Alberta Health Services

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2012

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

MARCH 31, 2012

The accompanying consolidated financial statements for the year ended March 31, 2012 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
President and Chief Executive Officer
Alberta Health Services

[Original signed by]

Deborah Rhodes, C.A.
Senior Vice President Finance
Alberta Health Services

[Original signed by]

Allaudin Merali, C.A.
Executive Vice President and Chief Financial Officer
Alberta Health Services

June 7, 2012

Independent Auditor's Report

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

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, 2012 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, 2012 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, FCA]

Auditor General

June 7, 2012

Edmonton, Alberta

(thousands of dollars)

CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2012

	2012 Budget (Note 4) (Schedule 3)	2012 Actual	2011 Actual Restated (Note 3) (Schedule 4)
Revenue:			
Alberta Health and Wellness contributions			
Unrestricted ongoing	$ 9,634,000	$ 9,634,221	$ 9,036,852
Unrestricted deficit funding (Note 5)	-	-	527,235
Restricted	818,000	835,412	747,830
Other government contributions	113,000	141,391	101,805
Fees and charges	452,000	416,385	427,058
Ancillary operations	117,000	124,213	112,367
Donations	30,000	39,535	28,574
Investment and other income (Note 6)	237,000	248,299	275,209
Amortized external capital contributions (Note 15)	370,000	342,305	364,181
TOTAL REVENUE	11,771,000	11,781,761	11,621,111
Expenses:			
Inpatient acute nursing services	2,729,000	2,812,157	2,567,686
Emergency and other outpatient services	1,274,000	1,279,016	1,216,408
Facility-based continuing care services	914,000	893,482	829,568
Ambulance services	379,000	391,674	352,407
Community-based care	983,000	920,594	797,765
Home care	437,000	428,814	402,148
Diagnostic and therapeutic services	2,011,000	1,930,120	1,855,524
Promotion, prevention and protection services	344,000	310,914	289,313
Research and education	206,000	198,035	207,023
Administration (Note 7)	392,000	363,921	304,225
Information technology	429,000	434,442	387,648
Support services	1,474,000	1,528,142	1,357,003
Amortization of facilities and improvements	219,000	205,859	198,238
TOTAL EXPENSES (Schedule 1)	11,791,000	11,697,170	10,764,956
Operating surplus (deficiency) of revenue over expenses	$ (20,000)	$ 84,591	$ 856,155

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

(thousands of dollars)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2012

	2012 Actual	2011 Actual Restated (Note 3) (Schedule 4)
ASSETS		
Current:		
Cash and cash equivalents (Note 9)	$ 558,700	$ 764,143
Investments (Note 9)	1,217,043	957,322
Accounts receivable	238,757	201,293
Contributions receivable from Alberta Health and Wellness	78,253	200,313
Inventories	96,740	99,097
Prepaid expenses	59,100	58,946
	2,248,593	2,281,114
Non-current cash and investments (Note 9)	376,505	599,335
Capital contributions receivable from Alberta Health and Wellness	2,293	11,476
Capital assets (Note 10)	7,215,171	6,707,464
Other assets (Note 11)	129,493	96,104
TOTAL ASSETS	$ 9,972,055	$ 9,695,493
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 1,198,261	$ 1,136,937
Accrued vacation pay	428,146	385,525
Deferred contributions (Note 12)	450,360	607,621
Current portion of long-term debt (Note 14)	38,802	153,799
	2,115,569	2,283,882
Deferred capital contributions (Note 13)	359,918	541,856
Long-term debt (Note 14)	331,177	182,500
Unamortized external capital contributions (Note 15)	5,974,714	5,598,973
Other liabilities (Note 16)	147,719	144,540
	8,929,097	8,751,751
Net assets:		
Accumulated surplus	81,982	98,909
Accumulated net unrealized gains (losses) on investments	4,916	(9,110)
Other internally restricted net assets (Note 17)	69,538	66,722
Internally restricted net assets invested in capital assets	876,372	777,071
Endowments (Note 18)	10,150	10,150
	1,042,958	943,742
TOTAL LIABILITIES AND NET ASSETS	$ 9,972,055	$ 9,695,493

Commitments and contingencies (Note 20)

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, 2012

	2012						2011
	Accumulated surplus (deficit)	Accumulated net unrealized gains/ (losses) on investments	Other internally restricted net assets (Note 17)	Internally restricted net assets invested in capital assets	Endowments (Note 18)	Total	Total Restated (Note 3)
Balance at beginning of year (restated)	$ 98,909	$ (9,110)	$ 66,722	$ 777,071	$ 10,150	$ 943,742	$ 111,440
Operating surplus (deficiency) of revenue over expenses	84,591	-	-	-	-	84,591	856,155
Capital assets purchased with internal funds	(219,655)	-	-	219,655	-	-	-
Land purchased with external funds	-	-	-	599	-	599	2,500
Amortization of internally funded capital assets	132,059	-	-	(132,059)	-	-	-
Repayment of long-term debt used to fund capital assets	(10,655)	-	-	10,655	-	-	-
Net repayment of life lease deposits	(451)	-	-	451	-	-	-
Transfer of other internally restricted net assets	(2,816)	-	2,816	-	-	-	-
Net unrealized gains (losses) arising during the period on available for sale financial assets	-	22,781	-	-	-	22,781	(5,074)
Transfer of net realized losses (gains) on investments to revenue	-	(8,755)	-	-	-	(8,755)	(21,279)
Balance at end of year	$ 81,982	$ 4,916	$ 69,538	$ 876,372	$ 10,150	$ 1,042,958	$ 943,742

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, 2012

	2012 Budget (Note 4)	2012 Actual	2011 Actual Restated (Note 3) (Schedule 4)
Operating activities:			
Operating surplus (deficiency) of revenue over expenses	$ (20,000)	$ 84,591	$ 856,155
Non-cash transactions:			
Amortization expense (Schedule 1)	495,000	474,513	470,511
Amortized external capital contributions	(370,000)	(342,550)	(364,606)
Other	16,000	(14,947)	47,505
Changes in non-cash working capital (Note 19)	(53,000)	(245,106)	(737,874)
Cash generated from (used by) operating activities	68,000	(43,499)	271,691
Investing activities:			
Purchase of capital assets:			
Internally funded equipment	(65,000)	(137,402)	(107,612)
Internally funded information systems	(135,000)	(88,337)	(137,082)
Internally funded facilities and improvements	-	(5,695)	-
Externally funded equipment	(220,000)	(67,988)	(94,365)
Externally funded information systems	(70,000)	(49,907)	(43,331)
Externally funded facilities and improvements	(60,000)	(105,667)	(467,154)
Debt funded facilities and improvements	(62,000)	(31,921)	(71,353)
Purchase of investments	(5,365,000)	(5,099,643)	(7,343,537)
Proceeds on sale of investments	5,229,000	5,297,831	5,995,607
Allocations from non-current cash and investments	658,000	38,668	1,721,856
Changes in non-cash working capital (Note 19)	378,000	18,868	76,458
Cash generated from (used by) investing activities	288,000	(231,193)	(470,513)
Financing activities:			
Capital contributions received	107,000	171,082	202,923
Capital contributions returned	-	(15,759)	(58,850)
Capital contributions payable transferred to accounts payable	-	(119,754)	-
Proceeds from long-term debt	240,000	194,000	73,160
Principal payments on long-term debt	(209,000)	(160,320)	(12,565)
Cash generated from financing activities	138,000	69,249	204,668
Net increase (decrease) in current cash and cash equivalents	494,000	(205,443)	5,846
Current cash and cash equivalents, beginning of year	1,721,000	764,143	758,297
Current cash and cash equivalents, end of year	$ 2,215,000	$ 558,700	$ 764,143

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2012

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. 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.

Pursuant to the *Regional Health Authorities Act* (Alberta), 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.

Additionally, the Mandate and Roles Document, developed by both Alberta Health and Wellness (AHW) and AHS to define the roles, responsibilities and accountabilities of each entity, identifies that AHS is accountable to the Minister of Health and Wellness (the Minister) for the delivery and operation of the public health system while AHW is mandated to support the Minister by providing direction to AHS, and in establishing AHS performance measures and targets and measuring AHS's performance.

The AHS consolidated financial statements include the revenues and expenses associated with AHS responsibilities. These consolidated financial statements do not reflect the complete costs of provincial health care. For example the Department of Health and Wellness is responsible for paying most physician fees. The Ministry of Health and Wellness consolidated financial statements contain a more complete view of the cost of the provincial health care system. For a complete picture of the costs of provincial healthcare readers should consult the Province of Alberta consolidated financial statements.

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 consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles and the reporting requirements of AHW in Financial Directive 5.

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

- 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, and its 50% interest in the Primary Care Networks disclosed in Note 21(b).

(iii) AHS consolidates its interest in the Provincial Health Authorities of Alberta Liability and Property Insurance Plan (the 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 the LPIP is to share the risks of general and professional liability to lessen the impact on any one subscriber. The 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 21(c)), voluntary or private contracted health service providers in the Province (Note 21(d)), or the Health Benefit Trust of Alberta (Note 21(e)). These consolidated financial statements do not include trust funds administered on behalf of others (Note 22).

(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 received or receivable if the amount to be received is reasonably estimated and collection is reasonable assured.

(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.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(iv) Contributions receivable from AHW and capital contributions receivable from AHW are recorded as receivable when the grant agreement has been fully executed.

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

(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) In kind contributions of services and materials are recorded at fair value when such value can reasonably be determined. While volunteers contribute a significant amount of time each year to assist AHS the value of their services are not recognized as revenue and expenses in the consolidated financial statements because fair value cannot be reasonably determined.

(ix) Revenue from sales of goods and services is recorded in the period that goods are delivered or services are provided, and are presented net of bad debt expense.

(c) Cash, Cash Equivalents and Investments

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

Current investments consist of money market securities with original maturities of greater than three months and fixed income securities to be used in funding AHS's operations in the upcoming fiscal year.

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

Restricted funds consist of received but unspent deferred contributions, deferred capital contributions, amounts restricted to fund long-term insurance obligations (Note 9(d)) and other liabilities.

Non-current cash and investments consist of cash and investments in fixed income securities and equities. All non-current investments are restricted and are mainly comprised of received but unspent non-current deferred contributions and deferred capital contributions.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

Investments are accounted for in accordance with the accounting policies described in Note 2(e). Transaction costs associated with the acquisition and disposal of available for sale 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.

(d) 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.

(e) 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 fair value recognized in the Consolidated Statement of Operations.
Investments	Available for sale	Measured at fair value with changes in fair value 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 fair value 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.

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.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

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.

Additional disclosure on financial instruments is provided in Note 9 Cash, Cash Equivalents and Investments, Note 14 Long-term Debt and Note 16 Other Liabilities.

(f) Capital Assets

Capital assets and work in progress are recorded at cost. Capital assets and work in progress acquired from other Alberta 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. Contributed capital assets from non-Alberta government organizations are recorded at fair value at the date of contribution.

The threshold for capitalizing new systems development is $250 and major enhancements is $100. The threshold for all other capital assets is $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
Building service equipment	5-40 years
Leased facilities and improvements	term of lease
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.

(g) 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 respective 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.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

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.

(h) Employee Future Benefits

Registered Defined Benefit Pension Plans

AHS participates in the following registered defined benefit pension plans: the Local Authorities Pension Plan (LAPP) and the Management Employees Pension Plan (MEPP). These multi-employer public sector defined benefit plans provide pensions for participants, based on years of service and final average earnings. Benefits for post-1991 service payable under these plans are limited by the *Income Tax Act* (Canada). The Minister of Finance is the legal trustee and administrator of the plans. The Department of Finance accounts for the liabilities for pension obligations as a participating employer for former and current employees in the LAPP and the MEPP for all of the organizations included in the Government of Alberta (GOA) consolidated reporting entity except for government business enterprises. As AHS is included in the GOA consolidated reporting entity AHS follows the standards for defined contribution accounting for these pension plans. Accordingly, the pension expense recorded for these plans in these consolidated financial statements is comprised of the employer contributions that AHS is required to pay for its employees during the fiscal year.

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 consolidated 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.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

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.

In the case of a curtailment event which results in the elimination for a significant number of active employees of the right to earn defined benefits for their future services, a curtailment gain or loss is recorded. A curtailment loss is recognized in income when it is probable that a curtailment will occur and the net effects are reasonably estimable. A curtailment gain is recognized in income when the event giving rise to a curtailment has occurred.

Supplemental Pension Plan (SPP)

Subsequent to April 1, 2009, staff who would have been eligible for SERP, are enrolled in a defined contribution SPP. Similar to the SERP, the SPP 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 provides 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 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.

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 also provides its employees with sick leave benefits. AHS records non-vesting sick leave as an expense when the benefit is taken by the employee.

(i) Long-term Care Partnerships

Funding paid or payable related to long-term care partnership agreements is recognized as an expense in the period the transfer is authorized and all eligibility criteria have been met by the providers. AHS recognizes the expense in facility-based continuing care services on the Consolidated Statement of Operations and, if externally funded, an equal amount of revenue as other government contributions from deferred contributions long-term care partnership projects. The undisbursed amount, which represents the present value of future cashflows is recorded as other liabilities (Note 16(b)). Investment income earned on funding received, net of management fees, is recorded as an increase to both the investment base and the deferred contribution.

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.

(k) Grants for Research and Other Initiatives

AHS awards grants to other organizations for research and other initiatives. The terms 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. The provision for unpaid claims, allowance for doubtful accounts and accrued liabilities are subject to significant management estimates and assumptions. These estimates and assumptions are reviewed at least annually. Actual results could differ from the estimates determined by management in these consolidated 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 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.

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 has issued a framework for financial reporting by government not-for-profit organizations. This framework will be effective for fiscal periods beginning on or after January 1, 2012.

Effective April 1, 2012, AHS will adopt the Canadian Public Sector Accounting (PSA) standards without the Public Sector 4200 series. Adopting these new standards will impact AHS's consolidated financial statements. AHS has developed a PSA transition plan and has identified the major differences between current and PSA accounting and reporting standards. Two of these differences include:

- Sick leave obligations – AHS will be required to record accumulating non-vesting sick leave obligations.

- Controlled foundations – AHS will be required to consolidate its controlled foundations currently disclosed in Note 21(c)(i).

AHS continues to work through this transition and the remaining differences; the quantitative impact cannot be fully and reasonably determined at this time.

Note 3 Restatements

(a) Long-term Care Partnerships Adjustment

In prior years, AHS accounted for loans advanced to contracted health service providers under the Forgivable Mortgage Model. Under this model, advances were recognized as assets amortized over the useful life of the funded infrastructure and expensed to facility-based continuing care services and community based care. If the loans were provided from funds contributed to AHS, an equal amount of revenue was recognized as other government contributions from deferred contributions.

AHS has determined that forgivable mortgages are in substance contributions by AHS to contracted health service providers and, therefore, it is more appropriate to expense the advances when the forgivable mortgage contracts create an obligation and to recognize an equal amount of revenue from deferred contributions. Consistent with this conclusion, AHS has also determined that commitments to make payments to contracted health service providers under the Supplementary Payments Model should be expensed and recorded as a liability when the contracts create an obligation.

Note 3 Restatements (continued)

(b) Full Cost Adjustment

In prior years, AHS accounted for revenue earned by contracted health service providers from AHW designated fees and charges as AHS fees and charges and recorded an equivalent amount as program expenses on the basis that this revenue funded part of the cost of AHS's programs. As AHS is not entitled to these fees and charges, AHS has concluded it is not appropriate to gross up these fees and charges on AHS's financial statements. Consistent with this conclusion, AHS has also determined that grossing up government contributions and program expenses for the estimated cost for use of acute care facilities not owned by AHS is not appropriate.

(c) Commitments and Contingencies

In 2012, AHS changed its contingencies disclosure reporting practice to disclose only those legal claims, where:

- it is likely that a future event will confirm a contingent loss at the date of the financial statements but the amount of loss cannot be reasonably estimated;
- the occurrence of a future event confirming a contingent loss is not reasonably determinable; or
- the occurrence of the confirming future event is likely and an accrual has been made but there exists an exposure to loss in excess of the amount accrued.

As a result of this change, the prior year figures for claims disclosed in Note 20(d) have been reduced from 361 claims ($325,490) to 114 claims ($145,943).

(d) Reclassifications

Certain 2011 amounts have been reclassified to conform to the 2012 presentation.

The impact on the prior year's consolidated financial statements as a result of these restatements is presented in Schedule 4.

Note 4 Budget

The 2011/2012 Operating Budget and Business Plan with a budgeted deficit of $20,000, was approved by the Board on June 10, 2011 and the full financial plan was submitted to the Minister. The reported budget reflects the original $20,000 deficit and additional reclassifications required for more consistent presentation with current and prior year results (Schedule 3), including restatements for long-term care partnerships (Note 3(a)) and full cost (Note 3 (b)).

Note 5 Unrestricted Deficit Funding

AHS started on April 1, 2009 with an opening accumulated deficit 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 the prior year, $527,235 in deficit funding was received as a part of this commitment.

(thousands of dollars)

Note 5 Unrestricted Deficit Funding (continued)

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

		2012		2011
Operating surplus	$	84,591	$	856,155
Less: Deficit funding		-		(527,235)
Operating surplus excluding deficit funding	$	84,591	$	328,920

Note 6 Investment and Other Income

		2012		2011 Restated (Note 3)
Investment income	$	36,631	$	69,799
Other income:				
External recoveries		125,911		140,542
Grants and other revenue		67,631		57,026
Purchase incentives and rebates		18,126		7,842
	$	248,299	$	275,209

Note 7 Administration Expense

		2012		2011 Restated (Note 3)
General administration[(a)]	$	134,992	$	92,810
Human Resources		104,109		90,119
Finance		67,781		62,845
Administration - contracts with health service providers		57,039		58,451
	$	363,921	$	304,225

(a) General Administration

General administration includes senior executive and administrative functions such as communications, planning and development, privacy, risk management, internal audit, infection control, quality assurance, insurance, patient safety, and legal. Activities and costs directly supporting clinical activities are excluded.

(thousands of dollars)

Note 8 Pension Expense

		2012		2011 Restated (Note 3)
Local Authorities Pension Plan (LAPP)[a]	$	361,575	$	321,919
Defined contribution pension plans and Group RRSPs		16,772		12,922
Costs to transfer employees to LAPP		5,169		-
Supplemental Executive Retirement Plans		3,770		3,351
Management Employees Pension Plan (MEPP)[b]		661		90
Supplemental Pension Plan		523		458
	$	388,470	$	338,740

(a) Local Authorities Pension Plan (LAPP)

(i) AHS Participation in the LAPP

The majority of AHS employees participate in the LAPP and as AHS is exposed to the risk of contribution rate increases, the following disclosure is provided to explain this risk.

The LAPP provides for a pension of 1.4% for each year of pensionable service based on the average salary of the highest five consecutive years up to the average Canada Pension Plan's Year's Maximum Pensionable Earnings (YMPE) over the same five consecutive year period and 2.0% on the excess, subject to the maximum pension benefit limit allowed under the *Income Tax Act* (Canada). The maximum pensionable service allowable under the plan is 35 years.

The contribution rates were reviewed by the LAPP Board of Trustees in 2011 and are to be reviewed at least once every three years based on recommendations of the LAPP's actuary. AHS and its employees made the following contributions:

Calendar 2011		**Calendar 2010**	
Employer	**Employees**	**Employer**	**Employees**
$ 357,632	$ 324,613	$ 314,219	$ 284,303
9.49% of pensionable earnings up to the YMPE and 13.13% of the excess	8.49% of pensionable earnings up to the YMPE and 12.13% of the excess	9.06% of pensionable earnings up to the YMPE and 12.53% of the excess	8.06% of pensionable earnings up to the YMPE and 11.53% of the excess

AHS contributed $357,632 (2010 - $314,219) of the LAPP's total employer contributions of $856,950 from January 1, 2011 to December 31, 2011 (December 31, 2010 - $777,766).

(thousands of dollars)

Note 8 Pension Expense (continued)

(ii) LAPP Deficit

An actuarial valuation of the LAPP was carried out as at December 31, 2010 by Mercer (Canada) Limited and results were then extrapolated to December 31, 2011. LAPP's net assets available for benefits divided by LAPP's pension obligation shows that LAPP is 81% (2010 – 79%) funded.

		December 31, 2011		December 31, 2010
LAPP net assets available for benefits	$	19,662,810	$	17,686,850
LAPP pension obligation		24,302,200		22,322,100
LAPP deficit	$	(4,639,390)	$	(4,635,250)

Further information about the LAPP including assumptions and sensitivities of the LAPP's deficiency to changes in those assumptions can be found in the LAPP financial statements and the LAPP annual report.

The 2012 and 2013 LAPP contribution rates have been increased as follows:

Calendar 2013 (estimated)		Calendar 2012	
Employer	**Employees**	**Employer**	**Employees**
10.43% of pensionable earnings up to the YMPE and 14.47% of the excess	9.43% of pensionable earnings up to the YMPE and 13.47% of the excess	9.91% of pensionable earnings up to the YMPE and 13.74% of the excess	8.91% of pensionable earnings up to the YMPE and 12.74% of the excess

(b) Management Employees Pension Plan (MEPP)

At December 31, 2011 the MEPP reported a deficit of $517,726 (2010 – deficit of $397,087).

(thousands of dollars)

Note 9 Cash, Cash Equivalents and Investments

	2012		2011	
	Fair Market Value	Cost	Fair Market Value	Cost
Cash	$ 504,538	$ 504,538	$ 457,951	$ 457,951
Money market securities < 90 day maturity	258,823	258,823	614,132	614,132
Money market securities > 90 day maturity	73,267	73,267	-	-
Fixed income securities	1,288,582	1,281,964	1,220,750	1,230,108
Equities	27,038	27,057	27,967	25,678
	$ 2,152,248	$ 2,145,649	$ 2,320,800	$ 2,327,869
Classified for Financial Instruments as:				
Available for sale	$ 2,030,581	$ 2,025,665	$ 2,225,985	$ 2,235,095
Held for trading	121,667	119,984	94,815	92,774
	$ 2,152,248	$ 2,145,649	$ 2,320,800	$ 2,327,869

Classified on the Consolidated Statement of Financial Position as:	2012	2011
Current cash	$ 299,877	$ 150,011
Money market securities < 90 day maturity	258,823	614,132
Current cash and cash equivalents	558,700	764,143
Current investments	1,217,043	957,322
Non-current cash and investments	376,505	599,335
Total cash, cash equivalents and investments	$ 2,152,248	$ 2,320,800

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, provincial and corporate treasury bills maturing June 2012 and bearing interest at an average effective yield of 1.00% (2011 – 0.74%) per annum.

Fixed income securities, such as bonds, have an average effective yield of 1.80% (2011 – 2.07%) per year, maturing between 2012 and 2044. The securities have the following maturity structure:

	2012	2011
1 – 5 years	87%	88%
6 – 10 years	10%	9%
Over 10 years	3%	3%

(thousands of dollars)

Note 9 Cash, Cash Equivalents and Investments (continued)

(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, 2012, investments in non-Canadian equities represented 0.50% (2011 – 0.57%) of total investments.

(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 is from AHW; therefore credit risk is considered to be minimal.

AHS's investment by-law 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 investment portfolio. 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 funds are cash and investments held by AHS to meet long term liability and property insurance obligations. Amounts totaling $96,472 (2011 - $85,386) are restricted to satisfy the reserve and guarantee funds requirement under the *Insurance Act* (Alberta) related to the provision for unpaid claims (Note 16(a)).

(e) Restricted Cash

Current cash and cash equivalents and current investments include a restricted amount of $723,695 (2011 - $550,555), and non-current cash and investments includes $204,661 (2011 - $307,940) of restricted cash and $171,844 of restricted investments (2011 - $291,395).

Note 10 Capital Assets

	2012		
	Cost	Accumulated Amortization	Net Book Value
Facilities and improvements	$ 6,138,968	$ 2,293,008	$ 3,845,960
Work in progress	2,109,881	-	2,109,881
Equipment	1,898,642	1,282,031	616,611
Information systems	932,565	646,573	285,992
Building service equipment	381,646	216,804	164,842
Land	109,429	-	109,429
Leased facilities and improvements	165,013	97,007	68,006
Land improvements	64,753	50,303	14,450
	$ 11,800,897	$ 4,585,726	$ 7,215,171

(thousands of dollars)

Note 10 Capital Assets (continued)

	2011		
	Cost	Accumulated Amortization	Net Book Value
Facilities and improvements	$ 6,001,128	$ 2,118,659	$ 3,882,469
Work in progress	1,669,214	-	1,669,214
Equipment	1,740,143	1,160,474	579,669
Information systems	757,329	541,302	216,027
Building service equipment	349,066	194,307	154,759
Land	108,830	-	108,830
Leased facilities and improvements	162,892	81,900	80,992
Land improvements	63,512	48,008	15,504
	$ 10,852,114	$ 4,144,650	$ 6,707,464

(a) Leased Land

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

Site	Leased from	Lease expiry
Cross Cancer Institute parkade	University of Alberta	2019
Banff Health Unit	Mineral Springs Hospital	2028
Evansburg Community Health Centre	Yellowhead County	2031
Two Hills helipad	Stella Stefiuk	2041
Northeast Community Health Centre	City of Edmonton	2046
Foothills Medical Centre parkade	University of Calgary	2054
McConnell Place North	City of Edmonton	2056
Alberta Children's Hospital	University of Calgary	2101

(b) Work in Progress

During the year Alberta Infrastructure contributed $495,328 (2011 - $105,966) of in-kind work in progress to AHS.

(c) Leased Equipment

Equipment includes assets acquired through capital leases at a cost of $11,496 (2011 - $12,250) with accumulated amortization of $10,721 (2011 - $10,938).

(thousands of dollars)

Note 11 Other Assets

		2012		2011 Restated (Note 3)
Capital contributions receivable	$	92,175	$	76,937
Accrued benefit asset of SERPs [a]		11,636		12,511
Other non-current assets		25,682		6,656
	$	129,493	$	96,104

(a) Supplemental Executive Retirement Plans (SERPs)

During the year there were three SERPs sponsored by AHS. Under their terms, 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(h).

During 2012, the AHS Board approved amendments to the defined benefit SERPs which will freeze SERP service accruals and earnings projections for all active plan members over a 3 year period. Once individual plan members' SERP service accruals are frozen, these plan members will be enrolled and accrue benefits in the new defined contribution SPP. The plan amendments described above meet the definition of a curtailment event. The curtailment event resulted in a decrease to the accrued benefit obligation of $1,251 and a corresponding $1,251 decrease in unrecognized net actuarial losses.

		2012		2011
Change in accrued benefit obligation				
Accrued benefit obligation, beginning of year	$	34,143	$	31,809
Current service cost		1,774		1,668
Interest cost		1,704		1,754
Benefit payments		(1,956)		(2,159)
Decrease in obligation due to curtailment		(1,251)		-
Actuarial losses		771		1,071
Accrued benefit obligation, end of year	$	35,185	$	34,143
Change in plan assets				
Fair value of plan assets, beginning of year	$	40,095	$	32,367
Adjustment to opening value		932		(984)
Actual return on plan assets		1,738		1,189
Actual employer contributions		2,895		9,682
Benefit payments		(1,956)		(2,159)
Fair value of plan assets, end of year	$	43,704	$	40,095
Reconciliation of funded status to accrued benefit asset				
Funded status of the plan	$	8,519	$	5,952
Unrecognized net actuarial losses		3,008		5,921
Unrecognized initial obligations		57		342
Unrecognized past service cost		52		296
Accrued benefit asset, end of year	$	11,636	$	12,511

(thousands of dollars)

Note 11 Other Assets (continued)

		2012		2011
Determination of net benefit cost				
Current service cost	$	1,774	$	1,668
Interest cost		1,704		1,754
Net return on plan assets		58		(887)
Net actuarial losses (gains) in year		(295)		166
Amortization of initial obligations and past service costs		529		650
Plan amendment – curtailment		(1,251)		-
Accelerated recognition of unamortized actuarial loss due to curtailment		1,251		-
Net benefit cost	$	3,770	$	3,351
Members				
Active		51		60
Retired and terminated		52		48
Total members		103		108
Assumptions				
Weighted average discount rate to determine year end obligations		4.80%		4.90%
Weighted average discount rate to determine net benefit costs		4.90%		5.40%
Expected return on assets		2.13%		2.70%
Expected average remaining service life time		3		5
Rate of compensation increase per year		3.5% for 2012 until notice period end date		2011-2012 1.5% 2012-2013 2.5% Thereafter 3.5%

Note 12 Deferred Contributions

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

	2012			2011
	AHW	Others	Total	Total Restated (Note 3)
Balance beginning of the year	$ 415,322	$ 192,299	$ 607,621	$ 576,034
Received or receivable during the year	695,868	174,557	870,425	947,954
Restricted investment income	2,561	1,719	4,280	6,090
Transferred from (to) deferred capital contributions	(4,192)	11,614	7,422	2,123
Contribution and investment income recognized as revenue	(838,227)	(201,161)	(1,039,388)	(924,580)
Balance end of the year	$ 271,332	$ 179,028	$ 450,360	$ 607,621

(thousands of dollars)

Note 12 Deferred Contributions (continued)

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

	2012			2011
	AHW	Others	Total	Total Restated (Note 3)
Research and education	$ 1,813	$ 79,363	$ 81,176	$ 79,278
Addiction and mental health	77,544	1,618	79,162	109,470
Primary Care Networks (Note 21(b))	41,946	622	42,568	41,946
Virtual site training for Calgary South Health Campus	41,982	-	41,982	49,630
Cancer prevention, screening and treatment	32,922	4,329	37,251	38,329
Physician revenue and Alternate Relationship Plans	28,305	-	28,305	54,410
Infrastructure maintenance	22	26,776	26,798	38,205
Promotion, prevention and community	18,002	4,532	22,534	40,980
Administration and support services	421	14,565	14,986	12,135
Continuing care and seniors health	11,494	2,495	13,989	52,620
Inpatient acute nursing services	937	12,796	13,733	19,426
Emergency and outpatient services	7,642	5,210	12,852	21,049
Diagnostic and therapeutic services	1,978	8,292	10,270	12,305
Information technology	3,308	297	3,605	15,369
Others less than $10,000	3,016	18,133	21,149	22,469
	$ 271,332	$ 179,028	$ 450,360	$ 607,621

(thousands of dollars)

Note 13 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:

	2012				2011
	AHW	AI	Others	Total	Total
Balance beginning of the year	$ 214,607	$ 267,281	$ 59,968	$ 541,856	$ 1,046,140
Received or receivable during the year	40,867	35,901	67,589	144,357	156,757
Received in kind	-	495,328	-	495,328	106,052
Restricted investment income	1,889	-	-	1,889	965
Capital contributions returned[a]	(7,917)	(81,441)	(7,842)	(97,200)	(58,850)
Transferred to unamortized external capital contributions	(60,067)	(619,959)	(38,864)	(718,890)	(710,815)
Transferred from (to) deferred contributions	4,192	(14,551)	2,937	(7,422)	(2,123)
Other	-	-	-	-	3,730
Balance end of the year	$ 193,571	$ 82,559	$ 83,788	$ 359,918	$ 541,856

(a) Payment to AI for capital contribution returned did not occur by March 31, 2012.

(thousands of dollars)

Note 13 Deferred Capital Contributions (continued)

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

	2012	2011
AHW		
Information systems:		
Regional Shared Health Information Program	$ 34,540	$ 44,979
Diagnostic Imaging Project Year 3	25,844	29,004
Diagnostic Imaging Project Year 4	22,142	26,219
Provincial Health Information Exchange	9,128	10,909
Others less than $10,000	71,248	75,971
	162,902	187,082
Equipment less than $10,000	30,669	27,525
Total AHW	193,571	214,607
AI		
Facilities and improvements:		
Infrastructure maintenance projects	38,868	143,009
Others less than $10,000	43,691	124,272
Total AI	82,559	267,281
Other		
Equipment less than $10,000	74,495	31,155
Facilities and improvements less than $10,000	9,293	28,813
Total Other	83,788	59,968
Total	$ 359,918	$ 541,856

(thousands of dollars)

Note 14 Long-term Debt

		2012		2011
Debentures payable: [a]				
Parkade loan #1	$	44,528	$	46,683
Parkade loan #2		40,510		42,303
Parkade loan #3		49,744		51,582
Parkade loan #4		178,292		15,000
Parkade loan #5		10,000		5,000
Calgary Laboratory Services purchase		10,179		16,583
Term loan-Parkade #4		-		138,000
Term loan-Parkade #5 [b]		19,000		2,000
Obligation under capital lease [c]		15,280		15,328
Other		2,446		3,820
	$	369,979	$	336,299
Current	$	38,802	$	153,799
Non-current		331,177		182,500
	$	369,979	$	336,299
Fair value of total long-term debt [d]	$	423,165	$	345,325

(a) AHS issued debentures to 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, 2012, $10,000 (2011 - $5,000) 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 $42,300 during 2011, of which $19,000 (2011 - $2,000) has been drawn at March 31, 2012. 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 2.89%, with the full principal repayment due upon maturity on June 1, 2012.

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

(d) The fair value of long-term debt is estimated based on market interest rates from ACFA for debentures of similar maturity. AHS manages the interest rate risk exposure of its long-term debt by concentrating the majority of its financial liabilities in fixed rate debt, which provides stable and predictable cash outflows.

(thousands of dollars)

Note 14 Long-term Debt (continued)

(e) As at March 31, 2012 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, 2012, 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 and SERPs. As at March 31, 2012, AHS had $5,353 (2011 - $6,024) 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 Principal payments	Capital Lease Minimum lease payments
2013	$ 38,286	$ 1,827
2014	17,347	1,693
2015	14,533	1,532
2016	15,221	1,453
2017	15,943	1,453
Thereafter	253,369	16,845
	$ 354,699	24,803
Less: interest		9,523
		$ 15,280

During the year, the amount of interest expensed was $9,009 (2011 - $7,954).

The principal payments due in 2013 for lease payments are $856.

Note 15 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:

	2012	2011
Balance beginning of year	$ 5,598,973	$ 5,254,711
Transferred from deferred capital contributions	718,890	710,815
Less deferred capital contributions used for the purchase of land	(599)	(2,500)
Less amounts recognized as revenue:		
Amortized external capital contributions:		
Equipment	(113,893)	(129,551)
Information systems	(39,167)	(52,326)
Facilities and improvements	(189,245)	(182,304)
Ancillary operations	(245)	(425)
Other	-	553
Balance end of year	$ 5,974,714	$ 5,598,973

(thousands of dollars)

Note 16 Other Liabilities

		2012		2011 Restated (Note 3)
Provision for unpaid claims [(a)]	$	101,619	$	76,802
Long-term care partnerships [(b)]		23,875		34,575
Life lease deposits [(c)]		12,363		12,814
Asset retirement obligations [(d)]		4,852		11,058
Other		5,010		9,291
	$	147,719	$	144,540

(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 2.10% (2011 – 3.25%).

(**b) Long-term Care Partnership Agreements**

Under some long-term care partnership agreements, 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 $23,438 at March 31, 2012 (2011 - $20,695) discounted at 2.6% (2011 – 3.7%).

(c) 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% (2011 – 25%) and a discount rate of 1.65% (2011 - 2.2%), 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 fair value.

(thousands of dollars)

Note 16 Other Liabilities (continued)

(d) 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 $4,928 (2011 - $11,125), which has been discounted using a weighted average credit-adjusted risk free rate of 1.7% (2011 - 2.2%). Payments to settle the ARO are expected to occur by 2013. 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.

Note 17 Other Internally Restricted Net Assets

	2012	2011
South Health Campus [a]	$ 45,016	$ 50,000
Parkade infrastructure reserve [b]	24,522	16,722
	$ 69,538	$ 66,722

(a) The AHS Board has approved the restriction of operating surplus to assist with funding start up costs for South Health Campus in Calgary.

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

Note 18 Endowments

	2012	2011
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.

(thousands of dollars)

Note 19 Changes in Non-Cash Working Capital

The increase (decrease) in non-cash working capital is comprised of:

		2012		2011 Restated (Note 3)
Current investments	$	(259,721)	$	(738,403)
Accounts receivable		(37,464)		(34,486)
Contributions receivable from AHW		122,060		(121,080)
Inventories		2,357		9,242
Prepaid expenses		(154)		(4,043)
Accounts payable and accrued liabilities		61,324		183,578
Accrued vacation pay		42,621		18,338
Deferred contributions		(157,261)		25,438
	$	(226,238)	$	(661,416)
Related to:				
Operating	$	(245,106)	$	(737,874)
Investing		18,868		76,458
	$	(226,238)	$	(661,416)

Note 20 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
2013	$	43,140	$	2,848	$	45,988
2014		32,627		2,269		34,896
2015		29,395		1,776		31,171
2016		25,085		639		25,724
2017		20,786		20		20,806
Thereafter		58,704		-		58,704
	$	209,737	$	7,552	$	217,289

(b) Capital Assets

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

		2012
Equipment	$	114,039
Facilities and improvements		85,353
Information systems		49,663
	$	249,055

Note 20 Commitments and Contingencies (continued)

(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 21(d). AHS has contracted for services in the year ending March 31, 2013 similar to those provided by these providers in 2012.

(d) Contingencies

AHS is subject to legal claims during its normal course of business. AHS records a liability when the assessment of a claim indicates that a future event is likely to confirm that an asset had been impaired or a liability incurred at the date of the financial statements and the amount of the contingent loss can be reasonably estimated.

At March 31, 2012, AHS has been named in 7 claims (2011 – 14 claims) where it is likely that a future event will confirm a contingent loss. The amount of loss cannot be reasonably estimated and no liability is recorded for these claims (2011 – nil). At March 31, 2012, AHS has been named in 158 legal claims (2011 – 100 claims) where the occurrence of a future event confirming a contingent loss is not reasonably determinable. Of these, 137 claims have $234,873 in specified amounts and 21 have no specified amounts (2011 – 84 claims with $145,943 of specified claims and 16 claims with no specified amounts).

AHS has been named as a defendant in a legal action in respect of increased long-term care accommodation charges levied since 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 $100,000 and $175,000 per year based on the amount of the increases in accommodation charges levied, starting August 1, 2003. The outcome of the claim is not determinable at this time.

AHS has a contingent liability in respect of a claim 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 this claim is $25,000. The outcome of the claim is not determinable at this time.

Note 21 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 depends 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 21 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	
	2012	2011	2012	2011
Ministry of Advanced Education (i)	$ 50,364	$ 24,298	$ 125,806	$ 121,472
Ministry of Infrastructure (ii)	42,218	37,641	16	539
Other ministries	47,814	28,579	24,571	19,630
Total for the year	$ 140,396	$ 90,518	$ 150,393	$ 141,641

	Receivable from		Payable to	
	2012	2011	2012	2011
Ministry of Advanced Education (i)	$ 36,734	$ 5,396	$ 21,714	$ 24,219
Ministry of Infrastructure (ii)	61,886	39,227	151,248	12,951
Other ministries	6,429	9,630	338,571	180,572
Balance at end of the year	$ 105,049	$ 54,253	$ 511,533	$ 217,742

(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 cost.

(ii) The transactions with the Ministry of Infrastructure relate to the construction and funding of capital assets (Notes 10(b) and 13).

Note 21 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. Effective April 1, 2011, the Tri-Lateral Master Agreement between AHS, AHW and Alberta Medical Association expired. While a new agreement is currently being discussed, the joint venture agreements continue to direct the management and operation of the PCNs.

There are two legal models of PCNs, both of which are considered to be non-profit organizations under the income tax legislation. Legal model 1 consists of a joint venture agreement between AHS and the Physician non-profit corporation (NPC) with funding flowing to the Physician NPC from AHW. Legal model 2 is a PCN NPC owned equally by AHS and the Physician NPC with funding flowing to the PCN NPC from AHW. Individual physicians contract with the Physician NPC.

As a requirement of AHW, 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
Kalyna Country 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
Vermilion Primary Care Network
Wainwright Primary Care Network
West Peace Primary Care Network
WestView Primary Care Network
Wetaskiwin Primary Care Network
Wolf Creek Primary Care Network
Wood Buffalo Primary Care Network

(thousands of dollars)

Note 21 Related Parties (continued)

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

	2012		2011	
Total revenue	$	74,454	$	67,531
Total expenses		74,454		67,531
Surplus of revenue over expenses	$	-	$	-
Assets:				
Current	$	46,077	$	43,110
Non-current		4,450		4,029
Total assets	$	50,527	$	47,139
Liabilities:				
Current (i)	$	50,527	$	47,139
Total liabilities	$	50,527	$	47,139

(i) Included in liabilities are deferred contributions of $42,568 relating to AHS's proportionate share of the surplus (2011 - $41,946) (Note 12).

(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 consolidated financial statements.

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

	2012				2011			
		ACF		CHT		ACF		CHT
Revenue	$	42,179	$	34,889	$	43,872	$	40,634
Expenses		45,376		34,083		43,276		39,670
Operating surplus (deficiency) of revenue over expenses	$	(3,197)	$	806	$	596	$	964
Total assets	$	116,676	$	92,095	$	118,248	$	87,572
Total liabilities(1) (2)		41,906		65,191		43,227		64,406
Net assets(1) (2)	$	74,770	$	26,904	$	75,021	$	23,166

Note 21 Related Parties (continued)

(1) In accordance with donor imposed restrictions ACF must maintain permanently $73,712 (2011 - $72,577) 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 $39,715 (2011 - $40,780) 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 $22,812 (2011 - $19,880) with the investment revenue earned to be used in accordance with the various purposes established by the donors or the Board. A further $53,668 (2011 - $53,371) 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, 2012:

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
Lacombe Hospital and Care Centre Foundation
Medicine Hat and District Health Foundation
Mental Health Foundation
North County Health Foundation
Oyen and District Health Care Foundation
Peace River and District Health Foundation
Ponoka and District Health Foundation
Stettler Health Services Foundation
Strathcona Community Hospital Foundation
Tofield and Area Health Services Foundation
Viking Health Foundation
Vulcan County Health and Wellness Foundation
Windy Slopes Health Foundation

Note 21 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
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, 2012:

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 Health Care Foundation
Hythe Nursing Home Foundation
Northern Lights Regional Health Foundation
Northwest Health Foundation
Provost and District 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

(thousands of dollars)

Note 21 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 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 $640,982 (2011 - $617,083). As of March 31, 2012, the net book value of capital assets owned by AHS but operated by a voluntary or private health service provider was $137,592 (2011 - $138,036).

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

	2012	2011 Restated (Note 3)
Direct funding by AHS to:		
Private Health Service Providers	$ 1,030,674	$ 988,251
Voluntary Health Service Providers	1,009,835	893,259
	$ 2,040,509	$ 1,881,510
Included in the Statement of Operations as follows:		
Inpatient acute nursing services	$ 269,975	$ 254,920
Emergency and other outpatient services	84,166	79,128
Facility-based continuing care services	540,009	496,807
Ambulance services	150,226	143,911
Community-based care	347,281	295,557
Home care	165,222	150,893
Diagnostic and therapeutic services	309,443	291,690
Promotion, prevention and protection services	7,517	7,831
Research and education	4,132	4,083
Administration	57,039	58,451
Information technology	469	490
Support services	105,030	97,749
	$ 2,040,509	$ 1,881,510

Note 21 Related Parties (continued)

(e) Health Benefit Trust of Alberta

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

The HBTA maintains various reserves to adequately provide for all current obligations and reported fund balances of $57,081 as at December 31, 2011 ($79,576 as at December 31, 2010). 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. However, AHS has included in prepaid expenses $41,494 (2011 - $44,118) as a share of the HBTA's fund balances representing in substance a prepayment of future contributions. For the period January 1 to December 31, 2011 AHS paid premiums of $232,162 (2011 - $132,121).

Note 22 Trust Funds

AHS receives funds in trust for research and development, education and other programs. These amounts are held and administered on behalf of others in accordance with the terms and conditions embodied in the relevant agreements with no unilateral power to change the conditions set out in the trust indenture (or agreement) and therefore are not reported in these consolidated financial statements. As at March 31, 2012, the balance of funds held in trust by AHS for research and development is $9,308 (2011 - $7,263).

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

Note 23 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, 2012

	2012 Budget (Note 4) (Schedule 3)	2012 Actual	2011 Actual Restated (Note 3) (Schedule 4)
Salaries and benefits (Schedule 2)	$ 6,315,000	$ 6,156,248	$ 5,667,428
Contracts with health service providers (Note 21(d))	2,108,000	2,040,509	1,881,510
Contracts under the Health Care Protection Act	19,000	18,434	19,308
Drugs and gases	362,000	387,984	361,468
Medical and surgical supplies	334,000	360,002	330,132
Other contracted services	1,065,000	1,038,221	974,356
Other*	1,093,000	1,221,259	1,060,243
Amortization**	495,000	474,513	470,511
TOTAL EXPENSES BY OBJECT	$ 11,791,000	$ 11,697,170	$ 10,764,956

* Significant amounts included in Other are:			
Building and ground expenses	$ 140,000	$ 170,581	$ 139,787
Equipment expense	146,000	152,498	155,690
Other clinical supplies	122,000	140,848	117,928
Utilities	112,000	108,354	100,614
Minor equipment purchases	58,000	104,090	93,903
Housekeeping, laundry and linen, plant maintenance and biomedical engineering supplies	66,000	84,465	64,249
Office supplies	51,000	65,474	48,258
Food and dietary supplies	68,000	68,495	67,928
Building rent	37,000	51,718	28,852
Travel	46,000	49,719	48,758
Telecommunications	38,000	50,375	19,795
Insurance	21,000	42,670	20,646
Education	39,000	16,470	13,549
Licenses, fees and membership	18,000	15,453	17,564
Others less than $10,000	131,000	100,049	122,722
	$ 1,093,000	$ 1,221,259	$ 1,060,243

** Amortization expense:			
Internally funded equipment	$ 52,000	$ 59,869	$ 33,501
Internally funded information systems	49,000	48,801	48,656
Internally funded facilities and improvements	24,000	22,341	24,341
Externally funded equipment	125,000	111,970	129,379
Externally funded information systems	45,000	39,167	50,773
Externally funded facilities and improvements	200,000	189,646	181,420
Loss on disposal of assets	-	2,719	2,441
	$ 495,000	$ 474,513	$ 470,511

(thousands of dollars)

SCHEDULE 2 - CONSOLIDATED SCHEDULES OF SALARIES AND BENEFITS FOR THE YEAR ENDED MARCH 31, 2012

	2012								2011	
						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 [f][g]
Total Board	13.70	$ -	$ 699	$ -	$ 699	-	$ -	$ 699	13.37	$ 730
Total Executive	9.71	3,504	720	955	5,179	2	1,174	6,353	10.98	6,339
Management Reporting to CEO Reports	34.49	9,401	1,272	2,607	13,280	1	180	13,460	36.54	14,042
Other Management	3,808.28	412,821	9,829	85,490	508,140	69	3,732	511,872	3,479.87	446,389
Medical Doctors not included above	133.44	37,717	495	2,441	40,653	-	17	40,670	150.33	44,314
Regulated nurses not included above:										
RNs, Reg. Psych. Nurses, Grad Nurses	16,770.85	1,432,619	230,278	318,951	1,981,848	16	782	1,982,630	16,556.79	1,834,632
LPNs	3,574.86	212,011	33,141	44,854	290,006	4	272	290,278	3,349.26	255,914
Other Health Technical & Professionals	13,907.65	1,084,772	84,836	247,487	1,417,095	24	865	1,417,960	13,169.46	1,277,308
Unregulated Health Service Providers	6,642.88	301,937	44,018	64,297	410,252	17	372	410,624	6,303.75	347,093
Other Staff	21,649.37	1,175,179	65,776	231,931	1,472,886	140	3,647	1,476,533	21,560.54	1,440,667
Costs to transfer employees to LAPP	-	-	-	5,169	5,169	-	-	5,169	-	-
Total	**66,545.23**	**$ 4,669,961**	**$ 471,064**	**$ 1,004,182**	**$ 6,145,207**	**273**	**$ 11,041**	**$ 6,156,248**	**64,630.89**	**$ 5,667,428**

(thousands of dollars)

SCHEDULE 2 - CONSOLIDATED SCHEDULES OF SALARIES AND BENEFITS FOR THE YEAR ENDED MARCH 31, 2012 (CONTINUED)

	Term	2012 Committees	2012 Honoraria	2011 Honoraria[7]
Board Chair				
Ken Hughes[1]	May 15, 2008 to Dec 28, 2011	AF, GOV, HA, HR, QS[6]	$ 63	$ 91
Catherine Roozen[2]	Since Jul 29, 2008	AF, GOV, HA, HR, QS[6]	60	57
Board Members				
Don Sieben[3]	Since May 15, 2008	AF(Chair), GOV, HA, HR, QS[6]	56	64
Dr. Ray Block[4]	Since Feb 18, 2011	HR	38	-
Teri Lynn Bougie	Since Nov 20, 2008	HA, QS (Vice-Chair)	54	54
Dr. Ruth Collins-Nakai	Since Feb 18, 2011	HR, QS	53	6
Dr. Kamalesh Gangopadhyay	Since Oct 13, 2010	GOV (Vice-Chair), QS	54	26
Don Johnson	Since Feb 18, 2011	AF (Vice-Chair), HA (Vice-Chair)	56	6
John Lehners	Since May 15, 2008	HA (Chair)	56	58
Irene Lewis	May 15, 2008 to Mar 15, 2012	HR (Chair)	50	51
Stephen Lockwood	Since Oct 13, 2010	GOV (Chair), HR (Vice-Chair)	52	25
Dr. Eldon Smith	Since Feb 18, 2011	AF, GOV	53	5
Sheila Weatherill[5]	Since Feb 18, 2011	AF, GOV	-	-
Gord Winkel	Since Nov 20, 2008	QS(Chair)	54	29
Jack Ady	May 15, 2008 to Aug 31, 2010	-	-	23
Lori Andreachuk	Nov 20, 2008 to Aug 31, 2010	-	-	28
Gord Bontje	Nov 20, 2008 to Nov 24, 2010	-	-	35
Jim Clifford	Nov 20, 2008 to Aug 31, 2010	-	-	23
Strater Crowfoot	Nov 20, 2008 to Mar 31, 2011	-	-	52
Tony Franceschini	Nov 20, 2008 to Nov 24, 2010	-	-	35
Linda Hohol	May 15, 2008 to Nov 25, 2010	-	-	34
Dr. Andreas Laupacis	Nov 20, 2008 to Nov 27, 2010	-	-	28
Total Board			$ 699	$ 730

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 was Board Chair until December 28, 2011.
(2) Catherine Roozen was Board Vice Chair until being appointed Interim Board Chair from December 28, 2011 until March 15, 2012 at which time she was appointed Board Chair.
(3) Don Sieben was Interim Board Vice Chair from January 17, 2012 until March 15, 2012 at which time he was appointed Board Vice Chair.
(4) Dr. Ray Block started claiming honoraria on July 8, 2011.
(5) Sheila Weatherill does not claim honoraria.
(6) Board Chair and Board Vice Chair, including interims, are Ex-Officio Members on all Committees.
(7) Committee meeting fees were claimed by the Board members in the current year that related to prior year meetings. Therefore, the prior period was restated.

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, 2012 (CONTINUED)

For the Current Fiscal Year	2012 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[h][j][l][y]	1.00	$ 580	$ 88	$ -	$ -	$ 21	$ 232	$ 921	$ -	$ 921
Chief Audit Executive[z]	1.00	200	24	-	-	-	43	267	-	267
Ethics and Compliance Officer[aa]	1.00	209	16	-	-	-	51	276	-	276
CEO Direct Reports										
Executive VP and Chief Operating Officer[h][m][bb]	0.73	345	45	-	-	19	89	498	-	498
Executive VP and Chief Financial Officer[h][m][bb]	0.27	105	16	-	-	7	33	161	-	161
Acting Chief Financial Officer[n][z]	0.38	128	19	-	-	1	27	175	-	175
Executive VP and Chief Medical Officer[h][k][o][cc]	1.00	481	61	-	30	24	173	769	-	769
Acting Executive VP and Chief Medical Officer[p][aa]	0.16	66	-	-	-	-	-	66	-	66
Executive VP and Chief Development Officer [h][q][bb]	0.33	112	17	-	-	8	16	153	-	153
Executive VP, People and Partners[h][r][bb]	0.54	221	35	-	-	18	39	313	-	313
Acting Executive VP, People and Partners[h][s][bb]	0.46	185	29	-	-	14	48	276	-	276
Executive VP, Strategy and Performance[h][t]	0.78	288	45	-	6	31	49	419	436	855
Executive VP, Rural, Public and Community Health[h][u]	0.16	60	-	-	-	2	18	80	-	80
Executive VP and Executive Lead Transition[i][v]	0.90	335	58	-	52	6	78	529	738	1,267
Chief of Staff for the AHS Board[w][aa]	0.94	179	27	-	-	1	58	265	-	265
Chief of Staff, Board Office and VP Community Engagement[x][aa]	0.06	10	-	-	-	-	1	11	-	11
Total Executive	9.71	$ 3,504	$ 480	$ -	$ 88	$ 152	$ 955	$ 5,179	$ 1,174	$ 6,353

(thousands of dollars)

SCHEDULE 2 - CONSOLIDATED SCHEDULES OF SALARIES AND BENEFITS FOR THE YEAR ENDED MARCH 31, 2012 (CONTINUED)

For the Prior 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)]	0.65	$ 383	$ -	$ 54	$ 29	$ 48	$ 3	$ 517	$ 681	$ 1,198
Acting President and Chief Executive Officer	0.35	167	-	25	43	4	43	282	-	282
Chief Audit Executive	0.76	151	21	-	-	-	18	190	-	190
Interim VP Internal Audit and Enterprise Risk Management - Contracted Services	0.24	113	-	-	-	-	-	113	-	113
Ethics and Compliance Officer[(g)]	1.00	209	16	-	-	-	35	260	-	260
CEO Direct Reports										
Executive VP and Chief Financial Officer	1.00	370	55	-	-	33	65	523	-	523
Executive VP, Corporate Services	1.00	370	60	-	-	27	60	517	-	517
Executive VP, Quality and Service Improvement	0.65	307	-	49	190	7	79	632	-	632
Executive VP and Acting Executive Lead for Quality and Service Improvement	0.33	159	-	27	-	-	19	205	-	205
Executive VP, Rural, Public and Community Health	1.00	370	-	62	-	1	106	539	-	539
Executive VP, Strategy and Performance	1.00	370	59	-	-	27	59	515	-	515
Executive VP, Clinical Support Services	1.00	365	-	65	16	2	60	508	-	508
Executive VP and Chief Medical Officer	0.67	323	-	52	92	-	40	507	-	507
Acting Executive VP and Chief Medical Officer	0.33	137	16	-	-	-	-	153	-	153
Chief of Staff, Board Office and VP Community Engagement	1.00	152	-	19	-	-	26	197	-	197
Total Executive	10.98	$ 3,946	$ 227	$ 353	$ 370	$ 149	$ 613	$ 5,658	$ 681	$ 6,339

(thousands of dollars)

SCHEDULE 2 - CONSOLIDATED SCHEDULES OF SALARIES AND BENEFITS FOR THE YEAR ENDED MARCH 31, 2012 (CONTINUED)

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

	2012				2011				
	SPP	SERP							
	Current Service Costs (1)	Current Service Costs (2)	Other Costs (3)	Total	Total	Account Balance or Accrued Benefit Obligation March 31, 2011	Curtailment (Gain)/Loss (4)	Change During the Year (5)	Account Balance or Accrued Benefit Obligation March 31, 2012
President and Chief Executive Officer until April 1, 2011[l]	$ -	$ -	$ 87	$ 87	$ 172	$ 1,377	$ (68)	$ 61	$ 1,370
President and Chief Executive Officer from April 1, 2011[l]	44	-	-	44	-	-	-	44	44
Chief Audit Executive	6	-	-	6	5	5	-	6	11
Ethics and Compliance Officer	7	-	-	7	14	14	-	7	21
Executive VP and Chief Operating Officer / Executive Vice	30	-	-	30	46	46	-	31	77
Acting Chief Financial Officer[n]	17	-	-	17	-	14	-	17	31
Executive VP and Chief Medical Officer[o]	-	96	40	136	88	599	-	164	763
Acting Executive VP and Chief Medical Officer[p]	-	-	-	-	-	-	-	-	-
Executive VP and Chief Development Officer until November 30, 2011[q]	-	36	38	74	151	655	(56)	79	678
Executive VP and Chief Development Officer from December 1, 2011[q]	7	-	-	7	-	-	-	7	7
Executive VP, People and Partners[r]	15	-	-	15	-	-	-	15	15
Acting Executive VP, People and Partners[s]	23	-	-	23	40	40	-	23	63
Executive VP, Strategy and Performance[t]	18	-	-	18	32	32	-	(32)	-
Executive VP, Rural, Public and Community Health[u]	-	16	17	33	53	725	-	128	853
Executive VP and Executive Lead Transition[v]	-	66	7	73	30	294	(219)	96	171
Chief of Staff for the AHS Board[w]	5	-	-	5	-	-	-	5	5
Chief of Staff, Board Office and VP Community Engagement[x]	1	-	-	1	2	2	-	1	3

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 SERP is disclosed in Notes 2(h) and 11(a). The amounts in this table represent the total SPP and SERP benefits for the individual in the position listed whereas the amounts included in other non-cash benefits are prorated for the period of time the individual was in the position.

(1) The SPP current service costs are AHS contributions in the period.
(2) The SERP costs are not cash payments in the period but are the cost in 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.
(3) Other SERP costs include interest cost on the obligations and the amortization of past service cost, initial obligations and net actuarial gains and losses, offset by the expected return on the plans' assets.
(4) As a result of SERP plan amendments which occurred in the current year, an accounting curtailment event was recognized. This resulted in a decrease to the accrued benefit obligation but did not reduce the amount of benefits earned by plan members up to their end of notice period.
(5) Changes in the accrued benefit obligation include current service cost, interest accruing on the obligations, the full amount of any actuarial gains or losses in the period, and gains or losses due to curtailment.

SCHEDULE 2 - CONSOLIDATED SCHEDULES OF SALARIES AND BENEFITS FOR THE YEAR ENDED MARCH 31, 2012 (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 106,141 (2011 – 99,386).

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: 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, lump sum payments and an allowance for personal, financial and tax advice, club memberships and other similar purposes. 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, 2012 (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.

f. In the prior year, severance of $661 was accrued for the incumbent. However, the final payment to the incumbent included an additional $20 for relocation expenses in accordance with the incumbent's contract. The prior year balance has been restated to reflect the actual severance paid.

g. Subsequent to release of the prior year financial statements, it was determined the incumbent's position should be retroactively included in a higher pay band which resulted in the position being eligible for pay at risk. Therefore, the incumbent was retroactively awarded pay at risk for fiscal 2011. The prior year balance has been restated to reflect the actual pay at risk paid.

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

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

j. Incumbent was on secondment from the University of Calgary until December 31, 2011. 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.

k. 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

l. Incumbent held the position of Acting President and Chief Executive Officer until March 31, 2011. Incumbent appointed to position of President and Chief Executive Officer effective April 1, 2012 to March 31, 2016.

m. Incumbent held the position of Executive Vice President and Chief Financial Officer until May 31, 2011 at which time the incumbent was appointed to Executive Vice President and Chief Financial Officer and Acting Chief Operating Officer. The Executive Vice President and Chief Operating Officer position was established effective June 1, 2011 as a result of restructuring. The incumbent received acting pay of 10% of the base salary for the Acting Chief Operating Officer position. The incumbent was appointed to Executive Vice President and Chief Operating Officer on July 11, 2011 and retained the position of Acting Chief Financial Officer until November 15, 2011. The incumbent received an increase in base salary for the Executive Vice President and Chief Operating Officer position. Pay at risk has been allocated to each position based on the performance agreement relating to each position.

SCHEDULE 2 - CONSOLIDATED SCHEDULES OF SALARIES AND BENEFITS FOR THE YEAR ENDED MARCH 31, 2012 (CONTINUED)

n. Incumbent held the position of Senior Vice President, Finance until November 16, 2011 at which time the incumbent was appointed to Acting Chief Financial Officer and became a direct report to the President and Chief Executive Officer. The incumbent received an additional 10% of the base salary for the Acting Chief Financial Officer position. Pay at risk has been allocated to each position based on the performance agreement relating to each position.

o. Incumbent held the position of Executive Vice President and Acting Executive Lead for Quality and Service Improvement until May 31, 2011 at which time the position was abolished as a result of restructuring and the incumbent was appointed to Executive Vice President and Chief Medical Officer. There was no additional compensation for the Executive Vice President and Chief Medical Officer position; however during the fiscal year the incumbent became eligible for pay at risk rather than other variable pay.

p. Position held by incumbent until May 30, 2011.

q. Incumbent held the position of Senior Vice President, Corporate Merger and Information Technology until November 30, 2011 at which time the incumbent was appointed to Senior Vice President and Chief Development Officer and became a direct report to the President and Chief Executive Officer. The Senior Vice President and Chief Development Officer position was established effective December 1, 2011 as a result of restructuring. The title for this position changed to Executive Vice President and Chief Development Officer effective January 10, 2012.

r. Incumbent appointed to position effective September 19, 2011 to September 18, 2016.

s. Incumbent held the position of Executive Vice President, Corporate Services until May 31, 2011 at which time the incumbent was appointed to Acting Executive Vice President, People and Partners. The Executive Vice President, Corporate Services position was abolished and the Executive Vice President, People and Partners position was established effective June 1, 2011 as a result of restructuring. The incumbent received an additional 10% of the base salary for the Acting Executive Vice President, People and Partners position. The incumbent held this position until September 18, 2011 at which point the incumbent was appointed to Senior Vice President, Edmonton Zone. The position of Senior Vice President, Edmonton Zone is not a direct report to the President and Chief Executive Officer. Pay at risk has been calculated based on 50% of the year end results of the Executive Vice President, People and Partners performance agreement and 50% of the year end results for the Senior Vice President, Edmonton Zone performance agreement. The pay at risk disclosed is the pay at risk received for the Executive Vice President, People and Partners position.

t. Position held by incumbent until January 10, 2012. The incumbent received the salary and other accrued entitlements to the date of departure. 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 benefits, both in accordance with the incumbent’s contract. Should the incumbent obtain alternate employment during the 12 month notice period, the monthly payments will cease and the incumbent will be paid a lump sum equal to one-half of any payments then remaining. The incumbent received a proportionate amount of pay at risk for the months worked within the fiscal year based on the prior year's pay at risk amount. In addition AHS reimbursed the incumbent for legal costs of $10. AHS will also make payment for the incumbent to attend an outplacement program for a maximum of 6 months.

SCHEDULE 2 - CONSOLIDATED SCHEDULES OF SALARIES AND BENEFITS FOR THE YEAR ENDED MARCH 31, 2012 (CONTINUED)

u. Incumbent held the position of Executive Vice President, Rural, Public and Community Health until May 31, 2011 at which time the position was abolished as a result of restructuring. The incumbent continued as an employee until August 31, 2011, but was not a direct report to the President and Chief Executive Officer during this time.

v. Incumbent held the position of Executive Vice President, Clinical Support Services until May 11, 2011 at which time the incumbent was appointed to Executive Vice President and Executive Transition Lead. The Executive Vice President, Clinical Support Services position was abolished and the Executive Vice President and Executive Transition Lead position was established effective May 11, 2011 as a result of restructuring. There was no change in compensation for the Executive Vice President and Executive Transition Lead position which was held by incumbent until February 24, 2012. The reported severance includes 18 months base salary at the rate in effect at the date of departure and 15% of the severance in lieu of benefits, both in accordance with the incumbent's contract. The amount also includes a pay at risk entitlement of $99K related to the 18 month severance period, in accordance with an amendment to the incumbent's contract entered into in the current year. The incumbent received a proportionate amount of pay at risk for the months worked within the fiscal year based on the achievement of the incumbent's individual objectives as outlined in the current year's performance agreement.

w. Incumbent appointed to position effective April 25, 2011.

x. Position held by incumbent until April 24, 2011 at which point the incumbent was relieved of Chief of Staff, Board Office responsibilities. The position of Vice President, Community Relations is not a direct report to the President and Chief Executive Officer.

Termination Liabilities

y. 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 maximum severance pay for 12 months base salary at the rate in effect at the date of termination. The incumbent will also receive 15% of the severance in lieu of all other benefits.

z. 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.

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

SCHEDULE 2 - CONSOLIDATED SCHEDULES OF SALARIES AND BENEFITS FOR THE YEAR ENDED MARCH 31, 2012 (CONTINUED)

bb. 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.

cc. 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[k] 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.

dd. SPP and SERP

Based on the provision of the applicable SPP and SERP, the following outlines the benefits received by individuals who terminated employment with AHS within the 2011-2012 fiscal period:

Position	Benefit (not in thousands)	Frequency	Payment Terms
Executive VP, Strategy and Performance	$52,199	One-Time	Paid in 2011-2012
Executive VP, Rural, Public and Community Health from September 1, 2011 until December 31, 2011[u]	$4,292	Monthly	4 Months
Executive VP, Rural, Public and Community Health from January 1, 2012[u]	$4,309	Monthly	Indefinite
Executive VP and Executive Lead Transition	$47,546	Annually	3 Years

(thousands of dollars)

SCHEDULE 3 - CONSOLIDATED SCHEDULE OF BUDGET
FOR THE YEAR ENDED MARCH 31, 2012

	Original Financial Plan (Note 4)	Adjustments (Note 3)	Reclassifications	Reported Budget
Revenue				
Alberta Health and Wellness contributions				
Unrestricted ongoing	$ 9,582,000	$ -	$ 52,000	$ 9,634,000
Unrestricted deficit funding	-	-	-	-
Restricted	818,000	-	-	818,000
Other government contributions	105,000	(19,000)	27,000	113,000
Fees and charges	645,000	(193,000)	-	452,000
Ancillary operations	117,000	-	-	117,000
Donations	30,000	-	-	30,000
Investment and other income	307,000	-	(70,000)	237,000
Amortization of external capital contributions	370,000	-	-	370,000
TOTAL REVENUE	11,974,000	(212,000)	9,000	11,771,000
Expenses				
Inpatient acute nursing services	2,823,000	(10,000)	(84,000)	2,729,000
Emergency and other outpatient services	1,350,000	7,000	(83,000)	1,274,000
Facility-based continuing care services	935,000	(19,000)	(2,000)	914,000
Ambulance services	372,000	-	7,000	379,000
Community-based care	881,000	(4,000)	106,000	983,000
Home care	445,000	-	(8,000)	437,000
Diagnostic and therapeutic services	2,025,000	12,000	(26,000)	2,011,000
Promotion, prevention and protection services	312,000	-	32,000	344,000
Research and education	230,000	-	(24,000)	206,000
Administration	324,000	(7,000)	75,000	392,000
Information technology	424,000	-	5,000	429,000
Support services	1,675,000	(191,000)	(10,000)	1,474,000
Amortization of facilities and improvements	198,000	-	21,000	219,000
TOTAL EXPENSES	11,994,000	(212,000)	9,000	11,791,000
Operating surplus (deficiency) of revenue over expenses	$ (20,000)	$ -	$ -	$ (20,000)
Expenses by object				
Salaries and benefits	$ 6,212,000	$ -	$ 103,000	$ 6,315,000
Contracts with health service providers	2,166,000	(212,000)	154,000	2,108,000
Contracts under the Heath Care Protective Act	18,000	-	1,000	19,000
Drugs and gases	386,000	-	(24,000)	362,000
Medical and surgical supplies	354,000	-	(20,000)	334,000
Other contracted services	1,218,000	-	(153,000)	1,065,000
Other	1,145,000	-	(52,000)	1,093,000
Amortization	495,000	-	-	495,000
TOTAL EXPENSES BY OBJECT	$ 11,994,000	$ (212,000)	$ 9,000	$ 11,791,000

(thousands of dollars)

SCHEDULE 4 - CONSOLIDATED SCHEDULE OF RESTATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011

Consolidated Statement of Operations

	As Previously Reported	Long-term care Adjustment (Note 3(a))	Full cost Adjustment (Note 3(b))	Reclassifications (Note 3(d))	As Restated
Revenue					
Alberta Health and Wellness contributions					
Unrestricted ongoing	$ 9,037,311	$ -	$ (459)	$ -	$ 9,036,852
Unrestricted deficit funding	527,235	-	-	-	527,235
Restricted	747,830	-	-	-	747,830
Other government contributions	100,893	(3,552)	(12,206)	16,670	101,805
Fees and charges	621,481	-	(194,423)	-	427,058
Ancillary operations	112,367	-	-	-	112,367
Donations	28,574	-	-	-	28,574
Investment and other income	292,119	-	(240)	(16,670)	275,209
Amortization of external capital contributions	364,181	-	-	-	364,181
TOTAL REVENUE	11,831,991	(3,552)	(207,328)	-	11,621,111
Expenses					
Inpatient acute nursing services	2,584,209	-	(5,682)	(10,841)	2,567,686
Emergency and other outpatient services	1,220,870	-	(1,053)	(3,409)	1,216,408
Facility-based continuing care services	844,753	(1,801)	(13,996)	612	829,568
Ambulance services	343,034	-	-	9,373	352,407
Community-based care	800,256	(1,751)	(203)	(537)	797,765
Home care	402,375	-	-	(227)	402,148
Diagnostic and therapeutic services	1,861,589	-	(4,321)	(1,744)	1,855,524
Promotion, prevention and protection services	289,508	-	56	(251)	289,313
Research and education	214,253	-	181	(7,411)	207,023
Administration	307,342	-	(5,666)	2,549	304,225
Information technology	387,655	-	(7)	-	387,648
Support services	1,521,754	-	(176,637)	11,886	1,357,003
Amortization of facilities and improvements	198,238	-	-	-	198,238
TOTAL EXPENSES	10,975,836	(3,552)	(207,328)	-	10,764,956
Operating surplus (deficiency) of revenue over expenses	$ 856,155	$ -	$ -	$ -	$ 856,155

(thousands of dollars)

SCHEDULE 4 - CONSOLIDATED SCHEDULE OF RESTATEMENTS (continued)
FOR THE YEAR ENDED MARCH 31, 2011

Consolidated Statement of Financial Position

	As Previously Reported	Long-term care Adjustment (Note 3(a))	Full cost Adjustment (Note 3(b))	Reclassifications (Note 3(d))	As Restated
ASSETS					
Current:					
Cash and cash equivalents	$ 1,721,465	$ -	$ -	$ (957,322)	$ 764,143
Investments	-	-	-	957,322	957,322
Accounts receivable	201,293	-	-	-	201,293
Contributions receivable from Alberta Health and Wellness	200,313	-	-	-	200,313
Inventories	99,097	-	-	-	99,097
Prepaid expenses	61,646	(2,700)	-	-	58,946
	2,283,814	(2,700)	-	-	2,281,114
Non-current cash and investments	599,335	-	-	-	599,335
Capital contributions receivable from Alberta Health and Wellness	11,476	-	-	-	11,476
Capital assets	6,707,464	-	-	-	6,707,464
Other assets	214,546	(130,953)	-	12,511	96,104
TOTAL ASSETS	$ 9,816,635	$ (133,653)	$ -	$ 12,511	$ 9,695,493
LIABILITIES AND NET ASSETS					
Current:					
Accounts payable and accrued liabilities	$ 1,136,937	$ -	$ -	$ -	$ 1,136,937
Accrued vacation pay	385,525	-	-	-	385,525
Deferred contributions	595,292	-	-	12,329	607,621
Current portion of long-term debt	153,799	-	-	-	153,799
	2,271,553	-	-	12,329	2,283,882
Deferred contributions	163,725	(151,396)	-	(12,329)	-
Deferred capital contributions	541,856	-	-	-	541,856
Long-term debt	182,500	-	-	-	182,500
Unamortized external capital contributions	5,598,973	-	-	-	5,598,973
Other liabilities	97,454	34,575	-	12,511	144,540
	8,856,061	(116,821)	-	12,511	8,751,751
Net assets:					
Accumulated surplus	115,741	(16,832)	-	-	98,909
Accumulated net unrealized gains (losses) on investments	(9,110)	-	-	-	(9,110)
Other internally restricted net assets	66,722	-	-	-	66,722
Internally restricted net assets invested in capital assets	777,071	-	-	-	777,071
Endowments	10,150	-	-	-	10,150
	960,574	(16,832)	-	-	943,742
TOTAL LIABILITIES AND NET ASSETS	$ 9,816,635	$ (133,653)	$ -	$ 12,511	$ 9,695,493

(thousands of dollars)

SCHEDULE 4 - CONSOLIDATED SCHEDULE OF RESTATEMENTS (continued)
FOR THE YEAR ENDED MARCH 31, 2011

Consolidated Statement of Cash Flows

	As Previously Reported	Long-term care Adjustment (Note 3(a))	Full cost Adjustment (Note 3(b))	Reclassifications (Note 3(d))	As Restated
Operating activities:					
Operating surplus (deficiency) of revenue over expenses	$ 856,155	$ -	$ -	$ -	$ 856,155
Non-cash transactions:					
Amortization expense	470,511	-	-	-	470,511
Amortized external capital contributions	(364,606)	-	-	-	(364,606)
Other	(2,503)	(2,698)	-	52,706	47,505
Changes in non-cash working capital	(2,169)	2,698	-	(738,403)	(737,874)
Cash generated from (used by) operating activities	957,388	-	-	(685,697)	271,691
Cash generated from (used by) investing activities	(417,807)	-	-	(52,706)	(470,513)
Cash generated from financing activities	204,668	-	-	-	204,668
Net increase in current cash and cash equivalents	744,249	-	-	(738,403)	5,846
Current cash and cash equivalents, beginning of year	977,216	-	-	(218,919)	758,297
Current cash and cash equivalents, end of year	$ 1,721,465	$ -	$ -	$ (957,322)	$ 764,143

(thousands of dollars)

SCHEDULE 4 - CONSOLIDATED SCHEDULE OF RESTATEMENTS (continued)
FOR THE YEAR ENDED MARCH 31, 2011

Consolidated Schedule of Expenses by Object

	As Previously Reported	Long-term care Adjustment (Note 3(a))	Full cost Adjustment (Note 3(b))	Reclassifications (Note 3(d))	As Restated
Salaries and benefits	$ 5,667,428	$ -	$ -	$ -	$ 5,667,428
Contracts with health service providers	1,958,269	-	(207,328)	130,569	1,881,510
Contracts under the Heath Care Protective Act	19,308	-	-	-	19,308
Drugs and gases	361,468	-	-	-	361,468
Medical and surgical supplies	330,132	-	-	-	330,132
Other contracted services	1,112,310	-	-	(137,954)	974,356
Other	1,056,410	(3,552)	-	7,385	1,060,243
Amortization	470,511	-	-	-	470,511
TOTAL EXPENSES BY OBJECT	$ 10,975,836	$ (3,552)	$ (207,328)	$ -	$ 10,764,956