

YUKON HOSPITAL CORPORATION

FINANCIAL STATEMENTS

March 31, 2010

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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 Trustees.

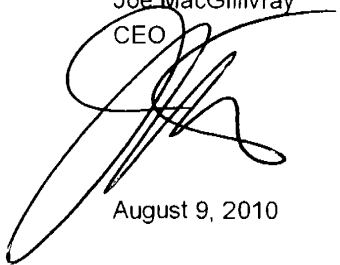
These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for not-for-profit organizations. The financial statements include some amounts, such as the determination of the defined benefit pension plan surplus and the liabilities for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

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

Joe MacGillivray
CEO



August 9, 2010

Nick Leenders
Director of Finance



August 9, 2010



AUDITOR'S REPORT

To the Board of Trustees of the Yukon Hospital Corporation

I have audited the consolidated statement of financial position of the Yukon Hospital Corporation as at March 31, 2010 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.

Because the Corporation did not perform a physical inventory count at the beginning of the year, I was not able to observe the counting of opening inventories. I could not satisfy myself concerning those inventory quantities by alternative means. Since opening inventories enter into the determination of the results of operations, I was unable to determine whether adjustments to supplies expense, surplus of revenue over expenses, and opening 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 the opening 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, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Andrew Lennox, CGA, CMA
Assistant Auditor General
for the Auditor General of Canada

Vancouver, Canada
August 9, 2010

Yukon Hospital Corporation

Consolidated Statement of Financial Position

As at March 31

	2010 \$	2009 \$
(thousands of dollars)		
ASSETS		
Current assets		
Cash & cash equivalents	3,537	6,050
Accounts receivable	2,177	1,966
Inventory (note 4)	2,006	1,426
Prepaid expenses	783	258
	<u>8,503</u>	<u>9,700</u>
Non-current assets		
Restricted funds (note 5)	108	197
Accrued pension benefit (note 6)	6,833	4,763
Capital assets (note 7)	49,410	43,645
Contribution Receivable (note 8)	6,692	-
	<u>71,546</u>	<u>58,305</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	3,845	2,854
Accrued payroll and benefits	3,014	2,459
Deferred revenue	435	132
Short term debt (notes 11 & 12)	4,322	70
	<u>11,616</u>	<u>5,515</u>
Long-term liabilities		
Employee future benefits other than pensions (note 9)	1,863	1,631
Deferred capital contributions (note 10)	45,034	40,185
Long-term debt (notes 11 & 12)	138	208
Asset Retirement Liability (note 19)	177	-
	<u>47,212</u>	<u>42,024</u>
	<u>58,828</u>	<u>47,539</u>
Net Assets		
Investment in capital assets (note 13)	3,398	2,553
Contributed surplus (note 3)	1,393	1,393
Restricted - First Nations Health Fund (note 15)	2,196	2,400
Restricted for capital purchases, external (note 5)	108	197
Restricted for capital purchases, internal	113	103
Unrestricted	5,510	4,120
	<u>12,718</u>	<u>10,766</u>
	<u>71,546</u>	<u>58,305</u>

Contractual obligations (note 18)

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

On behalf of the Board,

Chairman

Director

Yukon Hospital Corporation

Consolidated Statement of Operations

For the year ended March 31

	2010 \$	2009 \$
	(thousands of dollars)	
Revenues		
Government of Yukon - basic funding (note 14)	36,004	32,792
Government of Yukon - other (note 14)	3,797	2,835
Patients	2,748	2,395
Amortization of deferred capital contributions (note 10)	2,583	2,421
Government of Yukon - services without charge (note 14)	1,061	1,034
Fundraising	569	635
Other	417	233
Cafeteria	266	248
Interest	46	544
	<u>47,491</u>	<u>43,137</u>
Expenses		
Compensation and benefits	24,420	21,538
Supplies	5,806	5,978
Amortization of capital assets	3,357	3,193
Other (note 16)	3,266	2,514
Contracted services	2,916	2,464
Pension (note 6)	2,043	2,167
Equipment and building services	1,883	1,479
Government of Yukon - services without charge (note 14)	1,061	1,034
Fundraising	155	155
	<u>44,907</u>	<u>40,522</u>
Surplus of revenues over expenses	<u><u>2,584</u></u>	<u><u>2,615</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 13)	Contributed Surplus	Restricted For First Nations Health Fund (note 15)	Restricted For Capital Purchases External (note 5)	Restricted For Capital Purchases Internal	Unrestricted	2010 Total	2009 Total
	\$	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of year	2,553	1,393	2,400	197	103	4,120	10,766	9,383
Surplus (deficiency) of revenue over expenses	(844)		(204)		10	3,622	2,584	2,615
Net change in investment in capital assets (note 13)	1,689					(1,689)	0	0
Contributions				6,812		(10)	6,802	137
Purchases of Capital Assets				(6,901)		(533)	(7,434)	(1,369)
Balance, end of year	3,398	1,393	2,196	108	113	5,510	12,718	10,766

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

The Surplus (deficiency) of revenue over expenses represents the net impact on the statement of operations of transactions during the year related to the particular component of net assets.

Yukon Hospital Corporation

Consolidated Statement of Cash Flows

For the year ended March 31

	2010	2009
	\$	\$
	(thousands of dollars)	
Cash flows provided by (used in) operating activities		
Receipts from and on behalf of patients	\$36,703	\$38,739
Payments to and on behalf of employees	(27,746)	(24,995)
Payments to suppliers and contractors	(13,963)	(11,772)
	<hr/>	
Cash flows from (used in) operating activities	(5,006)	1,972
	<hr/>	
Cash flows used in investing activities		
Purchase of capital assets	(9,122)	(3,899)
	<hr/>	
Cash flows used in investing activities	(9,122)	(3,899)
	<hr/>	
Cash provided by financing activities		
Cash received for capital purchases	7,433	2,935
Loan Payable	4,182	73
	<hr/>	
Cash flows from financing activities	11,615	3,008
	<hr/>	
Net increase/(decrease) in cash	(2,513)	1,081
	<hr/>	
Cash & cash equivalents, beginning of the year	6,050	4,969
	<hr/>	
Cash & cash equivalents, end of the year	\$3,537	\$6,050
Represented by:	<hr/>	
Cash	\$793	\$2,803
Cash and cash equivalents - First Nations Health Program	2,155	2,439
Cash and cash equivalents - Yukon Hospital Foundation	589	808
	<hr/>	<hr/>
	\$3,537	\$6,050
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The accompanying notes are an integral part of the financial statements.

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements
March 31, 2010

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 4400 & 4470, Revisions to Not-For-Profit Accounting Standards

In September 2008, the CICA issued amendments to Handbook Sections 4400, Financial Statement Presentation by Not-For-Profit Organizations and 4470, Disclosure of Allocated Expenses by Not-For-Profit Organizations. The amendments are effective for the Corporation's fiscal year commencing April 1, 2009 and remove the requirement to disclose net assets invested in capital assets, clarify capital asset recognition criteria and amortization, expand interim financial statements, require disclosure of allocated fundraising and general support expenses by not-for-profit organizations, and include the requirement to follow Handbook Section 1540, Cash Flow Statements. The Corporation has implemented these standards but the standards did not have a material impact on its financial statements.

3. 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. The First Nations Health Program is part of the Yukon Hospital Corporation.

Inventory

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

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements
March 31, 2010

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets

Capital assets are recorded at cost except for contributed capital assets 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

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.

The Corporation has elected to continue to apply the financial instrument disclosure and presentation standards in accordance with Section 3861.

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements
 March 31, 2010

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 actuarial 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 lifetime ("EARSL") of active employees expected to receive benefits under the plan. Past service credits and costs arising from retroactive plan amendments 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 6.

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. There are no segregated assets for the employee future benefits other than pensions and benefits are paid on a pay-as-you-go basis. The obligation for these payments is estimated and recorded in the accounts as the benefits accrue to the employees.

Cumulative unrecognized actuarial gains and losses in excess of 10% of the accrued benefit obligation are amortized on a straight-line basis over the expected average remaining service lifetime ("EARSL") of active employees expected to receive benefits under the plan. Past service credits and costs arising from retroactive plan amendments 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 employee future benefits other than pensions are contained in note 9.

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

Changes in Accounting Framework

The CICA has decided to transition Canadian GAAP for certain publicly accountable entities to International Financial Reporting Standards (IFRS) effective January 1, 2011. The Corporation is currently classified as a not-for-profit organization. The Accounting Standards Board (AcSB) and Public Sector Accounting Board (PSAB) have jointly issued an Invitation to Comment on the future financial reporting by not-for-profit organizations. As part of the strategy, the Accounting Standards Board proposed undertaking an examination of the needs of the financial statement users of not-for-profit organizations and, based on its examination, to determine the most appropriate reporting approach. The Corporation is monitoring these initiatives and their impact on its reporting framework and financial statements.

INVENTORY

	2010	2009
	\$	\$
	(thousands of dollars)	
Inventory		
• Pharmacy	538	472
• Material Management	768	447
• Operating Room Inventory	575	507
• Laboratory Inventory	125	-
Total Inventory	2,006	1,426

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements
 March 31, 2010

5 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.

	2010	2009
	\$	\$
	(thousands of dollars)	
Balance, Beginning of year	197	690
Contributions during the year	6,812	141
Purchases during the year	(6,901)	(634)
Balance, End of year	<u>108</u>	<u>197</u>

6 PENSION COSTS AND OBLIGATIONS

Yukon Hospital Corporation sponsors a contributory defined benefit pension plan. The Corporation contributes amounts as prescribed by an independent actuary. In 2009 members were required to contribute to the plan at a rate of 5.50% of annualized earnings up to the Year's Maximum Pensionable Earnings ("YMPE") plus 7.50% of annualized earnings in excess of YMPE for the Plan year. In 2010, members are required to contribute to the plan at a rate of 5.75% of annualized earnings up to the YMPE plus 7.75% 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 \$44,017,000 as at December 31, 2009.

An actuarial valuation for accounting purposes was performed as of December 31, 2009 by Towers Watson, 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 at December 31, 2010.

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:

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements
March 31, 2010

PENSION COSTS AND OBLIGATIONS (continued)

Weighted-Average Assumptions for Net Period Pension Cost for Fiscal Year	2010	2009
• Discount rate	6.50%	5.00%
• 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 Fiscal Year Ending	2010	2009
• Discount rate	6.00%	6.50%
• Rate of compensation increase (exclusive of seniority, merit)	3.00%	3.00%

As at December 31, 2009, pension fund assets are valued at market value. No adjustment is made for benefits payable or contributions receivable.

	2010	2009
	\$	\$
	(thousands of dollars)	
Change in accrued benefit obligation		
• Accrued benefit obligation - end of prior year	37,449	44,112
• Employer current service cost	1,491	2,212
• Interest cost on benefit obligation	2,519	2,287
• Employee contributions	948	840
• Benefits paid	(1,324)	(2,020)
• Actuarial (gains) losses	3,548	(9,982)
• Accrued benefit obligation - end of year	44,631	37,449

Change in Plan Assets		
• Fair value of plan assets - end of prior year	34,205	39,396
• Actual return on plan assets	6,035	(7,039)
• Employer contributions	4,307	3,235
• Employee contributions	948	840
• Benefits paid	(1,324)	(2,020)
• Actual plan expenses	(154)	(207)
• Fair value of plan assets - end of year	44,017	34,205

Market value of plan assets - end of year	44,017	34,205
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Reconciliation of Funded Status		
• Accrued benefit obligation - end of year	44,631	37,449
• Fair value of plan assets	44,017	34,205
• Funding deficit	(614)	(3,244)
• Employer contributions made between measurement date and fiscal year end	1,309	1,503
• Unamortized past service (credits) costs	434	591
• Unamortized actuarial (gains) losses	5,704	5,913
Accrued benefit asset (liability) - end of year	6,833	4,763

Classification of accrued benefit asset (liability)		
• Other assets	6,833	4,763
• Accrued benefit asset (liability) - end of year	6,833	4,763

Components of Net Periodic Pension Cost		
• Current service cost (employer portion) including provision for administrative expenses	1,649	2,351
• Interest cost on benefit obligation	2,519	2,287
• Actual return on plan assets	(6,035)	7,039
• Actuarial (gains) losses on accrued benefit obligation	3,544	(9,982)
Cost arising in the period	1,677	1,695

Differences between costs arising in the period and costs recognized in the period in respect of:

• Return on plan assets	3,509	(9,864)
• Actuarial (gains) losses	(3,300)	10,179
• Past service (credits) costs	157	157
Net periodic pension cost recognized	2,043	2,167

Plan Assets By Asset Category	Dec 31, 2009	Dec 31, 2008
• Equity securities	64%	61.0%
• Debt securities	34%	35.0%
• Other	2%	4.0%
Total	100%	100%

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements
 March 31, 2010

6. 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 \$6,833,000 (2009 - \$4,763,000) has been recorded on the Corporation's books of account and is included on the balance sheet as at March 31, 2010.

The funded status of the pension plan (a deficit of \$614,000 as at December 31, 2009) presented in these financial statements has been determined on the basis that the pension plan remains a going concern.

As at December 31, 2009 the pension plan had a deficit of \$12.0 million if valued on the basis that the pension plan were terminated/wound up as at December 31, 2009. The solvency ratio of the plan is 79%. Since it is less than 100%, 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 quarterly payments of \$413,000 per year over five years starting in 2010. During the fiscal year, the Corporation contributed \$4,113,000 to the plan, of which \$1,980,000 related to solvency deficiency payments for 2009. Also during the fiscal year, the Corporation received \$1,943,000 from the Government of Yukon to fund its pension plan.

7. CAPITAL ASSETS

	Cost \$	Accumulated amortization \$	2010	2009
			Net \$	Net \$
			(thousands of dollars)	
Medical equipment	5,807	3,059	2,748	2,880
Information systems	5,545	3,865	1,680	1,629
Buildings	59,736	18,211	41,525	36,136
Building improvements	2,303	909	1,394	1,150
Equipment	1,788	784	1,004	825
Land				
transferred	1,009	—	1,009	1,009
Land Improvements - Parking lot paving	28	—	28	—
Yukon Hospital Foundation Property & Equipment	43	25	18	11
First Nations Health program Property & Equipment	36	32	4	5
	<u>76,295</u>	<u>26,885</u>	<u>49,410</u>	<u>43,645</u>

8. CONTRIBUTIONS RECEIVABLE

During the current year the Corporation started several major capital projects. As at March 31, 2010 the Corporation has spent \$6.692 million against these projects. The Corporation has secured financing with the CIBC for these projects and the Government of Yukon has committed funds to be paid each year beginning in 2010-11 to repay the loans. As a result, the Corporation has set up a contribution receivable in the amount of \$6.692 million and increased its deferred capital by the same amount.

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements
 March 31, 2010

9 EMPLOYEE FUTURE BENEFITS OTHER THAN PENSIONS

The Corporation provides severances and sick leave benefits to its employees. 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.

An actuarial valuation for accounting purposes was performed as of December 31, 2009 by Towers Watson, using the projected benefits method prorated on services. The actuarial valuation included services rendered by eligible employees at December 31, 2009. The next actuarial valuation for accounting purposes will be performed as at December 31, 2010.

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

Weighted-Average Assumptions for Benefit Obligation at Fiscal Year Ending	2010	2009
• Discount rate	5.00%	0.00%
• Rate of compensation increase (exclusive of seniority, and promotion)	3.00%	0.00%

Comparative percentages were not available for 2009.

	2010	2009
	\$	\$
	(thousands of dollars)	
Change in accrued benefit obligation		
• Accrued benefit obligation - end of prior year	1,781	1,566
• Employer current service cost	300	268
• Benefits	(16)	(53)
• Actuarial (gains) losses	(173)	-
• Accrued benefit obligation - end of year	<u>1,892</u>	<u>1,781</u>
Reconciliation of Funded Status		
• Accrued benefit obligation - end of year	<u>1,892</u>	<u>1,781</u>
• Funding deficit	(1,892)	(1,781)
• Unamortized actuarial (gains) losses	(173)	-
Accrued benefit asset (liability) - end of year	<u>(2,065)</u>	<u>(1,781)</u>
Classification of accrued benefit asset (liability)		
• Current liability	(202)	(150)
• Other long-term liability	(1,863)	(1,631)
Accrued benefit asset (liability) - end of year	<u>(2,065)</u>	<u>(1,781)</u>
Accrued benefit obligation end of year	<u>1,892</u>	<u>1,781</u>

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.

Components of Net Periodic Benefit Cost		
• Current service cost	300	268
• Actuarial (gains) losses on accrued benefit	(173)	-
Cost arising in the period	<u>127</u>	<u>268</u>
Differences between costs arising in the period and recognized in the period in respect of:		
• Actuarial (gains) losses	<u>173</u>	<u>-</u>
Net periodic benefit cost recognized	<u>300</u>	<u>268</u>

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements
 March 31, 2010

9. EMPLOYEE FUTURE BENEFITS OTHER THAN PENSIONS (continued)

The Yukon Hospital Corporation adopted a measurement date of December 31 in respect to its benefit obligations. Consequently, the benefit obligation is measured as of December 31 for presentation in the financial statements as of March 31.

The accrued benefit liability of \$2,065,000 (2009 - \$1,781,000) has been recorded on the Corporation's books of account and is included on the balance sheet as at March 31, 2010 \$1,863,000 long term and \$202,000 short term included in accrued payroll and benefits.

The funded status of the employee future benefits other than pensions (a deficit of \$1,892,000 as at December 31, 2009) presented in these financial statements has been determined on the basis that the severances and sick leave benefits remain a going concern.

10. 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:

	2010 \$	2009 \$
	(thousands of dollars)	
Balance, Beginning of year	40,185	39,671
Restricted government contribution	7,088	1,639
Restricted capital contributions (non-government)	344	1,296
Amount amortized to revenue	(2,583)	(2,421)
Balance, End of year	<u>45,034</u>	<u>40,185</u>

11. INDEBTEDNESS

	2010 (thousands of dollars)	2009 (thousands of dollars)	2010 (thousands of dollars)	2009 (thousands of dollars)
	Short Term	Short Term	Long Term	Long Term
Yukon Development Corporation	70	70	\$ 138	\$ 208
CIBC New Residence Loan	<u>4,252</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>4,322</u>	<u>70</u>	<u>138</u>	<u>208</u>

Yukon Development Corporation

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.

\$208,000 remains from the original \$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 \$387,000. (2009 - \$417,000)

The savings realized to date are as follows:

	\$
	(thousands of dollars)
2004	78
2005	109
2006	112
2007	191
2008	145
2009	140
	<u>775</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.

CIBC New Residence Loan

The Corporation has entered into a Demand Construction Loan Facility with the Canadian Imperial Bank of Commerce to be used for financing costs of the new staff residence and medical services facility. The estimated costs are expected to be up to \$17 million. The Demand Construction Facility will be repaid in full from the proceeds of a Demand Term Instalment loan upon substantial completion of the projected estimated to be January 2011.

CIBC Bank Loan - interest rate swaps

The Corporation has entered into a Demand Construction Loan Facility with the CIBC. The amounts obtained under this Demand Construction Facility are to be used for financing the costs of the new staff residence and medical services facility with estimated costs to be up to \$17 million. Interest is to be calculated at Prime Rate per annum, payable in advance. The Demand Construction Facility will be repaid in full from the proceeds of the Demand Term Instalment Loan upon substantial completion of the Project projected to be January 2011.

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11. INDEBTEDNESS CONTINUED

The Corporation has entered into an interest rate swap agreement with the Canadian Imperial Bank of Commerce to reduce its exposure to fluctuations in interest rates on a portion of its debt. Interest rate swap agreements are transactions in which two parties exchange interest flows on a specified notional amount on predetermined dates for a specific period of time using agreed upon fixed or floating rates of interest. Notional amounts upon which the interest payments/receipts are based are not exchanged. This swap transaction commences December 15, 2010 and terminates on March 15, 2028. The Corporation will pay a fixed rate of 5.23% and payment dates will be the 15th of every month commencing January 17, 2011 up to and including the termination date. The floating rate for the initial calculation period remains to be determined but the floating rate option will be based on the Canadian Dollar - Bankers Acceptance - Canadian Dealer Offer Rate (CAD-BA-CDOR). The spread is 0.85000%.

12. 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 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 debt financial instruments are as follows:

	2010		2009	
	(thousands of dollars)			
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	\$	\$	\$	\$
YDC Short and Long-term debt	208	245	278	374
New Residence Short-term debt	4,252	4,201	-	-
	<u>4,460</u>	<u>4,446</u>	<u>278</u>	<u>374</u>

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.

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 \$2,177,000 as of March 31, 2010 (2009 - \$1,966,000). There is no concentration of accounts receivable with any one customer. As at March 31, 2010, approximately 9% (2009 - 12%) of accounts receivable were over 90 days past due, whereas 65% (2009 - 72%) were current or less than 30 days past due. The Corporation's allowance for doubtful accounts is \$92,000 as at March 31, 2010 (2009 - \$280,000).

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

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 \$3,845,000 as at March 31, 2010 (2009 - \$2,854,000). As at March 31, 2010, 100% of accounts payable (2009 - 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 \$10,000 of funds in a US bank account in 2010 (2009 - \$4,000). The Corporation is not exposed to any significant currency risk.

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13 - INVESTED IN DEPRECIABLE CAPITAL ASSETS

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

	2010	2009
	\$	\$
	(thousands of dollars)	
Capital assets (note 7) less land in Net assets	48,401	42,636
Amounts financed by deferred capital contributions	<u>(45,003)</u>	<u>(40,083)</u>
	<u>3,398</u>	<u>2,553</u>

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

(b) Change in Amortization

Amortization of deferred capital contributions	2,513	2,361
Amortization of capital assets	<u>(3,357)</u>	<u>(3,193)</u>
	<u>(844)</u>	<u>(832)</u>

(c) Net change in invested capital assets

Purchase of capital assets	9,122	3,899
Amounts funded by deferred capital contributions	<u>(7,433)</u>	<u>(2,935)</u>
	<u>1,689</u>	<u>964</u>

14 - RELATED PARTY TRANSACTIONS

	2010	2009
	\$	\$
	(thousands of dollars)	
Government of Yukon Contribution		
• Basic Funding	35,322	32,129
• First Nations Health program (note 15)	682	663
Total Basic Funding	<u>36,004</u>	<u>32,792</u>
• Other	3,797	2,835
• Yukon Hospital Foundation (included in fundraising revenue)	75	75
Total Government of Yukon Contribution	<u>39,876</u>	<u>35,702</u>

Revenue received from the Government of Yukon for services was \$ 39,876,000 for 2010 (2009 - \$35,702,000). The 2010 contribution includes \$75,000 (2009 - \$75,000) flow through funding given to Yukon Hospital Foundation. The other funding includes \$1,556,350 (2009 - \$2,337,000) 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 \$1,061,000 (2009 - \$1,034,000). This amount consists of operating and maintenance expenses of \$359,000 (2009 - \$359,000) and property taxes of \$702,000 (2009 - \$675,000) 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 2010 was \$196,000 (2009 - \$163,000).

In compliance with the Appendix H agreement, the Corporation provides goods in the amount of \$1,141,000 (2009 - \$883,000) 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 \$1,005,000 (2009 - \$842,000). 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. The services without charge are reflected and flow through the Statement of Operations of the Corporation.

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.

	2010	2009
	\$	\$
	(thousands of dollars)	
Revenues		
Government of Yukon - Transfer agreement (note 14)	682	663
Interest	12	69
Other	10	—
	<u>704</u>	<u>732</u>
Expenses		
Payroll	789	706
Travel	30	62
Scholarships	11	31
Contribution - Council of Yukon First Nations Health Commission	30	30
Sundry	12	21
Material & Supplies	16	16
Honoraria	19	12
Depreciation	1	2
	<u>908</u>	<u>880</u>
Opening Surplus	2,400	2,548
Net Surplus	<u>2,196</u>	<u>2,400</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:

	2010	2009
	\$	\$
	(thousands of dollars)	
Legal and professional fees	462	403
Conference fees/Travel	414	363
Watson Lake Project	384	23
Miscellaneous	368	189
Software maintenance	293	235
Delivery/Courier/Taxi	256	276
Recruitment and relocation	254	136
Insurance	207	184
Communications	186	140
Honorariums	168	85
Advertising	88	39
Membership fees	83	52
Bad debt	58	130
CYFN Health Commission contribution - First Nations Health	30	30
Scholarships First Nations Health	11	31
Security	4	198
	<u>3,266</u>	<u>2,514</u>

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17- CAPITAL MANAGEMENT

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. The Corporation receives its principal source of capital through funding received from the Yukon Government. The Corporation considers its capital to be its Net Assets - 'Restricted for capital purchases, external', 'Restricted for capital purchases, internal' and 'unrestricted'.

The Corporation defines and computes its capital as follows:

	2010	2009
	\$	\$
	(thousands of dollars)	
Restricted for capital purchases, external	108	197
Restricted for capital purchases, internal	113	103
Unrestricted	5,510	4,120
	<u>5,731</u>	<u>4,420</u>

The Corporation's financial 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's financial objectives as stated above have remained substantially unchanged over the last two years. The Corporation has complied with the externally imposed restrictions on the funding provided.

18- CONTRACTUAL OBLIGATIONS

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)	
2010	7,312	
2011	9,056	
2012	1,389	
2013	224	
2014	82	
Thereafter	34	
	<u>18,097</u>	

19- ASSET RETIREMENT OBLIGATIONS

The Corporation has identified asset retirement obligations for specific equipment as requiring special demolition and disposal treatment. The aggregate amount of the liability relating to the disposal of this equipment can reasonably be determined as of March 31, 2010 as \$177,000.

20- TRUST ASSETS

	2010	2009
	\$	\$
	(thousands of dollars)	
Deferred salary leave plan funds held in trusts	82	55

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.

21- ECONOMIC DEPENDENCE

The Corporation receives approximately 86% of its income and additional funding for its pension from the Government of Yukon.

22- SUBSEQUENT EVENTS

Effective April 1, 2010 the Corporation has taken over ownership and management of Watson Lake Hospital. Plans have begun to replace the hospital with a new building and scheduled completion date of construction is the spring of 2012. Estimated costs of construction are \$22 million. Watson Lake Hospital employees have the option of transferring pensionable service from the Pension Plan for the Public Service of Canada to the Corporation Pension Plan. The actuaries have estimated a total liability to the Corporation of \$499,000 if every employee chooses to transfer to the Corporation Pension Plan.

23- COMPARATIVE FIGURES

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