

YUKON HOSPITAL CORPORATION

FINANCIAL STATEMENTS

March 31, 2013

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Management Responsibility

The accompanying consolidated 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.

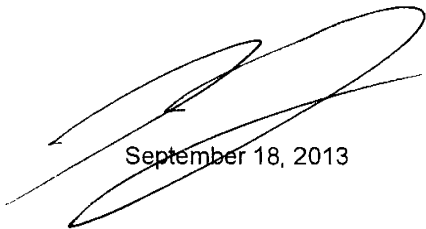
These consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. The consolidated financial statements include some amounts, such as the determination of amounts related to the defined benefit pension plan and the liabilities for 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.

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 fulfills its responsibilities for financial reporting and internal controls. The Board exercises this responsibility through an Executive Committee consisting of five non-management members. The Executive Committee meets regularly with management and with the external auditors to review the scope and results of the annual audit, and to review the consolidated financial statements and related financial reporting matters prior to recommending the consolidated financial statements to the Board of Trustees for approval.

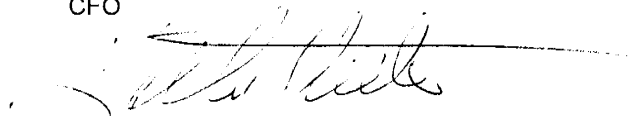
These consolidated financial statements have been independently audited in accordance with Canadian generally accepted auditing standards, by the Auditor General of Canada, and his report is included with these consolidated financial statements.

Jason Bilsky
CEO



September 18, 2013

Kelly Steele
CFO



September 18, 2013



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of Yukon Hospital Corporation

I have audited the accompanying consolidated financial statements of the Yukon Hospital Corporation, which comprise the consolidated statements of financial position as at 31 March 2013, 31 March 2012 and 1 April 2011, and the consolidated statements of operations, consolidated statements of changes in net assets and consolidated statements of cash flows for the years ended 31 March 2013 and 31 March 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audits. I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained in my audits is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Yukon Hospital Corporation as at 31 March 2013, 31 March 2012 and 1 April 2011, and the results of its operations and its cash flows for the years ended 31 March 2013 and 31 March 2012 in accordance with Canadian public sector accounting standards.

Terrance DeJong, CA
Assistant Auditor General
for the Auditor General of Canada

18 September 2013
Vancouver, Canada

Yukon Hospital Corporation

Consolidated Statement of Financial Position

As at March 31, 2013, March 31, 2012 and April 1, 2011

	March 31 2013 \$	March 31 2012 \$	April 1, 2011 \$
(thousands of dollars)			
ASSETS			
Current assets			
Cash	3,341	3,015	3,634
Accounts receivable (note 12)	1,988	2,128	1,158
Inventory (note 4)	2,203	2,189	2,315
Prepaid expenses	557	437	514
Short-term contributions receivable (note 8)	3,149	1,238	-
	11,238	9,007	7,621
Non-current assets			
Restricted funds (note 5)	274	252	204
Accrued pension benefit (note 6)	18,627	17,089	15,032
Capital assets (note 7)	114,223	101,592	67,263
Contributions receivable (note 8)	69,086	56,437	22,513
	202,210	175,370	105,012
	213,448	184,377	112,633
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities (note 12)	5,841	8,281	4,727
Accrued payroll and benefits (note 12)	2,829	4,108	3,406
Deferred revenue	590	63	192
Short-term debt (notes 11 & 12)	69,792	52,318	18,477
	79,052	64,770	26,802
Non-current liabilities			
Employee future benefits other than pensions (note 9)	2,536	2,046	2,053
Deferred capital contributions (note 10)	107,827	95,077	61,943
Long-term debt (notes 11 & 12)	162	162	116
Asset retirement obligation (note 19)	285	285	356
	110,810	97,570	64,468
	189,862	162,340	91,270
NET ASSETS			
Investment in capital assets (note 13)	6,617	6,716	5,540
Restricted - First Nations Health Program (note 15)	1,076	1,497	1,876
Restricted for capital purchases, internal	748	520	276
Restricted for pension	18,627	17,089	15,032
Unrestricted	(3,482)	(3,785)	(1,361)
	23,586	22,037	21,363
	213,448	184,377	112,633
Contingencies and contractual obligations (note 18)			

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

On behalf of the Board,

Chairman

Director

Yukon Hospital Corporation

Consolidated Statement of Operations

For the years ended March 31, 2013 and 2012

	2013	2012
	\$	\$
	(thousands of dollars)	
Revenues		
Government of Yukon - basic funding (note 14)	48,622	45,601
Patients	3,548	3,256
Amortization of deferred capital contributions (note 10)	3,079	3,183
Government of Yukon - other (note 14)	2,750	2,173
Fundraising	964	847
Government of Yukon - services without charge (note 14)	856	811
Other	489	737
Thomson Centre service contracts	414	151
Cafeteria	326	329
Interest	94	99
	<u>61,142</u>	<u>57,187</u>
Expenses		
Compensation and benefits	34,107	32,721
Supplies	8,286	8,551
Amortization of capital assets	4,062	4,133
Contracted services	3,850	3,781
Other (note 16)	3,096	3,560
Equipment and building services	2,399	2,464
Pension (note 6)	1,627	701
Interest on long-term debt (note 11)	981	286
Government of Yukon - services without charge (note 14)	856	811
Fundraising	224	151
	<u>59,488</u>	<u>57,159</u>
Surplus of revenues over expenses	<u><u>1,654</u></u>	<u><u>28</u></u>

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

Yukon Hospital Corporation
Consolidated Statement of Changes in Net Assets

For the years ended March 31, 2013 and 2012

2013	Investment in	Restricted	Restricted	Restricted	Unrestricted	2013 Total
	Capital Assets (note 13)	For First Nations Health Program (note 15)	For Capital Purchases Internal	For Pension		
	\$	\$	\$	\$	\$	\$
	(thousands of dollars)					
Balance, beginning of year	6,716	1,497	520	17,089	(3,785)	22,037
Surplus (deficiency) of revenue over expenses	(983)	(421)	288	1,538	1,232	1,654
Net change in investment in capital assets (note 13)	884				(884)	-
Contributions			(60)		60	-
Purchases of Capital Assets					(105)	(105)
Balance, end of year	6,617	1,076	748	18,627	(3,482)	23,586

2012	Investment in	Restricted	Restricted	Restricted	Unrestricted	2012 Total
	Capital Assets (note 13)	For First Nations Health Program (note 15)	For Capital Purchases Internal	For Pension		
	\$	\$	\$	\$	\$	\$
	(thousands of dollars)					
Balance, beginning of year, as previously reported	5,540	1,876	276	9,306	(1,487)	15,511
Adjustment to opening net assets (note 3)	-	-	-	5,726	126	5,852
Net assets, beginning of year, as currently reported	5,540	1,876	276	15,032	(1,361)	21,363
Surplus (deficiency) of revenue over expenses	(950)	(379)	244	2,057	(944)	28
Net change in investment in capital assets (note 13)	1,385				(1,385)	-
Contributions	741					741
Purchases of Capital Assets					(95)	(95)
Balance, end of year	6,716	1,497	520	17,089	(3,785)	22,037

The accompanying notes are an integral part of the consolidated 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 years ended March 31, 2013 and 2012

	2013	2012
	\$	\$
	(thousands of dollars)	
Cash flows used in operating activities		
Receipts from government funding	37,753	12,634
Receipts from patient revenue	5,459	4,180
Payments to and on behalf of employees	(38,062)	(34,783)
Payments to suppliers and contractors	(20,429)	(14,820)
	<u>(15,279)</u>	<u>(32,789)</u>
Cash flows used in capital activities		
Purchase of capital assets	(15,026)	(36,099)
Payments of interest capitalized	(1,667)	(1,556)
	<u>(16,693)</u>	<u>(37,655)</u>
Cash provided by financing activities		
Cash received for capital purchases	15,805	36,270
Cash received from loans	18,709	34,056
Repayment of loans	(1,235)	(215)
Interest on long-term debt	(981)	(286)
	<u>32,298</u>	<u>69,825</u>
Net increase(decrease) in cash	326	(619)
Cash, beginning of the year	3,015	3,634
Cash, end of the year	<u>3,341</u>	<u>3,015</u>
Represented by:		
Cash	90	71
Cash - First Nations Health Program	1,123	1,522
Cash - Yukon Hospital Foundation	2,128	1,422
	<u>3,341</u>	<u>3,015</u>

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

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

Years ended March 31, 2013 and 2012

1 - PURPOSE

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

2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. The Corporation has elected to apply the Section 4200 series for government-not-for-profit organizations.

Basis of consolidation

The consolidated financial statements include the accounts of Corporation and its wholly-owned subsidiary, the Foundation. All significant inter-company transactions and balances have been eliminated on consolidation.

Cash

This balance includes cash held in Canadian bank accounts including amounts designated for the First Nations Health Program. The First Nations Health Program is administered by 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.

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. Except for land, all capital assets are recorded net of accumulated amortization. Interest on loans during construction of capital assets is capitalized. Amortization is calculated by the straight line method over the assets' expected useful lives (see note 7).

Estimated useful life	Years
Computer, Hardware & systems development	5
Equipment & vehicles	6.7-10
Buildings	10-40
Building improvements	20
Land improvements	20
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.

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements

Years ended March 31, 2013 and 2012

2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

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 consolidated financial statements.

Financial instruments

All financial instruments of the Corporation are recorded at cost or amortized cost.

Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably determined. Contingent liabilities are not recognized but are disclosed in Note 18.

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.

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 pensions. 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 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 recognized in the year of plan amendments. Further details with respect to the pension are contained in note 6.

PS 3250 requires that the discount rate be either the cost of borrowing or the expected rate of return on plan assets. The expected rate of return on plan assets is now used to value the accrued pension benefit asset.

Employee future benefits other than pensions

Employees are entitled to specified severances, sick leave and special 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 employee.

The disclosure items with respect to the specified severance benefits, special leave liability and sick leave liability are based on an actuarial valuation performed by Towers Watson, the actuary, for accounting purposes. Cumulative unrecognized actuarial gains and losses in respect of the severance and sick leave benefits 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.

PS 3250 requires that the discount rate be either the cost of borrowing or the expected rate of return on plan assets. The expected rate of return on the cost of borrowing is now used on the employee future benefits.

Use of estimates

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards applicable for government not-for-profit organizations 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 consolidated financial statements and the reported amount of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the estimated useful lives of capital assets, determination of the defined benefit pension plan obligation and actuarial gains or losses, and the liabilities for accrued severance, retirements and sick leave benefits. Financial results as determined by actual events could differ significantly from these estimates.

Future accounting changes

PSAS Section 3260 Liability for Contaminated Sites has been released to provide guidance on recognition and measurement of liabilities associated with contamination of sites. Recognition of liability for contaminated sites occurs when an environmental standard exists, contamination exceeds that standard, the entity is directly responsible or accepts responsibility, it is expected future economic benefits will be given up, and a reasonable estimate of the amount can be made. Additional work is expected to be performed to identify and assess the liabilities. The standard is effective for the Corporation for fiscal year beginning April 1, 2014. The Corporation is currently evaluating the impact of this new accounting standard on its consolidated financial statements in the future.

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements

Years ended March 31, 2013 and 2012

3 - ADOPTION OF NEW ACCOUNTING FRAMEWORK

The Public Sector Accounting Board (PSAB) issued new standards for government (public sector) not-for-profit organizations. For years beginning on or after January 1, 2012, government NPOs have a choice of:

1. Public sector accounting standards including PS 4200 - 4270 for government not-for-profit organizations; or
2. Public sector accounting standards

The Corporation has chosen to follow Public Sector Accounting standards including PS 4200 - 4270 for government not-for-profit organizations.

Effective April 1, 2012, the Corporation adopted Canadian public sector accounting standards applicable for a government not-for-profit organization. These are the Corporation's first financial statements prepared in accordance with this framework and the transitional provisions of Section 2125 requires retroactive application of the accounting standards with certain elective exemptions and mandatory exceptions. The accounting policies set out in the Summary of Significant Accounting Policies have been applied in preparing the financial statements for the year ended March 31, 2013, the comparative information presented in these financial statements for the year ended March 31, 2012 and in the preparation of an opening PSAB for Government NPOs statement of financial position at the date of transition of April 1, 2011.

In addition, effective April 1, 2012, the Corporation adopted Sections PS 3450, Financial Instruments, PS 2601, Foreign Currency Translation and related amendments to other Sections on a prospective basis, without restatement of comparative figures.

The Corporation issued financial statements for the year ended March 31, 2011 using generally accepted accounting principles prescribed by the CICA Handbook - Accounting Part V - Pre-changeover Accounting Standards. The adoption of PSAB for Government NPOs resulted in adjustments to the previously reported assets, liabilities, net assets, excess of revenue over expenses and cash flows of the Corporation. An explanation of how the transition from pre-changeover Canadian GAAP to PSAB for Government NPOs has affected the Corporation's financial position, operations, changes in net assets and cash flows is set out in the following notes and tables.

The following exemptions and exceptions were used at the date of transition to Canadian accounting standards for not-for-profit

Optional exemption

Actuarial gains and losses

Pre-changeover GAAP allowed the Corporation to only recognize actuarial gains and losses that exceeded certain prescribed amounts ("the corridor approach"). PSAB for Government NPOs requires the amortization of actuarial gains and losses on post-employment benefit obligations to be amortized over the estimated average remaining service life of employees. Retroactive application of this approach would require the Corporation to split the cumulative actuarial gains and losses from the inception of the plan until the date of transition to PSAB for Government NPOs into a recognized portion and an unrecognized portion. The Corporation elected to recognize all cumulative actuarial gains and losses as the date of transition to PSAB for Government NPOs directly into net assets. Actuarial gains and losses subsequent to the date of transition to PSAB for Government NPOs are accounted for in accordance with PS 3250 - Retirement Benefits.

Mandatory exemptions

Estimates

The estimates previously made by the Corporation under pre-changeover GAAP were not revised for the application of PSAB for Government NPOs except where necessary to reflect any difference in accounting policy or where there was objective evidence that those estimates were in error. As a result the Corporation has not used hindsight to revise estimates.

Reconciliation of net assets and surplus of revenue over expenses

In preparing these financial statements, management has amended certain accounting policies previously applied in the pre-changeover Canadian GAAP financial statements to comply with PSAB for Government NPOs. The comparative figures for March 31, 2012 were restated to reflect these adjustments. The following reconciliations and explanatory notes provide a description of the effect of the transition from pre-changeover Canadian GAAP to PSAB for Government NPOs on net asset and surplus of revenue over expenses:

Statement of Financial Position as at April 1, 2011 - Transition Date

Pension benefit asset

	\$
Benefit (asset) liability, as previously reported	(9,306)
Adjustment to employee future benefit (asset) under PSAB	
Change in discount rate	(10,698)
Change in fair value of pension plan assets due to change in measurement date	(1,404)
Derecognition of unamortized past service credits/costs at date of transition	277
Derecognition of unamortized actuarial gain (loss) at date of transition	6,099
Benefit (asset) liability, as currently reported	<u>(15,032)</u>

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements

Years ended March 31, 2013 and 2012

3 - ADOPTION OF NEW ACCOUNTING FRAMEWORK (continued)

Employee future benefits liability	\$
Benefit (asset) liability, as previously reported	2,179
Adjustment to employee future benefit (asset) under PSAB	
Change in discount rate	15
Derecognition of unamortized actuarial gain/loss at date of transition	(141)
Benefit (asset) liability, as currently reported	<u>2,053</u>

Net Assets	\$
Net assets, as previously reported	15,715
Adjustment to employee future benefits liability	
Change in Accrued Pension Benefit under PSAB	5,726
Change in employee future benefit obligation under PSAB	126
Net assets, as currently reported	<u>21,567</u>

Statement of Financial Position for the year ended March 31, 2012

Pension benefit asset	\$
Benefit (asset) liability, as previously reported	(9,910)
Opening balance impact	(5,726)
Change in discount rate	(1,453)
Benefit (asset) liability, as currently reported	<u>(17,089)</u>

Employee future benefits liability	\$
Benefit (asset) liability, as previously reported	2,170
Adjustment to employee future benefit (asset) under PSAB	
Opening balance impact	(126)
Change in discount rate	2
Benefit (asset) liability, as currently reported	<u>2,046</u>

Net Assets	\$
Net assets, as previously reported	14,986
Adjustment to employee future benefits liability	
Change in Accrued Pension Benefit under PSAB	7,179
Change in employee future benefit obligation under PSAB	124
Reallocation of net assets capital contributions, external to deferred capital contributions	(252)
Net assets, as currently reported	<u>22,037</u>

Statement of Operations for the year ended March 31, 2012

Expenses	\$
Compensation and benefits as previously reported	32,719
Adjustment for change in discount rate for employee future benefits other than pension	2
Compensation and benefits as currently reported	<u>32,721</u>

	\$
Pension expense as previously reported	2,154
Adjustment for change in discount rate for Pension	(1,453)
Pension expense as currently reported	<u>701</u>

Excess of revenue over expenses	\$
As previously reported	(1,423)
Adjustment for change in discount rates for Pension and employee future benefits	1,451
Excess of revenue over expenses as currently reported	<u>28</u>

Statement of cash flows

The transition had no significant impact on the Corporation's cash flows other than presentation of capital-related cash flows as "cash flow used in capital activities" instead of "cash flow used in investing activities".

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements

Years ended March 31, 2013 and 2012

4 - INVENTORY

	March 31 2013	March 31 2012	April 1 2011
Inventory	\$	\$	\$
	(thousands of dollars)		
• Pharmacy	636	637	610
• Material Management	696	712	732
• Operating Room Inventory	635	626	801
• Laboratory Inventory	236	214	172
Total Inventory	2,203	2,189	2,315

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 Consolidated Statement of Financial Position as an asset with an offsetting entry to deferred capital contributions. The balance in the fund represents the difference between Restricted Contributions for Capital assets received and the funds spent thus far based on the restrictions attached to the contributions.

	March 31 2013	March 31 2012	April 1 2011
	\$	\$	\$
	(thousands of dollars)		
Balance, Beginning of year	252	204	108
Contributions during the year	14,751	35,101	15,963
Purchases during the year	(14,729)	(35,053)	(15,867)
Balance, End of year	274	252	204

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 2013 members were required to contribute to the plan at a rate of 6.4% (2012 - 6.2%) of annualized earnings up to the Year's Maximum Pensionable Earnings ("YMPE") plus 8.4% (2012 - 8.2%) 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 \$69.214 million as at March 31, 2013, (March 31, 2012 - \$60.208 million; March 31, 2011 - \$ 56.232 million).

An actuarial valuation for accounting purposes was performed as of March 31, 2013 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 March 31, 2014.

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:

Weighted-Average Assumptions for Net Period Pension Cost for Fiscal Year	March 31 2013	March 31 2012	April 1 2011
• Discount rate	6.50%	6.50%	6.75%
• Expected long-term rate of return on plan assets	6.50%	6.50%	6.75%
• Rate of compensation increase (exclusive of seniority, merit and promotion increases)	2.50%	2.50%	2.50%

Weighted-Average Assumptions for Benefit Obligation at Fiscal Year	March 31 2013	March 31 2012	April 1 2011
• Discount rate	6.50%	6.50%	6.75%
• Rate of compensation increase (exclusive of seniority, merit and promotion)	2.50%	2.50%	2.50%

As at March 31, 2013, pension fund assets are valued at market value. No adjustment is made for benefits payable or contributions receivable.

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements
Years ended March 31, 2013 and 2012

6 - PENSION COSTS AND OBLIGATIONS (continued)

	March 31 2013	March 31 2012	
	\$	\$	
	(thousands of dollars)		
Change in accrued benefit obligation			
• Accrued benefit obligation - beginning of year	48,031	41,200	
• Current Period Benefit Cost (Employee & Employer)	3,171	2,853	
• Interest cost	3,151	2,832	
• Benefits paid	(2,271)	(1,353)	
• Actuarial (gains) losses	(1,895)	2,499	
• Accrued benefit obligation - end of year	<u>50,187</u>	<u>48,031</u>	
Change in Plan Assets			
• Fair value of plan assets -beginning of year	60,208	56,232	
• Actual return on plan assets	6,873	1,403	
• Employer contributions	3,165	2,758	
• Employee contributions	1,504	1,312	
• Benefits paid	(2,271)	(1,353)	
• Actual plan expenses	(265)	(144)	
• Fair value of plan assets - end of year	<u>69,214</u>	<u>60,208</u>	
Reconciliation of Funded Status			
• Accrued benefit obligation	50,187	48,031	
• Fair value of plan assets	<u>69,214</u>	<u>60,208</u>	
• Funded (surplus) deficit	<u>(19,027)</u>	<u>(12,177)</u>	
• Unamortized actuarial (gains) losses	400	(4,912)	
• Accrued benefit (asset) liability - end of year	<u>(18,627)</u>	<u>(17,089)</u>	
Benefit Expense			
• Current Period Benefit Cost	3,399	3,064	
• Amortization of actuarial (gains) losses	564	-	
• Less Employee Contributions	<u>(1,504)</u>	<u>(1,312)</u>	
• Benefit Expense	<u>2,459</u>	<u>1,752</u>	
• Benefit Interest Expense	<u>(832)</u>	<u>(1,051)</u>	
Total Expenses related to Benefits	<u>1,627</u>	<u>701</u>	
Plan Assets By Asset Category	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
• Equity securities	66.0%	65.0%	65.0%
• Debt securities	32.0%	34.0%	34.0%
• Other	2.0%	1.0%	1.0%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

As at December 31, 2012 the pension plan had a solvency deficit of \$27.9 million (December 31, 2011 - \$28.1 million; December 31, 2010 - \$14.4 million) if valued on the basis that the pension plan were terminated/wound up as at December 31, 2012. The solvency ratio of the plan is 72% (68% in 2011). 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 monthly payments of \$374,583 over the 2013 year. In lieu of solvency special payments, the Corporation has obtained a conforming letter of credit to satisfy the solvency special payment. During the fiscal year, the Corporation entered into Letters of Credit totalling \$5,710,547 (2012 - 2,250,378) related to solvency deficiency payments.

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements

Years ended March 31, 2013 and 2012

7 - CAPITAL ASSETS

2013	(\$000's)							
	Land	Land Improvements	Buildings	Building Improvements	Equipment & Vehicles	Computer Hardware & Systems Development	Construction In Progress	Total
Cost, March 31, 2012	\$ 1,751	\$ 301	\$ 75,316	\$ 2,571	\$ 9,615	\$ 5,853	\$ 38,519	\$ 133,926
Acquisitions		13	475	14	674	63	15,454	16,693
Disposals			(654)					(654)
Cost, March 31, 2013	1,751	314	75,137	2,585	10,289	5,916	53,973	149,965
Accumulated amortization, March 31, 2012	-	29	21,710	1,155	4,798	4,642		32,334
Amortization expense		16	2,226	129	1,106	585		4,062
Disposals			(654)					(654)
Accumulated amortization, March 31, 2013	-	45	23,282	1,284	5,904	5,227		35,742
2013 net book value	\$ 1,751	\$ 269	\$ 51,855	\$ 1,301	\$ 4,385	\$ 689	\$ 53,973	\$ 114,223
2012								
	Land	Land Improvements	Buildings	Building Improvements	Equipment & Vehicles	Systems Development	Construction In Progress	Total
Cost, March 31, 2011	\$ 1,134	\$ 287	\$ 53,470	\$ 2,328	\$ 8,354	\$ 5,611	\$ 24,755	\$ 95,939
Acquisitions	617	14	222	243	1,289	289	35,791	38,465
Transfer to capital assets			21,700		327		(22,027)	-
Disposals			(97)		(263)	(47)		(407)
Adjustments - ARO			21		(92)			(71)
Cost, March 31, 2012	1,751	301	75,316	2,571	9,615	5,853	38,519	133,926
Accumulated amortization, March 31, 2011	-	14	19,673	1,026	3,869	4,094		28,676
Amortization expense		15	2,216	129	1,178	595		4,133
ARO Amortization expense			(179)		(92)			(271)
Disposals					(157)	(47)		(204)
Accumulated amortization, March 31, 2012	-	29	21,710	1,155	4,798	4,642		32,334
2012 net book value	\$ 1,751	\$ 272	\$ 53,606	\$ 1,416	\$ 4,817	\$ 1,211	\$ 38,519	\$ 101,592
2011 net book value	\$ 1,134	\$ 273	\$ 33,797	\$ 1,302	\$ 4,485	\$ 1,517	\$ 24,755	\$ 67,263

During the fiscal year, the Corporation capitalized loan interest in the amount of \$1.584 million (2012 - \$1.556 million; 2011 - \$322,000). This amount is included in construction in progress

The NBV of capital assets for First Nation Health for this fiscal year is \$2,000 (2012 - \$2,000; 2011 - \$3,000).

The NBV of capital assets for Yukon Hospital Foundation for this fiscal year is \$3,000 (2012 - \$6,000; 2011 - \$9,000)

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements

Years ended March 31, 2013 and 2012

8 - CONTRIBUTIONS RECEIVABLE

During the current year the Corporation continued to work on several major capital projects. As at March 31, 2013 the Corporation has spent \$72.235 million (2012: \$57.675 million; 2011 \$22.513 million) on 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 2011-12 to repay the loans. As a result, the Corporation has set up a contribution receivable in the amount of \$72.235 million and increased its deferred capital contribution by the same amount. The following table shows the breakdown by project.

March 31, 2013 (thousands of dollars)

	Commitment	Principal Payment	Total
	\$	\$	\$
Crocus Ridge building	18,168	(667)	17,501
Thomson Centre	3,299	(255)	3,044
Watson Lake Hospital	25,503	(65)	25,438
Dawson City Hospital	26,252	-	26,252
	<u>73,222</u>	<u>(987)</u>	<u>72,235</u>
Short-term Contribution Receivable			3,149
Long-term Contribution Receivable			69,086
			<u>72,235</u>

March 31, 2012 (thousands of dollars)

	Commitment	Principal Payment	Total
	\$	\$	\$
Crocus Ridge building	18,065	(215)	17,850
Thomson Centre	3,274	-	3,274
Watson Lake Hospital	17,867	-	17,867
Dawson City Hospital	18,684	-	18,684
	<u>57,890</u>	<u>(215)</u>	<u>57,675</u>
Short-term Contribution Receivable			1,238
Long-term Contribution Receivable			56,437
			<u>57,675</u>

April 1, 2011 (thousands of dollars)

	Commitment	Principal Payment	Total
	\$	\$	\$
Crocus Ridge building	15,195	-	15,195
Thomson Centre	1,488	-	1,488
Watson Lake Hospital	2,614	-	2,614
Dawson City Hospital	3,216	-	3,216
	<u>22,513</u>	<u>-</u>	<u>22,513</u>
Short-term Contribution Receivable			-
Long-term Contribution Receivable			22,513
			<u>22,513</u>

9 - EMPLOYEE FUTURE BENEFITS OTHER THAN PENSIONS

The Corporation provides severances, special leave 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 of the specified severance, special leave and sick leave benefits was performed for accounting purposes as of March 31, 2013 by Towers Watson, the actuary, using the projected benefits method prorated on services. The actuarial valuation included services rendered by eligible employees at December 31, 2012. The next actuarial valuation for accounting purposes will be performed as at March 31, 2014.

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:

Actuarially Determined Employee Future Benefits

Weighted-Average Assumptions for Net Periodic Benefit Cost for Fiscal Year	March 31 2013	March 31 2012	April 1 2011
• Discount rate	4.50%	4.50%	4.50%
• Rate of compensation increase (exclusive of seniority merit and promotion)	2.50%	2.50%	2.50%

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements
Years ended March 31, 2013 and 2012

9 - EMPLOYEE FUTURE BENEFITS OTHER THAN PENSIONS (continued)

Weighted-Average Assumptions for Benefit Obligation at Fiscal Year	March 31 2013	March 31 2012	April 1 2011
• Discount rate	4.50%	4.50%	4.50%
• Rate of compensation increase (exclusive of seniority, merit and promotion)	2.50%	2.50%	2.50%

	March 31 2013	March 31 2012	April 1 2011
	\$	\$	\$
	(thousands of dollars)		
Change in accrued benefit obligation			
• Accrued benefit obligation - beginning of year	2,359	2,328	
• Current period benefit cost	174	148	
• Interest accrued	107	104	
• Benefits paid	(136)	(185)	
• Actuarial (gains) losses	25	(36)	
• Accrued benefit obligation - end of year	<u>2,529</u>	<u>2,359</u>	
Reconciliation of Funded Status			
• Accrued benefit obligation - beginning of year	2,529	2,359	2,328
• Funding (surplus, deficit)	2,529	2,359	2,328
• Unamortized actuarial gains	7	36	-
• Accrued benefit liability - end of year	<u>2,536</u>	<u>2,395</u>	<u>2,328</u>
Classification of accrued benefit liability			
• Current liability	-	349	275
• Other long-term liability	2,536	2,046	2,053
• Accrued benefit liability - end of year	<u>2,536</u>	<u>2,395</u>	<u>2,328</u>
Benefit Expense			
• Current Period Benefit Cost	174	148	
• Amortization of actuarial (gains) losses	(4)	-	
• Benefit Expense	<u>170</u>	<u>148</u>	
• Benefit Interest Expense	107	104	
Total Expenses related to Benefits	<u>277</u>	<u>252</u>	

The Yukon Hospital Corporation adopted a measurement date of March 31 in respect to its benefit obligations.

The actuarially determined employee future benefit liability, other than pensions, which had a deficit of \$2.529 million at March 31, 2013 (a deficit of \$2.359 million as at March 31, 2012) is related to "pay as you go" plans and has been determined on the basis that these benefits remain a going concern.

Reconciliation to Consolidated Statement of Financial Position

	March 31 2013	March 31 2012	April 1 2011
	\$	\$	\$
	(thousands of dollars)		
Total liability for employee future benefits other than pensions			
• Actuarially determined employee future benefits	2,536	2,395	1,972
• Sick leave liability not included in actuarially determined employee future benefits	-	-	356
• Other liabilities not included in actuarially determined employee future benefits	-	315	-
Total employee future benefits other than pensions	<u>2,536</u>	<u>2,710</u>	<u>2,328</u>
• Less: short-term portion (included in accrued payroll and benefits)	-	(664)	(275)
• Long-term employee future benefits other than pensions	<u>2,536</u>	<u>2,046</u>	<u>2,053</u>

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements

Years ended March 31, 2013 and 2012

10 - DEFERRED CAPITAL CONTRIBUTIONS

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

	2013	2012
	\$	\$
	(thousands of dollars)	
Balance, Beginning of year	95,077	61,943
Restricted government contribution	15,734	36,184
Restricted capital contributions (non-government)	95	133
Amount amortized to revenue	<u>(3,079)</u>	<u>(3,183)</u>
Balance, End of year	<u>107,827</u>	<u>95,077</u>

11 - INDEBTEDNESS

	March 31 2013	March 31 2012	April 1 2011		March 31 2013	March 31 2012	April 1 2011
	(thousands of dollars)				(thousands of dollars)		
	Short Term	Short Term	Short Term		Long Term	Long Term	Long Term
	\$	\$	\$		\$	\$	\$
Canadian Imperial Bank of Commerce Bank Loans	65,632	51,754	18,431		-	-	-
Canadian Imperial Bank of Commerce Line of Credit	4,160	564	-		-	-	-
Yukon Development Corporation	-	-	46		162	162	116
	<u>69,792</u>	<u>52,318</u>	<u>18,477</u>		<u>162</u>	<u>162</u>	<u>116</u>

Interest rates on the debt range from 4.22% to 5.23% (2012 - 4.22% to 5.23%; 2011 - 4.22% to 5.23%). Total interest expense for fiscal 2013 was \$981,000 (2012 - \$286,000)

CIBC Loans

In 2012, the Corporation entered into a Demand Term Instalment Loan with the Canadian Imperial Bank of Commerce (CIBC) to repay the Demand Construction Facility setup in 2010 for the Construction of the Crocus Ridge building. The amount for the Demand Term Instalment Loan is \$18.182 million and is amortized over a 17 year period.

In 2012, the Corporation entered into a Demand Term Instalment Loan with the CIBC to repay the Demand Construction Facility setup in 2011 for the Thomson Centre Construction Project. The amount of the Demand Instalment Loan is \$3.4 million and is amortized over a 10 year period.

In 2012, the Corporation revised the unsecured Demand Construction Loan Facility with the CIBC to be used for financing costs of the new Watson Lake Hospital facility. The estimated costs are expected to be up to \$27.9 million. The Demand Construction Facility will be repaid in full from the proceeds of a Demand Term Instalment loan upon substantial completion of the project estimated to be August 2013.

In 2012, the Corporation revised the Demand Construction Loan Facility with the CIBC to be used for financing costs of the Dawson City Hospital facility. The estimated costs are expected to be up to \$31.8 million. The Demand Construction Facility will be repaid in full from the proceeds of a Demand Term Instalment loan upon substantial completion of the project estimated to be October 2013.

CIBC Bank Loans - Interest rate swaps

The Corporation has entered into two Demand Construction Loan Facilities and two Demand Term Instalment Loans with the CIBC. The amounts obtained under the Demand Construction Facilities are to be used for financing the costs of the Watson Lake Hospital and Dawson City Hospital with an estimated cost of \$54.3 million. The amounts obtained under the Demand Term Instalment Loan Facilities are to be used for the Thomson Centre and Crocus Ridge building with a cost of \$21.6 million. Interest on the Demand Construction Loan Facilities is to be calculated at Prime Rate per annum, payable in advance. The remaining two Demand Construction Facilities will be repaid in full from the proceeds of Demand Term Instalment Loans upon substantial completion of each project.

The Corporation has entered into interest rate swap agreements with the CIBC to reduce its exposure to fluctuations in interest rates on a portion of its debt (see table below). 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. 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%. These agreements will take effect once the demand construction loans have been converted into demand instalment loans. This conversion will take place upon completion of the projects.

The terms and conditions of the interest rate swap agreements are very highly correlated with the host debt instrument to which they relate.

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements

Years ended March 31, 2013 and 2012

11 - INDEBTEDNESS (continued)

Projects	Effective period of the swap	Currency	(thousands of dollars)		Bank margin	(thousands of dollars)
			Notional Amount	Fixed interest rate		Fair value loss
Crocus Ridge building	Dec 15/10 to Mar 15/28	Cad	\$14,635	5.23%	2.07%	\$2,422
	Dec 15/10 to Mar 15/28	Cad	911	4.71%	2.07%	114
Watson Lake Hospital	Dec 30/11 to Dec 31/16	Cad	18,936	5.15%	2.07%	2,869
	Apr 1/13 to Apr 3/28	Cad	18,000	4.53%	n/a	1,874
Thomson Centre	Apr 1/11 to Apr 1/21	Cad	2,510	4.22%	2.07%	179
			<u>\$54,992</u>			<u>\$7,458</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 energy savings total. An initial payment on principal of \$200,000 was made by Yukon Hospital Corporation in 2004.

\$162,000 (March 31, 2012 - \$162,000; April 1, 2011 - \$162,000) 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 \$297,000 (March 31, 2012 - \$327,000; April 1, 2011 - \$357,000)

The energy savings realized to date are as follows:

	\$
	(thousands of dollars)
2004	78
2005	109
2006	112
2007	191
2008	145
2009	140
2010	92
2011	-
2012	-
2013	-
	<u>867</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.

Due to the conditions in the loans with CIBC all debt has been classified as current as CIBC has the ability to call the debt at any time.

Principal repayment schedule

Principal repayment, for the four construction projects, on the indebtedness over the next five years and thereafter are as follows:

	\$
	(thousands of dollars)
2014	3,137
2015	3,237
2016	3,342
2017	3,453
2018	3,569
2019 and thereafter	<u>38,174</u>
	<u>54,912</u>

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements

Years ended March 31, 2013 and 2012

12 - FINANCIAL RISK MANAGEMENT

Financial Risks

The Corporation has exposure to the following risks from its use of financial instruments: credit risk, market risk and liquidity risk.

The Board of Trustees ensures that the Corporation has identified its major risks and ensure that management monitors and controls them. The Executive Committee oversees the Corporation's systems and practices of internal control, and ensures that these controls contribute to the assessment and mitigation of risk. The Executive Committee reports regularly to the Board of Trustees on its activities.

(a) Credit risk:

Credit risk is the risk of a financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held by the Corporation consisting of accounts receivables, cash, restricted funds and contributions receivable.

Accounts receivable:

The Corporation's exposure to credit risk associated with accounts receivable is assessed as low because it is due largely from governments.

The maximum exposure to credit risk for accounts receivable by type of customer is as follows:

	March 31 2013	March 31 2012	April 1 2011
	\$	\$	\$
	(thousands of dollars)		
Government of Yukon	958	1,025	427
Other governments	697	770	362
Consumers	157	245	281
Other	175	87	88
	<u>1,988</u>	<u>2,128</u>	<u>1,158</u>

The Corporation's accounts receivable has a carrying value of \$1,988,000 as of March 31, 2013 (2012 - \$2,128,000, April 1, 2011 - \$1,158,000). As at March 31, 2013, approximately 30% (2012 - 26%; April 1, 2011 - 18%) of accounts receivable were over 90 days past due, whereas 44% (2012 - 66%; April 1, 2011 - 53%) were current or less than 30 days past due. The Corporation's allowance for doubtful accounts is \$350,287 as at March 31, 2013 (2012 - \$270,000; April 1, 2011 - \$200,000).

Credit risk on cash is minimized as these assets are held with Canadian Chartered banks.

(b) 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 liquidity requirements.

The carrying amount of accounts payable and accrued liabilities and accrued payroll and benefits represent the maximum exposure to liquidity risk. The Corporation's accounts payable and accrued liabilities had a carrying value of \$5,841,000 as at March 31, 2013 (2012 - \$8,281,000; April 1, 2011 - \$4,727,000). As at March 31, 2013, 100% of accounts payable (2012 - 100%; April 1, 2011 - 100%) were current, or less than 30 days past due. The Corporation's accrued payroll and benefits has a carrying value of \$2,829,000 as at March 31, 2013 (2012 - \$4,108,000; April 1, 2011 - \$3,406,000) and is repayable in the next fiscal year.

The carrying amounts of short-term and long-term debt also represents exposure to liquidity risk. The Corporation's short-term debt has a carrying value of \$69,792,000 as at March 31, 2013 (2012 - \$52,318,000; April 1, 2011 - \$18,477,000) and is repayable in the next fiscal year. The Corporation's long-term debt has a carrying value of \$162,000 as at March 31, 2013 (2012 - \$162,000; April 1, 2011 - \$116,000).

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements

Years ended March 31, 2013 and 2012

12 - FINANCIAL RISK MANAGEMENT (continued)

(c) Market risk

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 is not exposed to any significant currency risk.

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. YDC 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.

The Corporation is exposed to interest rate risk on its construction loans. The construction loan interest rate is the prime rate and the exposure relates to fluctuations of this rate. The fair value of the construction loan agreements as at March 31, 2013 was a liability of \$73,896 million (2012 - \$54,864 million; April 1, 2011 - \$18,377 million). A 100 basis point decrease/increase in the prime interest rate would result in an increase/decrease of \$28,607 (2012 - \$269,000; April 1, 2011 - \$107,000) respectively at March 31, 2013.

The Corporation mitigates interest rate risk on its long-term debt through interest rate swaps that exchange the variable rate inherent in the term debt for a fixed rate (see Note 11). Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the term debt.

Fair value of financial instruments

The Corporation's financial instruments include cash, accounts receivable, accounts payable and accrued liabilities, accrued payroll and benefits and short 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 following fair value hierarchy prioritizes the valuation techniques used to determine the fair value of a financial instrument based on whether the inputs to those techniques are observable or unobservable:

- Level 1 – Financial instruments are considered Level 1 when valuation can be based on quoted prices in active markets for identical assets and liabilities. Long term bonds are valued in this category.
- Level 2 – Financial instruments are considered Level 2 when they are valued using quoted prices for similar assets and liabilities, quoted prices in markets that are not active, or models using inputs that are observable.
- Level 3 – Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable.

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. Accordingly, this is considered a level 2 financial instrument.

The fair value of the interest rate swap is has been determined using Level 2 of the fair value hierarchy. The fair value of interest rate swaps is based on net present value calculation by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

	2013		2012 (thousands of dollars)		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	\$	\$	\$	\$	\$	\$
YDC Short and Long-term debt	162	112	162	198	162	189
CIBC Short-term debt and Long-term debt	69,792	73,896	52,318	54,864	18,431	18,377
	69,954	74,008	52,480	55,062	18,593	18,566

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements
Years ended March 31, 2013 and 2012

13 - INVESTMENT IN CAPITAL ASSETS

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

	March 31 2013 \$	March 31 2012 \$	April 1 2011 \$
	(thousands of dollars)		
Capital assets (note 7)	114,162	101,535	67,273
Amounts financed by deferred capital contributions (net of unexpended externally restricted contributions)	(107,545)	(94,819)	(61,733)
	<u>6,617</u>	<u>6,716</u>	<u>5,540</u>

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

	(thousands of dollars)	
(b) Change in Amortization	2013	2012
Amortization of deferred capital contributions	3,079	3,183
Amortization of capital assets	(4,062)	(4,133)
	<u>(983)</u>	<u>(950)</u>
(c) Net change in invested capital assets	(thousands of dollars)	
	2013	2012
Purchase of capital assets (net of contributed land)	16,691	37,655
Amounts funded by deferred capital contributions	(15,807)	(36,270)
	<u>884</u>	<u>1,385</u>

Contributed land

Certain assets in Whitehorse, 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. Contributed assets are recorded at fair value at the time of contribution. Contributed land also includes land transferred from the Government of Yukon on May 14, 2010 in Watson Lake, in April 2011 in Dawson City, and on May 12, 2011 for the escarpment behind the existing Whitehorse General Hospital.

14 - RELATED PARTY TRANSACTIONS

	2013 \$	2012 \$
	(thousands of dollars)	
Government of Yukon Contribution		
• Basic Funding	47,959	44,938
• First Nations Health Program (note 15)	663	663
Total Basic Funding	<u>48,622</u>	<u>45,601</u>
• Other	2,750	2,173
• Yukon Hospital Foundation (included in fundraising revenue)	93	90
Total Government of Yukon Contribution	<u>51,465</u>	<u>47,864</u>

Revenue received from the Government of Yukon for services was \$51.465 million for 2013 (2012 - \$47.864 million). The 2013 contribution includes \$93,000 (2012 - \$90,000) flow through funding given to Yukon Hospital Foundation.

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements

Years ended March 31, 2013 and 2012

14 - RELATED PARTY TRANSACTIONS (continued)

Services Without Charge

The value of services provided without charge by the Government of Yukon is estimated to be \$856,000 (2012 - \$811,000). This amount consists of property taxes for facilities owned by the Corporation. 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.

The Corporation leases space to the Government of Yukon. The lease is for the ambulance station, #2 Hospital Road and #4 Hospital Road, and is at a cost of \$1 per year. These transactions are recorded at their carrying amount.

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 Hospital's obligation to provide residual services to Yukon communities. The total cost of providing these services for 2013 was \$465,000 (2012 - \$420,000).

In compliance with the Appendix H agreement, the Corporation provides goods in the amount of \$1.119 million (2012 - \$1.048 million) 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 \$1.077 million (2012 - \$1.008 million). 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 Consolidated Statement of Operations of the Corporation.

Other Related Party Transactions

The Government of Yukon and the Corporation entered into an agreement transferring ownership of the Watson Lake Hospital to the Corporation effective April 1, 2010. The Watson Lake Hospital transfer included land, buildings and medical equipment worth \$2.424 million. The transaction was recorded at fair value. The Corporation agreed that it may transfer part of the old building back to the Government at the request of, and subject to any conditions imposed by the Government. In addition, the Corporation, may be required to grant to the Government a lease in portions of the future hospital on such terms as the Government may require. No transfers were made back to Government in fiscal 2013.

In April 2011, the Government of Yukon transferred land and building in Dawson City, as well as land behind Whitehorse General Hospital to the Corporation at no cost. The value of this additional land and buildings is \$741,000. The land and buildings were recorded at fair value.

In fiscal 2012 the Corporation (the Lessor) entered into a lease with the Government of Yukon (the Lessee) for approximately 22,075 square feet of office spaced located on the 1st and 2nd floor of the Crocus Ridge building and approximately 17,951 square feet of space located in the Thomson Centre. Leases are recorded at the exchange amount which approximates fair value. Details of these leases are outlined in the following table.

Leases	Annual Lease Payments	Term
	\$	
	(thousands of dollars)	
Crocus Ridge 1st & 2nd floor office space	825	10 years
Thomson Centre	367	10 years
	<u>1,192</u>	

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements

Years ended March 31, 2013 and 2012

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.

	2013	2012
	\$	\$
	(thousands of dollars)	
Revenues		
Government of Yukon - Transfer agreement (note 14)	663	663
Interest	18	24
Other	18	5
	<u>699</u>	<u>692</u>
Expenses		
Payroll	1,050	997
Travel	59	12
Material & Supplies	8	13
Sundry	2	25
Depreciation	1	1
Scholarships	-	8
Honoraria	-	15
	<u>1,120</u>	<u>1,071</u>
Deficiency of Revenues over Expenses	<u>(421)</u>	<u>(379)</u>
Opening Surplus	<u>1,497</u>	<u>1,876</u>
Net Surplus	<u>1,076</u>	<u>1,497</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:

	2013	2012
	\$	\$
	(thousands of dollars)	
Conference fees/travel	479	504
Miscellaneous	371	448
Software maintenance	341	312
Delivery/courier/taxi	336	317
Legal and professional fees	322	398
Communications	262	299
Insurance	250	247
Recruitment and relocation	175	249
Honorariums	151	147
Membership fees	144	133
Bad debt	115	73
Watson Lake/Dawson City/Master Planning projects	86	376
Advertising	64	49
Scholarships First Nations Health (note 15)	-	8
	<u>3,096</u>	<u>3,560</u>

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements

Years ended March 31, 2013 and 2012

17 - CAPITAL MANAGEMENT

The Corporation is subject to the 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 Government of Yukon. The Corporation considers its capital to be its Net Assets - 'Restricted for capital purchases, internal', 'Restricted for pension, and 'unrestricted'. The Pension Restriction is the difference between the contributions to the pension plan and the actuarial determined pension expense and is recorded as an Accrued Pension Benefit Asset (non-current assets) and Restricted for Pension (net assets) on the balance sheet. This entry reflects trapped capital as these contributions cannot be touched and remain in the plan.

The Corporation defines and computes its capital as follows:

	2013	2012	2011
	\$	\$	\$
	(thousands of dollars)		
Restricted for capital purchases, internal	748	520	276
Restricted for pension	18,627	17,089	15,032
Unrestricted	<u>(3,482)</u>	<u>(3,785)</u>	<u>(1,361)</u>
	<u>15,893</u>	<u>13,824</u>	<u>13,947</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 unchanged from the prior year. The Corporation has complied with the externally imposed restrictions on the funding provided.

18 - CONTINGENCIES AND CONTRACTUAL OBLIGATIONS

Contingencies

The nature of the Corporation's activities is such that there may be litigation pending or in process at any time.

In February 2013 the Corporation was forced to give notice to the General Contractor, Dowland Contracting Ltd, that it was in default of its contracts on both the Watson Lake and Dawson City hospital projects for not paying sub-trades for work performed. The Corporation is now working directly with the Bonding Company who have agreed to complete the projects under the terms of the original contract at the contracted price. A construction manager has been hired by the Bonding Company and sub-trades have returned to work.

Contractual obligations

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

	March 31 2013	March 31 2012	April 1 2011
	\$		
	(thousands of dollars)		
2012	-	-	44,695
2013	-	12,628	134
2014	6,962	366	112
2015	1,648	286	95
2016	1,400	141	95
2017	1,302	63	-
2018	1,164	-	-
	<u>12,476</u>	<u>13,484</u>	<u>45,131</u>

Contractual commitments fall under two major categories, contracts related to construction projects and contracts related to scheduled maintenance of medical equipment and other equipment. Contractual commitments over the next 5 years for each category are \$5.255 million (2012 - \$12.171 million; 2011 - \$44.4 million) and \$7.221 million (2012 - \$1.313 million; 2011 - \$736,000) respectively.

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 that can reasonably be determined as of March 31, 2013 was \$285,000 (March 31, 2012 - \$285,000; April 1, 2011 - \$356,000).

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements

Years ended March 31, 2013 and 2012

20 - TRUST ASSETS

	2013	2012	2011
	\$	\$	\$
	(thousands of dollars)		
Deferred salary leave plan funds held in trust	<u>117</u>	<u>92</u>	<u>73</u>

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 trust are not included in the accompanying consolidated financial statements.

21 - ECONOMIC DEPENDENCE

The Corporation receives approximately 85% (2012 - 85%) of its income from the Government of Yukon.

22 - SUBSEQUENT EVENTS

In April of 2013 the Government of Yukon announced that there would be a one-time increase to the Corporation's funding agreement of \$27M to be allocated to principal and interest repayment of bank debt as well as funding the remaining project costs on the Watson Lake and Dawson City Hospital projects.

The Premier of the Yukon Territory publicly donated \$2M to match the \$2M that had been fund-raised by the Yukon Hospital Foundation to purchase an MRI machine for Whitehorse General Hospital. The Corporation in collaboration with Health and Social Services have prepared a proposal to Government for approval to move forward with the purchase and set-up of a MRI program.