $ 153,113 | $ 1,660 |
| 2013 | 21,286 | 1,464 |
| 2014 | 17,347 | 1,453 |
| 2015 | 14,533 | 1,453 |
| 2016 | 15,221 | 1,453 |
| Thereafter | 301,611 | 18,298 |
| | $ 523,111 | 25,781 |
| Less: interest | | 10,453 |
| | | $ 15,328 |

During the year, the amount of interest expensed was $7,954 (2010 - $8,845).

(thousands of dollars)

## Note 14 Unamortized External Capital Contributions

Unamortized external capital contributions at year-end represent the external capital contribution to be recognized as revenue in future years. Changes in the unamortized external capital contributions balance are as follows:

| | | 2011 | | 2010 |
|---|---|---|---|---|
| Balance beginning of year | $ | 5,254,711 | $ | 4,675,230 |
| Transferred from deferred capital contributions | | 710,815 | | 891,148 |
| Transfer of land to investment in capital assets | | (2,500) | | (5,723) |
| Less amounts recognized as revenue: | | | | |
| Amortized external capital contributions- Equipment | | (129,551) | | (118,341) |
| Amortized external capital contributions- Information systems | | (52,326) | | (52,117) |
| Amortized external capital contributions- Facilities and improvements | | (182,304) | | (134,596) |
| Amortization- Ancillary operations | | (425) | | (259) |
| Other | | 553 | | (631) |
| Balance end of year | $ | 5,598,973 | $ | 5,254,711 |

## Note 15 Other Liabilities

| | | 2011 | | 2010 |
|---|---|---|---|---|
| Provision for unpaid claims [a] | $ | 76,802 | $ | - |
| Life lease deposits [b] | | 12,815 | | 12,603 |
| Asset retirement obligations [c] | | 10,409 | | 10,713 |
| Accrued benefit (asset) liability of SERPs [d] | | (12,511) | | (6,180) |
| Other | | 9,939 | | 1,295 |
| | $ | 97,454 | $ | 18,431 |

### (a) Provision for Unpaid Claims

Provision for unpaid claims represents the losses from identified claims likely to be paid and provisions for liabilities incurred but not yet reported. The establishment of the provision for unpaid claims relies on the judgment and opinions of many individuals, on historical precedent and trends, on prevailing legal, economic, and social and regulatory trends, and on expectation as to future developments. The process of determining the provision necessarily involves risks that the actual results will deviate perhaps materiality from the best estimates made.

The fair value of unpaid claims is not practicable to determine with sufficient reliability. Under accepted actuarial practice, the appropriate value of the claims liabilities is the discounted value of such liabilities plus the provision for adverse deviation. The provision for unpaid claims has been estimated using the discounted value of claim liabilities using a discount rate of 3.25%.

**Note 15 Other Liabilities (continued)**

**(b) Life Lease Deposits**

Funding for the Laurier House facilities, a project for long-term care residents in Edmonton, is provided by the tenants with a non-interest bearing repayment deposit, for the right to occupy the unit they are leasing. When the life lease agreement is terminated, which may be by death of the tenant or the tenant moving out, the life lease deposit is returned to the tenant without interest and in accordance with the terms of the Life Lease Agreement. The liability for life lease deposits is based on a discharge rate of 25% (2010 – 25%) and a discount rate of 2.2% (2010 - 2.0%), representing the bank secured lending rate. The reported liability is based on estimates and assumptions with respect to events extending over a 4 year period using the best information available to management. The carrying value of the reported liability approximates the fair value.

**(c) Asset Retirement Obligation**

The asset retirement obligation (ARO) represents the legal obligation associated with the removal of asbestos during planned renovations of AHS facilities. The total undiscounted amount of the estimated cash flows required to settle the recorded obligation is $11,151 (2010 - $11,474), which has been discounted using a weighted average credit-adjusted risk free rate of 2.2% (2010 - 2.1%). Payments to settle the ARO are expected to occur by 2014. AHS has identified the existence of asbestos in other buildings which is not required to be remediated at this time and therefore is not recorded as an obligation.

(thousands of dollars)

**Note 15 Other Liabilities (continued)**

**(d) Supplemental Executive Retirement Plans**

During the year there were three SERPs sponsored by AHS. Under the terms of the three SERPs, participants will receive retirement benefits that supplement the benefits under AHS's registered plans that are limited by the *Income Tax Act* (Canada). As required under the plans' terms, any unfunded obligations identified in the actuarial valuation completed at the end of each fiscal year must be fully funded within 61 days. The accounting policies for SERPs are described in Note 2 (i).

| | 2011 | 2010 |
|---|---|---|
| **Change in accrued benefit obligation** | | |
| Accrued benefit obligation, beginning of year | $ 31,809 | $ 28,715 |
| Current service cost | 1,668 | 1,701 |
| Interest cost | 1,754 | 2,000 |
| Benefit payments | (2,159) | (3,224) |
| Actuarial losses | 1,071 | 2,617 |
| Accrued benefit obligation, end of year | $ 34,143 | $ 31,809 |
| **Change in plan assets** | | |
| Fair value of plan assets, beginning of year | $ 32,367 | $ 10,178 |
| Adjustment to opening value | (984) | - |
| Actual return on plan assets | 1,189 | 510 |
| Actual employer contributions | 9,682 | 24,903 |
| Benefit payments | (2,159) | (3,224) |
| Fair value of plan assets, end of year | $ 40,095 | $ 32,367 |
| **Reconciliation of funded status to accrued benefit asset/liability** | | |
| Funded status of the plan | $ 5,952 | $ 558 |
| Unrecognized net actuarial losses | 5,921 | 4,334 |
| Unrecognized initial obligations | 342 | 512 |
| Unrecognized past service cost | 296 | 776 |
| Accrued benefit asset (liability), end of year | $ 12,511 | $ 6,180 |

(thousands of dollars)

**Note 15 Other Liabilities (continued)**

| | | 2011 | | 2010 |
|---|---|---|---|---|
| **Determination of net benefit cost** | | | | |
| Current service cost | $ | 1,668 | $ | 1,701 |
| Interest cost | | 1,754 | | 2,000 |
| Actual return on assets | | (1,189) | | (510) |
| Actuarial losses (gains) in year | | 87 | | 2,617 |
| Amortization of initial obligations | | 392 | | 264 |
| Difference between expected and actual return on assets | | 302 | | 224 |
| Difference between recognized and actual actuarial gains/losses | | 79 | | (2,468) |
| Difference between recognized and actual past service Costs | | 258 | | 405 |
| Net benefit cost | $ | 3,351 | $ | 4,233 |
| **Members** | | | | |
| Active | | 60 | | 64 |
| Retired and terminated | | 48 | | 55 |
| Total members | | 108 | | 119 |
| **Assumptions** | | | | |
| Weighted average discount rate to determine year end obligations | | 4.90% | | 5.40% |
| Weighted average discount rate to determine net benefit costs | | 5.40% | | 6.38% |
| Expected return on assets | | 2.70% | | 2.70% |
| Expected average remaining service life time | | 5 | | 5 |
| Rate of compensation increase per year | | 2011-2012 | | 2010-2011 |
| | | 1.5% | | 1.5% |
| | | 2012-2013 | | 2012-2014 |
| | | 2.5% | | 3.2% |
| | | Thereafter | | Thereafter |
| | | 3.5% | | 3.5% |

**Note 16 Other Internally Restricted Net Assets**

| | | 2011 | | 2010 |
|---|---|---|---|---|
| South Health Campus [(a)] | $ | 50,000 | $ | - |
| Parkade infrastructure reserve [(b)] | | 16,722 | | - |
| | $ | 66,722 | $ | - |

(a) The AHS Board has approved the restriction of $50,000 (2010 - $NIL) to assist with funding start up costs for South Health Campus in Calgary.

(b) The AHS Board has approved the restriction of $16,722 (2010 - $NIL) from parking services surpluses to establish a parking infrastructure reserve for future major maintenance, upgrades and construction.

(thousands of dollars)

## Note 17 Endowments

| | | 2011 | | 2010 |
|---|---|---|---|---|
| Cancer Research Institute of Alberta Director Research Chair [(a)] | $ | 10,000 | $ | 10,000 |
| J.K. Bigelow Education Fund [(b)] | | 150 | | 150 |
| | $ | 10,150 | $ | 10,150 |

(a) The Cancer Research Institute of Alberta (CRIA) Director Research Chair endowment is internally restricted and is designated for use as a Research Chair for the Director of CRIA. The principal amount of $10,000 is required to be maintained and all investment proceeds are available for use. Investment proceeds from the fund are used for the salary, infrastructure and operating grant support for the CRIA Director Research Chair.

(b) The J.K. Bigelow Education Fund endowment is internally restricted and is designated for funding of health related courses undertaken by employees of AHS in the Lethbridge area. The principal amount of $150 is required to be maintained and all investment proceeds are available for use. Investment proceeds from the fund are used for education.

## Note 18 Commitments and Contingencies

### (a) Leases

AHS is contractually committed to future operating lease payments for premises and vehicles until 2029 and 2017 respectively as follows:

| | | Premises | | Vehicles | | Total |
|---|---|---|---|---|---|---|
| 2012 | $ | 47,673 | $ | 2,877 | $ | 50,550 |
| 2013 | | 34,927 | | 1,858 | | 36,785 |
| 2014 | | 26,366 | | 1,180 | | 27,546 |
| 2015 | | 22,811 | | 648 | | 23,459 |
| 2016 | | 16,521 | | 136 | | 16,657 |
| Thereafter | | 36,468 | | 15 | | 36,483 |
| | $ | 184,766 | $ | 6,714 | $ | 191,480 |

### (b) Capital Assets

AHS has the following outstanding contractual commitments for capital assets as of March 31:

| | | 2011 |
|---|---|---|
| Facilities and improvements | $ | 114,758 |
| Information systems | | 79,500 |
| Equipment | | 110,232 |
| | $ | 304,490 |

### (c) Contracted Health Service Providers

AHS contracts on an ongoing basis with voluntary and private health service providers to provide health services in Alberta as disclosed in Note 19(d). AHS has contracted for services in the year ending March 31, 2012 similar to those provided by these providers in 2011.

**Note 18 Commitments and Contingencies (continued)**

**(d) Contingencies**

As at March 31, 2011 AHS is named as a defendant in 361 legal claims (2010 – 368 legal claims). 314 of these claims have specified amounts totalling $325,490 and the remaining 47 have no specified amounts. (2010 – 321 claims with specified amounts of $678,474 and 47 with no specified amounts). Included in the total legal claims are 30 claims amounting to $215,253 (2010 – 7 claims amounting to $93,965) in which AHS has been jointly named with other government entities.

AHS has been named as a defendant in a legal action in respect of increased long-term care accommodation charges levied effective August 1, 2003. The claim has been filed against the Government of Alberta and the former Regional Health Authorities (now AHS). The amount of the claim has not been specified but has been estimated to be between $100 million and $175 million per year based on the amount of the increase in accommodation charges levied, which came into effect August 1, 2003. The outcome of the claim is not determinable and no liability is recorded at this time.

AHS has a contingent liability in respect of claims relating to the failure of St. Joseph's Hospital to provide adequate infection control and safety measures to prevent contamination of medical equipment. The total amount of these claims is in excess of $25 million. The outcome of the claims is not determinable, and no liability is recorded at this time.

Included in Other Liabilities (Note 15(a)) is $19,488 representing claims identified and likely to be paid and $57,314 representing claims to be paid but not yet identified.

The restricted cash and investments described in Note 8(d), are available to fund future payments of certain losses. AHS can access these funds subject to a maximum limit of $5 million per occurrence with an additional $5 million limit per occurrence. The additional limit is subject to an absolute limit of $15 million in aggregate for all occurrences for each policy year. Claims in excess of these limits are to be funded by AHS's unrestricted funds. AHS does not purchase any reinsurance.

**Note 19 Related Parties**

Transactions with the following related parties are considered to be in the normal course of operations. Amounts due to or from the related parties and the recorded amounts of the transactions are included within these consolidated financial statements, unless otherwise stated.

**(a) Government of Alberta**

The Minister of Health and Wellness appoints the AHS Board members. AHS is economically dependent on AHW since the viability of its operations depend on contributions from AHW. Transactions between AHS and AHW are reported and disclosed in the Consolidated Statement of Operations, the Consolidated Statement of Financial Position, and the Notes to the Consolidated Financial Statements.

(thousands of dollars)

**Note 19 Related Parties (continued)**

AHS shares a common relationship and is considered to be a related party with those entities consolidated or included on a modified equity basis in the Province of Alberta's financial statements. Transactions in the normal course of operations between AHS and the other ministries are recorded at their exchange amount as follows:

| | Revenue | | Expenses | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| Ministry of Advanced Education (i) | $ 24,298 | $ 24,098 | $ 121,472 | $ 115,045 |
| Ministry of Infrastructure (ii) | 4,614 | 87 | 539 | 391 |
| Other ministries | 28,579 | 24,821 | 19,630 | 22,029 |
| Total for the year | $ 57,491 | $ 49,006 | $ 141,641 | $ 137,465 |

| | Receivable from | | Payable to | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| Ministry of Advanced Education (i) | $ 5,396 | $ 2,662 | 8,891 | $ 14,887 |
| Ministry of Infrastructure (ii) | 39,227 | - | 12,951 | 3 |
| Other ministries | 9,630 | 7,462 | 180,572 | 177,445 |
| Balance at end of the year | $ 54,253 | $ 10,124 | $ 202,414 | $ 192,335 |

(i) Most of AHS transactions with the Ministry of Advanced Education relate to initiatives with the University of Alberta and the University of Calgary. These initiatives include teaching, research, and program delivery. A number of physicians are employed by either AHS or the universities but perform services for both. Due to proximity of locations, some initiatives result in sharing physical space and support services. The revenue and expense transactions are a result of grants provided from one to the other and recoveries of shared costs.

(ii) During the year, AHS signed an agreement effective June 17, 2010 transferring to AI responsibility for management of major capital projects greater than $5,000. As a result, AHS transferred to AI $113,000 of unspent funds from deferred capital contributions and responsibility for twenty projects currently in progress. AHS also transferred future obligations on the twenty projects related to contractual commitments of $977,928. AHS retained title to work in progress and recorded costs incurred by AI as non-cash capital contributions and additions to work in progress (Note 9(b)).

**Note 19 Related Parties (continued)**

**(b) Primary Care Networks**

AHS has joint control with various physician groups over Primary Care Networks (PCNs). AHS entered into local primary care initiative agreements to jointly manage and operate the delivery of primary care services, to achieve the PCN business plan objectives, and to contract and hold property interests required in the delivery of PCN services. Both parties have equal share ownership and equal Board representation. The Primary Care Initiative Committee (PCIC) was established under the tri-lateral agreement between AHS, AHW and Alberta Medical Association (the "parties") to provide strategic direction as well as facilitate the achievement of key objectives of PCNs. The parties have equal representation on PCIC. As a requirement of the PCIC, PCNs can only use accumulated surpluses based on an approved surplus reduction plan, and as such, AHS's proportionate share of these surpluses has been recorded by AHS as restricted deferred contributions. The following PCNs are included in these consolidated financial statements under the proportionate consolidation method:

Alberta Heartland Primary Care Network
Athabasca Primary Care Network
Big Country Primary Care Network
Bonnyville / Aspen Primary Care Network
Bow Valley Primary Care Network
Calgary Foothills Primary Care Network
Calgary Rural Primary Care Network
Calgary West Central Primary Care Network
Camrose Primary Care Network
Chinook Primary Care Network
Cold Lake Primary Care Network
Edmonton North Primary Care Network
Edmonton Oliver Primary Care Network
Edmonton Southside Primary Care Network
Edmonton West Primary Care Network
Grande Prairie Primary Care Network
Highland Primary Care Network
Leduc Beaumont Devon Primary Care Network
Lloydminster Primary Care Network
McLeod River Primary Care Network
Mosaic Primary Care Network
Northwest Primary Care Network
Palliser Primary Care Network
Peace River Primary Care Network
Provost/Consort Primary Care Network
Red Deer Primary Care Network
Rocky Mountain House Primary Care Network
Sexsmith/Spirit River Primary Care Network
Sherwood Park-Strathcona County Primary Care Network
South Calgary Primary Care Network
St. Albert & Sturgeon Primary Care Network
St. Paul / Aspen Primary Care Network
Vegreville Primary Care Network
Vermilion Primary Care Network
West Peace Primary Care Network
WestView Primary Care Network
Wolf Creek Primary Care Network
Wood Buffalo Primary Care Network

(thousands of dollars)

**Note 19 Related Parties (continued)**

AHS's proportionate share of assets, liabilities, revenues and expenses, and cash flows of the PCNs is as follows:

| | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Assets: | | |
| Current | $ 43,110 | $ 42,872 |
| Non-current | 4,029 | 4,484 |
| Total assets | $ 47,139 | $ 47,356 |
| Liabilities: | | |
| Current (i) | $ 47,139 | $ 47,356 |
| Total liabilities | 47,139 | 47,356 |
| Total revenue | $ 67,531 | $ 56,785 |
| Total expenses | 67,531 | 56,785 |
| | $ - | $ - |

(i) Included in current liabilities are deferred contributions of $41,940 (2010 - $41,826) (Note 11).

**(c) Foundations**

A large number of foundations provide donations of money and services to AHS to enhance health care in various communities throughout Alberta. This financial support to AHS is reflected in donations revenue and capital contributions. These foundations are registered charities under the *Income Tax Act* (Canada) and accordingly, are exempt from income taxes, provided certain requirements of the Income Tax Act are met.

(i) Controlled foundations

A number of foundations are considered to be controlled entities as AHS appoints all trustees for such foundations. Controlled foundations are not consolidated in these financial statements.

(thousands of dollars)

**Note 19 Related Parties (continued)**

The Alberta Cancer Foundation (ACF) and the Calgary Health Trust (CHT) are the most significant controlled foundations. The following aggregated financial results of ACF and CHT is presented using the same accounting policies as AHS:

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | ACF | CHT | ACF | CHT |
| Revenue | $ 43,872 | $ 40,634 | $ 27,263 | $ 59,456 |
| Expenses | 43,276 | 39,670 | 29,420 | 58,146 |
| Operating surplus (deficiency) of revenue over expenses | $ 596 | $ 964 | $ (2,157) | $ 1,310 |
| Total assets | $ 118,248 | $ 87,572 | $ 95,634 | $ 88,448 |
| Total liabilities(1) (2) | 43,227 | 64,406 | 28,835 | 68,670 |
| Net assets(1) (2) | $ 75,021 | $ 23,166 | $ 66,799 | $ 19,778 |

(1) In accordance with donor imposed restrictions ACF must maintain permanently $72,577 (2010 - $65,502) with the investment revenue earned to be used for purposes in accordance with the various purposes established by the donors or the Trustees. A further $40,780 (2010 - $27,380) included in liabilities are deferred contributions that must be used for the purpose of cancer research, prevention and screening initiatives, as well as patient care and support, education and equipment.

(2) In accordance with donor imposed restrictions CHT must maintain permanently $19,880 (2010 - $16,441) with the investment revenue earned to be used in accordance with the various purposes established by the donors or the Board. A further $53,371 (2010 - $59,989) included in liabilities are deferred contributions that must be used for the purpose of capital projects and medical equipment, patient care and program support and medical research.

Financial information for the remaining controlled foundations is not disclosed because AHS does not receive financial information from all these foundations on a timely basis and the cost and effort of preparing financial information for disclosure exceeds the benefit of doing so. These foundations' financial statement balances are immaterial individually and in aggregate relative to AHS. The following are the remaining foundations controlled by AHS as at March 31, 2011:

Bassano and District Health Foundation
Bow Island and District Health Foundation
Brooks and District Health Foundation
Canmore and Area Health Care Foundation
Cardston and District Health Foundation
Claresholm and District Health Foundation
Crowsnest Pass Health Foundation
David Thompson Health Region Trust
Fort Macleod and District Health Foundation
Fort Saskatchewan Community Hospital Foundation
Grande Cache Hospital Foundation
Grimshaw/Berwyn Hospital Foundation
Jasper Health Care Foundation
Medicine Hat and District Health Foundation
Mental Health Foundation
North County Health Foundation
Oyen and District Health Care Foundation
Stettler Health Services Foundation
Strathcona Community Hospital Foundation
Tofield and Area Health Services Foundation
Viking Health Foundation
Windy Slopes Health Foundation

**Note 19 Related Parties (continued)**

The following foundations are also considered controlled, but are in the process of being wound-up or are considered to be inactive:

Central Peace Hospital Foundation
Lakeland Regional Health Authority Foundation
Peace Health Region Foundation
Peace River Community Health Centre Foundation
Manning Community Health Centre Foundation
McLennan Community Health Care Foundation
Vermilion and Region Health and Wellness Foundation

(ii) Other foundations

AHS has an economic interest in a number of foundations as they raise and hold resources to support AHS. AHS appoints one board trustee for such foundations. Financial information for these foundations is not disclosed because AHS does not receive financial information from all these foundations on a consistent and timely basis and the cost and effort of preparing financial information for disclosure exceeds the benefit of doing so. The following are the foundations that AHS has an economic interest in as of March 31, 2011:

Alberta Children's Hospital Foundation
Beaverlodge Hospital Foundation
Black Gold Health Foundation
Capital Care Foundation
Chinook Regional Hospital Foundation
Consort Hospital Foundation
Coronation Heath Centre Foundation
Daysland Hospital Foundation
Devon General Hospital Foundation
Drayton Valley Health Services Foundation
Drumheller Area Health Foundation
Fairview Health Complex Foundation
Glenrose Rehabilitation Hospital Foundation
High River District Health Care Foundation
Hinton Healthcare Foundation
Hythe Nursing Home Foundation
Northern Lights Regional Health Foundation
Northwest Health Foundation
Queen Elizabeth II Hospital Foundation
Red Deer Regional Health Foundation
Regional EMS Foundation
Rosebud Health Foundation
Royal Alexandra Hospital Foundation
Sheep River Health Trust
St. Paul and District Hospital Foundation
Stollery Children's Hospital Foundation
Strathmore District Health Services Foundation
Sturgeon Community Hospital Foundation
Taber and District Health Foundation
Tri-Community Health and Wellness Foundation
University Hospital Foundation
Valleyview Health Complex Foundation
Wainwright and District Community Foundation
Wetaskiwin Health Foundation

The following foundations are in the start-up process and are expected to be operating within the first quarter of fiscal 2012:

Lacombe Hospital and Care Centre Foundation
Ponoka Health Centre Foundation
Vulcan County Health and Wellness Foundation

(thousands of dollars)

**Note 19 Related Parties (continued)**

**(d) Contracts with Health Service Providers**

AHS is responsible for the delivery of health services in the Province. To this end, AHS contracts with various voluntary and private health service providers to continue to provide health services throughout Alberta. The largest of these service providers is Covenant Health; the total amount funded to Covenant Health during the year was $617,083 (2010 - $551,098). As of March 31, 2011, the net book value of capital assets owned by AHS but operated by a voluntary or private health service provider was $138,036 (2010 - $141,506).

AHS has an economic interest through its contracts with certain voluntary and private health service providers as AHS transfers significant resources as follows:

| | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|
| | Voluntary Health Service Providers | Private Health Service Providers | Total | Voluntary Health Service Providers | Private Health Service Providers | Total |
| Direct AHS funding | $893,259 | $857,597 | $1,750,856 | $816,197 | $778,183 | $1,594,380 |
| Fees and charges | 97,643 | 96,009 | 193,652 | 95,490 | 94,284 | 189,774 |
| Full cost adjustments | 13,035 | 83 | 13,118 | 14,387 | 83 | 14,470 |
| Direct AHW funding | - | 643 | 643 | - | 986 | 986 |
| | $1,003,937 | $954,332 | $1,958,269 | $926,074 | $873,536 | $1,799,610 |

Included in the Statement of Operations as follows:

| | 2011 | 2010 |
|---|---|---|
| Inpatient acute nursing services | $ 265,105 | $ 227,760 |
| Emergency and outpatient services | 80,183 | 68,631 |
| Facility-based continuing care services | 510,772 | 493,082 |
| Ambulance services | 13,352 | - |
| Community-based care | 291,287 | 241,514 |
| Home care | 150,893 | 145,403 |
| Diagnostic and therapeutic services | 296,011 | 279,466 |
| Promotion, prevention and protection services | 7,775 | 10,269 |
| Research and education | 3,902 | 2,928 |
| Administration | 64,005 | 59,876 |
| Information Technology | 497 | 324 |
| Support services | 274,487 | 270,357 |
| | $ 1,958,269 | $ 1,799,610 |

(thousands of dollars)

**Note 19 Related Parties (continued)**

**(e) Health Benefit Trust of Alberta**

Effective July 1, 2010, the Health Organization Benefit Plan (HOBP) changed its name to the Health Benefit Trust of Alberta (HBTA) following an amendment to the Trust Agreement. AHS is one of more than thirty participants in HBTA and has a majority of representation on HBTA governance board. The HBTA is a formal health and welfare trust established under a Trust Agreement effective January 1, 2000. HBTA provides health and other related employee benefits pursuant to the authorizing Trust Agreement. HBTA uses various carriers for the different benefits. HBTA is exempt from the payment of income taxes.

Under the terms of the Trust Agreement, no participating employer or eligible employee shall have any right to any surplus or assets of the Trust nor shall they be responsible for any deficits or liabilities of the Trust. HBTA maintains various reserves to adequately provide for all current obligations and reported fund balances of $79,576 as at December 31, 2010 ($29,594 as at December 31, 2009). For the period January 1 to December 31, 2010 AHS paid premiums of $132,121 (2010 - $38,159). Included in prepaid expenses is $44,118 (2010 - $15,824) representing AHS's proportionate share of the HBTA's surpluses at December 31, 2010.

**Note 20 Trust Funds**

AHS receives funds in trust from AHW that are to be paid to operators of non-owned facilities for capital purposes or facility repairs, and for specific projects. In addition, AHS receives funds in trust for research and development, education and other programs. AHS received funds in trust from AHW for some PCNs; AHS uses these funds to cover the Primary Care Networks' expenditures until they make their own banking arrangements. These amounts are held on behalf of others with no power of appropriation and therefore are not reported in these consolidated financial statements. As at March 31, 2011, the balance of funds held by AHS is as follows:

| | 2011 | 2010 |
|---|---|---|
| AHW | $ - | $ 694 |
| Research and development, education and other programs | 7,263 | 6,558 |
| Primary Care Networks | - | 3,943 |
| | $ 7,263 | $ 11,195 |

AHS also receives funds in trust from continuing care residents for personal expenses. These amounts are not included above and not reflected in these consolidated financial statements.

**Note 21 Corresponding Amounts**

Certain 2010 amounts have been reclassified to conform to the 2011 presentation.

**Note 22 Approval of Consolidated Financial Statements**

The consolidated financial statements have been approved by the Alberta Health Services Board.

(thousands of dollars)

## SCHEDULE 1 - CONSOLIDATED SCHEDULE OF EXPENSES BY OBJECT
## FOR THE YEAR ENDED MARCH 31, 2011

| | 2011 | | 2010 |
|---|---|---|---|
| | Budget (Schedule 3) | Actual | Actual (Note 21) |
| Salaries and benefits (Schedule 2) | $ 5,803,536 | $ 5,667,428 | $ 5,483,260 |
| Contracts with health service providers (Note 19(d)) | 1,950,034 | 1,958,269 | 1,799,610 |
| Contracts under the Health Care Protection Act | 20,657 | 19,308 | 23,866 |
| Drugs and gases | 383,726 | 361,468 | 332,600 |
| Medical and surgical supplies | 314,113 | 330,132 | 320,135 |
| Other contracted services | 1,165,268 | 1,112,310 | 1,101,908 |
| Other * | 1,064,953 | 1,056,410 | 1,004,079 |
| Amortization: | | | |
| Internally funded equipment | 33,000 | 33,501 | 45,147 |
| Internally funded information systems | 49,000 | 48,656 | 36,838 |
| Internally funded facilities and improvements | 26,000 | 24,341 | 24,474 |
| Externally funded equipment | 135,000 | 129,379 | 117,792 |
| Externally funded information systems | 50,000 | 50,773 | 52,117 |
| Externally funded facilities and improvements | 185,000 | 181,420 | 132,171 |
| Loss on disposal of assets | 1,000 | 2,441 | 364 |
| Write down of capital assets (Note 9(d)) | - | - | 2,682 |
| | $ 11,181,287 | $ 10,975,836 | $ 10,477,043 |

| | | | |
|---|---|---|---|
| * Significant amounts included in Other are: | | | |
| Equipment expense | $ 154,172 | $ 155,690 | $ 127,839 |
| Building and ground expenses | 126,717 | 139,787 | 138,933 |
| Other clinical supplies | 116,455 | 117,928 | 119,717 |
| Utilities | 115,055 | 100,614 | 94,622 |
| Minor equipment purchases | 50,562 | 93,903 | 73,139 |
| Food and dietary supplies | 64,654 | 67,928 | 69,733 |
| Housekeeping, laundry and linen, plant maintenance and biomedical engineering supplies | 66,319 | 64,249 | 64,103 |
| Office supplies | 62,110 | 60,668 | 79,353 |
| Travel | 57,062 | 48,758 | 51,379 |
| Building rent | 22,194 | 28,852 | 26,095 |
| Insurance | 17,490 | 20,646 | 17,549 |
| Licenses, fees and membership | 14,808 | 17,564 | 19,124 |
| Education | 44,460 | 13,549 | 12,026 |
| Other | 152,895 | 126,274 | 110,467 |
| | $ 1,064,953 | $ 1,056,410 | $ 1,004,079 |

(thousands of dollars)

## SCHEDULE 2 - CONSOLIDATED SCHEDULES OF SALARIES AND BENEFITS FOR THE YEAR ENDED MARCH 31, 2011

| | 2011 | | | | | | | | 2010 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Severance [e] | | | | |
| | FTE [a] | Base Salary [b] | Other Cash Benefits [c] | Other Non-Cash Benefits [d] | Subtotal | Number of Individuals | Amount | Total | FTE [a] | Total |
| Total Board | 13.37 | $ - | $ 706 | $ - | $ 706 | - | $ - | $ 706 | 15.00 | $ 898 |
| Total Executive | 10.98 | 3,946 | 1,083 | 613 | 5,642 | 1 | 661 | 6,303 | 11.24 | 6,230 |
| Management Reporting to CEO Reports | 51.29 | 10,601 | 2,183 | 2,922 | 15,706 | 4 | 1,143 | 16,849 | 42.78 | 11,186 |
| Other Management | 3,454.45 | 351,533 | 13,499 | 72,957 | 437,989 | 74 | 4,395 | 442,384 | 3,472.32 | 455,079 |
| Medical Doctors not included above | 143.68 | 38,447 | 1,901 | 4,309 | 44,657 | - | - | 44,657 | 172.44 | 42,945 |
| Regulated nurses not included above: | | | | | | | | | | |
| RNs, Reg. Psych. Nurses, Grad Nurses | 16,819.47 | 1,387,709 | 164,991 | 274,950 | 1,827,650 | - | (2,810) | 1,824,840 | 16,764.59 | 1,825,494 |
| LPNs | 3,349.88 | 196,819 | 19,826 | 38,098 | 254,743 | 6 | 221 | 254,964 | 3,307.90 | 236,626 |
| Other Health Technical & Professionals | 13,130.73 | 1,005,958 | 64,576 | 204,382 | 1,274,916 | 96 | 4,632 | 1,279,548 | 12,580.79 | 1,168,773 |
| Unregulated Health Service Providers | 6,302.33 | 271,865 | 20,748 | 53,812 | 346,425 | 56 | 769 | 347,194 | 6,047.78 | 321,272 |
| Other Staff | 21,155.09 | 1,144,180 | 51,824 | 249,642 | 1,445,646 | 224 | 4,337 | 1,449,983 | 22,132.96 | 1,381,757 |
| Costs to transfer employees to LAPP | - | - | - | - | - | - | - | - | - | 33,000 |
| **Total** | **64,431.27** | **$ 4,411,058** | **$ 341,337** | **$ 901,685** | **$ 5,654,080** | **461** | **$ 13,348** | **$ 5,667,428** | **64,547.80** | **$ 5,483,260** |

(thousands of dollars)

## SCHEDULE 2 - CONSOLIDATED SCHEDULES OF SALARIES AND BENEFITS FOR THE YEAR ENDED MARCH 31, 2011 (CONTINUED)

| | Term | 2011 Committees | 2011 Honoraria | 2010 Honoraria |
|---|---|---|---|---|
| **Board Chair** | | | | |
| Ken Hughes[(1)] | Since May 15, 2008 | AF, GOV, HA, HR, QS | $ 91 | $ 104 |
| **Board Members** | | | | |
| Catherine Roozen[(2)] | Since Jul 29, 2008 | AF, GOV, HA, HR, QS | 55 | 53 |
| Jack Ady | May 15, 2008 to Aug 31, 2010 | HR, QS (former Chair) | 23 | 62 |
| Lori Andreachuk | Nov 20, 2008 to Aug 31, 2010 | GOV, HA | 28 | 61 |
| Dr. Ray Block[(5)] | Since Feb 18, 2011 | HR | - | - |
| Gord Bontje | Nov 20, 2008 to Nov 26, 2010 | AF, GOV | 35 | 60 |
| Teri Lynn Bougie | Since Nov 20, 2008 | HA, QS | 52 | 61 |
| Jim Clifford | Nov 20, 2008 to Aug 31, 2010 | AF, HR | 23 | 61 |
| Dr. Ruth Collins-Nakai | Since Feb 18, 2011 | HR, QS | 6 | - |
| Strater Crowfoot | Nov 20, 2008 to Mar 31, 2011 | HA, HR | 46 | 59 |
| Tony Franceschini | Nov 20, 2008 to Nov 24, 2010 | AF, GOV | 35 | 58 |
| Dr. Kamalesh Gangopadhyay | Since Oct 13, 2010 | GOV, HA, QS | 23 | - |
| Linda Hohol | May 15, 2008 to Nov 26, 2010 | GOV (former Chair) | 34 | 59 |
| Don Johnson | Since Feb 18, 2011 | AF, HA | 6 | - |
| Dr. Andreas Laupacis | Nov 20, 2008 to Nov 27, 2010 | QS (former Chair) | 28 | 60 |
| John Lehners | Since May 15, 2008 | HA (Chair) | 52 | 65 |
| Irene Lewis | Since May 15, 2008 | HR (Chair) | 49 | 60 |
| Stephen Lockwood | Since Oct 13, 2010 | AF, GOV (Chair), HR | 24 | - |
| Don Sieben[(3)] | Since May 15, 2008 | AF(Chair) | 64 | 75 |
| Dr. Eldon Smith | Since Feb 18, 2011 | AF, GOV | 5 | - |
| Sheila Weatherill[(5)] | Since Feb 18, 2011 | AF, GOV | - | - |
| Gord Winkel[(4)] | Since Nov 20, 2008 | AF, QS(Chair) | 27 | - |
| Total Board | | | $ 706 | $ 898 |

Board members are compensated with monthly honoraria and honoraria for attendance at board and committee meetings in accordance with Ministerial Order #50. Although M.O. #50 was repealed by M.O. #93, original rates from M.O. #50 were adopted again as of January 1, 2010.

(1) Ken Hughes is Board Chair and Ex-Officio Member on all Committees.
(2) Catherine Roozen is Board Vice Chair and Ex-Officio Member on all Committees.
(3) Don Sieben also received honoraria for serving on the Alberta Hospital Edmonton Implementation Committee from October 20, 2009 to March 31, 2010.
(4) Gord Winkel started to claim honoraria August 2010 following his retirement from Syncrude Canada Ltd.
(5) Ray Block and Sheila Weatherill do not claim honoraria.

Committee legend: AF = Audit and Finance, GOV = Governance, HA = Health Advisory, HR = Human Resources, QS = Quality and Safety

(thousands of dollars)

## SCHEDULE 2 - CONSOLIDATED SCHEDULES OF SALARIES AND BENEFITS FOR THE YEAR ENDED MARCH 31, 2011 (CONTINUED)

| For the Current Fiscal Year | 2011 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | FTE | Base Salary (b) | Pay-at-Risk Component (b) | Other Variable Pay (b) | Vacation Payouts (b) | Other Cash Benefits (c) | Other Non-Cash Benefits (d) | Subtotal | Severance (e) | Total |
| **Board Direct Reports** | | | | | | | | | | |
| President and Chief Executive Officer [f][k] | 0.65 | $ 383 | $ - | $ 54 | $ 29 | $ 48 | $ 3 | $ 517 | $ 661 | $ 1,178 |
| Acting President and Chief Executive Officer [f][i][l][q] | 0.35 | 167 | - | 25 | 43 | 4 | 43 | 282 | - | 282 |
| Chief Audit Executive [m][r] | 0.76 | 151 | 21 | - | - | - | 18 | 190 | - | 190 |
| Interim VP Internal Audit and Enterprise Risk Management - Contracted Services [n] | 0.24 | 113 | - | - | - | - | - | 113 | - | 113 |
| Ethics and Compliance Officer [s] | 1.00 | 209 | - | - | - | - | 35 | 244 | - | 244 |
| **CEO Direct Reports** | | | | | | | | | | |
| Executive VP and Chief Financial Officer [f][t] | 1.00 | 370 | 55 | - | - | 33 | 65 | 523 | - | 523 |
| Executive VP, Corporate Services [f][t] | 1.00 | 370 | 60 | - | - | 27 | 60 | 517 | - | 517 |
| Executive VP, Quality and Service Improvement [f][i][l][q] | 0.65 | 307 | - | 49 | 190 | 7 | 79 | 632 | - | 632 |
| Executive VP and Acting Executive Lead for Quality and Service Improvement [j][o][u] | 0.33 | 159 | - | 27 | - | - | 19 | 205 | - | 205 |
| Executive VP, Rural, Public and Community Health [h][v] | 1.00 | 370 | - | 62 | - | 1 | 106 | 539 | - | 539 |
| Executive VP, Strategy and Performance [f][t] | 1.00 | 370 | 59 | - | - | 27 | 59 | 515 | - | 515 |
| Executive VP, Clinical Support Services [g][w] | 1.00 | 365 | - | 65 | 16 | 2 | 60 | 508 | - | 508 |
| Executive VP and Chief Medical Officer [j][o][u] | 0.67 | 323 | - | 52 | 92 | - | 40 | 507 | - | 507 |
| Acting Executive VP and Chief Medical Officer [p][s] | 0.33 | 137 | 16 | - | - | - | - | 153 | - | 153 |
| Chief of Staff, Board Office and VP Community Engagement [s] | 1.00 | 152 | - | 19 | - | - | 26 | 197 | - | 197 |
| Total Executive | 10.98 | $ 3,946 | $ 211 | $ 353 | $ 370 | $ 149 | $ 613 | $ 5,642 | $ 661 | $ 6,303 |

(thousands of dollars)

## SCHEDULE 2 - CONSOLIDATED SCHEDULES OF SALARIES AND BENEFITS FOR THE YEAR ENDED MARCH 31, 2011 (CONTINUED)

| For the Prior Fiscal Year (Note 21) | 2010 FTE | Base Salary (b) | Pay-at-Risk Component (b) | Other Variable Pay (b) | Vacation Payouts (b) | Other Cash Benefits (c) | Other Non-Cash Benefits (d) | Subtotal | Severance (e) | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Board Direct Reports** | | | | | | | | | | |
| President and Chief Executive Officer | 1.00 | $ 575 | $ - | $ 77 | $ - | $ 62 | $ 30 | $ 744 | $ - | $ 744 |
| Interim VP Internal Audit and Enterprise Risk Management - Contracted Services | 0.09 | 42 | - | - | - | - | - | 42 | - | 42 |
| VP Internal Audit and Enterprise Risk Management | 0.52 | 120 | - | - | 31 | - | 53 | 204 | 362 | 566 |
| VP Internal Audit and Enterprise Risk Management | 0.42 | 82 | - | - | 3 | 3 | 16 | 104 | - | 104 |
| Ethics and Compliance Officer | 0.98 | 205 | - | - | - | 2 | 42 | 249 | - | 249 |
| **CEO Direct Reports** | | | | | | | | | | |
| Executive VP and Chief Financial Officer | 0.97 | 359 | 57 | - | - | 32 | 44 | 492 | - | 492 |
| Executive VP, Corporate Services | 0.74 | 274 | 44 | - | - | 37 | 38 | 393 | - | 393 |
| Acting Executive VP, Corporate Services | 0.33 | 62 | - | - | - | - | 19 | 81 | - | 81 |
| Executive VP, Quality and Service Improvement | 1.00 | 472 | - | 82 | - | 29 | 229 | 812 | - | 812 |
| Executive VP, Rural, Public and Community Health | 1.00 | 370 | - | 60 | - | - | 91 | 521 | - | 521 |
| Executive VP, Strategy and Performance | 0.41 | 152 | 26 | - | - | 41 | 27 | 246 | - | 246 |
| Acting Executive VP, Strategy and Performance | 0.75 | 257 | - | - | 42 | 60 | 62 | 421 | 61 | 482 |
| Senior VP, Clinical Support Services | 1.00 | 330 | - | 47 | - | - | 49 | 426 | - | 426 |
| Senior Physician Executive | 1.00 | 480 | - | 80 | - | 6 | 160 | 726 | - | 726 |
| VP Community Engagement and Chief of Board Office | 0.37 | 53 | - | 6 | - | 6 | 13 | 78 | - | 78 |
| Chief of Staff, Board Office | 0.58 | 111 | - | - | 27 | 6 | 35 | 179 | - | 179 |
| Interim Chief Operating Officer, Health Research and Design | 0.08 | 24 | - | - | 13 | 1 | 51 | 89 | - | 89 |
| Total Executive | 11.24 | $ 3,968 | $ 127 | $ 352 | $ 116 | $ 285 | $ 959 | $ 5,807 | $ 423 | $ 6,230 |

(thousands of dollars)

## SCHEDULE 2 - CONSOLIDATED SCHEDULES OF SALARIES AND BENEFITS FOR THE YEAR ENDED MARCH 31, 2011 (CONTINUED)

Supplemental Pension Plan (SPP) and Supplemental Executive Retirement Plan (SERP)

| | 2011 | | | | | 2010 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | SPP | | SERP | | | | | | |
| | Current Service Costs | Prior Service Costs | Current Service Cost | Other SPP Costs | Total | Total | Account Balance or Accrued Benefit Obligation March 31, 2010 | Change During the Year | Account Balance or Accrued Benefit Obligation March 31, 2011 |
| President and Chief Executive Officer | - | - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Acting President and Chief Executive Officer/Executive VP, Quality and Service Improvement (l) | - | - | 107 | 65 | 172 | 179 | 1,140 | 237 | 1,377 |
| Chief Audit Executive | 5 | - | - | - | 5 | - | - | 5 | 5 |
| Interim VP Internal Audit & Enterprise Risk Management - Contracted Services | - | - | - | - | - | - | - | - | - |
| Ethics and Compliance Officer | 7 | 7 | - | - | 14 | - | - | 14 | 14 |
| Executive VP and Chief Financial Officer | 23 | 23 | - | - | 46 | - | - | 46 | 46 |
| Executive VP, Corporate Services | 23 | 17 | - | - | 40 | - | - | 40 | 40 |
| Executive VP and Acting Executive Lead for Quality and Service Improvement/ Executive VP and Chief Medical Officer (o) | - | - | 74 | 14 | 88 | 109 | 391 | 208 | 599 |
| Executive VP, Rural, Public and Community Health | - | - | 35 | 18 | 53 | 62 | 638 | 87 | 725 |
| Executive VP, Strategy and Performance | 23 | 9 | - | - | 32 | - | - | 32 | 32 |
| Executive VP, Clinical Support Services | - | - | 27 | 3 | 30 | 27 | 80 | 214 | 294 |
| Acting Executive VP and Chief Medical Officer | - | - | - | - | - | - | - | - | - |
| Chief of Staff, Board Office and VP Community Engagement | 1 | 1 | - | - | 2 | - | - | 2 | 2 |

Certain employees will receive retirement benefits that supplement the benefits limited under the registered plans for service post 1991. The SPP is a defined contribution plan and the SERP is a defined benefit plan. The SPP costs are AHS contributions in the period. Changes in the account balance include current and prior service costs and investment income. The SERP costs are not cash payments in the period but are the cost for the period for rights to these future retirement benefits. Current service cost is the actuarial present value of the benefits earned in the fiscal year. Other SERP costs include interest cost on the obligations and current service cost, the amortization of past service cost, initial obligations and net actuarial gains and losses, offset by the expected return on the plans' assets. Changes in the accrued benefit obligation include current service cost, interest accruing on the obligations and the current service cost as well as the full amount of any actuarial gains or losses in the period. The SERP is disclosed in Notes 2(i) and 15(d).

# SCHEDULE 2 - CONSOLIDATED SCHEDULES OF SALARIES AND BENEFITS FOR THE YEAR ENDED MARCH 31, 2011 (CONTINUED)

## Definitions

a. For this schedule, Full time equivalents (FTE) are determined by actual hours paid divided by 2,022.75 annual base hours. If applicable, 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. Total actual discrete number of individuals employed during the fiscal year was 99,386 (2010 – 94,715).

b. There are two compensation models for senior leaders. Some receive a base salary with a component that is at risk if they do not meet performance objectives. Others receive a base salary plus other variable pay if they meet performance objectives.

Pay at risk: As new staff is hired or existing contracts end, senior leaders are required to participate in 'pay-at-risk'. Under this model, a component of remuneration is withheld during the year and released (in full or in part) based on achievement of performance objectives.

Other variable pay: The President and Chief Executive Officer and senior leaders with contracts existing prior to formation of AHS may have variable pay provisions in their contracts. Variable pay is in addition to, and calculated as a percentage of, base salary. Variable pay is paid based on achievement of performance objectives.

Vacation payouts, which are a cash benefit, are shown separately for direct reports of the Board or President and Chief Executive Officer. Vacation accruals are included in base salary except for direct reports of the Board or President and Chief Executive Officer where it is included in other non-cash benefits.

c. Other cash benefits may include as applicable honoraria, overtime, automobile allowance, and lump sum payments. For anyone other than direct reports of the Board or the President and Chief Executive Officer, other cash benefits may also include pay at risk or other variable pay if applicable.

d. Other non-cash benefits include:

- Employer's current and prior service cost of supplemental pension plan and supplemental executive retirement plans.
- Share of employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, out-of-country medical benefits, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans.
- Employer's share of the cost of additional benefits including sabbaticals or other special leave with pay.

## SCHEDULE 2 - CONSOLIDATED SCHEDULES OF SALARIES AND BENEFITS FOR THE YEAR ENDED MARCH 31, 2011 (CONTINUED)

e. Severance includes direct or indirect payments to individuals upon termination or voluntary exit which are not included in other cash benefits or non-cash benefits. Severance also includes under or over accruals from the prior year. For example, the current year severance amount for RNs, Reg. Psych. Nurses, and Grad Nurses includes the effect of an over accrual in the prior year for a voluntary exit program. The prior year accrual was based on 488 individuals but during the current year only 362 individuals received a severance payment.

f. Incumbents are provided with an automobile allowance. Dollar amounts are included in other cash benefits.

g. Incumbents are provided with an automobile. Dollar amounts are not included in other non-cash benefits.

h. Incumbent had been provided an automobile for which dollar amounts were not included in other non-cash benefits. Effective March 11, 2011, incumbent is provided an automobile allowance. Dollar amounts are included in other cash benefits.

i. Incumbent is on secondment from the University of Calgary. The incumbent's total remuneration is comprised of salary amounts from both AHS and the University of Calgary. AHS reimburses the University for the incumbent's rank salary, honorarium and market supplements; all amounts have been included in base salary.

j. Incumbent is on secondment from the University of Calgary. The incumbent's total remuneration is comprised of salary amounts from both AHS and the University of Calgary. AHS reimburses the University for the incumbent's rank salary; all amounts have been included in base salary.

**Appointments and Departures**

k. Position held by incumbent until November 24, 2010. The incumbent received the salary and other accrued entitlements to the date of departure of December 2, 2010 and other variable pay to November 24, 2010. The reported severance includes 12 months base salary at the rate in effect at the date of departure and 15% of the severance in lieu of all other benefits, both in accordance with the incumbent’s contract. In addition to the reported severance, the incumbent’s contract also allows a relocation expense to be paid not to exceed $20,000. The severance will be paid when the incumbent signs the release. Incumbent's share of other cash benefits included an amount for the maximum contribution to a registered retirement savings plan. The incumbent did not complete five full years of employment and therefore is not entitled to any paid sabbatical leave.

l. Incumbent held the position of Executive Vice President, Quality and Service Improvement until November 24, 2010 at which time the incumbent was appointed to Acting President and Chief Executive Officer. There was no additional compensation for the Acting President and Chief Executive Officer position. Compensation has been allocated to each position based on the time held in each position during the year except that other variable pay has been allocated to each position based on the performance review relating to each position.

m. Incumbent appointed to position effective June 28, 2010.

## SCHEDULE 2 - CONSOLIDATED SCHEDULES OF SALARIES AND BENEFITS FOR THE YEAR ENDED MARCH 31, 2011 (CONTINUED)

n. Position held by incumbent until June 28, 2010.

o. Incumbent held the position of Executive Vice President and Chief Medical Officer until December 2, 2010 at which time the incumbent was appointed to Executive Vice President and Acting Executive Lead for Quality and Service Improvement. There was no additional compensation for the Executive Vice President and Acting Executive Lead for Quality and Service Improvement position. Compensation has been allocated to each position based on the time held in each position during the year except that other variable pay has been allocated to each position based on the performance review relating to each position.

p. Incumbent appointed to position effective December 2, 2010.

**Termination Liabilities**

q. In the case of termination without just cause by AHS, the incumbent shall receive the salary and other accrued entitlements to the date of termination. In addition, the incumbent will receive severance pay for a maximum 18 months base salary[i] and premium payments at the rate in effect at the date of termination. The incumbent will also receive the incentive bonus for the prior two years divided by 24 months multiplied by a maximum of 18 months, and up to 18 months of the total cost of the incumbent's benefits. AHS will also make payment for the incumbent to attend an outplacement program for 6 months.

r. In the case of termination without just cause by AHS, the incumbent shall receive severance pay equal to 12 months base salary. This severance payment will be reduced by any employment earnings received from a new employer within the 12 month period.

s. The incumbent's termination benefits have not been predetermined.

t. In the case of termination without just cause by AHS, the incumbent shall receive the salary and other accrued entitlements to the date of termination. In addition, the incumbent will receive severance pay equal to 12 months base salary at the rate in effect at the date of termination. Such severance will be paid in 12 equal monthly installments. The incumbent will also be paid 15% of the severance in lieu of all other benefits. Upon obtaining alternate employment, the incumbent is only entitled to receive one-half of the unpaid severance at that time.

u. In the case of termination without just cause by AHS, the incumbent shall receive the salary and other accrued entitlements to the date of termination. In addition, the incumbent will receive severance pay equal to a maximum of 18 months base salary[i] and premium payments at the rate in effect at the date of termination. The incumbent will also be paid an amount up to 18 months of the total cost of the incumbent's benefits. AHS will also make payment for the incumbent to attend an outplacement program for 6 months.

v. In the case of termination without just cause by AHS, the incumbent shall receive the salary and other accrued entitlements to the date of termination. In addition, the incumbent will receive severance pay equal to 24 months base salary at the rate in effect at the date of termination. The incumbent will also be paid an amount equal to 24 months of AHS's cost of benefits.

## SCHEDULE 2 - CONSOLIDATED SCHEDULES OF SALARIES AND BENEFITS FOR THE YEAR ENDED MARCH 31, 2011 (CONTINUED)

w. In the case of termination without just cause by AHS, the incumbent shall receive the salary and other accrued entitlements to the date of termination. In addition, the incumbent will receive a severance package equivalent to 12 months salary and benefits plus one additional month per year of service provided to a maximum of 24 months.

x. SPP and SERP

For those who departed within the 2010-2011 fiscal period that are direct reports of the Board or the President and Chief Executive Officer, there were no benefits to be received based on the provisions of the SPP or SERP.

(thousands of dollars)

## SCHEDULE 3 - CONSOLIDATED SCHEDULE OF BUDGET
## FOR THE YEAR ENDED MARCH 31, 2011

| | Original Financial Plan (Note 3) | Additional Reclassifications | Reported Budget |
|---|---|---|---|
| Revenue | | | |
| Alberta Health and Wellness contributions | | | |
| Unrestricted ongoing | $ 9,038,000 | $ (689) | $ 9,037,311 |
| Unrestricted deficit funding | 527,000 | 235 | 527,235 |
| Restricted | 745,000 | (9,320) | 735,680 |
| Other government contributions | 81,000 | 16,972 | 97,972 |
| Fees and charges | 598,000 | 13,980 | 611,980 |
| Ancillary operations | 123,000 | (10,596) | 112,404 |
| Donations | 20,000 | 9,646 | 29,646 |
| Investment and other income | 257,000 | 31,730 | 288,730 |
| Amortization of external capital contributions | 371,000 | (671) | 370,329 |
| **TOTAL REVENUE** | 11,760,000 | 51,287 | 11,811,287 |
| Expenses | | | |
| Inpatient acute nursing services | 2,681,000 | (16,437) | 2,664,563 |
| Emergency and outpatient services | 1,231,000 | 34,973 | 1,265,973 |
| Facility-based continuing care services | 871,000 | (18,392) | 852,608 |
| Ambulance services | 353,000 | 11,395 | 364,395 |
| Community-based care | 747,000 | 21,382 | 768,382 |
| Home care | 411,000 | (6,946) | 404,054 |
| Diagnostic and therapeutic services | 1,907,000 | 2,167 | 1,909,167 |
| Promotion, prevention and protection services | 353,000 | (56,875) | 296,125 |
| Research and education | 219,000 | (4,341) | 214,659 |
| Administration | 397,000 | (22,274) | 374,726 |
| Information technology | 344,000 | 41,315 | 385,315 |
| Support services | 1,414,000 | 64,968 | 1,478,968 |
| Amortization of facilities and improvements | 202,000 | 352 | 202,352 |
| **TOTAL EXPENSES** | 11,130,000 | 51,287 | 11,181,287 |
| Operating surplus of revenue over expenses | $ 630,000 | $ - | $ 630,000 |

(thousands of dollars)

## SCHEDULE 3 - CONSOLIDATED SCHEDULE OF BUDGET
## FOR THE YEAR ENDED MARCH 31, 2011 (CONTINUED)

| | Original Financial Plan (Note 3) | Additional Reclassifications | Reported Budget |
|---|---|---|---|
| Expenses by object | | | |
| Salaries and benefits | $ 5,721,000 | $ 82,536 | $ 5,803,536 |
| Contracts with health service providers | 2,027,000 | (76,966) | 1,950,034 |
| Contracts under the Heath Care Protective Act | 24,000 | (3,343) | 20,657 |
| Drugs and gases | 349,000 | 34,726 | 383,726 |
| Medical and surgical supplies | 340,000 | (25,887) | 314,113 |
| Other contracted services | 1,187,000 | (21,732) | 1,165,268 |
| Other | 1,003,000 | 61,953 | 1,064,953 |
| Amortization | | | |
| Internally funded equipment | 33,000 | - | 33,000 |
| Internally funded information systems | 49,000 | - | 49,000 |
| Internally funded facilities and improvements | 26,000 | - | 26,000 |
| Externally funded equipment | 135,000 | - | 135,000 |
| Externally funded information systems | 50,000 | - | 50,000 |
| Externally funded facilities and improvements | 185,000 | - | 185,000 |
| Loss on disposal of capital assets | 1,000 | - | 1,000 |
| Write down of capital assets | - | - | - |
| **TOTAL EXPENSES BY OBJECT** | $ 11,130,000 | $ 51,287 | $ 11,181,287 |