Alberta Health Services

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

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Alberta Health Services

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements for the year ended March 31, 2015 are the responsibility of management and have been reviewed and approved by senior management. The consolidated financial statements were prepared in accordance with Canadian Public Sector Accounting Standards and the financial directives issued by Alberta Health, 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 systems of financial management and internal control which give consideration to costs, benefits and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money;
- safeguard the assets and properties of the Province under Alberta Health Services' administration

Alberta Health Services carries out its responsibility for the consolidated financial statements through the Audit & Risk Committee. The 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 Official Administrator for approval upon finalization of the audit. The Auditor General of Alberta has free access to the Audit & Risk 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]	[Original Signed By]
Vickie Kaminski President and Chief Executive Officer Alberta Health Services	Deborah Rhodes, CA Vice President Corporate Services and Chief Financial Officer Alberta Health Services

June 4, 2015

AUDITOR GENERAL
Alberta

Independent Auditor's Report

To the Official Administrator of Alberta Health Services

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, 2015, and the consolidated statements of operations, accumulated remeasurement gains and losses, 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 public sector accounting standards, 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, 2015, and the results of its operations, its remeasurement gains and losses, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

June 4, 2015

Edmonton, Alberta

(thousands of dollars)

CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31

	2015		2014
	Budget (Note 3)	Actual	Actual (Note 26)
Revenue:			
Alberta Health transfers			
Base operating	$ 10,731,000	$ 10,851,204	$ 10,495,788
Other operating	1,459,000	1,378,438	1,257,279
Capital	84,000	92,907	87,173
Other government transfers (Note 4)	402,000	420,599	386,792
Fees and charges	447,000	445,912	432,198
Ancillary operations	127,000	133,118	125,653
Donations, fundraising, and non-government grants (Note 5)	143,000	167,290	155,039
Investment and other income (Note 6)	175,000	308,308	249,120
TOTAL REVENUE	13,568,000	13,797,776	13,189,042
Expenses:			
Inpatient acute nursing services	3,067,000	3,247,819	3,057,753
Emergency and other outpatient services	1,571,000	1,581,887	1,487,854
Facility-based continuing care services	952,000	940,411	911,226
Ambulance services	454,000	468,031	442,848
Community-based care	1,156,000	1,139,337	1,048,466
Home care	518,000	530,501	505,751
Diagnostic and therapeutic services	2,301,000	2,314,445	2,191,895
Promotion, prevention, and protection services	372,000	358,933	333,189
Research and education	238,000	232,162	221,838
Administration (Note 7)	477,000	448,491	420,761
Information technology	525,000	567,792	516,643
Support services (Note 8)	1,937,000	1,970,471	1,895,127
TOTAL EXPENSES (Schedule 1)	13,568,000	13,800,280	13,033,351
OPERATING SURPLUS (DEFICIT)	$ -	(2,504)	155,691
Accumulated surplus, beginning of year		1,233,805	1,078,114
Accumulated surplus, end of year (Note 19)		$ 1,231,301	$ 1,233,805

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

(thousands of dollars)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31

	2015 Actual	2014 Actual
Assets:		
Cash and cash equivalents (Note 11)	$ 549,779	$ 606,070
Portfolio investments (Note 12)	1,955,561	1,728,853
Accounts receivable (Note 13)	313,972	379,245
Other assets	12,179	11,604
Tangible capital assets (Note 14)	7,511,137	7,502,495
Inventories for consumption	96,583	98,252
Prepaid expenses (Note 24)	126,610	106,399
TOTAL ASSETS	$ 10,565,821	$ 10,432,918
Liabilities:		
Accounts payable and accrued liabilities (Note 15)	$ 1,256,333	$ 1,195,016
Employee future benefits (Note 16)	594,603	554,532
Deferred revenue (Note 17)	7,033,031	7,005,555
Debt (Note 18)	339,397	350,368
TOTAL LIABILITIES	9,223,364	9,105,471
Net Assets:		
Accumulated surplus (Note 19)	1,231,301	1,233,805
Accumulated remeasurement gains and losses	38,775	24,846
Endowments (Note 20)	72,381	68,796
TOTAL NET ASSETS	1,342,457	1,327,447
	$ 10,565,821	$ 10,432,918

Contractual Obligations and Contingent Liabilities (Note 21)

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

Approved by:

[Original Signed By]

Dr. Carl Amrhein, PhD, RPP, MCIP, FRCGS
Official Administrator
Alberta Health Services

(thousands of dollars)

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31

	2015 Budget (Note 3)	2015 Actual	2014 Actual (Note 26)
Operating transactions:			
Operating surplus (deficit)	$ -	$ (2,504)	$ 155,691
Non-cash items:			
Amortization, disposals, and write-downs	556,000	633,593	564,926
Recognition of expended deferred capital revenue	(363,000)	(427,506)	(374,317)
Revenue recognized for acquisition of land	-	-	(1,224)
Decrease (increase) in:			
Accounts receivable related to operating transactions	12,000	72,533	(37,073)
Inventories for consumption	3,000	1,669	(4,704)
Other assets	(27,000)	(575)	851
Prepaid expenses	(21,000)	(20,211)	(20,280)
Increase (decrease) in:			
Accounts payable and accrued liabilities related to operating transactions	1,000	85,372	73,690
Employee future benefits	4,000	40,071	29,705
Deferred revenue related to operating transactions	(59,000)	(70,906)	(44,840)
Cash provided by operating transactions	106,000	311,536	342,425
Capital transactions:			
Acquisition of tangible capital assets	(383,000)	(229,734)	(286,015)
Increase (decrease) in accounts payable and accrued liabilities related to capital transactions	236,000	(30,566)	(35,100)
Cash applied to capital transactions	(147,000)	(260,300)	(321,115)
Investing transactions:			
Purchase of portfolio investments	(3,633,000)	(3,134,674)	(3,851,627)
Proceeds on disposals of portfolio investments	3,408,000	2,955,055	3,572,082
Cash applied to investing transactions	(225,000)	(179,619)	(279,545)
Financing transactions:			
Deferred capital revenue received	120,000	96,977	206,276
Deferred capital revenue returned	-	(14,119)	(7,957)
Proceeds from debt	10,000	5,772	-
Principal payments on debt	(15,000)	(16,538)	(18,618)
Cash provided by financing transactions	115,000	72,092	179,701
Net decrease in cash and cash equivalents	(151,000)	(56,291)	(78,534)
Cash and cash equivalents, beginning of year	602,000	606,070	684,604
Cash and cash equivalents, end of year	$ 451,000	$ 549,779	$ 606,070

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

(thousands of dollars)

CONSOLIDATED STATEMENT OF ACCUMULATED REMEASUREMENT GAINS AND LOSSES
YEAR ENDED MARCH 31

	2015 Actual	2014 Actual
Accumulated remeasurement gains, beginning of year	$ 24,846	$ 10,221
Unrestricted unrealized net gains on portfolio investments	43,724	29,581
Amounts reclassified to the Consolidated Statement of Operations related to portfolio investments	(29,795)	(14,956)
Net remeasurement gains for the year	13,929	14,625
Accumulated remeasurement gains, end of year (Note 12)	$ 38,775	$ 24,846

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015

Note 1 Authority, Purpose and Operations

Alberta Health Services (AHS) was established under the *Regional Health Authorities Act* (Alberta), effective April 1, 2009, as a result of the amalgamation of 12 formerly separate health entities in Alberta.

Pursuant to Section 5 of the *Regional Health Authorities Act* (Alberta)*,* AHS is responsible in Alberta to:

- promote and protect the health of the population in the health region and work toward the prevention of disease and injury;
- assess on an ongoing basis the health needs of the health region;
- determine priorities in the provision of health services in the health region and allocate resources accordingly;
- ensure that reasonable access to quality health services is provided in and through the health region; 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 in the health region.

Additionally, AHS is accountable to the Minister of Health (the Minister) for the delivery and operation of the public health system.

The AHS consolidated financial statements include the revenue and expenses associated with its responsibilities. These consolidated financial statements do not reflect the complete costs of provincial health care. For example, the Department of Health is responsible for paying most physician fees. For a complete picture of the costs of provincial healthcare, readers should consult the consolidated financial statements of the Government of Alberta (GOA).

AHS and its contracted health service providers deliver health services at facilities and sites grouped in the following areas: addiction treatment, community mental health, standalone psychiatric facilities, acute care hospitals, sub-acute care in auxiliary hospitals, long-term care, palliative care, supportive living, cancer care, community ambulatory care centres, and urgent care centres.

AHS is exempt from the payment of income taxes under the *Income Tax Act* (Canada).

Note 2 Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

AHS operates as a Government Not-for-Profit Organization. These consolidated financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards (PSAS) and the financial directives issued by Alberta Health (AH).

These financial statements have been prepared on a consolidated basis and include the following entities:

(i) Controlled Entities

The consolidated financial statements reflect the assets, liabilities, revenues, and expenses of the following entities which are controlled by AHS as at March 31, 2015:

Wholly Owned Subsidiaries:

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

Note 2 Significant Accounting Policies and Reporting Practices (continued)

Foundations:

Airdrie Health Foundation
Alberta Cancer Foundation (ACF)
Bassano and District Health Foundation
Bow Island and District Health Foundation
Brooks and District Health Foundation
Calgary Health Trust (CHT)
Canmore and Area Health Care Foundation
Cardston and District Health Foundation
Claresholm and District Health Foundation
Crowsnest Pass Health Foundation
David Thompson Health 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
Vermillion and Region Health and Wellness Foundation
Viking Health Foundation
Vulcan County Health and Wellness Foundation
Windy Slopes Health Foundation

Provincial Health Authorities of Alberta Liability and Property Insurance Plan (LPIP):

AHS consolidates its interest in 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.

Other:

Queen Elizabeth II Hospital Child Care Centre

(ii) Government Partnerships

AHS uses the proportionate consolidation method to account for its 50% interest in the Primary Care Network (PCN) government partnerships with physician groups (Note 23), its 50% interest in the Northern Alberta Clinical Trials Centre (NACTRC) partnership with the University of Alberta, and its 30% interest in the HUTV Limited Partnership (HUTV) with David Chittick Management Ltd.

AHS has joint control with various physician groups over 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.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

The following PCNs are included in these consolidated financial statements on a proportionate basis:

Alberta Heartland Primary Care Network
Aspen (Athabasca) Primary Care Network
Big Country Primary Care Network
Bonnyville 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
Drayton Valley Primary Care Network
Edmonton North Primary Care Network
Edmonton Oliver Primary Care Network
Edmonton Southside Primary Care Network
Edmonton West Primary Care Network
Grande Cache Primary Care Network
Grande Prairie Primary Care Network
Highland Primary Care Network
Kalyna Country (Vegreville/Vermillion) Primary Care Network
Lakeland (St. Paul/Aspen) 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 Region Primary Care Network
Peaks to Prairies 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
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

(iii) Other

These consolidated financial statements include the payments to voluntary and private organizations under contract to provide health services in the Province of Alberta (Note 9). Also included are certain tangible capital assets owned by AHS but operated by contracted health service providers. Other operations not funded by AHS and other assets and liabilities of the contracted health service providers are not included in these consolidated financial statements. These consolidated financial statements also do not include the trust funds administered on behalf of others (Note 25).

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(b) Revenue Recognition

Revenue is recognized in the period in which the transactions or events that give rise to the revenue as described below occur. All revenue is recorded on an accrual basis, except when the accrual cannot be determined within a reasonable degree of certainty or when estimation is impracticable.

(i) Government Transfers

Transfers from AH, other GOA ministries and agencies, and federal government entities are referred to as government transfers.

Government transfers and the associated externally restricted investment income are recorded as deferred revenue if the terms for use of the transfer, or the terms along with AHS' actions and communications as to the use of the transfer, create a liability. These transfers are recognized as revenue as the terms are met and, when applicable, AHS complies with its communicated use of the transfer.

All other government transfers without terms for the use of the transfer are recorded and recognized as revenue when AHS is eligible to receive the funds.

(ii) Donations, Fundraising, and Non-Government Grants

Donations, fundraising, and non-government grants are received from individuals, corporations, and other not-for-profit organizations. Donations, fundraising, and non-government grants may be unrestricted or externally restricted for operating or capital purposes.

Unrestricted donations, fundraising, and non-government grants are recorded as revenue in the year received or in the year the funds are committed to AHS if the amount can be reasonably estimated and collection is reasonably assured.

Externally restricted donations, fundraising, non-government grants, and realized and unrealized gains and losses for the associated externally restricted investment income are recorded as deferred revenue if the terms for their use, or the terms along with AHS' actions and communications as to their use create a liability. These resources are recognized as revenue as the terms are met and, when applicable, AHS complies with its communicated use.

In-kind donations 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 is not recognized as revenue and expenses in the consolidated financial statements because fair value cannot be reasonably determined.

(iii) Grants and Donations of or for Land

AHS records transfers and donations to buy land as a liability when received and recognizes as revenue when AHS buys the land. AHS recognizes in-kind contributions of land as revenue at the fair value of the land when a fair value can be reasonably determined. When AHS cannot determine the fair value, it records such in-kind contributions at nominal value.

(iv) Endowments

Donations, fundraising, government transfers, and non-government grants that must be maintained in perpetuity are recognized as a direct increase in endowment net assets when received or receivable.

All unrealized gains and losses attributable to endowments are recognized as an increase or decrease in deferred revenue.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

Expendable realized gains and losses on portfolio investments attributable to endowments are recognized as increases or decreases in deferred revenue when received or receivable and are subsequently recognized in the Consolidated Statement of Operations when terms of use are met, as stipulated by the donors. Realized investment gains on portfolio investments for endowment capital preservation purposes are recognized as a direct increase in endowment net assets when received or receivable.

(v) Fees and Charges, Ancillary Operations, and Other Income

Fees and charges, ancillary operations, and other income are recognized in the period that goods are delivered or services are provided. Cash received for which goods or services have not been provided by year end is recorded as deferred revenue.

(vi) Investment Income

Investment income includes dividend and interest income, and realized gains or losses on the sale of portfolio investments. Unrealized gains and losses on portfolio investments that are not from restricted grants or donations are recognized in the Consolidated Statement of Accumulated Remeasurement Gains and Losses until the related investments are sold. Once realized, these gains or losses are recognized in the Consolidated Statement of Operations. Restricted investment income is recognized as revenue in the period the related expenses are incurred or the terms of use are met.

(c) Expenses

The key elements of AHS' expense recognition policy are:

(i) Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year are expensed. Interest expense includes debt sourcing costs.

Expenses include grants and transfers under shared cost agreements. Grants and transfers are recorded as expenses when the transfer is authorized and eligibility criteria have been met by the recipient.

(ii) Expenses incurred include contracted health services provided by other entities in support of AHS' responsibilities and operations. These expenses are disclosed in Note 9.

(d) Financial Instruments

All of AHS' financial assets and liabilities are initially recorded at their fair value. The following table identifies AHS' financial assets and liabilities and identifies how they are subsequently measured:

Financial Assets and Liabilities	Subsequent Measurement and Recognition
Cash and cash equivalents and portfolio investments	Measured at fair value with changes in fair values recognized in the Consolidated Statement of Accumulated Remeasurement Gains and Losses, accounts payable, or deferred revenue until realized at which time the cumulative changes in fair value are recognized in the Consolidated Statement of Operations.
Accounts receivable, accounts payable and accrued liabilities and debt	Measured at cost or amortized cost using the effective interest rate method.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

PSAS requires portfolio investments in equity instruments quoted in an active market to be recorded under the fair value category and AHS may choose to record other financial assets under the fair value category if there is an investment strategy to evaluate the performance of a group of these financial assets on a fair value basis. AHS has elected to record its money market securities, fixed income securities, and certain other equity investments at fair value. The three levels of information that may be used to measure fair value are:

- Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

AHS measures and recognizes embedded derivatives separately from the host contract when the economic characteristics and risk of the embedded derivative are not closely related to those of the host contract, when it meets the definition of a derivative and when the entire contract is not measured at fair value. Embedded derivatives are recorded at fair value. For the year ended March 31, 2015, AHS has no embedded derivatives that require separation from the host contract.

Derivatives are recorded at fair value in the Consolidated Statement of Financial Position. Derivatives with a positive or negative fair value are recognized as increases or decreases to investments. Unrealized gains and losses from changes in the fair value of derivatives are recognized in accumulated remeasurement gains and losses.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported as a realized loss on the Consolidated Statement of Operations.

Transaction costs associated with the acquisition and disposal of cash and cash equivalents and portfolio investments are expensed as incurred. Investment management fees are expensed as incurred. The purchase and sale of cash and cash equivalents and portfolio investments are accounted for using trade-date accounting.

(e) Inventories For Consumption

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

(f) Tangible Capital Assets

Tangible capital assets and work in progress are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement, or betterment of the assets. Cost includes overhead directly attributable to construction and development as well as interest costs that are directly attributable to the acquisition or construction of the asset. Contributed tangible capital assets and work in progress acquired from other government organizations and other entities are recorded at their fair value on the date of donation. When AHS cannot determine the fair value, in-kind contributions are recorded at a nominal value. Costs incurred by Alberta Infrastructure (AI) to build tangible capital assets on behalf of AHS are recorded by AHS as work in progress and expended deferred capital revenue as AI incurs costs.

Works of art, historical treasures, and collections are expensed when purchased or contributed and not recognized in tangible capital assets.

The threshold for capitalizing new systems development is $250 and major system enhancements is $100. The threshold for all other tangible capital assets is $5. All land is capitalized.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

The cost less residual value of tangible capital assets, excluding land, is amortized over their estimated useful lives on a straight-line basis as follows:

	Useful Life
Facilities and improvements	10-40 years
Equipment	3-20 years
Information systems	3-5 years
Leased vehicles, facilities and improvements	Term of lease
Building service equipment	5-40 years
Land improvements	5-40 years

Work in progress, which includes facility and improvement projects and development of information systems, is not amortized until after a project is substantially complete and the assets are put into service.

Leases transferring substantially all benefits and risks of tangible capital asset ownership are reported as tangible capital asset acquisitions financed by long-term obligations. These capital lease obligations are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.).

The discount rate used to determine the present value of the lease payments is the lower of AHS' rate for incremental borrowing or the interest rate implicit in the lease. Note 18(c) provides a schedule of repayments and amount of interest on the leases.

Tangible capital assets are written down when conditions indicate that they no longer contribute to AHS' ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the Consolidated Statement of Operations. Write-downs are not reversed.

(g) Employee Future Benefits

(i) Registered 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 President of Alberta Treasury Board and Minister of Finance is the legal trustee and administrator of the plans. The Department of Treasury Board and Finance accounts for its share of obligations for these pension plans relating to former and current employees of all of the organizations included in the GOA consolidated reporting entity on a defined benefit basis. As a participating government organization, AHS accounts for these plans on a defined contribution basis. 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, which are calculated based on actuarially pre-determined amounts that are expected to provide the plan's future benefits.

(ii) 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.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(iii) Supplemental Executive Retirement Plans (SERPs)

AHS sponsors SERPs, which are funded, and has three Retirement Compensation Arrangements (RCA) for these plans. The SERPs cover certain employees and supplement the benefits under AHS' registered plans that are limited by the *Income Tax Act* (Canada). Each plan was closed to new entrants effective April 1, 2009. SERPs provide future pension benefits to participants based on years of service and earnings.

Due to *Income Tax Act* (Canada) requirements, the SERPs are subject to the 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 combination of Canadian equities and Canadian fixed income securities.

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. AHS uses a discount rate based on plan asset earnings to calculate the accrued benefit obligation.

The net retirement benefit cost of SERPs reported in these consolidated financial statements is comprised of the retirement benefits expense and the retirement benefits interest expense. Costs shown reflect the total estimated cost to provide annual pension income over an actuarially determined post employment period. The key components of retirement benefits expense include the current period benefit cost, cost of any plan amendments including related net actuarial gains or losses incurred in the period, gains and losses from any plan settlements or curtailments incurred in the period, and amortization of actuarial gains and losses. Retirement benefit costs are not cash payments in the period but are the period expense for rights to future compensation. The retirement benefits interest expense is net of the interest cost on the accrued benefit obligation and the expected return on plan assets. The actuarial gains and losses that arise are accounted for in accordance with PSAS whereby AHS amortizes actuarial gains and losses from the liability or asset over the average remaining service life of the related employee group.

Prior period service costs arising from plan amendments are recognized in the period of the plan amendment. When an employee's accrued benefit obligation is fully discharged, all unrecognized amounts associated with that employee are fully recognized in the net retirement benefit cost in the following year.

(iv) Supplemental Pension Plan (SPP)

Subsequent to April 1, 2009, staff 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, 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.

(v) Sick Leave Liability

Sick leave benefits accumulate with employees' service and are provided by AHS to certain employee groups of AHS, as defined by employment agreements, to cover illness related absences that are outside of short-term and long-term disability coverage. Benefit amounts are determined and accumulate with reference to employees' final earnings at the time they are paid out. The cost of the accumulating non-vesting sick leave benefits is expensed as the benefits are earned.

AHS accrues its liabilities for accumulating non-vesting sick leave benefits but does not record a liability for sick leave benefits that do not accumulate beyond the current reporting period as these are renewed annually.

The accumulating non-vesting sick leave liability is actuarially determined using the projected benefit method prorated on service and management's best estimates of expected discount rate, inflation, rate of compensation increase, termination and retirement rates, and mortality. The liability associated with these benefits is calculated as the present value of expected future payments pro-rated for service.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

Any resulting net actuarial gain (loss) is deferred and amortized on a straight-line basis over the expected average remaining service life of the related employee groups.

(vi) 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 fully accrues its obligations for employee non-pension future benefits.

(h) Net Assets

Net assets represent the difference between the carrying value of assets held by AHS and its liabilities.

PSAS requires a “net debt” presentation for the Statement of Financial Position in the summary financial statements of government. Net debt presentation reports the difference between financial assets and liabilities as “net debt” or “net financial assets” as an indicator of the future revenue required to pay for past transactions and events. AHS operates within the government reporting entity, and does not finance all of its expenditures by independently raising revenue. Accordingly, these consolidated financial statements do not report a net debt indicator.

(i) Measurement Uncertainty

The consolidated financial statements, by their nature, contain estimates and are subject to measurement uncertainty. Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount. The amount recorded for amortization of tangible capital assets is based on the estimated useful life of the related assets while the recognition of expended deferred capital revenue depends on when the terms for the use of the funding are met and, when applicable, AHS complies with its communicated use of the funding. The amounts recorded for employee future benefits 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.

The establishment of the provision for unpaid claims relies on the judgment and opinions of many individuals; historical precedent and trends; prevailing legal, economic, and social and regulatory trends; and expectation as to future developments. The process of determining the provision necessarily involves risks that the actual results will deviate perhaps materially from the best estimates made.

(j) Reserves

Certain amounts, as approved by the Official Administrator, are set aside in accumulated surplus for future operating and capital purposes. Transfers to or from reserves are recorded to the respective reserve when approved.

(k) Change in Accounting Policy

PS 3260 Liability for Contaminated Sites

In June 2010 the Public Sector Accounting Board issued this accounting standard effective for fiscal years starting on or after April 1, 2014. Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. AHS adopted this accounting standard retroactively as of April 1, 2014 but without restatement of prior period results. AHS is required to recognize a liability related to the remediation of such contaminated sites subject to certain recognition criteria. For the fiscal year ended March 31, 2015, AHS has not identified any liability for contaminated sites.

(thousands of dollars)

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(l) Future Accounting Changes

In March 2015 the Public Sector Accounting Board issued PS 2200 – Related party disclosures and PS 3420 – Inter-entity transactions. These accounting standards are effective for fiscal years starting on or after April 1, 2017.

- PS 2200 – Related party disclosures defines a related party and identifies disclosures for related parties and related party transactions, including key management personnel and close family members.
- PS 3420 – Inter-entity transactions, establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

AHS will be required to evaluate its disclosures based on the new accounting standards. AHS' management is currently assessing the impact of these new standards on the consolidated financial statements.

Note 3 Budget

The AHS Health Plan and Business Plan 2014-17, which included the 2014-15 annual budget, was approved by the Minister on September 4, 2014.

In 2014-15, AHS reclassified the approved budget for the following due to change in methodology:

(i) $26,000 related to reclassification of rebates from revenue to net against expenses.
(ii) $24,000 related to reclassification of administration expense for contracted health service providers.

Revenue	Board Approved Budget	Reclassifications	Reported Budget
Investment and other income	201,000	(26,000)	175,000
Expenses			
Inpatient acute nursing services	3,077,000	(10,000)	3,067,000
Emergency and other outpatient services	1,586,000	(15,000)	1,571,000
Facility-based continuing care services	936,000	16,000	952,000
Community-based care	1,148,000	8,000	1,156,000
Diagnostic and therapeutic services	2,302,000	(1,000)	2,301,000
Administration	501,000	(24,000)	477,000
Expenses by Object			
Drugs and gases	452,000	(24,000)	428,000
Medical and surgical supplies	406,000	(2,000)	404,000

Note 4 Other Government Transfers

	2015	2014
Unrestricted operating transactions	$ 52,760	$ 48,479
Restricted operating transactions	82,578	83,982
Restricted capital transactions	285,261	254,331
	$ 420,599	$ 386,792

Other government transfers include $414,442 (2014 – $378,622) transferred from the GOA and $6,157 (2014 – $8,170) from the federal government, and exclude amounts from AH as these amounts are separately disclosed on the Consolidated Statement of Operations.

(thousands of dollars)

Note 5 Donations, Fundraising, and Non-Government Grants

	2015	2014
Unrestricted operating transactions	$ 4,230	$ 10,480
Restricted operating transactions	113,722	111,746
Restricted capital transactions	49,338	32,813
	$ 167,290	$ 155,039

Note 6 Investment and Other Income

	2015	2014
Investment income	$ 98,841	$ 57,757
Other income:		
External recoveries from the GOA (Note 22)	43,809	39,550
Other revenue	165,658	151,813
	$ 308,308	$ 249,120

Other revenue includes revenue related to administrative services provided to others of $11,978 (2014 – $12,065) (Note 7).

Note 7 Administration

	2015	2014
General administration[a]	$ 225,288	$ 207,424
Human resources[b]	99,325	96,821
Finance[c]	65,187	63,657
Communications[d]	16,492	17,309
Direct administration expense incurred by AHS	406,292	385,211
Administration expense of certain contracted health service providers (Note 9)[e]	42,199	35,550
Total administration expense	$ 448,491	$ 420,761
Less revenue related to administrative services provided to others (Note 6)	(11,978)	(12,065)
Net administration expense	$ 436,513	$ 408,696

Net administration expense has been presented to align with the Canadian Institute of Health Information (CIHI) definition. Activities and costs directly supporting clinical activities are not included in administration.

The following are the direct administration expenses incurred by AHS:

(a) General administration includes the Official Administrator expenses, senior leaders' expenses, and other administrative functions such as planning and development, privacy, risk management, internal audit, infection control, quality assurance, insurance, patient safety, and legal.

(b) Human resources includes personnel services, staff recruitment and selection, orientation, labour relations, employee health, and employee record keeping.

(c) Finance includes the recording, monitoring, and reporting of the financial and statistical aspects of AHS' planned and actual activities.

(d) Communications includes the receipt and transmittal of AHS' communications including electronic communication, visitor information, and mail services. It also includes personnel dedicated to maintenance and repair of communication systems and devices.

(thousands of dollars)

Note 7 Administration (continued)

In addition, AHS recognizes the following indirect costs as administration expense:

(e) Administrative expense of certain contracted health service providers is AHS' estimate of the portion that AHS funds of the general administration, human resources, finance and communication expenses incurred by voluntary service providers with whom AHS contracts for a full spectrum of health services, the largest being Covenant Health.

Note 8 Support Services

		2015		2014
Facilities operations	$	800,723	$	779,972
Patient: health records, food services, and transportation		345,760		335,892
Housekeeping, laundry, and linen		228,181		209,887
Materials management		184,611		172,827
Support services expense of contracted health service providers (Note 9)		113,799		116,496
Ancillary operations		109,604		109,970
Fundraising expenses and grants awarded		38,682		34,089
Emergency preparedness services		3,992		4,536
Other		145,119		131,458
	$	1,970,471	$	1,895,127

Note 9 Contracts with Health Service Providers

AHS is responsible for the delivery and operation of the public health system in Alberta. To this end, AHS has contracts with various voluntary and private health service providers to deliver health services throughout Alberta.

		2015		2014
Voluntary health service providers	$	1,377,957	$	1,320,027
Private health service providers		997,854		938,015
Total direct AHS funding	$	2,375,811	$	2,258,042

The contracts may be for one service such as home care or for the full spectrum of services like Covenant Health who operates several hospitals as well as long-term care facilities. For those contracts that are not for the full spectrum of services, no amount has been allocated to administration.

The direct AHS funding provided is allocated on the Consolidated Statement of Operations according to the services contracted and is as follows:

		2015		2014
Inpatient acute nursing services	$	303,562	$	294,230
Emergency and other outpatient services		98,079		97,049
Facility-based continuing care services		601,198		583,698
Ambulance services		167,874		165,451
Community-based care		496,173		440,464
Home care		179,116		169,358
Diagnostic and therapeutic services		357,813		342,309
Promotion, prevention, and protection services		9,535		9,911
Research and education		378		1,291
Administration of certain contract providers (Note 7)		42,199		35,550
Information technology		6,085		2,235
Support services (Note 8)		113,799		116,496
Total allocated expenses	$	2,375,811	$	2,258,042

Note 10 Financial Instruments

AHS is exposed to a variety of financial risks associated with the entity's financial instruments. These financial risks include market risk, price risk, interest rate risk, foreign currency risk, credit risk, and liquidity risk.

(a) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

In order to earn financial returns at an acceptable level of market risk, each of the investment policies have established a targeted asset mix. The AHS Investment Bylaw has established 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.

The ACF Investment Policy has established an asset mix policy of 0% to 10% for money market securities, 30% to 60% for fixed income securities, and 30% to 70% for equities.

The LPIP Investment Policy has established an asset mix policy of 80% to 87% for cash and fixed income securities, 10% to 15% for equities, and 3% to 5% for real estate.

The CHT Statement of Investment Policies and Goals has established an asset mix policy of 30% to 70% for fixed income securities and 30% to 70% for equities.

Risk is reduced under all of the investment policies through asset class diversification, diversification within each asset class, and portfolio quality constraints.

AHS assesses the sensitivity of its portfolio to market risk based on historical volatility of equity and fixed income markets. The volatility is determined using a ten year average based on fixed income and equity market fluctuations and is applied to the total portfolio. Based on the volatility average of 2.55% (2014 – 2.24%) increase or decrease, with all other variables held constant, the increase or decrease in accumulated remeasurement gains and losses would be $43,297 (2014 - $40,155).

(b) Price Risk

Price risk relates to the possibility that equity investments will change in fair value due to future fluctuations in market prices caused by factors specific to an individual equity investment or other factors affecting all equities traded in the market. AHS is exposed to price risk associated with the underlying equity investments held in investment funds. If equity market indices (S&P/TSX, S&P1500 and MSCI ACWI and their sectors) declined by 10%, and all other variables are held constant, the potential loss in fair value to AHS would be approximately 2.30% of total investments (March 31, 2014 – 2.30%).

A 10% change in market value relating to equity securities would have increased or decreased fair value by approximately $44,501 (March 31, 2014 - $41,042).

(c) Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the market interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. AHS manages the interest rate risk exposure of its fixed income investments by management of average duration and laddered maturity dates.

AHS is exposed to interest rate risk through its investments in fixed income securities with both fixed and floating interest rates. AHS has fixed interest rate loans for all debt, thereby mitigating interest rate risk from rate fluctuations over the term of the outstanding debt. The fair value of fixed rate debt fluctuates with changes in market interest rates but the related future cash flows will not change.

(thousands of dollars)

Note 10 Financial Instruments (continued)

In general investment returns for bonds and mortgage funds are sensitive to changes in the level of interest rates, with longer term interest bearing securities being more sensitive to interest rate changes than shorter-term bonds.

A 1% change in market yield relating to fixed income securities would have increased or decreased fair value by approximately $64,682 (March 31, 2014 - $41,733).

Portfolio investments include fixed income securities, such as bonds, and have an average effective yield of 1.61% (2014 - 2.20%) per year maturing between 2015 and 2067. The securities have the following average maturity structure:

	2015	2014
1 – 5 years	72%	78%
6 – 10 years	14%	11%
Over 10 years	14%	11%

	Effective Market Yield			
Asset Class	< 1 year	1-5 years	> 5 years	Average Effective Market Yield
Interest bearing securities	1.14%	1.26%	2.44%	1.61%

(d) Foreign Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fair value of cash and investments denominated in foreign currencies is translated into Canadian dollars using the reporting date exchange rate. AHS is exposed to foreign exchange fluctuations on its cash denominated in foreign currencies. At March 31, 2015 there were no investment balances denominated in foreign currency. Foreign exchange fluctuations on its cash balances are partially mitigated by futures contracts and minimal ending foreign currency cash balances. During the year the effect of these fluctuations was not significant. AHS has policies which provide management with guidance to mitigate foreign currency risk.

Foreign currency risk is managed by the fact that the investment policies limit non-Canadian equities to a maximum of 10% to 45% of the total investment portfolio, depending on the policy. At March 31, 2015, investments in non-Canadian equities represented 5.80% (March 31, 2014 – 5.40%) of total portfolio investments.

At March 31, 2015, AHS held US dollar forward contracts with Alberta Treasury Branch to mitigate its exposure to currency fluctuations relating to US dollar accounts payable. During the year AHS entered into a 12 month forward currency contract to purchase US$2,000 per month at a fixed rate of exchange. As at March 31, 2015, AHS held forward contracts for future settlement of $24,000 (2014 - $nil). The fair value of these forward contracts as at March 31, 2015 was $2,310 (2014 - $nil) and is included in portfolio investments (Note 12).

(e) Credit Risk

Credit risk is the risk of loss arising from the failure of a counterparty to fully honour its financial obligations. The credit quality of financial assets is generally assessed by reference to external credit ratings. Credit risk can also lead to losses when issuers and debtors are downgraded by credit rating agencies. All of the investment policies restrict the types and proportions of eligible investments, thus mitigating AHS' exposure to credit risk.

Accounts receivable primarily consists of amounts receivable from AH, other Alberta government reporting entities, patients, other provinces and territories, Workers' Compensation Board, and the federal government. AHS periodically reviews the collectability of its accounts receivable and establishes an allowance based on its best estimate of potentially uncollectible amounts.

(thousands of dollars)

Note 10 Financial Instruments (continued)

Under the AHS Investment Bylaw, money market securities are limited to a rating of R1 or equivalent or higher, and no more than 10% may be invested in any one issuer. Investments in corporate bonds are limited to BBB or equivalent rated bonds or higher and no more than 40% of the total fixed income securities. Investments in debt and equity of any one issuer are limited to 5% of the issuer's total debt and equity. AHS holds unrated mortgage fund investments. Short selling is not permitted.

The ACF Investment Policy limits the overall rating of all fixed income instruments to at least an A rating, and no more than 10% of publically traded equities may be invested in any one issuer.

The LPIP Investment Policy limits money market securities to a rating of R1 or equivalent or higher, and no more than 10% may be invested in any one issuer, unless guaranteed by the Government of Canada or a Canadian province. Investments in corporate bonds are limited to BBB or equivalent rated bonds or higher. Investments in debt and equity of any one issuer are limited to 10% of total equities. LPIP holds unrated mortgage fund investments.

The CHT Statement of Investment Policies and Goals limits the overall rating of fixed income securities to BBB or equivalent or higher, and no more than 10% of fixed income securities or equities may be invested in any one issuer.

The following table summarizes AHS' investment in debt securities by counterparty credit rating at March 31, 2015.

Credit Rating	2015	2014
Investment Grade (AAA to BBB-)	95%	94%
Unrated	5%	6%
	100%	100%

(f) Liquidity Risk

Liquidity risk is the risk that AHS will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivery of cash or another financial asset. Liquidity requirements of AHS are met through funding in advance by AH, income generated from investments, and by investing in liquid assets, such as money market investments, equities, and bonds, traded in an active market that are easily sold and converted to cash.

Note 11 Cash and Cash Equivalents

	2015	2014
Cash	$ 431,879	$ 186,373
Money market securities less than 90 days	117,900	419,697
Total cash and cash equivalents	$ 549,779	$ 606,070

Cash is comprised of cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash that are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term commitments rather than for investment purposes.

Included in cash and cash equivalents is $9,305 (March 31, 2014 – $14,976) that is restricted for use as per the requirements in the *Insurance Act of Alberta*, based on the December 31, 2014 audited financial statements of LPIP.

Cash and cash equivalents include money market securities which are comprised of Government of Canada treasury bills maturing June 2015 and bearing interest at an average yield of 0.71% at March 31, 2015 (2014 – 0.97%).

(thousands of dollars)

Note 12 Portfolio Investments

	2015		2014	
	Fair Value	Cost	Fair Value	Cost
Money market securities greater than 90 days	$ 1,573	$ 1,573	$ 27,898	$ 27,898
Fixed income securities	1,508,906	1,472,452	1,290,533	1,280,753
Equities	445,082	364,979	410,422	350,735
Total portfolio investments	$ 1,955,561	$ 1,839,004	$ 1,728,853	$ 1,659,386

Included in the portfolio investments is $140,422 (March 31, 2014 – $112,432) that is restricted for use as per the requirements in the *Insurance Act of Alberta*, based on the December 31, 2014 audited financial statements of LPIP.

As AHS is made up of multiple entities as described in Note 2(a), portfolio investments are governed independently under multiple investment policies and procedures. The fair value of portfolio investments governed under each investment policy is as follows:

	2015	2014
AHS Investment Bylaw	$ 1,620,210	$ 1,411,162
ACF Investment Policy	149,200	126,554
LPIP Investment Policy	140,422	112,432
CHT Statement of Investment Policies and Goals	45,729	78,705
	$ 1,955,561	$ 1,728,853

Portfolio investments are measured at fair value with the differences between cost and fair value being recorded as a remeasurement gain or loss. The following are the total net remeasurement gains/(losses) on portfolio investments:

	2015	2014
Accumulated remeasurement gains	$ 38,775	$ 24,846
Restricted unrealized net gains attributable to endowments and portfolio investments related to unexpended deferred operating revenue (Note 17(b))	58,325	35,729
Restricted unrealized net gains attributable to and recorded in:		
Unexpended deferred capital revenue (Note 17(d))	10,288	6,236
Accounts payable and accrued liabilities (Note 15)	9,169	2,656
	$ 116,557	$ 69,467

Fair Value Hierarchy

	2015		
	Level 1	Level 2	Total
Equities traded in active market	$ 358,251	$ -	$ 358,251
Fixed income securities, mortgage, real estate funds, and other equities	-	1,597,310	1,597,310
March 31, 2015 total amount	$ 358,251	$ 1,597,310	$ 1,955,561
Percent of total	18%	82%	100%

	2014		
	Level 1	Level 2	Total
Equities traded in active market	$ 365,879	$ -	$ 365,879
Fixed income securities, mortgage, real estate funds, and other equities	-	1,362,974	1,362,974
March 31, 2014 total amount	$ 365,879	$ 1,362,974	$ 1,728,853
Percent of total	21%	79%	100%

(thousands of dollars)

Note 13 Accounts Receivable

	2015			2014
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Patient accounts receivable	$ 129,118	$ 28,528	$ 100,590	$ 89,178
AH operating grants receivable	44,426	-	44,426	105,668
AH capital grants receivable	1,200	-	1,200	-
Other operating grants receivable	28,683	-	28,683	42,337
Other capital grants receivable	85,417	-	85,417	79,357
Other accounts receivable	53,808	152	53,656	62,705
	$ 342,652	$ 28,680	$ 313,972	$ 379,245

Accounts receivable are unsecured and non-interest bearing. At March 31, 2014, the total allowance for doubtful accounts was $24,637.

(thousands of dollars)

Note 14 Tangible Capital Assets

Historical cost	2014	Additions[a]	Transfers into (out of) work-in-progress	Disposals and write-downs[b]	2015
Facilities and improvements	$ 8,130,294	$ -	$ 157,206	$ -	$ 8,287,500
Work in progress	725,179	531,423	(422,274)	-	834,328
Equipment	2,126,628	100,948	(4,435)	(37,146)	2,185,995
Information systems	1,213,446	9,864	155,307	(29,190)	1,349,427
Building service equipment	446,910	-	92,542	-	539,452
Land	110,069	-	-	-	110,069
Leased facilities and improvements	172,196	-	19,670	-	191,866
Land improvements	67,717	-	1,984	(553)	69,148
	$ 12,992,439	$ 642,235	$ -	$ (66,889)	$ 13,567,785

Accumulated amortization	2014	Amortization expense	Effect of transfers	Effect of disposals and write-downs[b]	2015
Facilities and improvements	$ 2,717,992	$ 237,856	$ -	$ -	$ 2,955,848
Work in progress	-	-	-	-	-
Equipment	1,448,349	190,752	-	(36,591)	1,602,510
Information systems	879,342	150,053	-	(28,786)	1,000,609
Building service equipment	267,084	37,826	-	-	304,910
Land	-	-	-	-	-
Leased facilities and improvements	121,621	13,198	-	-	134,819
Land improvements	55,556	2,550	-	(154)	57,952
	$ 5,489,944	$ 632,235	$ -	$ (65,531)	$ 6,056,648

	Net Book Value	
	2015	2014
Facilities and improvements	$ 5,331,652	$ 5,412,302
Work in progress	834,328	725,179
Equipment	583,485	678,279
Information systems	348,818	334,104
Building service equipment	234,542	179,826
Land	110,069	110,069
Leased facilities and improvements	57,047	50,575
Land improvements	11,196	12,161
	$ 7,511,137	$ 7,502,495

(thousands of dollars)

Note 14 Tangible Capital Assets (continued)

(a) Transferred Tangible Capital Assets

Additions include non-cash work in progress for a total of $412,706 (2014 - $270,698).

(b) Disposals and Write-Downs

Disposals and write-downs include disposals of $66,439 and a write-down of a facility at a cost of $450 (2014 - disposals of $107,839 and write-downs of information systems of $20,105) with an effect to accumulated amortization for disposals of $65,385 and write-downs of $146 (2014 - disposals of $106,614 and write-downs of $17,482).

(c) 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
Evansburg Community Health Centre	Yellowhead County	2031
Two Hills Helipad	Stella Stefiuk	2041
McConnell Place North	City of Edmonton	2044
Northeast Community Health Centre	City of Edmonton	2046
Foothills Medical Centre Parkade	University of Calgary	2054
Alberta Children's Hospital	University of Calgary	2103

(d) Leased Equipment

Equipment includes assets acquired through capital leases at a cost of $17,037 (2014 - $17,499) with accumulated amortization of $12,294 (March 31, 2014 - $12,058). Equipment additions for the year ended March 31, 2015 include a net decrease of $205 related to vehicle capital leases (2014 – net decrease of $6,398).

Note 15 Accounts Payable and Accrued Liabilities

	2015	2014
Payroll remittances payable and accrued liabilities	$ 680,324	$ 597,282
Trade accounts payable and accrued liabilities[(a)]	385,667	439,867
Provision for unpaid claims[(b)]	138,525	115,968
Other liabilities	42,648	39,243
	1,247,164	1,192,360
Unrealized net gains on portfolio investments related to accounts payable and accrued liabilities (Note 12)	9,169	2,656
	$ 1,256,333	$ 1,195,016

(a) Trade Accounts Payable and Accrued Liabilities

Trade accounts payable and accrued liabilities includes payables related to the purchase of tangible capital assets of $62,923 (2014 - $93,489).

(b) 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 provision has been estimated using the discounted value of claim liabilities using a discount rate of 2.15% (2014 - 2.50%) plus a provision for adverse deviation, based on actuarial estimation.

(thousands of dollars)

Note 16 Employee Future Benefits

		2015		2014
Accrued vacation pay	$	493,845	$	458,513
Accumulating non-vesting sick leave liability[a]		100,758		96,019
Registered defined benefit pension plans[b] [c]		-		-
	$	594,603	$	554,532

(a) Accumulating Non-Vesting Sick Leave Liability

Sick leave benefits are paid by AHS; there are no employee contributions and no plan assets.

The AHS sick leave liability is based on an actuarial valuation as at March 31, 2015. The AHS sick leave liability for the year ended March 31, 2014 is based on an extrapolated actuarial valuation as at March 31, 2011.

The following table summarizes the accumulating non-vesting sick leave liability.

		2015		2014
Change in accrued benefit obligation and funded status				
Accrued benefit obligation and funded status, beginning of year	$	97,132	$	99,465
Current service cost		8,884		8,408
Interest cost		3,871		3,430
Plan amendments		-		287
Benefits paid		(8,243)		(7,898)
Actuarial (gain) loss		13,335		(6,560)
Accrued benefit obligation and funded status, end of year	$	114,979	$	97,132
Reconciliation to accrued benefit liability				
Funded status - deficit	$	114,979	$	97,132
Unamortized net actuarial loss		(14,221)		(1,113)
Accrued benefit liability	$	100,758	$	96,019
Components of expense				
Current service cost	$	8,884	$	8,408
Interest cost		3,871		3,430
Amortization of net actuarial loss		227		776
Recognition of past service costs		-		287
Net expense	$	12,982	$	12,901
Assumptions				
Discount rate – beginning of year		3.80%		3.30%
Discount rate – end of year		2.90%		3.80%
Rate of compensation increase per year		2014-2015 0.25% 2015-2016 3.21% Thereafter 3.25%		2013-2014 3.25% 2014-2015 0.25% Thereafter 3.25%

(thousands of dollars)

Note 16 Employee Future Benefits (continued)

(b) Local Authorities Pension Plan (LAPP)

(i) AHS Participation in the LAPP

The majority of AHS employees participate in the LAPP. AHS is not responsible for future funding of the plan deficit other than through contribution increases. 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 2014 and are to be reviewed at least once every three years based on a report prepared by LAPP's actuary. AHS and its employees made the following contributions:

Calendar 2014		Calendar 2013	
Employer	**Employees**	**Employer**	**Employees**
$541,683	$500,179	$483,270	$442,720
11.39% of pensionable earnings up to the YMPE and 15.84% of the excess	10.39% of pensionable earnings up to the YMPE and 14.84% of the excess	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

AHS contributed $541,683 (2013 - $483,270) of the LAPP's total employer contributions of $1,227,346 from January 1, 2014 to December 31, 2014 (December 31, 2013 - $1,076,067).

(ii) LAPP Deficit

An actuarial valuation of the LAPP was carried out as at December 31, 2013 by Mercer (Canada) Limited and these results were then extrapolated to December 31, 2014 for use in the LAPP 2014 audited financial statements. LAPP's net assets available for benefits divided by LAPP's pension obligation shows that the LAPP is 93% (2013 - 85%) funded.

	December 31, 2014	December 31, 2013
LAPP net assets available for benefits	$ 30,790,364	$ 26,550,184
LAPP pension obligation	33,245,000	31,411,700
LAPP deficiency	$ (2,454,636)	$ (4,861,516)

The 2015 and 2016 LAPP contribution rates are as follows:

Calendar 2016 (estimated)[i]		Calendar 2015	
Employer	**Employees**	**Employer**	**Employees**
11.39% of pensionable earnings up to the YMPE and 15.84% of the excess	10.39% of pensionable earnings up to the YMPE and 14.84% of the excess	11.39% of pensionable earnings up to the YMPE and 15.84% of the excess	10.39% of pensionable earnings up to the YMPE and 14.84% of the excess

i) The 2016 LAPP contribution rates are estimates and subject to change.

(thousands of dollars)

Note 16 Employee Future Benefits (continued)

(c) Management Employees Pension Plan (MEPP)

At December 31, 2014 the MEPP reported a surplus of $75,805 (December 31, 2013 - surplus of $50,457).

(d) Supplemental Executive Retirement Plans (SERPs)

The obligations and costs of SERPs benefits are based on an actuarial valuation as at March 31, 2015.

As at March 31, 2015 an accrued benefit liability of $1,713 is included in accounts payable and accrued liabilities (March 31, 2014 - $1,242).

AHS sponsors SERPs which are funded and has three RCAs for these plans. Under the terms of the SERPs, participants will receive retirement benefits that supplement the benefits under AHS' 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. Based on the most recent actuarial valuation for the purpose of establishing the minimum funding contribution, the SERPs are fully funded as at March 31, 2015.

		2015		2014
Change in accrued benefit obligation				
Accrued benefit obligation, beginning of year	$	43,430	$	44,709
Current service cost		-		133
Interest cost		1,183		1,201
Benefit payments		(2,683)		(3,926)
Actuarial losses		40		1,313
Accrued benefit obligation, end of year	$	41,970	$	43,430
Change in plan assets				
Market value of plan assets, beginning of year	$	41,280	$	43,582
Actual return on plan assets		1,979		1,571
Actual employer contributions		493		53
Benefit payments		(2,683)		(3,926)
Fair value of plan assets, end of year	$	41,069	$	41,280
Reconciliation of funded status to accrued benefit asset (liability)				
Funded status of the plan	$	(901)	$	(2,150)
Unamortized net actuarial loss (gains)		(812)		908
Accrued benefit liability, end of year	$	(1,713)	$	(1,242)

A portion of SERP is secured by a letter of credit held by the trustee and a refundable tax balance held by the federal government. The required amount of the letter of credit during the year was $3,100 (2014 - $2,973).

(thousands of dollars)

Note 16 Employee Future Benefits (continued)

Net actuarial gains or losses are amortized over a period of one year.

	2015	2014
Determination of net benefit cost		
Current period benefit cost	$ -	$ 133
Amortization of actuarial losses (gains)	908	(508)
Interest cost on the accrued benefit obligation	1,183	1,201
Expected return on plan assets	(1,127)	(1,166)
Net benefit cost	$ 964	$ (340)
Change in actuarial assumption for discount rate	$ -	$ -
Members		
Active	35	35
Retired and terminated	59	59
Total members	94	94
Assumptions		
Weighted average discount rate to determine year end obligations	2.70%	2.80%
Weighted average discount rate to determine net benefit costs	2.80%	2.75%
Expected return on assets	2.80%	2.75%
Expected average remaining service life time	1	1
Rate of compensation increase per year	2014-2015	2013-2014
	0.00%	0.00%
	Thereafter	Thereafter
	0.00%	0.00%

(e) Pension expense

	2015	2014
Local Authorities Pension Plan	$ 547,676	$ 498,110
Defined contribution pension plans and group RRSPs	45,575	44,930
Supplemental Pension Plan	2,795	1,866
Supplemental Executive Retirement Plans	964	(340)
Management Employees Pension Plan	691	631
	$ 597,701	$ 545,197

(thousands of dollars)

Note 17 Deferred Revenue

		2015		2014
Unexpended deferred operating revenue[(a)(b)]	$	491,254	$	499,231
Unexpended deferred capital revenue[(c)(d)]		178,078		229,855
Expended deferred capital revenue[(e)]		6,363,699		6,276,469
	$	7,033,031	$	7,005,555

(a) Unexpended deferred operating revenue represents unspent resources with stipulations or external restrictions related to operating expenditures. Changes in the unexpended deferred operating revenue balance are as follows:

	2015				2014
	AH	Other government[(i)]	Donors and non-government	Total	Total
Balance, beginning of year	$ 209,658	$ 41,758	$ 247,815	$ 499,231	$ 483,953
Received or receivable during the year, net of repayments	1,347,230	40,085	132,286	1,519,601	1,426,091
Restricted investment income	328	2,364	4,648	7,340	6,273
Transferred from (to) unexpended deferred capital revenue	20,900	24,809	(1,792)	43,917	44,824
Recognized as revenue from funder	(1,378,438)	(82,578)	(113,722)	(1,574,738)	(1,453,007)
Recognized as revenue from other sources	(379)	(36)	(26,278)	(26,693)	(27,786)
	199,299	26,402	242,957	468,658	480,348
Changes in unrealized net gain attributable to endowments and portfolio investments related to unexpended deferred operating revenue	4,428	975	17,193	22,596	18,883
Balance, end of year	$ 203,727	$ 27,377	$ 260,150	$ 491,254	$ 499,231

[(i)] The balance at March 31, 2015 for other government includes $973 of unexpended deferred operating revenue received from the federal government (March 31, 2014 - $1,213). The remaining balance all relates to the GOA, see Note 22.

(thousands of dollars)

Note 17 Deferred Revenue (continued)

(b) The unexpended deferred operating revenue balance at the end of the year is stipulated or externally restricted for the following purposes:

	2015				2014
	AH	Other government	Donors and non-government	Total	Total
Research and education	$ 509	$ 3,135	$ 118,475	$ 122,119	$ 124,276
Cancer prevention, screening and treatment	30,143	81	56,352	86,576	87,034
Primary Care Networks	71,152	-	78	71,230	64,179
Promotion, prevention and community	22,330	1,121	3,016	26,467	32,607
Physician revenue and alternate relationship plans	21,663	913	-	22,576	34,324
Addiction and mental health	18,865	1,179	5	20,049	24,558
Long term care partnerships	-	13,230	-	13,230	10,800
Information technology	11,432	130	177	11,739	4,270
Continuing care and seniors health	7,282	1,224	1,513	10,019	11,436
Administration and support services	1,458	1,787	3,631	6,876	11,428
Inpatient acute nursing services	262	72	3,184	3,518	12,060
Others less than $10,000	8,554	2,246	27,730	38,530	46,530
	193,650	25,118	214,161	432,929	463,502
Unrealized net gain attributable to endowments and portfolio investments related to unexpended deferred operating revenue (Note 12)	10,077	2,259	45,989	58,325	35,729
	$ 203,727	$ 27,377	$ 260,150	$ 491,254	$ 499,231

(thousands of dollars)

Note 17 Deferred Revenue (continued)

(c) Unexpended deferred capital revenue represents unspent resources with stipulations or external restrictions related to the purchase of tangible capital assets. Changes in the unexpended deferred capital revenue balance are as follows:

	2015				2014
	AH	Other government(i)	Donors and non-government	Total	Total
Balance, beginning of year	$ 118,444	$ 38,968	$ 72,443	$ 229,855	$ 240,358
Received or receivable during the year	13,272	24,947	65,778	103,997	184,880
Transferred tangible capital assets (Note 14(a))	-	412,623	83	412,706	270,698
Restricted investment income	240	-	-	240	147
Unexpended deferred capital revenue returned	(308)	-	(13,811)	(14,119)	(7,957)
Transfer to expended deferred capital revenue	(35,081)	(442,241)	(37,414)	(514,736)	(414,298)
Transferred (to) from unexpended deferred operating revenue	(20,900)	(24,809)	1,792	(43,917)	(44,824)
Used for the acquisition of land	-	-	-	-	(1,224)
	75,667	9,488	88,871	174,026	227,780
Changes in unrealized net gain on portfolio investments related to unexpended deferred capital revenue	2,199	350	1,503	4,052	2,075
Balance, end of year	$ 77,866	$ 9,838	$ 90,374	$ 178,078	$ 229,855

(i) All balances relate to the GOA, see Note 22.

(thousands of dollars)

Note 17 Deferred Revenue (continued)

(d) The unexpended deferred capital revenue balance at the end of the year is stipulated or externally restricted for the following purposes:

	2015	2014
AH		
Information systems:		
Diagnostic Imaging Upgrade Project	$ 8,698	$ 10,040
Regional Shared Health Information Program	4,766	6,297
Access to Health Service Information Management / Information Technology	3,311	9,808
Provincial Health Information Exchange	3,011	7,910
Information systems less than $10,000	32,801	46,182
	52,587	80,237
Medical Equipment Replacement Upgrade Program	11,707	22,650
Equipment less than $10,000	7,477	11,061
Total AH	71,771	113,948
Other government		
Facilities and improvements:		
Infrastructure maintenance projects	-	25,197
Facilities and improvements less than $10,000	8,371	12,654
Total other government	8,371	37,851
Donors and non-government		
Equipment less than $10,000	86,995	59,159
Facilities and improvements less than $10,000	653	12,661
Total donors and non-government	87,648	71,820
Unrealized net gain on portfolio investments related to unexpended deferred capital revenue (Note 12)	10,288	6,236
	$ 178,078	$ 229,855

(e) Expended deferred capital revenue represents external resources spent in the acquisition of tangible capital assets, stipulated for use in the provision of services over their useful lives. Revenue is recognized over the useful life of the assets. Changes in the expended deferred capital revenue balance are as follows:

	2015				2014
	AH	Other government[i]	Donors and non-government	Total	Total
Balance, beginning of year	$ 407,657	$ 5,678,020	$ 190,792	$ 6,276,469	$ 6,235,264
Transferred from unexpended deferred capital revenue	35,081	442,241	37,414	514,736	414,298
Used for the acquisition of land	-	-	-	-	1,224
Less: amounts recognized as revenue	(92,907)	(285,261)	(49,338)	(427,506)	(374,317)
Balance, end of year	$ 349,831	$ 5,835,000	$ 178,868	$ 6,363,699	$ 6,276,469

[i] All balances relate to the GOA, see Note 22.

(thousands of dollars)

Note 18 Debt

		2015		2014
Debentures payable[(a)]:				
Parkade loan #1	$	37,469	$	39,925
Parkade loan #2		34,639		36,681
Parkade loan #3		43,664		45,790
Parkade loan #4		160,585		166,778
Parkade loan #5		38,737		40,207
Parkade loan #6		5,000		-
Obligation under leased tangible capital assets[(b)]		17,562		19,002
Other		1,741		1,985
	$	339,397	$	350,368

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

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

	Maturity Date	Fixed 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%
Parkade loan #6	December 2035	3.6090%

At March 31, 2015, $5,000 of $25,300 has been advanced to AHS relating to the Parkade loan #6 debenture with the remainder to be drawn by December 16, 2015. Semi-annual principal and interest payments of $893 will commence June 16, 2016. See Note 21 for future payments relating to the remaining advances of this loan.

(b) The leased tangible capital assets include a site lease with the University of Calgary and vehicle leases.

The University of Calgary lease expires January 2028. The implicit interest rate payable on this lease is 6.50% (2014 - 6.50%). There are no renewal options, purchase options or escalation clauses related to this leased tangible capital asset.

AHS is contractually committed to future capital lease payments for vehicles until 2020. The implicit interest rate payable on these leases is 1.60% (2014 - 2.08%).

(c) As at March 31, 2015 AHS holds a $220,000 (March 31, 2014 - $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 0.50% per annum. As at March 31, 2015, AHS has $nil (March 31, 2014 - $nil) draws against this facility.

AHS also holds a $33,000 (March 31, 2014 - $33,000) revolving demand letter of credit facility which may be used to secure AHS' obligations to third parties relating to construction projects. At March 31, 2015, AHS has $3,100 (March 31, 2014 - $3,310) in letters of credit outstanding against this facility.

(thousands of dollars)

Note 18 Debt (continued)

AHS is committed to making payments as follows:

Year ended March 31	Debentures Payable, Term/Other Loan and Mortgages Payable — Principal payments	Leased Tangible Capital Assets — Minimum lease payments
2016	$ 15,221	$ 3,824
2017	15,942	2,475
2018	16,698	2,099
2019	17,490	1,842
2020	18,319	1,727
Thereafter	238,165	12,329
	$ 321,835	24,296
Less: interest		(6,734)
		$ 17,562

During the year, the amount of interest expensed was $16,253 (2014 - $16,984), of which loan interest was $15,366 (2014 - $16,054) and other interest charges were $887 (2014 - $930).

Note 19 Accumulated Surplus

Accumulated surplus is comprised of the following:

	Unrestricted net assets [a]	Reserves for future purposes [b]	Net assets invested in tangible capital assets[c]	Accumulated surplus
Balance as at April 1, 2014	$ 266,295	$ 87,269	$ 880,241	$ 1,233,805
Operating deficit	(2,504)	-	-	(2,504)
Tangible capital assets purchased with internal funds	(113,974)	-	113,974	-
Amortization of internally funded tangible capital assets	206,087	-	(206,087)	-
Repayment of debt used to fund tangible capital assets	(15,764)	-	15,764	-
Net receipt of life lease deposits	(192)	-	192	-
Transfer of reserves for future purposes	(67,631)	67,631	-	-
Balance as at March 31, 2015	$ 272,317	$ 154,900	$ 804,084	$ 1,231,301

(a) Unrestricted Net Assets

Unrestricted net assets represents the portion of accumulated surplus that has not already been invested in tangible capital assets or reserved for future purposes.

(thousands of dollars)

Note 19 Accumulated Surplus (continued)

(b) Reserves for Future Purposes

The Official Administrator has approved the restriction of net assets for future purposes as follows:

	2015	2014
Parkade infrastructure reserve (i)	$ 60,920	$ 50,325
Provincial Clinical Information Systems Initiative (ii)	32,000	-
Insurance equity requirements (iii)	20,012	-
Cancer research reserve (iv)	16,079	15,596
Specific local initiatives reserve (v)	15,205	14,142
Future capital purposes (vi)	10,000	-
Retail food services infrastructure reserve(vii)	684	569
South Health Campus (viii)	-	6,637
Reserves for future purposes	$ 154,900	$ 87,269

(i) Restriction of parking services surpluses to establish a parking infrastructure reserve for future major maintenance, upgrades, and construction.
(ii) Restriction of operating net assets related to fund the Provincial Clinical Information Systems Initiative.
(iii) Restriction of operating net assets related to the minimum required equity of the LPIP.
(iv) Restriction of operating net assets to fund cancer research.
(v) Restriction of operating net assets for specific local initiatives as a result of local fundraising.
(vi) Restriction of operating net assets related to future capital purposes.
(vii) Restriction of retail food services surplus to assist with future upgrades, maintenance, equipment, and construction costs for retail food service operations.
(viii) Restriction of operating net assets to assist with funding startup costs for South Health Campus in Calgary.

(c) Net Assets Invested in Tangible Capital Assets

The restriction of net assets is equal to the net book value of internally funded tangible capital assets as these net assets are not available for any other purpose.

Note 20 Endowments

	2015	2014
Balance, beginning of year	$ 68,796	$ 65,207
Endowment contributions	3,585	3,589
Balance, end of year	$ 72,381	$ 68,796

Note 21 Contractual Obligations and Contingent Liabilities

Contractual obligations are AHS' obligations to others that will become liabilities in the future when the terms of current or existing contracts or agreements are met.

(thousands of dollars)

Note 21 Contractual Obligations and Contingent Liabilities (continued)

(a) Leases

(i) Operating leases:

AHS is contractually committed to future operating lease payments for premises as follows:

Year ended March 31		Total lease payments
2016	$	53,414
2017		48,635
2018		41,376
2019		26,287
2020		19,884
Thereafter		64,917
	$	254,513

(ii) Capital leases:

During the year, AHS entered into a new premises lease with a lease term of 20 years, and an option to renew for two terms of 5 years each. The premises will be ready to occupy in October 2015 at monthly rate of $90 and includes escalation clauses.

The future payments relating to the new lease are as follows:

Year ended March 31		Minimum lease payments
2016	$	568
2017		1,107
2018		1,069
2019		1,033
2020		998
Thereafter		12,591
	$	17,366

(b) Debentures payable

The future payments relating to remaining advances of $20,300 for Parkade loan #6 (Note 18) are as follows:

Year ended March 31		Principal payments
2016	$	-
2017		882
2018		914
2019		947
2020		982
Thereafter		16,575
	$	20,300

(thousands of dollars)

Note 21 Contractual Obligations and Contingent Liabilities (continued)

(c) Tangible Capital Assets

AHS has the following outstanding contractual commitments for purchases of tangible capital assets:

		2015
Facilities and improvements	$	87,244
Equipment		40,150
Information systems		7,289
	$	134,683

AI also records contractual commitments for the purchase of tangible capital assets for AHS. The commitments disclosed above do not include the commitments of AI for the construction of AHS facilities.

(d) 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 9. AHS has contracted for services in the year ending March 31, 2016 similar to those provided by these providers in 2014-15.

(e) Contingent Liabilities

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.

Accruals have been made in specific instances where it is likely that losses will be incurred based on a reasonable estimate. As at March 31, 2015, accruals have been recorded as part of the provision for unpaid claims (Note 15). Included in this accrual are claims in which AHS has been jointly named with the Minister. The accrual provided for these claims under the provision for unpaid claims represents AHS' portion of the liability.

AHS has been named in 182 legal claims (2014 - 204 claims) related to conditions in existence at March 31, 2015 where the occurrence of a future event confirming a contingent loss is not reasonably determinable. Of these, 160 claims have $283,332 in specified amounts and 22 have no specified amounts (2014 - 172 claims with $321,813 of specified claims and 32 claims with no specified amounts). The resolution of indeterminable claims may result in a liability, if any, that may be different than the claimed amount.

AHS has been named as a co-defendant, along with the GOA, in a certified Class Action (the Claim) arising from increases to long-term accommodation charges implemented by Alberta Government regulations enacted on and after August 1, 2003, and paid by residents of long-term care facilities. The amount of the Claim has not yet been specified.

Note 22 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.

The Minister controls AHS through the appointment of the Official Administrator. The viability of AHS' operations depends on transfers from the Ministry. Transactions between AHS and AH are reported and disclosed in the Consolidated Statement of Operations, the Consolidated Statement of Financial Position, and the Notes to the Consolidated Financial Statements, and are therefore excluded from the table below.

Related parties also include key management personnel of AHS. Related party transactions with key management personnel primarily consist of compensation related payments to employees and senior management and are considered to be in normal course of business. No other material related party transactions were identified for the year ended March 31, 2015.

(thousands of dollars)

Note 22 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 GOA consolidated financial statements. Transactions in the normal course of operations between AHS and the other ministries are recorded at their exchange amount as follows:

	Revenue (i)		Expenses	
	2015	2014	2015	2014
Ministry of Innovation and Advanced Education (ii)	$ 61,789	$ 60,969	$ 131,866	$ 125,350
Ministry of Infrastructure (iii)	339,484	312,294	309,762	278,441
Other ministries (iv)	56,978	44,909	34,091	32,137
Total for the year	$ 458,251	$ 418,172	$ 475,719	$ 435,928

	Receivable from		Payable to	
	2015	2014	2015	2014
Ministry of Innovation and Advanced Education (ii)	$ 8,014	$ 9,756	$ 18,204	$ 19,196
Ministry of Infrastructure (iii)	9,370	22,234	88	975
Other ministries (iv)	13,764	27,673	325,010	332,938
Balance, end of year	$ 31,148	$ 59,663	$ 343,302	$ 353,109

(i) Revenues with the GOA ministries include other government transfers of $414,442 (2014 - $378,622), (Note 4) and other income of $43,809 (2014 - $39,550), (Note 6).

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

(iii) The transactions with the Ministry of Infrastructure relate to the construction and funding of tangible capital assets. These transactions include operating transfers of $31,093 (2014 - $34,188) and capital transfers recognized of $285,261 (2014 - $254,331) relating to tangible capital assets with stipulations or external restrictions to utilize over their remaining useful lives, (Note 4).

Transactions with AI also include the transfer of non-cash work-in-progress of $412,623 (2014 - $270,569) included in total amounts disclosed in Note 14(a).

(iv) The payable transactions with other ministries include the debt payable to ACFA (Note 18(a)).

At March 31, 2015 AHS has recorded deferred revenue from other ministries within the GOA, excluding AH, of $26,404 (March 31, 2014 - $40,545) related to unexpended deferred operating revenue, $9,838 (March 31, 2014 - $38,968) related to unexpended deferred capital revenue and $5,835,000 (March 31, 2014 - $5,678,020) related to expended deferred capital revenue. See Note 17.

Outstanding contingencies in which AHS has been jointly named with other government entities within the GOA are disclosed in Note 21.

(thousands of dollars)

Note 23 Government Partnerships

The following is 100% of the financial position and results of operations for AHS' government partnerships with PCNs, NACTRC and HUTV.

	2015	2014
Total assets	$ 160,437	$ 144,819
Total liabilities	160,437	144,819
Net assets	$ -	$ -
Total revenue	$ 201,229	$ 176,398
Total expenses	201,229	176,398
Net operating surplus	$ -	$ -

AHS has proportionately consolidated 50% of the results of the PCNs and NACTRC, and 30% of HUTV.

As required by AH, PCNs can only use accumulated surpluses based on approved surplus utilization; therefore, AHS' proportionate share of these surpluses has been recorded by AHS as deferred revenue.

Note 24 Health Benefit Trust of Alberta (HBTA)

AHS is one of more than 30 participants in the 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.

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.

The HBTA maintains various reserves to adequately provide for all current obligations and reported fund balances of $116,453 as at December 31, 2014 (December 31, 2013 - $102,201). AHS has included in prepaid expenses $85,593 (March 31, 2014 - $74,351) as a share of the HBTA's fund balances representing in substance a prepayment of future contributions. These consolidated financial statements do not include the HBTA other than the premiums paid by AHS. For the period January 1 to December 31, 2014 AHS paid premiums of $290,440 (2013 - $280,586).

Note 25 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, 2015, the balance of funds held in trust by AHS for research and development is $8,499 (March 31, 2014 - $8,033).

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

Note 26 Corresponding Amounts

Certain 2014 amounts have been reclassified to conform to 2015 presentation.

Note 27 Approval of Consolidated Financial Statements

Upon recommendation by the Audit & Risk Committee, the consolidated financial statements were approved by the Official Administrator on June 4, 2015.

(thousands of dollars)

SCHEDULE 1 - CONSOLIDATED SCHEDULE OF EXPENSES BY OBJECT
YEAR ENDED MARCH 31

	2015 Budget (Note 3)	2015 Actual	2014 Actual (Note 26)
Salaries and benefits (Schedule 2)	$ 7,348,000	$ 7,531,854	$ 7,049,361
Contracts with health service providers (Note 9)	2,354,000	2,375,811	2,258,042
Contracts under the Health Care Protection Act	18,000	19,141	18,918
Drugs and gases	428,000	411,672	400,792
Medical and surgical supplies	404,000	403,626	390,647
Other contracted services	1,152,000	1,137,794	1,089,891
Other [a]	1,308,000	1,286,789	1,260,774
Amortization, disposals and write-downs (Note 14)	556,000	633,593	564,926
	$ 13,568,000	$ 13,800,280	$ 13,033,351

(a) Significant amounts included in Other are:

	2015 Actual	2014 Actual
Equipment expense	$ 181,131	$ 173,960
Other clinical supplies	141,884	141,464
Building rent	124,291	118,495
Utilities	118,766	125,454
Housekeeping, laundry and linen, plant maintenance and biomedical engineering supplies	89,418	88,951
Building and ground expenses	86,388	88,991
Food and dietary supplies	76,144	70,679
Office supplies	62,450	58,894
Fundraising and grants awarded	58,815	45,404
Minor equipment purchases	57,484	78,997
Insurance	48,589	34,323
Telecommunications	44,945	45,446
Travel	43,131	39,337
Licenses, fees and memberships	25,434	19,541
Education	16,026	12,558
Other	111,893	118,280
	$ 1,286,789	$ 1,260,774