

YUKON HOSPITAL CORPORATION

FINANCIAL STATEMENTS

March 31, 2007

(audited)

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Management Responsibility

The accompanying financial statements of Yukon Hospital Corporation, and all information in the annual report pertaining to the Corporation, are the responsibility of management, and have been approved by the Board of Directors.

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for not-for-profit organizations. The financial statements include some amounts, such as the determination of the defined benefit pension plan surplus and the liabilities for accrued severance, retirement and sick leave benefits, that are necessarily based on management's best estimates and judgement. Management has determined such amounts on a reasonable basis. Financial information used in the annual report is consistent with that in the financial statements.

Management maintains a system of internal accounting and administrative controls designed to provide reasonable assurance as to the reliability of financial information and the safeguarding of assets.

The Board of Directors of the Corporation is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal controls. The Board exercises this responsibility through an Audit Committee consisting of five non-management members. The Audit Committee meets regularly with management and with the external auditors to review the scope and result of the annual audit, and to review the financial statements and related financial reporting matters prior to submitting the financial statements to the Board of Directors for approval.

These financial statements have been independently audited in accordance with Canadian generally accepted auditing standards by the Corporation's external auditor, the Auditor General of Canada, and her report is included with these financial statements.

Nick Leenders
Director of Finance



July 12, 2007

Kelly Steele
Manager, Accounting Services



July 12, 2007



AUDITOR'S REPORT

To the Directors of the Yukon Hospital Corporation

I have audited the consolidated statement of financial position of the Yukon Hospital Corporation as at March 31, 2007 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Corporation'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 consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at March 31, 2006 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated May 19, 2006.

Sheila Fraser

Sheila Fraser, FCA
Auditor General of Canada

Vancouver, Canada
July 12, 2007

Yukon Hospital Corporation

Consolidated Statement of Financial Position

As at March 31

	2007	(Restated-note 3) 2006
	\$	\$
ASSETS		
Current assets		
Cash & cash equivalents (note 3)	3,819,965	4,116,872
Accounts receivable	1,213,555	1,038,683
Inventory (note 4)	851,485	929,595
Prepaid expenses	294,295	232,494
	<u>6,179,300</u>	<u>6,317,644</u>
Restricted funds (note 5)	602,652	510,059
Accrued pension benefit (note 3 & 13)	2,326,700	-
Capital assets - net (note 3 & 6)	6,212,668	6,782,342
	<u>15,321,320</u>	<u>13,610,045</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	1,335,179	1,365,074
Accrued payroll and benefits	2,020,221	1,736,863
Deferred revenue	149,500	69,422
	<u>3,504,900</u>	<u>3,171,359</u>
Long-term liabilities		
Accrued pension liability (note 3 & 13)	-	2,448,800
Employee future benefits other than pensions (note 7)	1,400,087	1,281,366
Deferred capital contributions (note 8)	2,928,418	3,797,088
Long-term debt (note 9 & 10)	395,898	395,898
	<u>4,724,403</u>	<u>7,923,152</u>
	<u>8,229,303</u>	<u>11,094,511</u>
Net Assets		
Invested in capital assets (note 3 & 11)	2,613,831	2,818,277
Contributed surplus (note 3 & 12)	1,393,007	1,393,007
Restricted - First Nations Health Fund (note 3)	2,575,763	2,588,398
Restricted for capital purchases, external (note 5)	602,652	510,059
Restricted for capital purchases, internal	325,878	257,287
Unrestricted (note 3)	(419,114)	(5,051,494)
	<u>7,092,017</u>	<u>2,515,534</u>
	<u>15,321,320</u>	<u>13,610,045</u>

Contingent liabilities and commitments (note 18)

The accompanying notes are an integral part of the financial statements.

On behalf of the Board

Chairman

205

Director

Yukon Hospital Corporation

Consolidated Statement of Operations

For the year ended March 31

	2007	(Restated-note 3) 2006
	\$	\$
Revenues		
Government of Yukon - basic	28,041,225	24,812,225
Government of Yukon - other (note 14)	4,702,871	403,125
Patients	2,130,996	1,938,322
Government of Yukon - in kind (note 3 & 14)	1,622,516	1,618,499
Amortization of deferred capital contributions (note 8)	1,343,670	1,003,368
First Nations Health Program (note 15)	801,145	847,113
Fundraising	519,284	506,015
Interest	455,314	398,922
Other	269,036	269,100
Cafeteria	196,446	180,855
	<u>40,082,503</u>	<u>31,977,544</u>
Expenses		
Compensation and benefits	18,211,081	17,212,432
Pension	2,325,000	1,743,800
Supplies	5,437,888	5,005,009
Contracted services	2,046,052	1,941,224
Sundry (note 16)	1,753,612	1,498,661
Amortization of capital assets	1,492,179	1,479,366
Equipment and building services	1,124,819	1,424,170
Equipment and building services - in kind (note 3 & 14)	1,622,516	1,618,499
First Nations Health Program (note 15)	813,780	765,636
Improvements - Thomson Center (note 17)	503,439	157,765
Fundraising	268,247	182,885
	<u>35,598,613</u>	<u>33,029,447</u>
Surplus (deficiency) of revenue over expenses	<u><u>4,483,890</u></u>	<u><u>(1,051,903)</u></u>

The accompanying notes are an integral part of the financial statements.

Yukon Hospital Corporation
Consolidated Statement of Changes in Net Assets

For the year ended March 31

	Invested in Capital Assets (note 11)	Contributed Surplus	Restricted For First Nations Health Fund (note 15)	Restricted For Capital Purchases External (note 5)	Restricted For Capital Purchases Internal	Unrestricted	2007 Total	2006 Total (Restated-note 3)
	\$	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of year	2,818,277	1,393,007	2,588,398	510,059	257,287	(5,051,494)	2,515,534	3,509,370
Surplus (deficiency) of revenue over expenses	(651,948)		(12,635)		68,591	5,079,882	4,483,890	(1,051,903)
Net change in invested in capital assets (note 11)	447,502					(447,502)		
Contributions				117,981			117,981	130,804
Purchases of Capital Assets				(25,388)			(25,388)	(72,737)
Balance, end of year	<u>2,613,831</u>	<u>1,393,007</u>	<u>2,575,763</u>	<u>602,652</u>	<u>325,878</u>	<u>(419,114)</u>	<u>7,092,017</u>	<u>2,515,534</u>

The accompanying notes are an integral part of the financial statements.

Yukon Hospital Corporation

Consolidated Statement of Cash Flows

For the year ended March 31

	2007	2006
	\$	\$
Cash flows provided by (used in) operating activities:		
Receipts from and on behalf of patients	38,365,192	30,909,411
Payments to employees	-24,909,502	-17,891,660
Payments to suppliers and contractors	-13,305,095	-12,284,075
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Cash flows from operating activities	150,595	733,676
Cash flows used in investing activities		
Purchase of capital assets	-922,502	-1,844,232
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Cash flows used in investing activities	-922,502	-1,844,232
Cash provided by financing activities		
Cash received for capital purchases	475,000	1,135,529
	<hr/>	<hr/>
Cash flows from financing activities	475,000	1,135,529
Net increase (decrease) in cash	-296,907	24,973
Cash & cash equivalents, beginning of the year	4,116,872	4,091,899
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Cash & cash equivalents, end of the period	3,819,965	4,116,872
Represented by:		
Cash	692,975	1,175,861
Cash and cash equivalents - First Nations Health Program	2,536,184	2,625,712
Cash and cash equivalents - Yukon Hospital Foundation	590,806	315,299
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	3,819,965	4,116,872

The accompanying notes are an integral part of the financial statements.

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2007

1 - PURPOSE

a) The Corporation is a charitable organization established under the *Hospital Act* of the Yukon. The objects of the Corporation are to provide hospital and medical services to meet the needs of people in the Yukon. The Corporation is a registered charity and accordingly is exempt from income taxes, provided certain requirements of the *Federal Income Tax Act* are met.

b) The Yukon Hospital Foundation is a society incorporated under the *Societies Act* of Yukon. The purpose of the society is to promote health of people in the Yukon, to raise money for hospital and medical care and services, supervised residential care and continuing care, and rehabilitative care and services. The Foundation also grants funds and provides equipment, services and facilities to health facilities in the Yukon, and in particular to the Yukon Hospital Corporation.

2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for not-for-profit organizations. The consolidated financial statements include the accounts of Yukon Hospital Corporation and Yukon Hospital Foundation. All significant inter-company transactions and balances have been eliminated on consolidation.

Cash and cash equivalents

Cash and cash equivalents also includes amounts for the First Nation Health Program. Cash equivalents are recorded at cost, which approximates fair value, and consists of investments in bankers acceptances with maturities of three months or less from the date of acquisition.

Inventory

Inventory is valued at the lower of cost, determined on the first-in, first out basis, and net realizable value.

Capital assets

Capital assets are recorded at cost except for a contributed capital asset which is recorded at fair market value at the date of contribution. Amortization is calculated by the straight line method over the assets' expected useful lives (see note 3). Small equipment costing under \$2,500 is expensed when incurred.

Revenue Recognition

The Corporation follows the deferral method of accounting for contributions. Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Interest income is recognized as revenue when earned.

Operating contribution agreement amounts are recorded as revenue in the period to which they relate. Where a portion of a contribution relates to a future period, it is deferred and recognized in the subsequent period.

Revenue from other provinces and uninsured patients, operational revenue and ancillary services are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue for funded programs is recognized in the period expenses are incurred.

Interest income is recorded on an accrual basis.

Donated services

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Financial instruments

All significant financial assets, financial liabilities and equity instruments of the corporation are either recognized or disclosed in the financial statements together with available information for a reasonable assessment of future cash flows, interest rate risk and credit risk.

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2007

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

Eligible employees of the Corporation participate in the Yukon Hospital Corporation Employees Defined Benefit Pension Plan, administered by the Corporation's Board of Trustees. Contributions to the plan are required from both the employees and the Corporation. Contributions to the plan made during the year by the Corporation on behalf of its employees are included in the statement of operations.

Pensions are based on length of service and final average earnings. Cost of living increases are provided annually to pensioners, as well as upon retirement for deferred pensioners. The expected return on plan assets is based on the fair value of plan assets at the beginning of each fiscal year. Cumulative unrecognized gains and losses in excess of 10% of the greater of the accrued benefit obligation and the market value of plan assets are amortized on a straight-line basis over the expected average remaining service period ("EARSL") of active employees expected to receive benefits under the plan. Past service costs arising from retroactive benefit improvements are amortized on a straight-line basis over the EARSL of active members expected to receive benefits under the plan. Further details with respect to the pension are contained in note 13.

Employee future benefits other than pensions

Employees are entitled to specified severances and sick leave benefits as provided for under union contracts and conditions of employment. The liability for these payments is estimated and recorded in the accounts as the benefits accrue to the employees. Management determines the accrued benefit obligation based on assumptions that the following percentages of employees will leave the Corporation after seven years:

Age 18-25	100%
Age 26-35	75%
Age 36-45	60%
Age 46-55	20%
Age 55+	0%

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures during the reporting period. Significant areas requiring the use of management estimates relate to the determination of the defined benefit pension plan surplus and the liabilities for accrued severance, retirements and sick leave benefits. Financial results as determined by actual events could differ significantly from these estimates.

3 - CORRECTIONS OF ERRORS

(a) The Corporation did not apply CICA Accounting Handbook Section 3461, Employee Future Benefits, in recording or valuing its pension plan in prior periods. The pension was previously valued using PSAB section 3250 but was only disclosed in the notes to the financial statements. The impacts of this error at March 31, 2007 are to record an accrued benefit obligation asset for \$2,326,700, an accrued benefit obligation liability for \$2,448,800 in 2006 and \$1,754,800 in 2005. The accrued pension benefit/obligation was increased by \$694,000 in 2006 and decreased by \$4,775,500 in 2007. The opening 2006 Net assets - Unrestricted has decreased by \$1,754,800. These changes have been applied retroactively.

(b) Prior to fiscal 2006/2007, the Corporation accounted for the First Nations Health Program as a trust fund with offsetting amounts of fund asset and liability reported on the Statement of Financial Position. Effective fiscal 2006/2007, the Corporation accounts for the First Nations Health Fund as part of its net assets. This accounting change is treated as a correction of an accounting error in prior periods and, consequently, has been applied retroactively with restatement of comparative amounts.

The significant effects of this accounting change was increases to the 2007 opening Cash & cash equivalents by \$2,625,712, the Net Assets - Restricted - First Nations Health Fund by \$2,588,398 and the comparative year Surplus (deficiency) of revenue over expenditures by \$81,477.

(c) The Corporation's Capital Assets - Land transferred account relating to the land transferred to it by the Government of Yukon in 1994 should be recorded at fair market value at time of transfer rather than nominal value to be in accordance with the Canadian Institute of Chartered Accountants (CICA) generally accepted accounting principles requirements.

In accordance with the CICA's Accounting Handbook Section 4430 Capital Assets Held by Not-for-profit Organizations, which came into effect April 1997, the change has been applied retroactively. The effect of the change in land valuation was to increase Capital Assets - Land transferred by \$1,009,211 and to increase Net Assets - Contributed Surplus by \$1,009,211.

(d) In accordance with the recommendations in the CICA Accounting Handbook Section 4460, Disclosure of Related Party Transactions by Not-for-profit Organizations, the Corporation has chosen to recognize services received from the Government of Yukon at fair value (see note 14). Recording the value of services provided without charge by the Government recognizes and discloses the full cost of operations of the Corporation.

There is no effect on the 2007 and 2006 net operating results of the Corporation as a result of this change. However individual financial statement items in the Consolidated Statement of Operations have been affected as follows: Government of Yukon - in kind and Equipment and building services - in kind both increased by \$1,622,516 (2006 \$1,618,499).

(e) Equipment and fixtures transferred to the Corporation in 1994 amounting to \$689,262 are no longer reported on the financial statements as the assets are no longer in use. In accordance with CICA Accounting Handbook Section 4430, Capital Assets Held by Not-for-profit Organizations, this adjustment has been retroactively applied to the prior year. The effect of the change also decreased Net Assets - Invested in capital assets by \$689,262.

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements

March 31, 2007

4 - INVENTORY

	2007	2006
Inventory	\$	\$
• Pharmacy	456,213	355,317
• Material Management	395,272	390,728
• Other Inventory	-	183,550
Total Inventory	851,485	929,595

5 - RESTRICTED FOR CAPITAL PURCHASES - EXTERNAL

The Corporation has control over funds which have been donated for specific capital purchases. These funds are set up on the balance sheet as an asset with an offsetting entry to Net Assets Restricted for Capital purchases.

	2007	2006
	\$	\$
Balance, Beginning of year	510,059	451,992
Contributions during the year	117,981	130,804
Purchases during the year	(25,388)	(72,737)
Balance, End of year	602,652	510,059

\$573,277 is held in separate bank accounts representing donations made to Run for Mom and the Endowment fund.

6 - CAPITAL ASSETS

			2007	2006
	Rate	Cost	Accumulated amortization	Net
		\$	\$	\$
			Net	Net
			\$	\$
				(Restated-note3)
Medical equipment	15%	7,149,296	4,088,045	3,061,251
Information systems	20%	3,458,835	2,401,127	1,057,708
Building improvements	5%	1,618,675	619,949	998,726
Land				
transferred	0%	1,009,213		1,009,213
Equipment and fixtures	10%	162,691	162,691	-
Yukon Hospital Foundation Property & Equipment	20%	27,559	5,512	22,047
First Nations Health Property & Equipment		63,723	-	63,723
		13,489,992	7,277,324	6,212,668
				6,782,342

The land on which the hospital building is located is owned by the Corporation. The hospital building itself is owned by the Government of Yukon. The Corporation is responsible for the maintenance and upkeep of the building and grounds.

7 - EMPLOYEE FUTURE BENEFITS OTHER THAN PENSIONS

The Corporation provides severances and sick leave benefits to its employees. These benefits represent the only obligation of the Corporation that entails settlement by future payment. The amounts are not actuarially determined or discounted. This benefit plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation. Benefits will be paid from future sources of revenue.

	2007	2006
Accrued benefit obligation	\$	\$
Beginning of year	1,431,366	1,353,611
Cost for the year	248,425	150,000
Benefits paid during the year	(129,704)	(72,245)
Accrued benefit obligation end of year	1,550,087	1,431,366
Short-term portion	150,000	150,000
Long-term portion	1,400,087	1,281,366

A large portion of the accrued payroll benefits relating to severance, retirement and sick leave have been classified as a long-term liability in the accompanying financial statements as the probability of pay out within the next fiscal year is considered low.

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements

March 31, 2007

8 - DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent restricted contributions received to purchase capital assets. The changes in the deferred contributions balance for the year are as follows:

	2007	2006
	\$	\$
Balance, Beginning of year	3,797,088	3,664,927
Restricted government contribution	475,000	1,060,000
Restricted capital contribution (non-government)	-	75,529
Amount amortized to revenue	<u>(1,343,670)</u>	<u>(1,003,368)</u>
Balance, End of year	<u>2,928,418</u>	<u>3,797,088</u>

9 - LONG-TERM DEBT

	2007	2006
	\$	\$
Yukon Development Corporation	395,898	395,898

\$395,898 flexible term note bearing interest at 7.5% repayable in annual instalments, based on annual energy savings realized, secured by a general security agreement on building improvements with a net book value of \$476,718. (2006 \$506,513)

The long-term debt repayment portion is 50% of the savings total. An initial payment on principal of \$200,000 was made by Yukon Hospital Corporation in 2004. Any future principal payments will not begin until the total savings exceeds \$400,000.

The savings realized to date are as follows:

	\$
2004	77,461
2005	109,494
2006	<u>112,000</u>
	<u>298,955</u>

Yukon Development Corporation is related to the Corporation as they are both under common control by the Government of Yukon. This transaction took place under normal trade terms.

10 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Corporation's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, accrued payroll and benefits and long-term debt. The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, accrued payroll and benefits approximate their fair values due to the short-term nature of these financial assets and liabilities

The fair value of long-term debt is based on management estimates and is determined by discounting cash flows required at the interest rate currently estimated to be available for loans with similar terms.

The carrying amount and estimated fair value of the long-term debt financial instruments are as follows:

	2007		2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	\$ 395,898	\$ 455,362	\$ 395,898	\$ 460,957
	<u>395,898</u>	<u>455,362</u>	<u>395,898</u>	<u>460,957</u>

Credit Risk

In addition, the Corporation is also exposed to credit and concentration risk for its cash and cash equivalents and accounts receivable. Credit risk is minimized substantially by ensuring that cash and cash equivalent assets are placed with Canadian chartered banks. The average annual return on investments for 2007 is 4.23% (2006 - 2.88%)

Account receivable, accounts payable and accrued liabilities are the result of transactions incurred in the normal course of business, do not have significant credit risk, and are non-interest bearing.

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements

March 31, 2007

11 - INVESTED IN CAPITAL ASSETS

(a) Net assets invested in capital assets is calculated as follows:

	(Restated-note3)	
	2007	2006
	\$	\$
Capital assets (note 6) less land in Net assets - Contributed Surplus	5,203,455	5,773,129
Amounts financed by deferred contributions	<u>(2,589,624)</u>	<u>(2,954,852)</u>
	<u>2,613,831</u>	<u>2,818,277</u>

Change in net assets invested in capital assets is calculated as follows:

(b) Deficiency of revenue over expenses

Amortization of deferred contributions	840,231	845,603
Amortization of capital assets	<u>(1,492,179)</u>	<u>(1,479,366)</u>
	<u>(651,948)</u>	<u>(633,763)</u>

(c) Net change in invested capital assets

Purchase of capital assets	922,502	1,844,232
Amounts funded by deferred contributions	<u>(475,000)</u>	<u>(1,319,803)</u>
	<u>447,502</u>	<u>524,429</u>

12- CONTRIBUTED SURPLUS

Certain assets including land were transferred from the Government of Canada and the Government of Yukon to the control of the Yukon Hospital Corporation on April 1, 1993 and January 19, 1994.

13 - PENSION COSTS AND OBLIGATIONS

Yukon Hospital Corporation sponsors a contributory defined benefit pension plan. Effective June 25, 2006, the Plan has been amended so that members are required to contribute to the plan 5.5% of annualized earnings up to the Year's Maximum Pensionable Earnings ("YMPE") plus 7.5% of annualized earnings in excess of YMPE for the Plan year.

The Corporation contributes amounts as prescribed by an independent actuary.

A separate pension fund is maintained to hold plan assets. Yukon Hospital Corporation has contracted with external organizations to provide trustee and investment management services for the fund. Pension fund assets are invested in balanced pooled funds of the investment manager. The market value of plan assets was \$37,116,200 as at December 31, 2006.

An actuarial valuation for accounting purposes was performed as of December 31, 2006 by Mercer Human Resource Consulting, using the projected benefits method prorated on services. The actuarial valuation included services rendered by members under the Yukon Hospital Corporation Employees' Pension Plan since the inception of the plan in 1993, as well as service credits in respect of pre-1993 service transferred to the Yukon Hospital Corporation Employees' Pension Plan from the Public Service Pension Plan under the Special Reciprocal Transfer Agreement dated June of 1995. The next actuarial valuation for accounting purpose will be performed as of December 31, 2007.

The actuarial valuation was based on a number of assumptions about future events, such as inflation rates, interest rates, wage and salary increases and employee turnover and mortality. The assumptions used reflect management's best estimate of these future events. Key assumptions are summarized below:

	(Restated-note3)	
	2007	2006
Weighted-Average Assumptions for Expense		
• Discount rate	5.00%	6.00%
• Expected long-term rate of return on plan assets	7.00%	7.00%
• Rate of compensation increase (exclusive of SMP increases)	3.00%	3.50%
Weighted-Average Assumptions for Disclosure		
• Discount rate	5.25%	5.00%
• Rate of compensation increase (exclusive of SMP increases)	3.00%	3.50%

As at December 31, 2006, pension fund assets are valued at market value. No adjustment is made for benefits payable or contributions receivable.

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements

March 31, 2007

13 - PENSION COSTS AND OBLIGATIONS (continued)

	2007	2006
Change in accrued benefit obligation		(Restated-note 3)
• Accrued benefit obligation - end of prior year	37,071,200	27,934,500
• Employer current service cost	2,183,500	1,582,500
• Interest cost on benefit obligation	1,849,900	1,676,100
• Employee contributions	703,400	602,400
• Benefits paid	(850,600)	(599,800)
• Actuarial loss	(2,177,100)	5,875,500
• Accrued benefit obligation - end of year	<u>38,780,300</u>	<u>37,071,200</u>
Change in Plan Assets		
• Fair value of plan assets - end of prior year	28,139,800	25,030,500
• Actual return on plan assets	3,814,000	2,455,000
• Employer contributions	5,674,600	833,100
• Employee contributions	703,400	602,400
• Benefits paid	(850,600)	(599,800)
• Actual plan expenses	(365,000)	(181,400)
• Fair value of plan assets - end of year	<u>37,116,200</u>	<u>28,139,800</u>
Market value of plan assets - end of year	37,116,200	28,139,800
Reconciliation of Funded Status		
• Accrued benefit obligation - end of year	38,780,300	37,071,200
• Fair value of plan assets	37,116,200	28,139,800
• Funding deficit	(1,664,100)	(8,931,400)
• Employer contributions made between measurement date and fiscal year end	1,642,600	216,700
• Unamortized net actuarial loss	2,348,200	6,265,900
Accrued benefit asset (liability)	<u>2,326,700</u>	<u>(2,448,800)</u>
Components of Net Periodic Pension Cost		
• Current service cost (employer portion) including provision for administrative expenses	2,322,500	1,688,000
• Interest cost on benefit obligation	1,849,900	1,676,100
• Actual return on plan assets	(3,814,000)	(2,455,000)
• Actuarial loss on accrued benefit obligation	(2,177,100)	5,875,500
Cost arising in the period	<u>(1,818,700)</u>	<u>6,784,600</u>
Differences between costs arising in the period and costs recognized in the period in respect of:		
• Return on plan assets	1,655,600	677,300
• Actuarial loss	2,330,700	(5,875,500)
• Plan amendments	157,400	157,400
• Transitional obligation (asset)	-	-
Net periodic pension cost recognized	<u>2,325,000</u>	<u>1,743,800</u>
Plan Assets By Asset Category	Dec 31, 2007	Dec 31, 2006
• Equity securities	58.9%	62.4%
• Debt securities	33.5%	34.7%
• Other	7.6%	2.9%
Total	<u>100%</u>	<u>100%</u>

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2007

13 - PENSION COSTS AND OBLIGATIONS (continued)

The Yukon Hospital Corporation adopted a measurement date of December 31 in respect of its pension obligations. Consequently, both benefit obligations and plan assets are measured as of December 31 for presentation in the financial statements as of March 31.

The accrued benefit asset has been recorded on the Corporation's books of account and is included on the balance sheet as at March 31, 2007.

The funded status of the pension plan (a deficit of \$1,664,100 as at December 31, 2006) presented in these financial statements has been determined on the basis that the pension plan remains a going-concern. As at December 31, 2006 the pension plan had a deficit of \$4.3 million if valued on the basis that the pension plan were terminated/wound up as at December 31, 2006.

The solvency ratio of the plan is 90%. Since it is less than 100%, to be in accordance with the *Pension Benefits Standards Act, 1985*, the Corporation is required to make special payments to eliminate the solvency shortfall. The payments have been actuarially determined as follows: quarterly payments of \$135,750 per year over five years starting in 2004 and quarterly payments of \$181,400 per year over five year starting in 2005. During the fiscal year, the Corporation contributed \$7,100,500 to the plan, of which \$2,581,121 related to solvency deficiency payments for the years 2003 to 2005 and \$2,700,000 for 2006. Also during the fiscal year, the Corporation received \$4,627,871 from the Government of Yukon to fund these payments.

The maximum amount the Government of Yukon has agreed to pay for any pension deficit over the next five years is summarized

	\$
2008	1,414,000
2009	1,423,000
2010	1,436,000
2011	1,448,000
2012 and thereafter	5,914,000
	<u>11,635,000</u>

This amount is subject to re-evaluation after each actuarial valuation.

14 - RELATED PARTY TRANSACTIONS

	2007	2006
Government of Yukon Contribution	\$	\$
• Basic Services	28,041,225	24,812,225
• Other	4,702,871	403,125
• Yukon Hospital Foundation (included in fundraising revenue)	75,000	50,000
Government of Yukon Contribution	<u>32,819,096</u>	<u>25,265,350</u>

Revenue received from the Government of Yukon for services was \$32,819,096 for 2007 (2006 \$25,265,350). The 2007 contribution includes \$75,000 (2006 \$50,000) flow through funding given to Yukon Hospital Foundation. The other funding includes \$4,627,871 (2006 \$-) for the pension solvency deficiency payments.

	2007	2006
Services Provided Without Charge	\$	\$
• Rent	1,008,896	1,008,896
• Property taxes	613,620	609,603
Government of Yukon - In Kind	<u>1,622,516</u>	<u>1,618,499</u>

Services provided without charge represents costs associated with facilities provided by the Government of Yukon at a reduced rate or no charge. The estimated value of these services is based on the Government's amortization expense, plus any related operating expenses.

Other services are provided to related parties at no charge based on the agreement outlined in the Appendix H agreement. Appendix H is a transfer agreement between the Corporation and Government of Yukon which outlines Whitehorse General Hospital obligation to provide residual services to Yukon Communities. The total cost of providing these services for 2007 was \$138,000 (2006 \$142,000).

In compliance with its Appendix H agreement, the Corporation provides goods in the amount of \$794,886 (2006 \$738,860) to related parties which includes a 15% administration charge on Material Management supplies purchased in excess of \$80,000. The Corporation recovers only the cost of goods of \$735,720 (2006 \$672,751). As this is a cost recovery arrangement, the revenues and cost of sales have been netted in Revenues - Other in the Consolidated Statement of Operations.

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements

March 31, 2007

15 - FIRST NATIONS HEALTH PROGRAM

The following amounts have been used in the First Nations Health Program and have been included in the Consolidated Statement of Operations.

	2007	2006
	\$	\$
Revenues		
Government of Yukon - Transfer agreement	663,000	663,000
Interest	103,723	66,837
Government of Yukon Contributions Health Partnership and Secondments	34,422	117,276
	<u>801,145</u>	<u>847,113</u>
Expenses		
Payroll	635,440	577,711
Material & Supplies	14,088	7,968
Travel	24,437	13,516
Honoraria	8,850	13,350
Sundry	50,465	38,962
Scholarships	25,500	10,693
Donations - Under our Wing Campaign	30,000	30,000
Contribution - Council of Yukon First Nations Health Commission	25,000	30,000
Contribution - Council of Yukon First Nations Health Partnerships and Secondments	-	43,436
	<u>813,780</u>	<u>765,636</u>

Under an annual contribution agreement, the Government of Yukon provides funds to the Corporation for the purpose of operating the First Nation Health Program at the Whitehorse General Hospital. First Nations Health Services include a health liaison worker program, child life worker for the paediatric ward, traditional medicine, traditional diet, employment equity and training program, interpretation services and in-service training.

16 - SUNDRY EXPENSE

The balance in Sundry expense is made up of the following items:

	2007	2006
	\$	\$
Software maintenance	288,685	172,028
Conference fees/Travel	282,998	249,325
Legal and professional fees	262,309	330,993
Delivery/Courier/Taxi	194,347	208,096
Insurance	137,444	137,133
Security	105,166	106,267
Miscellaneous	100,812	70,502
Bad debt	96,661	7,545
Advertising	69,700	34,040
Human resources recruitment and relocation	67,749	31,947
Membership fees	56,696	59,604
Communications	53,630	50,904
Honorariums	37,414	40,275
	<u>1,753,612</u>	<u>1,498,661</u>

17 - IMPROVEMENTS - THOMSON CENTER

The Thomson Center is a building owned by the Government of Yukon and was built adjacent to the Whitehorse General Hospital on land owned by the Corporation. The improvements to the Thomson Center consisted of repairs and upgrades funded by capital contributions provided by the Government of Yukon. As a result, these improvements have been expensed and not capitalized in these financial statements.

18 - CONTINGENT LIABILITIES AND COMMITMENTS

The nature of the Corporation's activities is such that there may be litigation pending or in prospect at any time. No provision has been made for loss in these financial statements, as in management's opinion, there are no active claims which could have a material adverse effect on its financial position or result of operations.

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements

March 31, 2007

19- TRUST ASSETS

	2007	2006
	\$	\$
Deferred salary leave plan funds held in trusts	145,644	105,457

The Corporation administers trust accounts on behalf of employees in regards to its deferred salary leave plan. The deferred salary leave plan funds held in trusts are not included in the accompanying financial statements.

20 - ECONOMIC DEPENDENCE

The Corporation receives approximately 90% of its income from the Government of Yukon.

21 - COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the presentation adopted in the current year.