

YUKON HOSPITAL CORPORATION

FINANCIAL STATEMENTS

March 31, 2015

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Management Responsibility Statement

The accompanying consolidated financial statements of Yukon Hospital Corporation are the responsibility of management, and have been approved by the Board of Trustees.

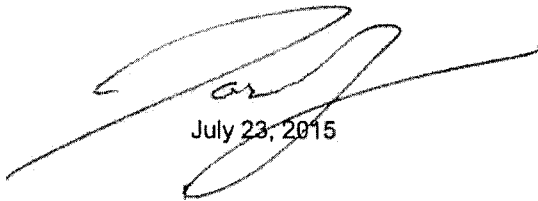
These consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. The consolidated financial statements include some amounts, such as the determination of amounts related to the estimated useful lives of capital assets, the defined benefit pension plan obligation, the calculation of allowance for doubtful accounts 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
Chief Executive Officer



July 23, 2015

Kelly Steele
Director Finance and Accounting



July 23, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of Yukon Hospital Corporation

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Yukon Hospital Corporation, which comprise the consolidated statement of financial position as at 31 March 2015, and the consolidated statement of operations, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, 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 audit. I conducted my audit 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 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 2015, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink, reading "Tammy Squires". The signature is written in a cursive, flowing style.

Tammy Squires, CPA, CA
Principal
for the Auditor General of Canada

23 July 2015
Vancouver, Canada

Yukon Hospital Corporation
Consolidated Statement of Financial Position

As at March 31
(thousands of dollars)

	2015	2014
	\$	\$
ASSETS		
Current assets		
Cash	2,524	4,111
Accounts receivable (note 12)	2,365	4,397
Inventory (note 3)	2,391	2,242
Prepaid expenses	797	835
Short-term contributions receivable (note 7)	2,969	2,915
	<u>11,046</u>	<u>14,500</u>
Non-current assets		
Restricted funds (note 4)	400	417
Accrued pension benefit (note 5)	27,791	22,327
Capital assets (note 6)	120,473	118,359
Long-term contributions receivable (note 7)	42,880	47,532
	<u>191,544</u>	<u>188,635</u>
	<u>202,590</u>	<u>203,135</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 12)	5,079	6,048
Accrued payroll and benefits (note 12)	4,424	3,772
Deferred revenue	1,050	118
Short-term debt (notes 10 & 12)	45,849	48,764
	<u>56,402</u>	<u>58,702</u>
Non-current liabilities		
Employee future benefits other than pensions (note 8)	2,818	2,612
Deferred capital contributions (note 9)	111,838	114,469
Long-term debt (notes 11 & 12)	162	162
Asset retirement obligation (note 19)	285	285
	<u>115,103</u>	<u>117,528</u>
	<u>171,505</u>	<u>176,230</u>
NET ASSETS		
Investment in capital assets (note 13)	9,113	4,253
Restricted for First Nations Health Program (note 15)	347	601
Restricted for capital purchases, internal (note 17)	171	887
Restricted for pension (notes 5 & 17)	27,791	22,327
Unrestricted (note 17)	(6,337)	(1,163)
	<u>31,085</u>	<u>26,905</u>
	<u>202,590</u>	<u>203,135</u>

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 year ended March 31
(thousands of dollars)

	2015	2014
	\$	\$
Revenues		
Government of Yukon contribution (note 14)	63,928	57,543
Amortization of deferred capital contributions (note 9)	4,758	4,847
Patients	3,197	3,439
Fundraising	682	758
Other	600	970
Thomson Centre service contracts	501	490
Cafeteria	274	281
Interest	116	147
	<u>74,056</u>	<u>68,475</u>
Expenses		
Compensation and benefits	39,117	36,827
Supplies	10,470	9,193
Amortization of capital assets (note 6)	6,282	5,811
Other (note 16)	4,564	4,526
Contracted services	4,417	3,959
Equipment and building services	2,442	2,221
Interest on short-term debt (note 10)	2,337	1,963
Fundraising	238	239
Loss on Disposal of Asset	107	-
Pension (note 5)	(98)	417
	<u>69,876</u>	<u>65,156</u>
Surplus of revenues over expenses	<u>4,180</u>	<u>3,319</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 year ended March 31
(thousands of dollars)

	Investment in Capital Assets (note 13)	Restricted For First Nations Health Program (note 15)	Restricted For Capital Purchases Internal (note 17)	Restricted For Pension (note 17)	Unrestricted (note 17)	2015 Total	2014 Total
	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of year	4,253	601	887	22,327	(1,163)	26,905	23,586
Surplus (deficiency) of revenue over expenses	(1,525)	(254)	142	5,464	353	4,180	3,319
Net change in investment in capital assets (note 13)	6,385	-	-	-	(6,385)	-	-
Purchases of Capital Assets	-	-	(858)	-	858	-	-
Balance, end of year	9,113	347	171	27,791	(6,337)	31,085	26,905

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

Yukon Hospital Corporation

Consolidated Statement of Cash Flows

For the year ended March 31
(thousands of dollars)

	2015	2014
	\$	\$ (Restated note 2(p))
Cash flows from (used in) operating activities		
Annual surplus	4,180	3,319
Items not involving cash		
Amortization of capital assets	6,282	5,811
Loss on disposal of capital assets	107	
Amortization of deferred capital contribution	(4,758)	(4,847)
Bad debt expense	141	124
Increase (decrease) in prepaid expenses	38	(278)
Increase in accrued pension benefit	(5,464)	(3,700)
Increase (decrease) in non-cash working capital balances	3,621	(3,974)
Net change in cash from operating activities	4,147	(3,545)
Capital Activities:		
Purchases of capital assets	(9,589)	(7,791)
Proceeds on sale of capital assets	28	-
Net change in cash from capital activities	(9,561)	(7,791)
Financing Activities:		
Repayment of loans	(2,915)	(21,028)
Cash received for capital purchases	6,742	33,134
Net change in cash from financing activities	3,827	12,106
Increase (decrease) in cash and cash equivalents	(1,587)	770
Cash and cash equivalents, beginning of year	4,111	3,341
Cash and cash equivalents, end of year	2,524	4,111
Interest paid	2,337	1,963
Interest received	117	144

1. Purpose

- a) The Yukon Hospital Corporation ("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. The Corporation receives approximately 86% (2014 – 85%) of its income from the Government of Yukon.
- b) The Yukon Hospital Foundation ("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

- a) **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.
- b) **Basis of Consolidation**
The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiary, the Foundation. All significant inter-company transactions and balances have been eliminated on consolidation.
- c) **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.
- d) **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.

e) 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.

Capital Asset	Estimated useful life
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

f) 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 and construction 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.

g) 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.

h) Short term Debt

Short term debt includes embedded interest swap derivatives. These embedded derivatives are not separated from the short term debt agreement and are not accounted for as a standalone derivative instrument as management believes that the economic characteristics and risks associated with these embedded derivatives are closely related to those of the short term debt agreements. Therefore, they are included in the measurement of the short term debt.

i) 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 is a list of the Corporation's financial instruments and their related measurement basis as at March 31, 2015.

Financial Assets	Measurement Basis
Cash	Cost
Accounts Receivable	Cost
Financial Liabilities	Measurement Basis
Accounts Payable and accrued liabilities	Cost
Accrued payroll and benefits	Cost
Short-term debt	Amortized Cost
Long-term debt	Amortized Cost

As all financial instruments are measured at cost, there have been no re-measurement gains or losses. Therefore, the Statement of Re-measurement Gains and Losses has been excluded.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the Statement of Operations and Accumulated Surplus.

Transaction costs are incremental costs directly attributable to the acquisition or issue of a financial asset or a financial liability. Transaction costs are added to the carrying value of the instruments when they are initially recognized.

j) 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.

k) 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.

In general, pensions are based on 2% of the best five years of continuous service minus any adjustments required by the Canada Pension Plan and provisions under the Special Reciprocal Transfer Agreement. The Plan members can accumulate up to 30 years of continuous service. 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.

l) Employee Future Benefits Other Than Pensions

Employees earn specified severances, sick leave and special leave benefits as provided for under union contracts and conditions of employment. The benefits are paid upon resignation, retirement or death of an employee. The expected cost of providing these benefits is recognized as employees render service. In 2015, the cost of the benefits has been determined based on management's best estimates using expected compensation levels and employee leave credits.

m) Asset Retirement Obligation

Liabilities are recognized for statutory, contractual or legal obligations, associated with the retirement of capital asset when those obligations result from the acquisition, construction, development or normal operation of the assets. The obligations are measured initially at fair value, determined using present value methodology, and the resulting costs capitalized into the carrying amount of the related asset. In subsequent periods, the liability is adjusted for the accretion of discount and any changes in the amount or timing of the underlying future cash flows. The capitalized asset retirement cost is amortized on the same basis as the related asset and the discount accretion is included in determining the results of operations.

n) Use of Estimates and Measurement Uncertainty

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. By their nature, these estimates and assumptions are subject to measurement uncertainty. 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, calculation of allowance for doubtful accounts and actuarial gains or losses, and the liabilities for accrued severance, special leave, retirements and sick leave benefits. Financial results as determined by actual events could differ significantly from these estimates.

o) Change in Accounting policies

In 2015 the Corporation adopted the PSA Handbook Section PS 3260 – Liability for contaminated sites. The new standard includes the requirement for recognition, measurement, presentation and disclosure of liability for contaminated sites and is effective for the years beginning on or after 1 April 2014. This accounting change has no significant impact on the Corporation's consolidated financial statements.

p) Restatement of cash flow

In the year, the Corporation changed the presentation of its statement of Cash Flows from the direct method to the indirect method. The Corporation identified that financing activities had been incorrectly recorded as operating and capital activities. The Corporation also noted the inclusion of non-cash items in its Statement of Cash Flows. The Corporation has restated comparative figures. There was no impact on the net results of operations. The impact of these restatements on the comparative figures is as follows:

Summary of Adjustments

Cash flows from (used in) operating activities

Net change in cash from operating activities, as at March 31, 2014:	
As previously reported	\$20,399
Adjustments to cash received for capital purchases incorrectly included in operating activities	(21,788)
Adjustments to non-capital working capital balances for non-cash items	(2,156)
	<hr/>
Net change in cash from operating activities	<u>(3,545)</u>

Cash flows from (used in) capital activities

Net change in cash from capital activities, as at March 31, 2014:	
As previously reported	(9,947)
Adjustments to purchases of capital assets	2,156
	<hr/>
Net change in cash from capital activities	<u>(7,791)</u>

Cash flows from (used in) financing activities

Net change in cash from financing activities, as at March 31, 2014:	
As previously reported	(9,682)
Adjustments to cash received for capital purchases	21,788
	<hr/>
Net change in cash from financing activities	<u>\$12,106</u>

3. Inventory

	2015	2014
	\$	\$
Pharmacy	845	668
Material Management	688	693
Operating Room	636	658
Laboratory	222	223
Total Inventory	<u>2,391</u>	<u>2,242</u>

4. 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.

	2015 \$	2014 \$
Balance, Beginning of Year	417	274
Increase in Contributions Receivable received during the year	3,185	4,361
Amounts used for capital purchases during the year with restricted funds	(3,202)	(4,218)
Balance, End of Year	400	417

5. Pension Costs and Obligations

Yukon Hospital Corporation sponsors a defined benefit pension plan. The Corporation contributes amounts as prescribed by an independent actuary. Effective January 1, 2015 changes to the Pension Plan outlined below divides YHC employees into two groups. In 2015, Group 1 members were required to contribute to the plan at a rate of 6.80% (2014 - 5.85%) of annualized earnings up to the Year's Maximum Pensionable Earnings ("YMPE") plus 8.80% (2014 - 7.85%) of annualized earnings in excess of YMPE for the plan year. Group 2 members were required to contribute to the plan at a rate of 5.80% of annualized earnings up to the Year's Maximum Pensionable Earnings ("YMPE") plus 7.80% 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 \$98.080 million as at March 31, 2015 (March 31, 2014 - \$85.188 million).

An actuarial valuation for accounting purposes was performed as of March 31, 2015, 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 purposes will be performed as at March 31, 2016.

The Corporation has made changes to the Yukon Hospital Corporation Employees' Pension Plan to be consistent with changes made to the Public Service Superannuation Plan in January 2013. These changes will affect all employees who are employed by the hospital after January 1, 2015, with exception of the 50/50 cost sharing that will affect all employees enrolled

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements
March 31, 2015
(in thousands of dollars)

in the pension plan. Changes include an increase to the early retirement age and the age of eligibility for an unreduced pension as well as a gradual change in cost sharing of contributions to the plan.

Increases to the age of eligibility for an unreduced pension

The normal retirement age for all members is age 65. Currently the normal retirement age for all members is age 65. Current Plan members may retire with an unreduced pension at age 60, or after having completed 30 years of continuous service. New Plan members who join the Hospital on or after January 1, 2015, will be able to retire with an unreduced pension at age 65, or after having completed 30 years of continuous service.

Increases to the early retirement age

Current Plan members may retire as early as age 50 with a reduced pension, if they have two years of continuous employment service. New Plan members who join the Hospital on or after January 1, 2015, will be able to retire early with a reduced pension at age 55, if they have two years of continuous employment service

Contributions

Currently, the contribution rates for employee and employer contributions are 40% and 60% respectively. Changes to the plan will see equal contributions from both the employee and employer. As such, starting January 1, 2015 and into 2017, contribution rates will gradually increase towards 50/50 cost-sharing.

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:

	2015 \$	2014 \$
Weighted-Average Assumptions for Net Period Pension Cost for Fiscal Year		
Discount rate	6.50%	6.50%
Expected long-term rate of return on plan assets	6.50%	6.50%
Rate of compensation increase (exclusive of seniority, merit)	2.50%	2.50%
Expected average remaining service lifetime (EARSL)	7.7	7.5
Inflation rate		
	2015 \$	2014 \$
Weighted Average Assumptions for Benefit Obligation at Fiscal Year		
Discount rate	6.50%	6.50%
Rate of compensation increase (exclusive of seniority, merit)	2.50%	2.50%
Expected average remaining service lifetime (EARSL)	7.7	7.5

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements
March 31, 2015
(in thousands of dollars)

As at March 31, 2015, pension fund assets are valued at market value. No adjustment is made for benefits payable or contributions receivable.

	2015 \$	2014 \$
Change in accrued benefit obligation		
Accrued obligation – beginning of year	58,646	50,187
Current Period Benefit Cost (Employee and Employer)	3,840	3,222
Transfers in/service buybacks	-	477
Interest cost	3,864	3,299
Benefits paid	(2,230)	(2,568)
Actuarial (gains) losses	239	4,029
Accrued benefit obligation – end of year	<u>64,359</u>	<u>58,646</u>
Change in Plan Assets		
Fair value of plan assets – beginning of year	85,188	69,214
Actual return on plan assets	8,219	12,446
Employer contributions	5,366	4,117
Employee contributions	1,817	1,680
Transfers in/service buybacks	-	477
Benefits paid	(2,230)	(2,568)
Actual plan expenses	(280)	(178)
Fair value of plan assets – end of year	<u>98,080</u>	<u>85,188</u>
Reconciliation of Funded Status		
Accrued benefit obligation	64,359	58,646
Fair value of plan assets	(98,080)	(85,188)
Funded (surplus) deficit	<u>(33,721)</u>	<u>(26,542)</u>
Unamortized actuarial (gains) losses	5,930	4,215
Accrued benefit (asset) liability – end of year	<u>(27,791)</u>	<u>(22,327)</u>
Benefit Expense		
Current Period Benefit Cost	4,121	3,472
Amortization of actuarial (gains) losses	(577)	(60)
Employee Contributions	(1,817)	(1,680)
Benefit Expense	<u>1,727</u>	<u>1,732</u>
Benefit Interest Expense	(1,825)	(1,315)
Total Expenses related to Benefits	<u>(98)</u>	<u>417</u>

As at December 31, 2014 the pension plan had a solvency deficit of \$30.2 million (December 31, 2013 - \$14.8 million) if valued on the basis that the pension plan were terminated/wound up as at December 31, 2014. The solvency ratio of the plan is 77% (86% in 2013). 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 \$391 over the 2015 year. The Corporation will obtain a conforming letter of credit for a portion of the solvency shortfall for the calendar year and will contribute \$2,847 in cash payments. During the fiscal year, the Corporation entered into Letters of Credit totaling \$11,957 (2014 - \$9,769) related to solvency deficiency payments. During the year, the

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements
March 31, 2015
(in thousands of dollars)

Corporation also received \$2,036 for calendar year 2014 and \$1,056 for calendar year 2015 from the Government of Yukon to fund its pension plan.

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements
March 31, 2015
(in thousands of dollars)

6. Capital Assets

	Land	Land Improvements	Buildings	Building Improvements	Equipment & Vehicles	Computer Hardware & Systems Development	Construction In Progress	2015 Total	2014 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost, Beginning of year	1,751	314	134,827	2,585	13,313	6,337	785	159,912	149,965
Acquisitions	-	-	3,864	-	2,783	777	1,107	8,531	9,947
Transfer to capital assets	-	-	5	-	-	188	(193)	-	-
Disposals	-	-	(125)	-	(507)	(119)	-	(751)	-
Cost, End of year	1,751	314	138,571	2,585	15,589	7,184	1,699	167,692	159,912
Accumulated Amortization, Beginning of year	-	61	27,001	1,413	7,291	5,787	-	41,553	35,742
Amortization expense	-	16	4,054	129	1,636	447	-	6,282	5,811
Disposals	-	-	(41)	-	(456)	(119)	-	(616)	-
Accumulated amortization, End of year	-	77	31,014	1,542	8,471	6,115	-	47,219	41,553
Net book value	1,751	237	107,557	1,043	7,118	1,068	1,699	120,473	118,359

During the fiscal year, the Corporation capitalized loan interest in the amount of \$0 (2014 - \$856).

The NBV of capital assets for First Nation Health for this fiscal year is \$0 (2014 - \$1).

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements
March 31, 2015
(in thousands of dollars)

7. Contributions Receivable

During the current year, the Corporation continued to work on several major capital projects. As at March 31, 2015, the Corporation has spent \$83.75 million (2014 - \$82.90 million) on these projects. The Corporation has secured financing with the CIBC for these projects and the Government of Yukon has committed funds since 2011-12 to repay the loans. As a result, the Corporation has set up a contribution receivable in the amount of \$45.85 million (2014 - \$50.45 million) and increased its deferred capital contribution by the same amount. The following table shows the breakdown by project.

	Commitment	Principal Payment	Total
	\$	\$	\$
March 31, 2015			
Crocus Ridge building	13,975	(696)	13,279
Watson Lake Hospital	17,889	(1,019)	16,870
Dawson City Hospital	17,598	(1,898)	15,700
Unallocated lump sum funding for Hospital projects	(698)	698	-
	48,764	(2,915)	45,849
Short-term Contributions Receivable			2,969
Long-term Contributions Receivable			42,880
			45,849
	Commitment	Principal Payment	Total
	\$	\$	\$
March 31, 2014			
Crocus Ridge building	18,437	(4,233)	14,204
Thomson Centre	3,435	(3,424)	11
Watson Lake Hospital	27,725	(8,927)	18,798
Dawson City Hospital	31,869	(13,736)	18,133
Unallocated lump sum funding for Hospital projects	-	(699)	(699)
	81,466	(31,019)	50,447
Short-term Contributions Receivable			2,915
Long-term Contributions Receivable			47,532
			50,447

8. Employee Future Benefits Other Than Pensions

In addition to pension benefits, the Corporation provides severances, sick leave and special leave benefits to its employees. The cost of these benefits accrues either as employees render service or upon the occurrence of an event resulting in eligibility for benefits under the terms of the plan. This benefit plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation.

	2015 \$	2014 \$
Severance	2,382	2,312
Sick Leave	436	300
	<u>2,818</u>	<u>2,612</u>

9. 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:

	2015 \$	2014 \$
Balance, Beginning of year	114,469	107,827
Restricted government contribution	2,144	10,789
Restricted capital contributions (non-government)	(17)	700
Amount amortized to revenue	(4,758)	(4,847)
Balance, End of year	<u>111,838</u>	<u>114,469</u>

10. Short-Term Debt

	2015 \$	2014 \$
Demand Term Installment Loan with the CIBC with interest calculated at Bankers' Acceptance with stamping fees calculated at 85 bps per annum exchanged for fixed rate by way of interest rate swap fixed at 5.15% per annum for the Watson Lake Hospital construction project. Blended payments of \$160 due monthly beginning on December 30, 2011 with the final payment due on December 31, 2026	16,870	17,889
Demand Term Installment Loan with the CIBC with interest calculated at Bankers' Acceptance with stamping fees calculated at 85 bps per annum exchanged for fixed rate by way of interest rate swap fixed at 4.525% per annum for the Dawson City Hospital construction project. Principal payments of \$100 due monthly beginning on May 1, 2013 with the final payment due on April 1, 2028.	15,700	16,900
Demand Term Installment Loan with the CIBC with interest calculated at Bankers' Acceptance with stamping fees calculated at 85 bps per annum exchanged for a fixed rate by way of interest rate swap fixed at 5.23% per annum for the Crocus Ridge construction project. Blended payments of \$117 due monthly beginning December 15, 2010 with the final payment due on March 15, 2028.	13,279	13,975
	45,849	48,764

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 three construction projects, on the indebtedness over the next five years and thereafter are as follows:

	\$
2016	3,006
2017	3,101
2018	3,202
2019	3,309

2020	3,421
2021 and thereafter	29,810
	<u>45,849</u>

In addition to its repayment schedule, the demand term instalment loans with CIBC require that the Corporation exchange the variable interest payment with a fixed interest payment. Under these agreements, the Corporation exchanged with CIBC \$1,936 (2014 - \$2,418) of variable interest payments representing an average variable rate of 4.09% (2014 - 4.66%) to a fixed interest payment of \$2,295 (2014 - \$2,440), representing an average fixed rate of 4.85% (2014 - 4.71%). These exchanges were made on a net cash basis.

11. Long-Term debt

In 2003, Yukon Development Corporation (YDC), a common control entity of the Government of Yukon, financed an electric boiler system for the Corporation for a total cost of \$596. The long-term debt bears interest of 7.5% which is payable in an annual installment. The principal is repayable based on 50% of the realized annual energy savings. The long-term debt is secured by a general security agreement on building improvements with a net book value of \$237 (March 31, 2014 - \$267).

An initial payment on principal of \$200 was made by Yukon Hospital Corporation in 2004 and since then \$234 has been repaid from the realized annual energy savings. The final payment is due in 2023. There were no repayments made during 2015 (\$0 – 2014) as there were no energy savings realized.

12. Financial Risks

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

The Board of Trustees ensures that the Corporation has identified its major risks and ensures 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. The Corporation has experienced no change in its risk exposure and has not made any changes to its risk management policies and procedures.

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.

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements
March 31, 2015
(in thousands of dollars)

Allowances for doubtful accounts are provided for potential losses that have been incurred at the reporting date. The amounts disclosed on the statement of financial position are net of these allowances for doubtful accounts. All accounts receivable are considered for impairment based on the type of patient revenue and historical repayment information.

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

	2015 \$	2014 \$
Government of Yukon	1,424	3,032
Other	469	872
Other governments	289	384
Consumers	183	109
	2,365	4,397

The Corporation's accounts receivable has a carrying value of \$2,365 as at March 31, 2015 (2014 - \$4,397). As at March 31, 2015, approximately 30% (2014 - 19%) of accounts receivable were over 90 days past due, whereas 66% (2014 - 77%) were current or less than 30 days past due. The Corporation's allowance for doubtful accounts is \$615 as at March 31, 2015 (2014 - \$474).

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 liquidity risk arises from the financial liabilities consisting of accounts payable and accrued liabilities, accrued payroll and benefits, short-term debt and long-term debt. The Corporation's accounts payable and accrued liabilities had a carrying value of \$5,079 as at March 31, 2015 (2014 - \$6,048). As at March 31, 2015, 100% of accounts payable and accrued liabilities (2014 - 100%) was current, or less than 30 days past due. The Corporation's accrued payroll and benefits has a carrying value of \$4,424 as at March 31, 2015 (2014 - \$3,772) and is payable in the next fiscal year.

The Corporation's short-term debt has remaining undiscounted contractual cash flows of \$61,074 as at March 31, 2015 (2014 - \$66,336) and may be repayable in the next fiscal year. The Corporation's long-term debt has remaining undiscounted contractual cash flows of \$109 as at March 31, 2015 (2014 - \$122).

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. The Corporation is not exposed to any significant interest rate risk.

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.

For its short term debt, the Corporation mitigates interest rate risk through interest rate swaps that exchange the variable rate inherent in the term debt for a fixed rate. Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the short term debt.

13. Investment in Capital Assets

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

	2015 \$	2014 \$
Capital assets (note 6)	120,473	118,359
Amounts financed by deferred capital contributions (net of unexpended externally restricted contributions)	(111,360)	(114,106)
	<u>9,119</u>	<u>4,253</u>

b) Change in amortization

	2015 \$	2014 \$
Amortization of deferred capital contributions	4,758	4,847
Amortization of capital assets	(6,283)	(5,811)
	<u>(1,525)</u>	<u>(964)</u>

c) Net change in invested capital assets

	2015 \$	2014 \$
Purchase of capital assets (net of contributed land)	8,529	9,947
Amounts funded by deferred capital contributions	(2,144)	(11,347)
	<u>6,385</u>	<u>(1,400)</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 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.

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. The land and buildings were recorded at fair value.

14. Related Party Transactions

	2015 \$	2014 \$
Government of Yukon Contribution		
Basic Funding	56,573	53,259
First Nations Health Program (note 15)	663	663
Total Basic Funding	57,236	53,922
Other	6,692	3,621
Yukon Hospital Foundation (included in fundraising revenue)	98	95
Total Government of Yukon Contribution	64,026	57,638

Revenue received from the Government of Yukon for services was \$64.026 million for 2015 (2014 - \$57.638 million). The 2015 contribution includes \$98 (2014 - \$95) flow through funding given to the Foundation.

Services Without Charge

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 2015 was \$485 (2014 - \$478).

Audit Services are provided without charge by the Office of the Auditor General of Canada to the Corporation. No amount has been recognized in the financial statements with respect to the services provided.

Other Related Party Transactions

The Corporation is related in terms of common ownership to all Government of Yukon departments, corporations, and agencies. In addition to those related party transactions disclosed elsewhere in these financial statements (Notes 11 and 13) the Corporation enters into transactions with related entities in the normal course of business.

In compliance with the Appendix H agreement, the Corporation provided goods in the amount of \$961 (2014 - \$982) to related parties which includes a 15% administration charge on Material Management supplies purchased in excess of \$80. The Corporation recovered only the cost of goods of \$902 (2014 - \$951). 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 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.

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements
March 31, 2015
(in thousands of dollars)

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 on such terms as the Government may require. No transfers were made back to Government in fiscal 2015.

In fiscal 2014 the Corporation (the Lessor) amended the lease with the Government of Yukon (the Lessee) for approximately 17,951 square feet of office spaced located in the Thomson Center building. This lease is at a cost of \$1/year.

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. This lease is recorded at the exchange amount which approximates fair value.

In fiscal 2014 the Corporation (the Lessor) entered into a lease with the Government of Yukon (the Lessee) for approximately 2,660 square feet of clinical space located in Watson Lake Hospital and 2,540 square feet of clinical space located in Dawson City Hospital. Leases are recorded at the exchange amount which approximates fair value.

Details of the leases are outlined as follows:

	Annual Lease Payments \$	Term Years
Crocus Ridge 1 st and 2 nd floor office space	825	10
Watson Lake Hospital	69	15
Dawson City Hospital	95	15
	989	

As at March 31, 2015 there were \$138 (2014 - \$153) of accounts payable and \$1,424 (2014 - \$3,032) of accounts receivable related to the Government of Yukon.

15. First Nations Health Program

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

The FNHP was established in 1993 under the *Whitehorse General Hospital Programs and First Nations Health Services and Community Health Transfer Agreement*. Core funding was provided by Government of Yukon. The programs could not all be implemented in the year which the funding was received and as a result a substantial surplus was realized. An agreement between Government of Yukon and the First Nations Health Committee restricted this surplus to be used for First Nations programming only. The FNHP is outlined in the *Hospital Act*.

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

	2015 \$	2014 \$
Revenues		
Government of Yukon – Transfer agreement (note 14)	663	663
Interest	7	9
Other	15	18
	<u>685</u>	<u>690</u>
Expenses		
Payroll	858	1,068
Sundry	28	40
Travel	24	30
Honoraria	19	16
Material and Supplies	9	10
Depreciation	1	1
	<u>939</u>	<u>1,165</u>
Deficiency of Revenues over Expenses	(254)	(475)
Opening Surplus	601	1,076
Net Surplus	<u>347</u>	<u>601</u>

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements
March 31, 2015
(in thousands of dollars)

16. Other Expenses

	2015	2014
	\$	\$
Property Tax	1,043	992
Communications	583	446
Software maintenance	440	419
Conference fees/travel	420	493
Delivery/courier/taxi	405	339
Legal and professional fees	340	360
Miscellaneous	312	456
Insurance	303	294
Membership fees	214	183
Recruitment and relocation	163	248
Honorariums	147	130
Bad debt	140	124
Advertising	54	42
	<u>4,564</u>	<u>4,526</u>

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'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 considers its capital to be its Net Assets - 'Restricted for capital purchases, internal', 'Restricted for pension, and 'unrestricted'. 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.

Internally restricted capital purchases are used to cover commitment or obligations that are expected to arise in the future. The 'Restricted for Pension' capital is the difference between the contributions to the pension plan and the actuarially determined pension expense and is recorded as an Accrued Pension Benefit Asset (non-current assets) and Restricted for Pension (net assets) on the statement of financial position. This entry reflects trapped capital as these contributions cannot be touched and remain in the plan.

The Corporation computes its capital as follows:

	2015 \$	2014 \$
Restricted for capital purchases, internal	171	887
Restricted for pension	27,791	22,327
Unrestricted	(6,337)	(1,163)
	<u>21,625</u>	<u>22,051</u>

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 notified the bonding company (Intact Insurance Company) "the Surety" for both projects. The bonding company fulfilled its obligation under the respective bonds and completed the projects in the fiscal year. To date, neither Dowland's Receiver, Intact nor YHC have pursued a claim.

Contractual Obligations

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

	2015
	\$
2016	2,481
2017	2,099
2018	1,702
2019	1,684
2020 and thereafter	1,826
	<u>9,792</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 \$732 (2014 - \$333) and \$9,060 (2014 - \$10,038) 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, 2015 was \$285 (2014 - \$285).

20. Trust Assets

	2015 \$	2014 \$
Deferred salary leave plan funds held in trust	<u>2</u>	<u>31</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 consolidated financial statements.

21. Subsequent Events

On May 7, 2015 the Corporation selected a preferred proponent to lead the construction of a Whitehorse General Hospital expansion. The Corporation has entered into a \$54.2 million design build contract with PCL Constructors Westcoast Inc. with a scheduled completion date of September 2017.