



HEALTH QUALITY COUNCIL OF ALBERTA

FINANCIAL STATEMENTS

March 31, 2008

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HEALTH QUALITY COUNCIL OF ALBERTA
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
MARCH 31, 2008

The accompanying financial statements are the responsibility of management and have been approved by the Authority. 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 that are based on estimates and judgments.

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

The Authority members carry out their 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 final financial statements to the Health Quality Council of Alberta Board for approval. The Auditor General of Alberta has free access to the Audit and Finance Committee.

The Auditor General of Alberta provides an independent audit of the 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 consolidated financial statements prepared by management.

[Original Signed by Dr. John Cowell]

[Original Signed by Tim Wall, CMA]

Chief Executive Officer

Controller

Dr. John Cowell

Tim Wall, CMA

Auditor's Report

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

I have audited the statement of financial position of the Health Quality Council of Alberta as at March 31, 2008 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's 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 Authority as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

“Original Signed by Fred J. Dunn”, FCA
Auditor General

Edmonton, Alberta
June 4, 2008

“The official version of this Report of the Auditor General, and the information the Report covers, is in printed form.”

HEALTH QUALITY COUNCIL OF ALBERTA STATEMENT OF FINANCIAL POSITION

March 31, 2008
(in thousands)

	<u>2008</u>	<u>2007</u> <u>(9 months)</u>
<u>ASSETS</u>		
Current:		
Cash	\$ 2,003	\$ 417
Accounts receivable	97	64
Inventories	62	-
Prepaid expenses	2	22
Contributions receivable from Alberta Health and Wellness	-	1,000
	2,164	1,503
Capital assets (note 3)	27	67
	\$ 2,191	\$ 1,570
<u>LIABILITIES AND NET ASSETS</u>		
Current:		
Accounts payable and accrued liabilities	\$ 531	\$ 198
Accrued vacation pay	91	70
Deferred contributions (note 4)	1,026	1,000
	1,648	1,268
Net Assets		
Accumulated surplus (note 6)	443	235
Internally restricted	73	-
Investment in capital assets from internally funded sources	27	67
	543	302
	\$ 2,191	\$ 1,570

The accompanying notes and schedules are part of these financial statements

HEALTH QUALITY COUNCIL OF ALBERTA
STATEMENT OF OPERATIONS
For the year ended March 31, 2008
(in thousands)

	2008		2007
	Budget <small>(Note 3)</small>	Actual	(9 months) Actual
Revenue:			
Alberta Health and Wellness contributions (note 9)	\$ 3,226	\$ 3,804	\$ 2,593
Investment and other income (note 10)	504	593	14
TOTAL REVENUE	3,730	4,397	2,607
Expenses (Schedule 1)			
Administration	3,645	4,100	2,287
Information Technology	85	56	18
TOTAL EXPENSES	3,730	4,156	2,305
Excess of revenue over expense	\$ -	\$ 241	\$ 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 year ended March 31, 2008
(in thousands)

	Accumulated surplus (note 6)	Internally restricted	Investment in capital assets from internally funded sources	Total
Balance at beginning of year	\$ 235	\$ -	\$ 67	\$ 302
Excess of revenue over expense	241	-	-	241
Transfer to internally restricted	(308)	308	-	-
Transfer from internally restricted	235	(235)	-	-
Capital assets purchased with internal funds	(5)	-	5	-
Amortization of internally funded capital assets	45	-	(45)	-
Balance at end of year	\$ 443	\$ 73	\$ 27	\$ 543

The accompanying notes and schedules are part of these financial statements

HEALTH QUALITY COUNCIL OF ALBERTA
STATEMENT OF CASH FLOWS
For the year ended March 31, 2008
(in thousands)

	<u>2008</u>	<u>2007</u> (9 months)
Cash generated from:		
Operating activities:		
Excess of revenue over expenses	\$ 241	\$ 302
Non-cash transactions:		
Amortization of capital equipment - internally funded	45	16
Changes in non-cash working capital account	1,305	182
	<u>1,591</u>	<u>500</u>
Cash generated from operations		
Investing activities:		
Purchase of capital assets: internally funded	(5)	(83)
Cash used by investing activities	(5)	(83)
Increase in cash	1,586	417
Cash, beginning of year	417	-
	<u>2,003</u>	<u>417</u>
Cash, end of year		

The accompanying notes and schedules are part of these financial statements

HEALTH QUALITY COUNCIL OF ALBERTA
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2008

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 is engaged in promoting and improving patient safety and health service quality across Alberta.

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 31.

(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) Restricted non-capital contributions are recognized as revenue in the year in which the related expenses are incurred.

(iii) Restricted capital contributions are recorded as deferred capital contributions until invested in capital assets. Invested amounts are transferred to unamortized external capital contributions and 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) Change in Accounting Policy

Effective April 1, 2007 the Authority implemented new financial instrument standards in accordance with CICA Handbook Section 3855, Financial Instruments - Recognition and Measurement; Section 3861 - Financial Instruments - Disclosure and Presentation. These new policies have been applied prospectively; prior period results have not been restated.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

Classification of financial instruments

A financial instrument is a contract that establishes a financial asset for one party and a financial liability or equity instrument for the other party. Prior to adopting the new standards, the Authority accounted for virtually all of its financial assets and financial liabilities on an accrual basis and measured them at cost or amortized cost, as applicable.

Section 3855 establishes a new framework for the recognition and measurement of financial assets and financial liabilities. All existing financial instruments have been classified as of April 1, 2007 according to this new framework, either based on the type of instrument or the Authority's intention regarding the instrument, as described below. Any new financial instruments entered into after that date will be classified on inception. This classification determines how financial instruments are accounted for under the new standards.

Held-for-trading

The Authority has classified cash resources as "held-for-trading" (or "HFT") as of April 1, 2007. Financial assets and liabilities classified as HFT are measured on the Statement of Financial Position at fair value with changes in their value (unrealized gains or losses) recorded in "net income" in the Statement of Operations. Unrealized gains and losses from changes in fair value or realized gains or losses on disposal are accounted for as investment income. Any interest earned (or incurred) continues to be recognized on an accrual basis as interest income (or expense).

Receivables

Accrued interest and other receivables have been classified as receivables and are valued at amortized cost. Amortized cost is a reasonable estimate of the fair value of these instruments.

Financial liabilities

Accounts payable and accrued liabilities have been classified as financial liabilities and have been valued at amortized cost. Amortized cost is a reasonable estimate of the fair value of these instruments.

Transaction costs

Transaction costs relating to financial assets and liabilities are expensed as incurred.

(c) **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)

(d) **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.

(e) **Inventories**

Inventories are valued at the lower of cost based on FIFO or net realizable value.

(f) **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>
Computer Equipment	2 years

(g) **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 (thousands of dollars)

Cost

Capital Asset	Opening Balance April 1, 2007	Transfers from Work in Progress	Additions	Disposals	Closing Balance March 31, 2008
Computer Equipment	\$ 83	\$ -	\$ 5	\$ -	\$ 88

Accumulated Amortization

Accum. Amort.	Opening Balance April 1, 2007	Current year amortization	Amortization on disposals	Closing Balance March 31, 2008	Net Book Value 2008	Net Book Value 2007
Computer Equipment	\$ 16	\$ 45	\$ -	\$ 61	\$ 27	\$ 67

Capital assets were funded from the following source:

	2008	2007
Internally funded (invested in capital assets)	\$ 27	\$ 67
	<u>\$ 27</u>	<u>\$ 67</u>

Note 4 Deferred Contributions

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

	2008	2007
Current:		
Long Term Care Survey	\$ 199	\$ 500
Emergency Services Survey	-	250
Research on Quality and Safety	250	250
Medication Management	577	-
Total	<u>\$ 1,026</u>	<u>\$ 1,000</u>

Note 5 Pension Expense

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 of \$76,906 for the year ended March 31, 2008 (2007 \$31,384).

At December 31, 2007, the Local Authorities Pension Plan reported a deficiency of \$1,183,334,000 (2006 deficiency \$ 746,651,000).

Note 6 Accumulated surplus

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

	2008	2007
	<i>(thousands of dollars)</i>	
Unrestricted net assets	\$ 443	\$ 235
Internally restricted net assets		
Amounts appropriated for critical incident review	235	-
Amounts appropriated for University of Alberta Contract	73	-
Current Year use - critical incident review	(235)	-
	<u>73</u>	<u>-</u>
Investment in Capital Assets - internally funded	27	67
	<u>\$ 543</u>	<u>\$ 302</u>

Note 7 Commitments and Contingencies

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

	(thousands of dollars)
2008 / 2009	\$ 702
2009 / 2010	629
2010 / 2011	629
2011 / 2012	258
2012 / 2013	-

HQCA has a commitment with the University of Alberta to receive survey services which had an estimated residual value of \$73,420 at March 31, 2008.

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 as at March 31, 2008 is \$ 33,600 per month and extends until September 2011.

Note 8 Budget

	2007/2008 Board Approved Budget		Adjustments	2007/2008 Reported Budget	
<i>(thousands of dollars)</i>					
Revenue					
Alberta Health and Wellness Contributions	\$	5,000	\$ (1,774)	\$	3,226
Investment and other income		500	4		504
TOTAL REVENUE		5,500	(1,770)		3,730
Expenses					
Administration		5,500	(1,770)		3,730
TOTAL EXPENSES		5,500	(1,770)		3,730
Excess of revenue over expense	\$	-	\$ -	\$	-

The budget was approved by the Health Quality Council of Alberta Board of Directors on December 14, 2006, and submitted to the Minister of Health and Wellness, who subsequently reduced the operating budget by \$1.8 million.

Note 9 Alberta Health & Wellness contributions

	2008		2007	
<i>(thousands of dollars)</i>				
Unrestricted contributions	\$	3,230	\$	2,593
Transfer from Deferred Contributions		574		-
	\$	3,804	\$	2,593

Note 10 Investment and other income

	2008		2007	
<i>(thousands of dollars)</i>				
Investment income	\$	73	\$	14
Other Revenue		520		-
	\$	593	\$	14

Note 11 Related Parties

(a) Province of Alberta and Health Authorities

Health Quality Council of Alberta was established under the Regional Health Authorities Act July 1, 2006. 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.

Health Quality Council of Alberta had the following transactions with other Health Authorities recorded in the Statement of Operations and the Statement of Financial Position at the amounts of consideration agreed upon between the related parties:

Authority	2008 <i>(thousands)</i>				2007 <i>(thousands)</i>			
	Revenue	Expense	Receivable	Payable	Revenue	Expense	Receivable	Payable
Calgary	\$ 514	\$ 26	\$ -	\$ 9	\$ -	\$ -	\$ -	\$ -
East Central	5	-	-	-	-	-	-	-
Capital	5	-	-	-	-	-	-	-
Northern Lights	2	-	-	-	-	-	-	-
Alberta Cancer Board	1	-	-	-	-	-	-	-
Total	\$ 527	\$ 26	\$ -	\$ 9	\$ -	\$ -	\$ -	\$ -

Note 12 Comparative Figures

The Health Quality Council of Alberta was established July 1, 2006 under the Alberta Regional Health Authorities Act. As such, the comparative figures for the year ending March 31, 2007 reflect 9 months.

Certain 2007 figures have been reclassified to conform to 2008 presentation.

Note 13 Approval of the Financial Statements

These financial statements have been approved by the Board.

HEALTH QUALITY COUNCIL OF ALBERTA
SCHEDULE OF EXPENSES BY OBJECT
March 31, 2008
(in thousands)

Schedule 1

	2008		2007
	Budget	Actual	(9 months) Actual
Salaries and Benefits (Schedule 2)	\$ 1,800	\$ 1,560	\$ 1,000
Other*	1,914	2,551	1,289
Amortization			
Capital equipment - internally funded	16	45	16
	<u>\$ 3,730</u>	<u>\$ 4,156</u>	<u>\$ 2,305</u>
*Other:			
Office, general supplies, miscellaneous	\$ 832	\$ 527	\$ 398
Fees - Audit, Legal, Other	-	106	66
Studentship grants	-	100	-
Lease payments	-	230	2
Referred-out services	1,082	1,512	798
Minor equipment	-	76	25
	<u>\$ 1,914</u>	<u>\$ 2,551</u>	<u>\$ 1,289</u>

HEALTH QUALITY COUNCIL OF ALBERTA
SCHEDULE OF SALARIES AND BENEFITS
March 31, 2008
(in thousands)

Schedule 2

	2008					2007			
	# of FTEs (1)	Salaries and Honoraria (2)	Other Cash Benefits (3)	Other Non-Cash Benefits (4)	Sub-total	Severance		# of FTEs (1)	Total
# of FTEs (1)						Amount	Total		
Health Authority Chairperson									
L. Tyrrell	1	\$ -	\$ 13	\$ -	\$ 13	\$ -	\$ -	1	\$ 9
Board members (list)									
Vacant	2	-	-	-	-	-	-	2	-
B. Johnston	1	-	1	-	1	-	-	1	-
T. Klassen	1	-	2	-	2	-	-	1	-
B. Laing	1	-	14	-	14	-	-	1	20
M. Lee	1	-	3	-	3	-	-	1	5
P. Norton	1	-	1	-	1	-	-	1	4
L. Steinman	1	-	5	-	5	-	-	1	3
D. Tupper	1	-	5	-	5	-	-	1	2
Sub-total	10	-	44	-	44	-	44	10	43
Staff									
Chief Executive Officer - Contracted ⁽⁵⁾	1	382	42	-	424	-	-	1	282
Management reporting to CEO:									
Executive Director	1	131	-	16	147	-	-	1	78
Other mgmt. reporting directly to those above:									
Other management	7	576	-	104	680	-	-	6	407
Other staff	5	206	-	59	265	-	-	5	190
Sub-total	14	1,295	42	179	1,516	-	-	13	957
Grand Total	24	\$ 1,295	\$ 86	\$ 179	\$ 1,560	\$ -	\$ -	23	\$1,000

(1) Full Time Equivalent (FTE) is determined at the rate of 2,022.75 annual hours for each full-time employee. Total actual discrete number of individuals employed: 14 (2007/13). "Discrete" number of individuals refers to all employees who were in the system during the fiscal year.

(2) Base salary includes pensionable base pay.

(3) Other Cash Benefits include bonuses, overtime, lump sum payments and honoraria.

(4) Non-Cash Benefits include:

Share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, out-of-country medical benefits, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional membership and tuition.

(5) HQCA CEO is retained through a 5 year executive oversight contract, which holds HQCA harmless of any related overtime, benefits or supplementary retirement.