

YUKON HOSPITAL CORPORATION

FINANCIAL STATEMENTS

March 31, 2009

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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.

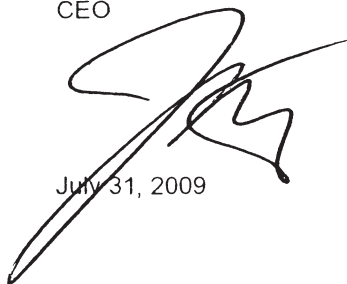
These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for not-for-profit organizations. The financial statements include some amounts, such as the determination of the defined benefit pension plan surplus and the liabilities for 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 results 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.

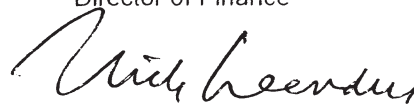
These financial statements have been independently audited in accordance with Canadian generally accepted auditing standards, the Auditor General of Canada, and her report is included with these financial statements.

Joe MacGillivray
CEO



July 31, 2009

Nick Leenders
Director of Finance



July 31, 2009



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, 2009 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.

Except as explained in the following paragraph, 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.

During the course of the audit, it was discovered that operating room inventory was not included in the current or prior years' inventory balances. The Corporation conducted a count subsequent to year-end to estimate the inventory at March 31, 2009 and was not able to perform roll-back procedures. I could not satisfy myself concerning those inventory quantities by alternative means. Since operating room inventories enter into the determination of the results of operations, I was unable to determine whether adjustments to inventories, supplies expense, surplus of revenue over expenses for the year and opening and closing unrestricted net assets might be necessary.

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I been able to verify operating room inventory balances, as described in the preceding paragraph, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Sheila Fraser

Sheila Fraser, FCA
Auditor General of Canada

Vancouver, Canada
July 31, 2009

Yukon Hospital Corporation

Consolidated Statement of Financial Position

As at March 31

	2009	(Restated - note 3) 2008
	\$	\$
	(thousands of dollars)	
ASSETS		
Current assets		
Cash & cash equivalents	6,050	4,969
Accounts receivable	1,966	1,701
Inventory (note 5)	1,426	1,397
Prepaid expenses	258	275
	<u>9,700</u>	<u>8,342</u>
Non-current assets		
Restricted funds (note 6)	197	690
Accrued pension benefit (note 13)	4,763	3,051
Capital assets (note 7)	43,645	42,939
	<u>58,305</u>	<u>55,022</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	2,854	1,878
Accrued payroll and benefits	2,459	2,252
Deferred revenue	132	71
	<u>5,445</u>	<u>4,201</u>
Long-term liabilities		
Employee future benefits other than pensions (note 8)	1,631	1,416
Deferred capital contributions (note 9)	40,185	39,671
Long-term debt (notes 10 & 11)	278	351
	<u>42,094</u>	<u>41,438</u>
	<u>47,539</u>	<u>45,639</u>
Net Assets		
Invested in capital assets (note 12)	2,553	2,421
Contributed surplus (note 4)	1,393	1,393
Restricted - First Nations Health Fund (note 15)	2,400	2,548
Restricted for capital purchases, external (note 6)	197	690
Restricted for capital purchases, internal	103	562
Unrestricted	4,120	1,769
	<u>10,766</u>	<u>9,383</u>
	<u>58,305</u>	<u>55,022</u>
Contingent liabilities and commitments (note 18)		

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

On behalf of the Board


Chairman

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Director

Yukon Hospital Corporation

Consolidated Statement of Operations

For the year ended March 31

	(Restated - note 3)	
	2009	2008
	\$	\$
	(thousands of dollars)	
Revenues		
Government of Yukon - basic (note 14)	32,792	29,717
Government of Yukon - other (note 14)	2,835	1,773
Amortization of deferred capital contributions (note 9)	2,421	2,446
Patients	2,395	2,501
Government of Yukon - services without charge (note 14)	1,034	1,000
Fundraising	635	559
Interest	544	712
Cafeteria	248	206
Other	233	332
	<u>43,137</u>	<u>39,246</u>
Expenses		
Compensation and benefits	21,538	20,289
Supplies	5,978	5,820
Amortization of capital assets	3,193	2,956
Other (note 16)	2,514	2,094
Contracted services	2,464	2,079
Pension (note 13)	2,167	1,746
Equipment and building services	1,479	1,398
Equipment and building services - without charge (note 14)	1,034	1,000
Fundraising	155	157
	<u>40,522</u>	<u>37,539</u>
Surplus of revenues over expenses	<u><u>2,615</u></u>	<u><u>1,707</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 12)	Contributed Surplus	Restricted For First Nations Health Fund (note 15)	Restricted For Capital Purchases External (note 6)	Restricted For Capital Purchases Internal	Unrestricted	2009 Total	2008 Total (Restated - note 3)
	\$	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of year	2,421	1,393	2,548	690	562	1,769	9,383	7,092
Prior period adjustments (note 3)								506
Balance, beginning of year, restated	2,421	1,393	2,548	690	562	1,769	9,383	7,598
Surplus (deficiency) of revenue over expenses	(832)		(148)		(459)	4,054	2,615	1,707
Net change in invested in capital assets (note 12)	964					(964)		
Contributions				141		(4)	137	136
Purchases of Capital Assets				(634)		(735)	(1,369)	(58)
Balance, end of year	2,553	1,393	2,400	197	103	4,120	10,766	9,383

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

	2009	2008
	\$	\$
	(thousands of dollars)	
Cash flows provided by operating activities:		
Receipts from and on behalf of patients	\$38,739	\$35,224
Payments to and on behalf of employees	(24,995)	(22,511)
Payments to suppliers and contractors	(11,699)	(11,070)
	<hr/>	<hr/>
Cash flows from operating activities	2,045	1,643
Cash flows used in investing activities		
Purchase of capital assets	(3,899)	(816)
	<hr/>	<hr/>
Cash flows used in investing activities	(3,899)	(816)
Cash provided by financing activities		
Cash received for capital purchases	2,935	322
	<hr/>	<hr/>
Cash flows from financing activities	2,935	322
Net increase in cash	1,081	1,149
Cash & cash equivalents, beginning of the year	4,969	3,820
	<hr/>	<hr/>
Cash & cash equivalents, end of the year	\$6,050	\$4,969
Represented by:		
Cash	\$2,803	\$1,299
Cash and cash equivalents - First Nations Health Program	2,439	2,690
Cash and cash equivalents - Yukon Hospital Foundation	808	980
	<hr/>	<hr/>
	\$6,050	\$4,969

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

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2009

1 - PURPOSE

a) Yukon Hospital Corporation ("The Corporation") is a charitable organization established under the Hospital Act of the Yukon. The objectives 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 ("The Foundation") is a society incorporated under the *Societies Act* of the 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 - NEW ACCOUNTING STANDARDS

Section 3031, Inventories

Effective April 1, 2008, the Corporation adopted the new CICA handbook section 3031, Inventories, which is based on International Accounting Standards ("IAS") 2. The new section replaces the existing Section 3030, Inventories. Under the new section, inventories of supplies are required to be measured at the lower of cost and current replacement cost. The Standard also provides more extensive guidance on the measurement and disclosure requirements for inventories; significantly, the new standard allows the reversals of previous writedowns to the net realizable value when there is a subsequent increase in the value of inventories. The adoption of this new standard resulted in no impact to opening balances at April 1, 2008.

Section 1535, Capital Disclosures

Effective April 1, 2008 the Corporation adopted the new CICA handbook section 1535, "Capital Disclosures". The standard requires the disclosure of information about the Corporation's objectives, policies and processes for managing its capital, quantitative data about what the Corporation regards as capital and whether the Corporation has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance. The new section was applied prospectively. The additional disclosures required as a result of adopting this standard are included in Note 17.

Section 1400, General Standards of Financial Statement Presentation

Effective April 1, 2008, the Corporation adopted the new CICA Handbook Section 1400, General Standards of Financial Statement Presentation, which includes requirements for management to assess and disclose an entity's ability to continue as a going concern. Management has made its assessment and concluded there is no issue regarding the Corporation's ability to continue as a going concern based on the assumption that the current funding levels are maintained and any committed additional future funding is received. If there are significant declines in funding, expenditures will be adjusted to match committed funding.

Section 3862 & 3863, Financial Instruments - Disclosure and Financial Instruments - Presentation

On December 1, 2006, the CICA issued new accounting standards CICA Section 3862 Financial Instruments - Disclosures, and Section 3863 Financial Instruments - Presentation. These standards apply to fiscal years beginning on or after October 1, 2007. The Corporation has elected to continue to apply Section 3861, as permitted for not-for-profit organizations under Sections 3862 and 3863.

3 - CORRECTION OF ERROR

Prior Period Adjustment - Buildings

During the fiscal year 2008-09, the Corporation confirmed that the buildings on the Whitehorse General Hospital campus are legally owned by the Corporation. The titles of the lots where these buildings are situated were transferred from the Government of Yukon to the Corporation between 1993 and 1994, but the Government of Yukon had not officially acknowledged the transfer of the buildings. Consequently, while ownership and value of the land had been reported in the financial statements of the Corporation, the Government of Yukon had been reporting the value of all the buildings on the land.

The Corporation has adjusted its accounting records in accordance with Canadian generally accepted accounting principles, which resulted in recognizing the buildings in its accounts. These adjustments were applied retroactively. The effects of the retroactive adjustments on the 2007/2008 financial statements were increases to tangible capital assets and deferred capital contributions of \$37,501,000, increases to amortization of deferred capital contributions revenue and amortization of capital assets expense of \$1,365,000, as well as decreases to Government of Yukon - services without charge revenue and equipment and building services - without charge expense of \$650,000.

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2009

Operating Room Inventory

After the 2009 fiscal year end it was determined that a material amount of inventory was on hand in the Corporation's Operating Room (OR) area. In the past this inventory was expensed at the time it was provided to operating room staff from central stores. The Corporation completed an inventory of the OR supplies as at May 22, 2009. The Corporation is able to track supplies into inventory but not supplies used from inventory. Therefore the Corporation is not able to accurately value the inventory back to March 31, 2009. It is the view of management that the inventory value as at the count date of May 22, 2009 of \$506,000 is not materially different from the inventory on hand at March 31, 2009 and this value was used as being the OR inventory as at March 31, 2009. It is also the view of management that the OR inventory value as at March 31, 2007 and March 31, 2008 was not materially different from the value on hand as at May 22, 2009.

The Corporation has adjusted its accounting records in accordance with Canadian generally accepted accounting principles, which resulted in recognizing OR inventory on the balance sheet. These adjustments were applied retroactively. The effects of the retroactive adjustments to the opening 2008 financial statements were increases to Inventory and Unrestricted Net Assets of \$506,000.

4. 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.

Financial statements

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

Inventories are comprised of pharmacy, medical and general operating supplies and are valued at the lower of cost and replacement cost. Inventories are determined on a first-in, first-out basis.

Capital assets

Capital assets are recorded at cost except for contributed capital asset which are 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 7).

Estimated useful life	Years
Medical equipment	6.7
Information systems	5
Buildings	10-40
Building improvements	20
Equipment	10
Yukon Hospital Foundation Property & Equipment	5
First Nations Health program Property & Equipment	10

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements

March 31, 2009

1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 and is recognized as revenue when earned.

Restricted contributions, including interest earned, are recognized as direct increases in Restricted for Capital Purchases - External - Net Assets.

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, these donated services are not recognized in the financial statements.

Financial instruments

All financial instruments reported on the Statement of Financial Position of the Corporation are classified as follows:

Classification

Cash & cash equivalents - Held for trading

Accounts receivable, Due from Government of Yukon and Due from First Nations Health program - Loans and receivables.

Accounts payable and accrued liabilities, accrued payroll and benefits - Other liabilities

Long-term debt - Other liabilities

Held-for-trading

These financial instruments are measured at fair value at the Statement of Financial Position date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in interest income.

Loans and receivables

These financial assets are initially measured at fair value and thereafter are measured at amortized cost using the effective interest method, less any impairment.

Other liabilities

These financial liabilities are recorded at amortized cost using the effective interest rate method.

Pensions

Eligible employees of the Corporation participate in the Yukon Hospital Corporation Employees' Pension Plan, a defined benefit 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.

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements

March 31, 2009

4 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 not stay with the Corporation until retirement:

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 useful lives of capital assets, 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.

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.

Future Accounting Changes

Section 1540, Cash Flow Statements

Section 1540 was amended to include not-for-profit organizations within its scope. This standard is effective for the Corporation's fiscal year beginning on April 1, 2009. The Corporation does not expect that this new standard will impact its financial reporting significantly.

Section 4400, Financial Statement Presentation by Not-for-Profit Organizations

Section 4400 has been amended to:

- a) eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets; and
- b) require that revenues and expenses be recognized and presented on a gross basis when a not-for-profit organization is acting as a principal in transactions.

This standard is effective for the Corporation's fiscal year beginning on April 1, 2009. The Corporation does not expect that this new standard will impact its financial reporting significantly.

Section 4460, Disclosure of Related Party Transactions by Not-for-Profit Organizations

Section 4460 has been amended to be consistent with the related party accounting rules for private and public enterprises. This standard is effective for the Corporation's fiscal year beginning on April 1, 2009. The Corporation does not expect that this new standard will impact its financial reporting significantly.

Section 4470, Disclosure of Allocated Expenses by Not-for-Profit Organizations

Section 4470 establishes disclosure standards for not-for-profit organizations that choose to classify their expenses by function and allocate expenses from one function to another. This standard is effective for the Corporation's fiscal year beginning on April 1, 2009. The Corporation does not expect that this new standard will impact its financial reporting significantly.

5 - INVENTORY

	2009	2008
Inventory	\$	\$
• Pharmacy	472	446
• Material Management	447	444
• Operating Room Inventory	507	507
Total Inventory	1,426	1,397

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements
March 31, 2009

6. RESTRICTED FOR CAPITAL PURCHASES - EXTERNAL

The Corporation has control over restricted 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.

	2009	2008
	\$	\$
	(thousands of dollars)	
Balance, Beginning of year	690	603
Contributions during the year	141	148
Purchases during the year	(634)	(61)
Balance, End of year	<u>197</u>	<u>690</u>

7. CAPITAL ASSETS

			2009	2008
	Cost	Accumulated amortization	Net	Net
	\$	\$	\$	\$
	(thousands of dollars)			
Medical equipment	7,163	4,283	2,880	2,178
Information systems	4,827	3,198	1,629	743
Buildings	52,866	16,730	36,136	37,501
Building improvements	1,944	794	1,150	918
Equipment	1,609	784	825	567
Land transferred	1,009	-	1,009	1,009
Yukon Hospital Foundation Property & Equipment	28	17	11	16
First Nations Health program Property & Equipment	36	31	5	7
	<u>69,482</u>	<u>25,837</u>	<u>43,645</u>	<u>42,939</u>

8. EMPLOYEE FUTURE BENEFITS OTHER THAN PENSIONS

The Corporation provides severances and sick leave benefits to its employees. The amounts are based on management estimates and are not actuarially determined or discounted. Management believes that there would not be a significant difference if it were actuarially determined. 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.

	2009	2008
	\$	\$
	(thousands of dollars)	
Accrued benefit obligation		
Beginning of year	1,566	1,550
Cost for the year	268	150
Benefits paid during the year	(53)	(134)
Accrued benefit obligation end of year	<u>1,781</u>	<u>1,566</u>
Short-term portion	150	150
Long-term portion	1,631	1,416

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, 2009

9. 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:

	2009	2008
	\$	\$
	(thousands of dollars)	
Balance, Beginning of year	39,671	41,795
Restricted government contribution	1,639	300
Restricted capital contributions (non-government)	1,296	22
Amount amortized to revenue	<u>(2,421)</u>	<u>(2,446)</u>
Balance, End of year	<u>40,185</u>	<u>39,671</u>

10. LONG-TERM DEBT

	2009	2008
	\$	\$
Yukon Development Corporation	278	351

\$596,000 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 \$417,000. (2008 - \$447,000)

In 2003, Yukon Development Corporation financed an electric boiler system for the Corporation for a total cost of \$596,000. 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.

The savings realized to date are as follows:

	\$	
	(thousands of dollars)	
2004	78	
2005	109	
2006	112	
2007	191	
2008	<u>145</u>	
	<u>635</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.

11. 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:

	2009		2008	
	(thousands of dollars)			
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	\$	\$	\$	\$
Long-term debt	278	374	351	412
	<u>278</u>	<u>374</u>	<u>351</u>	<u>412</u>

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2009

Risk Management

The Corporation, through its financial assets and liabilities, is exposed to the following risks from its use of financial instruments: credit risk, liquidity risk, interest rate risk, and currency risk. The Corporation manages these risk exposures on an ongoing basis. The Corporation is not party to any derivative financial instruments.

Credit Risk

Credit risk on financial instruments arises from the possibility that the issuer of a financial instrument fails to meet its obligation. The carrying amount of cash and accounts receivable represents the maximum credit exposure.

The Corporation's accounts receivable has a carrying value of \$1,966,000 as of March 31, 2009 (2008 - \$1,701,000). There is no concentration of accounts receivable with any one customer. As at March 31, 2009, approximately 12% (2008 - 19%) of accounts receivable were over 90 days past due, whereas 72% (2008 - 69%) were current or less than 30 days past due. The Corporation's allowance for doubtful accounts is \$280,000 as at March 31, 2009 (2008 - \$268,000).

The risk on cash and cash equivalents is minimized as these assets are held with a Canadian Chartered bank.

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation's objective is to have sufficient liquidity to meet these liabilities when due. The Corporation monitors its cash balance and cash flows generated from operations to meet its requirements.

The carrying amount of accounts payable and accrued liabilities represents the maximum exposure to liquidity risk. The Corporation's accounts payable and accrued liabilities had a carrying value of \$2,853,000 as at March 31, 2009 (2008 - \$1,878,000). As at March 31, 2009, 100% of accounts payable (2008 - 100%) were current, or less than 30 days past due.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. Long term debt has interest rates fixed for long periods of time with the debt intended to be repaid in accordance with corresponding energy savings.

Currency Risk

Currency risk is the risk that the value of financial assets and liabilities denominated in foreign currencies will fluctuate due to changes in their respective exchange rates. The Corporation has \$4,000 of funds in a US bank account in 2009 (2008 - \$13,000). The Corporation is not exposed to any significant currency risk.

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements
 March 31, 2009

12. INVESTED IN DEPRECIABLE CAPITAL ASSETS

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

	2009	2008
	\$	\$
	(thousands of dollars)	
Capital assets (note 7) less land in Net assets	42,636	41,930
Amounts financed by deferred capital contributions	<u>(40,083)</u>	<u>(39,509)</u>
	<u>2,553</u>	<u>2,421</u>

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

(b) Deficiency of revenue over expenses

Amortization of deferred capital contributions	2,361	2,269
Amortization of capital assets	<u>(3,193)</u>	<u>(2,956)</u>
	<u>(832)</u>	<u>(687)</u>

(c) Net change in invested capital assets

Purchase of capital assets	3,899	816
Amounts funded by deferred capital contributions	<u>(2,935)</u>	<u>(322)</u>
	<u>964</u>	<u>494</u>

13. PENSION COSTS AND OBLIGATIONS

Yukon Hospital Corporation sponsors a contributory defined benefit pension plan. The Corporation contributes amounts as prescribed by an independent actuary. 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.

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 \$34,205,000 as at December 31, 2008.

An actuarial valuation for accounting purposes was performed as of December 31, 2008 by Towers Perrin, 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, 2009.

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:

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13 PENSION COSTS AND OBLIGATIONS (continued)

Weighted-Average Assumptions for Net Period Pension Cost for Fiscal Year	2009	2008
• Discount rate	5.00%	5.25%
• Expected long-term rate of return on plan assets	7.00%	7.00%
• Rate of compensation increase (exclusive of seniority, merit and promotion increases)	3.00%	3.00%

Weighted-Average Assumptions for Benefit Obligation at Year Ending December 31	2009	2008
• Discount rate	6.50%	5.00%
• Rate of compensation increase (exclusive of seniority, merit and promotion increase)	3.00%	3.00%

As at December 31, 2008, pension fund assets are valued at market value. No adjustment is made for benefits payable or contributions receivable.

	2009	2008
	\$	\$
	(thousands of dollars)	
Change in accrued benefit obligation		
• Accrued benefit obligation - end of prior year	44,112	38,780
• Employer current service cost	2,212	2,008
• Interest cost on benefit obligation	2,287	2,125
• Employee contributions	840	798
• Benefits paid	(2,020)	(1,439)
• Actuarial (gains) losses	(9,982)	1,840
• Accrued benefit obligation - end of year	<u>37,449</u>	<u>44,112</u>
Change in Plan Assets		
• Fair value of plan assets - end of prior year	39,396	37,116
• Actual return on plan assets	(7,039)	(110)
• Employer contributions	3,235	3,254
• Employee contributions	840	798
• Benefits paid	(2,020)	(1,439)
• Actual plan expenses	(207)	(223)
• Fair value of plan assets - end of year	<u>34,205</u>	<u>39,396</u>
Market value of plan assets - end of year	34,205	39,396
Reconciliation of Funded Status		
• Accrued benefit obligation - end of year	37,449	44,112
• Fair value of plan assets	<u>34,205</u>	<u>39,396</u>
• Funding deficit	(3,244)	(4,716)
• Employer contributions made between measurement date and fiscal year end	1,503	859
• Unamortized past service costs	591	748
• Unamortized actuarial losses	<u>5,913</u>	<u>6,160</u>
Accrued benefit asset	<u>4,763</u>	<u>3,051</u>
Components of Net Periodic Pension Cost		
• Current service cost (employer portion) including provision for administrative expenses	2,351	2,149
• Interest cost on benefit obligation	2,287	2,125
• Actual return on plan assets	7,039	110
• Actuarial (gains) losses on accrued benefit obligation	<u>(9,982)</u>	<u>1,840</u>
Cost arising in the period	1,695	6,224
Differences between costs arising in the period and costs recognized in the period in respect of:		
• Return on plan assets	(9,864)	(2,795)
• Actuarial (gains) losses	10,179	(1,840)
• Past service costs	<u>157</u>	<u>157</u>
Net periodic pension cost recognized	<u>2,167</u>	<u>1,746</u>
Plan Assets By Asset Category	Dec 31, 2008	Dec 31, 2007
• Equity securities	61%	61.0%
• Debt securities	35%	36.0%
• Other	4%	3.0%
Total	<u>100%</u>	<u>100%</u>

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements

March 31, 2009

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 assets of \$4,763,000 (2008 - \$3,051,000) has been recorded on the Corporation's books of account and is included on the balance sheet as at March 31, 2009.

The funded status of the pension plan (a deficit of \$3,244,000 as at December 31, 2008) presented in these financial statements has been determined on the basis that the pension plan remains a going concern.

As at December 31, 2008 the pension plan had a deficit of \$6.5 million if valued on the basis that the pension plan were terminated/wound up as at December 31, 2008. The solvency ratio of the plan is 86%. 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 \$143,000 per year over five years starting in 2005, quarterly payments of \$181,400 per year over five years starting in 2006, quarterly payments of \$137,184 per year over five years starting in 2008 and an additional quarterly solvency payment of \$24,160 beginning in 2009. During the fiscal year, the Corporation contributed \$3,879,000 to the plan, of which \$1,871,582 related to solvency deficiency payments for 2008. Also during the fiscal year, the Corporation received \$2,336,650 from the Government of Yukon to fund its pension plan.

The projected amount the Corporation will need to pay for its solvency deficiency is summarized as follows:

	(thousands of dollars)	\$
2009		1,943
2010		1,400
2011		674
2012		645
2013		97
		<u>4,759</u>

These amount are subject to re-evaluation after each actuarial valuation.

14. RELATED PARTY TRANSACTIONS

	2009	2008
	\$	\$
	(thousands of dollars)	
Government of Yukon Contribution		
• Basic Services	32,129	29,054
• First Nations Health program (note 15)	663	663
Total Basic Funding	<u>32,792</u>	<u>29,717</u>
• Other	2,835	1,773
• Yukon Hospital Foundation (included in fundraising revenue)	75	75
Total Government of Yukon Contribution	<u>35,702</u>	<u>31,565</u>

Revenue received from the Government of Yukon for services was \$ 35,702,000 for 2009 (2008 - \$31,565,000). The 2009 contribution includes \$75,000 (2008 - \$75,000) flow through funding given to Yukon Hospital Foundation. The other funding includes \$ 2,337,000 (2008 - \$1,052,000) for the pension solvency deficiency payments.

Services Without Charge

The value of services provided without charge by the Government of Yukon is estimated to be \$1,034,000 (2008 - \$1,000,000). This amount consists of operating and maintenance expenses of \$359,000 (2008 - \$359,000) and property taxes of \$675,000 (2008 - \$641,000) for facilities owned by the Corporation but used by the Government. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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14 - RELATED PARTY TRANSACTIONS (continued)

Other services are provided to related parties at no charge based on the agreement outlined in Appendix H of the 1994 Whitehorse General Hospital Transfer Agreement between the Corporation, the Government of Yukon and the Government of Canada. Appendix H outlines Whitehorse General Hospitals obligation to provide residual services to Yukon communities. The total cost of providing these services for 2009 was \$163,000 (2008 - \$149,000).

In compliance with the Appendix H agreement, the Corporation provides goods in the amount of \$883,000 (2008 - \$792,000) 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 \$842,000 (2008 - \$757,000). 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.

15 - FIRST NATIONS HEALTH PROGRAM

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

	2009	2008
	\$	\$
	(thousands of dollars)	
Revenues		
Government of Yukon - Transfer agreement (note 14)	663	663
Interest	69	111
	<u>732</u>	<u>774</u>
Expenses		
Payroll	706	641
Travel	62	22
Scholarships	31	29
Contribution - Council of Yukon First Nations Health Commission	30	30
Sundry	21	24
Material & Supplies	16	8
Honoraria	12	9
Depreciation	2	39
	<u>880</u>	<u>802</u>
Net Surplus	<u>2,400</u>	<u>2,548</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. The First Nations Health Program includes 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 - OTHER EXPENSE

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

	2009	2008
	\$	\$
	(thousands of dollars)	
Legal and professional fees	403	269
Conference fees/Travel	363	288
Delivery/Courier/Taxi	276	221
Software maintenance	235	178
Security	198	138
Miscellaneous	189	78
Insurance	184	138
Communications	140	58
Recruitment and relocation	136	221
Bad debt	130	142
Honorariums	85	57
Membership fees	52	46
Advertising	39	43
Scholarships FNH	31	29
CYFN Health Commission contribution - FNH	30	30
Watson Lake Project	23	-
Diabetes Grant	-	158
	<u>2,514</u>	<u>2,094</u>

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17. CAPITAL MANAGEMENT

The Corporation considers its capital to be its Net Assets - 'Restricted for capital purchases, external', 'Restricted for capital purchases, internal' and 'unrestricted'. The Corporation's objectives are to comply with externally imposed restrictions and manage its capital as a by-product of managing revenues, expenses, assets and liabilities. The Corporation is subject to financial management and accountability provisions of the *Hospital Act* which imposes restrictions in relation to borrowings and acquisitions of investments.

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.

The Corporation has contractual commitments whereby the minimum required payments for the next five years are as follows:

	\$
	(thousands of dollars)
2009	430
2010	534
2011	459
2012	391
2013	125
	1,939

19. TRUST ASSETS

	2009	2008
	\$	\$
	(thousands of dollars)	
Deferred salary leave plan funds held in trusts	55	109

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 and additional funding for its pension from the Government of Yukon.

21. SUBSEQUENT EVENTS

On April 1, 2009 the Corporation entered into a long term lease agreement with the Government of Yukon relating to #2 Hospital Road, #4 Hospital Road and the Ambulance Station.

The Corporation has signed a one year letter of Intent with the Government of Yukon to determine the feasibility of transferring Watson Lake Hospital to the Yukon Hospital Corporation. The term of this agreement is March 1, 2009 to March 31, 2010. During this agreement the Government will delegate sufficient management authority to the Corporation, to participate in and take all such actions and execute such documents as may be necessary to participate in the management of the Watson Lake Facility. All employees in the current Watson Lake facility will continue to be employed by the Government of Yukon for the length of this agreement. An estimate of the financial effect of the Watson Lake agreement cannot be made at this time.

In April 2009 the Corporation signed a letter of intent with Government of Yukon to oversee the construction of a new hospital in Dawson City to be operated and managed by Yukon Hospital Corporation. The estimated cost of building this new hospital is \$25M to be borrowed by the Corporation from a financial institution.

On June 2, 2009 the Corporation issued a request for proposal for the building of a new nurses residence at #1 Hospital Road. TSL Contractors Ltd has been awarded the contract and construction has begun as of August 2009. This residence is scheduled to be completed in December 2010. The Government of Yukon Minister of Health has approved up to \$17M to be borrowed by the Corporation from a financial institution to fund this capital project.

22. COMPARATIVE FIGURES

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