

HEALTH QUALITY COUNCIL OF ALBERTA

FINANCIAL STATEMENTS

March 31, 2007

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**HEALTH QUALITY COUNCIL OF ALBERTA
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED MARCH 31, 2007**

The accompanying financial statements are the responsibility of management and have been approved by the Health Quality Council of Alberta. The financial statements were prepared in accordance with Canadian Generally Accepted Accounting Principles and the Financial Directives issued by Alberta Health and Wellness, and of necessity include some amounts based on estimates and judgment.

To discharge its responsibility for the integrity and objectivity of financial reporting, management maintains a system of internal accounting controls comprising of written policies, standards, procedures, a formal authorization structure, and satisfactory processes to review internal controls. This system offers management reasonable assurance that transactions are in accordance with governing legislation, are properly authorized, reliable financial records are maintained, and assets are adequately safeguarded. Health Quality Council of Alberta has established a code of ethics and corporate directives, which include communication of the code to employees.

Health Quality Council of Alberta carries out its responsibility for the financial statements through the Audit and Finance Committee. This Committee meets with management and the external auditor, Auditor General of Alberta, to review financial matters, and recommends the financial statements to the Health Quality Council of Alberta Board for approval. The external auditor has free access to the Audit and Finance Committee.

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

[Original signed]

[Original signed]

Dr. John Cowell
Chief Executive Officer

Norma Brown
Executive Director

Auditor's Report

To the Members of Health Quality Council of Alberta
and the Minister of Health and Wellness

I have audited the statement of financial position of Health Quality Council of Alberta as at March 31, 2007 and the statements of operations, changes in net assets and cash flows for the nine months then ended. These financial statements are the responsibility of management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Health Quality Council of Alberta as at March 31, 2007 and the results of its operations and its cash flows for the nine months then ended in accordance with Canadian generally accepted accounting principles.

[Original Signed by Fred J. Dunn, FCA]

Auditor General

Edmonton, Alberta
September 5, 2007

HEALTH QUALITY COUNCIL OF ALBERTA
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2007
(thousands of dollars)

	2007
	Actual
<u>ASSETS</u>	
Current:	
Cash	\$ 417
Accounts receivable	64
Prepaid expenses	22
Contributions receivable from Alberta Health and Wellness	1,000
	1,503
Capital assets (Note 3)	67
TOTAL ASSETS	\$ 1,570
<u>LIABILITIES AND NET ASSETS</u>	
Current:	
Accounts payable and accrued liabilities	\$ 198
Accrued vacation pay	70
Deferred contributions (Note 4)	1,000
	1,268
Net Assets	
Accumulated surplus (Note 5)	235
Investment in capital assets from internally funded sources	67
	302
TOTAL LIABILITIES AND NET ASSETS	\$ 1,570

The accompanying notes and schedules are part of these financial statements

HEALTH QUALITY COUNCIL OF ALBERTA
STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED MARCH 31, 2007
(thousands of dollars)

	2007	
	Budget (Note 7)	Actual
Revenue:		
Alberta Health and Wellness contributions (Note 8)	\$ 2,250	\$ 2,593
Investment and other income (Note 9)	-	14
	2,250	2,607
TOTAL REVENUE	2,250	2,607
Expenses (Schedule 1)		
Administration (Note 12)	2,250	2,287
Information Technology	-	18
	2,250	2,305
TOTAL EXPENSES	2,250	2,305
 Excess of revenue over expenses	 \$ -	 \$ 302
	\$ -	\$ 302

The accompanying notes and schedules are part of these financial statements

HEALTH QUALITY COUNCIL OF ALBERTA
STATEMENT OF CHANGES IN NET ASSETS
FOR THE NINE MONTHS ENDED MARCH 31, 2007
(thousands of dollars)

2007

	Accumulated surplus (Note 5)	Investment in capital assets from internally funded sources	Total
Balance at beginning of period	\$ -	\$ -	\$ -
Excess of revenue over expense	302		\$ 302
Capital assets purchased with internal funds	(83)	83	\$ -
Amortization of internally funded capital assets	16	(16)	\$ -
	\$ 235	\$ 67	\$ 302

The accompanying notes and schedules are part of these financial statements

HEALTH QUALITY COUNCIL OF ALBERTA
STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED MARCH 31, 2007
(thousands of dollars)

	2007	
	Budget	Actual
Cash generated from:		
Operating activities:		
Excess of revenue over expenses	\$ -	\$ 302
Non-cash transactions:		
Amortization of capital equipment - internally funded	-	16
Changes in non-cash working capital account		182
	-	500
Cash generated from operations	-	500
Investing activities:		
Purchase of capital assets:		
internally funded	-	(83)
	-	(83)
Cash used by investing activities	-	(83)
Increase in cash	-	417
Cash, beginning of period	-	-
	-	-
Cash, end of period	\$ -	\$ 417

The accompanying notes and schedules are part of these financial statements

**HEALTH QUALITY COUNCIL OF ALBERTA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED MARCH 31, 2007**

Note 1 Authority, Purpose and Operations

The Health Quality Council of Alberta (the "Authority") was established July 1, 2006 under the Alberta Regional Health Authorities Act. The Authority is a registered charity under the Income Tax Act and exempt from payment of income tax.

The Authority's object is to promote and improve patient safety and health service quality on a province-wide basis.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

- (1) The financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles and the reporting requirements of Alberta Health and Wellness' Financial Directive 29.
- (2) These financial statements use the deferral method, key elements of which are:
 - (i) Unrestricted contributions are recognized as revenue in the year receivable.
 - (ii) Externally restricted contributions are recognized as revenue in the year proportional to the related expenses incurred.
 - (iii) Externally restricted capital contributions are recorded as deferred capital contributions until invested in capital assets. Invested amounts are transferred to unamortized external capital contributions and then recognized as revenue in the period the related amortization expense of the capital asset is recorded.
 - (iv) Unrestricted investment income is recognized in the year earned.

(b) Full Cost

The Authority accounts for all costs of services for which it is responsible. Fair value transactions comprise of:

Assets, supplies and services that a health authority would otherwise purchase and are recorded as revenue and expense, at fair value at the date of contribution, when a fair value can be reasonably determined.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(c) Employee Future Benefits

The authority participates in the Local Authorities Pension Plan. This multi-employer defined benefit pension plan provides pensions for participating employees, based on years of service and earnings. Defined contribution plan accounting is applied where the Authority has insufficient information to apply defined benefit plan accounting.

Pension costs comprise the employer's contributions for its employees during the year, based on rates expected to provide benefits payable under the pension plans. The Authority does not record its portion of the plan's deficit or surplus.

(d) Financial Instruments

The carrying value of cash, accounts receivable, contributions receivable from Alberta Health and Wellness, accounts payable and accrued liabilities, and accrued vacation pay approximates their fair value because of the short-term maturity of these items.

(e) Capital Assets

Capital assets are recorded at cost. Capital assets with unit costs less than five thousand dollars are expensed. Capital assets are amortized over their estimated useful lives on a straight-line basis as follows:

	<u>Useful Life</u>
Equipment	5 years

(f) Measurement Uncertainty

The financial statements, by their nature, contain estimates and are subject to measurement uncertainty. Actual results could differ from estimates.

The amounts recorded for amortization of capital assets are based on estimates of the useful life of the related assets. Actual results could differ from these estimates.

Note 3 Capital Assets

Capital Asset	Opening Balance April 01, 2006	Transfers from Work in Progress	Additions	Disposals	Closing Balance March 31, 2007
Equipment	-	-	83	-	83

Accumulated Amortization

Accum. Amort.	Opening Balance April 01, 2006	Current year amortization	Amortization on disposals	Closing Balance March 31, 2007	Net Book Value 2007
Equipment	-	16	-	16	67

Capital assets were funded from the following source:

	<u>2007</u>
Internally funded (invested in capital assets)	83
	<u>\$ 83</u>

Note 4 Deferred Contributions

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

	<u>2007</u>
	<i>(thousands of dollars)</i>
Current:	
Long Term Care Survey	500
Emergency Services Survey	250
Research on Quality and Safety	250
Total	<u>\$ 1,000</u>

Note 5 Accumulated surplus

The Authority's accumulated surplus is comprised of the following:

	<u>2007</u>
	<i>(thousands of dollars)</i>
Unrestricted Net Assets	<u>\$ -</u>
Internally restricted net assets	
Amounts appropriated for critical incident review	235
	<u>\$ 235</u>

Note 6 Commitments and Contingencies

Health Quality Council of Alberta is committed to contract payments in future years as follows:

	<i>(thousands of dollars)</i>
2008	586
2009	586
2010	406
2011	56

An "Assignment of Partial Leasehold Interest" agreement was put into place for April 01, 2007 to June 30, 2011. This commits the Health Quality Council of Alberta to annual rent in the amount of \$ 131,880 and additional rent, subject to adjustment in accordance with the lease of \$ 93,636 annually.

Health Quality Council of Alberta has a commitment with Dr. John W. Cowell Consulting Ltd. to receive executive oversight for the authority. The value of the commitment is \$ 30,000 per month and extends until September 2011.

Note 7 Budget

	2006/2007 Board Approved Budget	Adjustments	2006/2007 Reported Budget
	<i>(thousands of dollars)</i>		
Revenue			
Alberta Health and Wellness Contributions	2,250	-	2,250
Investment and other income	-	-	-
TOTAL REVENUE	2,250	-	2,250
Expenses			
Administration	2,250	-	2,250
TOTAL EXPENSES	2,250	-	2,250
Excess of revenue over expense	-	-	-

- 1) The Health Quality Council of Alberta budget was approved within Alberta Health and Wellness prior to the Authority's start-up date of July 1, 2006.
- 2) The budget for Health Quality Council of Alberta reflects nine months of operations.

Note 8 Alberta Health & Wellness contributions

	2007
	<i>(thousands of dollars)</i>
Unrestricted contributions	2,593
	2,593

Note 9 Investment and other income

	2007
	<i>(thousands of dollars)</i>
Investment income	14
	14

Note 10 Related Parties

(a) Province of Alberta

Health Quality Council of Alberta was established under the Regional Health Authorities Act. The Minister of Alberta Health and Wellness appoints members of the Authority. Health Quality Council of Alberta is economically dependent on the Ministry of Health and Wellness since the viability of its ongoing operations depends on contributions from the Ministry. Transactions between the Authority and the Ministry are disclosed in the Statement of Operations and in its notes to the financial statements.

(b) Health Authorities

The Authority shares a common relationship with other health authorities through its relationship with the Province of Alberta. Transactions between the Authority and other health authorities are reported in the Statement of Operations.

Note 11 Pension Costs

The Authority participates in the Local Authorities Pension Plan, which is a multi-employer defined benefit plan. The pension expense recorded in these financial statements is equivalent to Health Quality Council of Alberta's annual contributions payable. In the current fiscal year, employer rates in effect were 7.75% of pensionable earnings up to Canada Pension Plan's Year's Maximum Pensionable Earnings (YMPE), and 10.64% in excess of the YMPE.

At December 31, 2006, the Local Authorities Pension Plan reported an actuarial deficit of \$ 746,651,000.

Note 12 Administration

	<u>2007</u>
	<i>(thousands of dollars)</i>
Salaries and benefits	\$ 1,000
Contracted services	798
Advertising	148
Materials, supplies and printing	129
Accounting and payroll services	58
Other	154
	<u>\$ 2,287</u>

Note 13 Comparative Figures

The Health Quality Council of Alberta was established July 1, 2006 under the Alberta Regional Health Authorities Act. As such, there are no comparative figures for the year ending March 31, 2006.

Note 14 Approval of the Financial Statements

These financial statements have been approved by the Authority.

HEALTH QUALITY COUNCIL OF ALBERTA
SCHEDULE OF EXPENSES BY OBJECT
For Nine Months Ended March 31, 2007
(thousands of dollars)

Schedule 1

	2007	
	Budget	Actual
Salaries and Benefits (Schedule 2)	\$ -	1,000
Other ⁽¹⁾	-	1,289
Amortization		
Capital equipment - internally funded	-	16
	\$ -	\$ 2,305
Other ⁽¹⁾ :		
Office, general supplies, miscellaneous	\$ -	\$ 466
Referred-out services	-	798
Equipment (minor)	-	25
	\$ -	\$ 1,289

HEALTH QUALITY COUNCIL OF ALBERTA
SCHEDULE OF SALARIES AND BENEFITS
For Nine Months Ended March 31, 2007
(thousands of dollars)

Schedule 2

	# of Individuals	Salaries and Honoraria (2)	Benefits and Allowances (3)	Supplemental Executive Retirement (5)	Sub-total	Severance		Total
						# of Individuals	Amount	
Health Authority Chairperson								
L. Tyrrell	1	8	1	-	9	-	-	9
Board members (list)								
B. Johnston	1	-	-	-	-	-	-	-
T. Klassen	1	-	-	-	-	-	-	-
B. Laing	1	20	-	-	20	-	-	20
M. Lee	1	3	2	-	5	-	-	5
P. Norton	1	1	3	-	4	-	-	4
L. Steiman	1	2	1	-	3	-	-	3
D. Tupper	1	1	1	-	2	-	-	2
Sub-total	8	35	8	-	43	-	-	43
Staff								
Chief Executive Officer (4)	1	282	-	-	282	-	-	282
Management reporting to CEO:								
Executive Director	1	67	11	-	78	-	-	78
Other management reporting directly to those above	6	344	63	-	407	-	-	407
Other staff	5	166	24	-	190	-	-	190
Sub-total	13	859	98	-	957	-	-	957
Grand Total	21	894	106	-	1,000	-	-	1,000

- 1) Full time equivalent (FTE) is calculated based on a weighted average number of individuals occupying a category or position for a year based on a standard work year of 2,022.75 hours.
- 2) Salaries include regular base pay, overtime, lump sum payments, honoraria and any other direct cash remuneration including sick leave, short-term disability and vacation.
- 3) Benefits and allowances include the employers share of all employee benefits and contributions or payments made on behalf of employees.
- 4) Under the terms of the contract, all benefits, including employer portion, are paid by the CEO.
- 5) The Health Quality Council of Alberta does not participate in a SERP.