

YUKON HOSPITAL CORPORATION

FINANCIAL STATEMENTS

March 31, 2016

This page intentionally left blank.

Yukon Hospital Corporation

Management Responsibility Statement

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

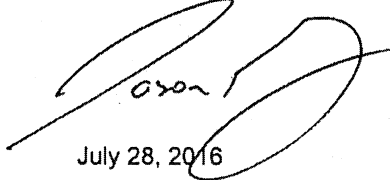
These consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. The consolidated financial statements include some amounts, such as the determination of amounts related to the estimated useful lives of capital assets, the defined 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 28, 2016

Kelly Steele
Chief Financial Officer



July 28, 2016



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 statement of financial position as at 31 March 2016, 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 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Lana Dar, CPA, CA
Principal
for the Auditor General of Canada

28 July 2016
Vancouver, Canada

Yukon Hospital Corporation

Consolidated Statement of Financial Position

As at March 31
(in thousands of dollars)

	2016 \$	2015 \$
ASSETS		
Current assets		
Cash	7,847	2,524
Accounts receivable	3,050	2,365
Inventory (note 3)	2,420	2,391
Prepaid expenses	667	797
Short-term contributions receivable (note 7)	3,102	2,969
	<u>17,086</u>	<u>11,046</u>
Non-current assets		
Restricted funds (note 4)	312	400
Accrued pension benefit (note 5)	35,233	27,791
Capital assets (note 6)	133,124	120,473
Long-term contributions receivable (note 7)	39,742	42,880
	<u>208,411</u>	<u>191,544</u>
	<u>225,497</u>	<u>202,590</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	7,084	5,079
Accrued payroll and benefits	4,662	4,424
Short-term debt (note 8)	42,844	45,849
Deferred revenue (note 9)	744	1,050
	<u>55,334</u>	<u>56,402</u>
Non-current liabilities		
Long-term debt (note 10)	117	162
Employee future benefits other than pensions (note 11)	3,111	2,818
Deferred capital contributions (note 12)	129,535	111,838
Asset retirement obligation	285	285
	<u>133,048</u>	<u>115,103</u>
	<u>188,382</u>	<u>171,505</u>
NET ASSETS		
Investment in capital assets (note 13)	3,978	9,113
Restricted for First Nations Health Program (note 14)	493	347
Restricted for capital purchases, internal	48	171
Restricted for pension	35,233	27,791
Unrestricted	(2,637)	(6,337)
	<u>37,115</u>	<u>31,085</u>
	<u>225,497</u>	<u>202,590</u>

Contingencies and contractual obligations (note 17)

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

On behalf of the Board,

Chairman

Director

Yukon Hospital Corporation

Consolidated Statement of Operations

For the year ended March 31

(in thousands of dollars)

	2016	2015
	\$	\$
Revenues		
Government of Yukon contribution (note 16)	67,013	63,928
Amortization of deferred capital contributions (note 12)	5,117	4,758
Patients	3,461	3,197
Other	678	600
Fundraising	591	682
Thomson Centre service contracts (note 16)	512	501
Cafeteria	283	274
Interest	105	116
	<u>77,760</u>	<u>74,056</u>
Expenses		
Compensation and benefits	40,368	39,117
Supplies	10,150	10,470
Amortization of capital assets (note 6)	6,032	6,282
Other (note 15)	5,601	4,564
Contracted services	5,111	4,417
Equipment and building services	2,543	2,442
Interest on short-term debt	2,198	2,337
Loss on disposal of capital assets	379	107
Fundraising	295	238
Pension benefits cost (income) (note 5)	(947)	(98)
	<u>71,730</u>	<u>69,876</u>
Surplus of revenues over expenses	<u><u>6,030</u></u>	<u><u>4,180</u></u>

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

Yukon Hospital Corporation
Consolidated Statement of Changes in Net Assets

For the year ended March 31
(in thousands of dollars)

	Investment in Capital Assets (note 13)	Restricted for First Nations Health Program (note 14)	Restricted for Capital Purchases Internal	Restricted for Pension	Unrestricted	2016 Total	2015 Total
	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of year	9,113	347	171	27,791	(6,337)	31,085	26,905
Surplus (deficiency) of revenues over expenses	(915)	146	80	7,442	(723)	6,030	4,180
Net change in investment in capital assets (note 13)	(4,220)	-	-	-	4,220	-	-
Purchases of capital assets	-	-	(203)	-	203	-	-
Balance, end of year	3,978	493	48	35,233	(2,637)	37,115	31,085

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
(in thousands of dollars)

	2016 \$	2015 \$
Operating Activities		
Surplus of revenues over expenses	6,030	4,180
Items not involving cash		
Amortization of capital assets	6,032	6,282
Loss on disposal of capital assets	379	107
Amortization of deferred capital contributions	(5,117)	(4,758)
Bad debt expense	269	141
Decrease in prepaid expenses	130	38
Increase in accrued pension benefit	(7,442)	(5,464)
Increase in non-cash working capital balances	16	3,621
Cash generated through operating activities	<u>297</u>	<u>4,147</u>
Capital Activities		
Purchases of capital assets	(17,891)	(9,589)
Proceeds on sale of capital assets	15	28
Cash used in capital activities	<u>(17,876)</u>	<u>(9,561)</u>
Financing Activities		
Repayment of short-term debt	(3,005)	(2,915)
Cash received for capital purchases	25,907	6,742
Cash generated through financing activities	<u>22,902</u>	<u>3,827</u>
Increase (decrease) in cash	5,323	(1,587)
Cash, beginning of year	2,524	4,111
Cash, end of year	<u><u>7,847</u></u>	<u><u>2,524</u></u>
Interest paid	2,198	2,337
Interest received	105	117

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

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2016

(in thousands of dollars)

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% (2015 – 86%) 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 and 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 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 ("FNHP"). The FNHP is administered by the 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.

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2016

(in thousands of dollars)

2. Significant Accounting Policies (continued)

e) Capital Assets (continued)

Capital Asset	Estimated Useful Life
Computer, hardware & systems development	5
Equipment & vehicles	6.7-10
Buildings	10-40
Building improvements	20
Land improvements	20
Foundation capital assets	5
FNHP capital assets	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 rate 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.

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2016

(in thousands of dollars)

2. Significant Accounting Policies (continued)

i) Financial Instruments

The Corporation's financial instruments include cash, accounts receivable, contributions receivable, restricted funds, accounts payable and accrued liabilities, accrued payroll and benefits and short and long-term debt. The carrying value of cash, accounts receivable, restricted funds, 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, 2016.

Financial Assets	Measurement Basis
Cash	Cost
Accounts receivable	Cost
Contributions receivable	Cost
Restricted funds	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 or amortized cost, there have been no re-measurement gains or losses. Therefore, the Consolidated 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 Consolidated Statement of Operations.

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.

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2016

(in thousands of dollars)

2. Significant Accounting Policies (continued)

k) Pensions (continued)

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. 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 assets 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 accretion 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 accretion is included in the Consolidated Statement 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.

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2016

(in thousands of dollars)

3. Inventory

	2016	2015
	\$	\$
Pharmacy	845	845
Material Management	697	688
Operating Room	636	636
Laboratory	242	222
Total Inventory	<u>2,420</u>	<u>2,391</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.

	2016	2015
	\$	\$
Balance, beginning of year	400	417
Increase in contributions received during the year	96	3,185
Amounts used for capital purchases during the year with restricted funds	(184)	(3,202)
Balance, end of year	<u>312</u>	<u>400</u>

5. Pension Costs and Obligations

The 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 the Corporation's employees into two groups. In calendar 2016, Group 1 members were required to contribute to the plan at a rate of 7.00% (calendar 2015 - 6.80%) of annualized earnings up to the Year's Maximum Pensionable Earnings ("YMPE") plus 9.00% (calendar 2015 - 8.80%) of annualized earnings in excess of YMPE. Group 2 members were required to contribute to the plan at a rate of 5.90% (calendar 2015 - 5.80%) of annualized earnings up to the YMPE plus 7.90% (calendar 2015 - 7.80%) of annualized earnings in excess of YMPE.

A separate pension fund is maintained to hold plan assets. The 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 \$100,809 as at March 31, 2016 (2015 - \$98,080).

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2016

(in thousands of dollars)

5. Pension Costs and Obligations (continued)

An actuarial valuation for accounting purposes was performed as of March 31, 2016, 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 1995. The next actuarial valuation for accounting purposes will be performed as at March 31, 2017.

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 Corporation after January 1, 2015, with exception of the 50/50 cost sharing that will affect all employees enrolled 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. 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 Corporation 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 Corporation 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

Historically, the contribution rates for employee and employer contributions were 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, employee turnover and mortality. The assumptions used reflect management's best estimate of these future events. Key assumptions are summarized below:

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2016

(in thousands of dollars)

5. Pension Costs and Obligations (continued)

	2016	2015
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)	7.8	7.7
Inflation rate	2.00%	2.00%

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)	7.8	7.7

As at March 31, 2016, pension fund assets are valued at market value. No adjustment is made for benefits payable or contributions receivable.

	2016 \$	2015 \$
Change in Accrued Benefit Obligation		
Accrued benefit obligation, beginning of year	64,359	58,646
Current period benefit cost (employee and employer)	4,030	3,840
Transfers in/service buybacks	269	-
Interest cost	4,238	3,864
Benefits paid	(2,609)	(2,230)
Actuarial losses	327	239
Accrued benefit obligation, end of year	<u>70,614</u>	<u>64,359</u>
Change in Plan Assets		
Fair value of plan assets, beginning of year	98,080	85,188
Actual return on plan assets	(3,162)	8,219
Employer contributions	6,495	5,366
Employee contributions	2,058	1,817
Transfers in/service buybacks	269	-
Benefits paid	(2,609)	(2,230)
Actual plan expenses	(322)	(280)
Fair value of plan assets, end of year	<u>100,809</u>	<u>98,080</u>

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2016

(in thousands of dollars)

5. Pension Costs and Obligations (continued)

	2016 \$	2015 \$
Reconciliation of Funded Status		
Accrued benefit obligation	70,614	64,359
Fair value of plan assets	(100,809)	(98,080)
Funded surplus	(30,195)	(33,721)
Unamortized actuarial gains (losses)	(5,038)	5,930
Accrued benefit asset	(35,233)	(27,791)
Pension Benefits Cost		
Current period benefit cost	4,315	4,121
Amortization of actuarial gains	(875)	(577)
Employee contributions	(2,058)	(1,817)
Benefit expense	1,382	1,727
Interest on expected average accrued benefit obligation	4,238	3,864
Expected return on plan assets	(6,567)	(5,689)
Pension benefits cost (income)	(947)	(98)

As at December 31, 2015 the pension plan had a solvency deficit of \$31,471 (December 31, 2014 - \$30,213) if valued on the basis that the pension plan were terminated/wound up as at December 31, 2015. The solvency ratio of the plan is 78% (77% in 2014). 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 over the 2016 year. The Corporation will obtain a conforming letter of credit for a portion of the solvency shortfall for the calendar year and will contribute \$3,463 in cash payments. During the fiscal year, the Corporation entered into letters of credit totaling \$13,799 (2015 - \$11,957) related to solvency deficiency payments. The Corporation also received \$1,056 for calendar year 2015 and \$3,260 for calendar year 2016 from the Government of Yukon to fund its pension plan.

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements

March 31, 2016

(in thousands of dollars)

6. Capital Assets

	Land	Land Improvements	Buildings	Building Improvements	Equipment & Vehicles	Computer Hardware & Systems Development	Construction In Progress	2016 Total	2015 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost, beginning of year	1,751	314	138,571	2,585	15,589	7,183	1,699	167,692	159,912
Acquisitions	-	-	81	-	913	387	17,696	19,077	8,531
Transfer to capital assets	-	-	2,285	-	-	-	(2,285)	-	-
Disposals	-	-	(1,069)	-	(895)	(534)	-	(2,498)	(751)
Cost, end of year	1,751	314	139,868	2,585	15,607	7,036	17,110	184,271	167,692
Accumulated amortization, beginning of year	-	77	31,014	1,542	8,471	6,115	-	47,219	41,553
Amortization expense	-	15	4,000	117	1,484	416	-	6,032	6,282
Disposals	-	-	(675)	-	(895)	(534)	-	(2,104)	(616)
Accumulated amortization, end of year	-	92	34,339	1,659	9,060	5,997	-	51,147	47,219
Net book value	1,751	222	105,529	926	6,547	1,039	17,110	133,124	120,473

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2016

(in thousands of dollars)

7. Contributions Receivable

The Corporation received financing from CIBC for the construction of the Crocus Ridge building, Watson Lake Hospital, and Dawson City Hospital (note 8). The Government of Yukon has committed funds since 2011-12 to repay these loans. As a result, the Corporation has recognized a contribution receivable for the amount committed by the Government of Yukon as outlined in the following tables.

	Commitment	Principal Payment	Total
	\$	\$	\$
March 31, 2016			
Crocus Ridge building	13,279	(732)	12,547
Watson Lake Hospital	16,870	(1,073)	15,797
Dawson City Hospital	15,700	(1,200)	14,500
	<u>45,849</u>	<u>(3,005)</u>	<u>42,844</u>

Short-term contributions receivable	3,102
Long-term contributions receivable	<u>39,742</u>
	<u>42,844</u>

	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	-
	<u>48,764</u>	<u>(2,915)</u>	<u>45,849</u>

Short-term contributions receivable	2,969
Long-term contributions receivable	<u>42,880</u>
	<u>45,849</u>

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2016

(in thousands of dollars)

8. Short-Term Debt

	2016	2015
	\$	\$
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.	15,797	16,870
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.	14,500	15,700
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.	12,547	13,279
	42,844	45,849

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:

	\$
2017	3,102
2018	3,202
2019	3,309
2020	3,421
2021	3,539
2022 and thereafter	26,271
	42,844

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2016

(in thousands of dollars)

8. Short-Term Debt (continued)

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 \$1,822 (2015 - \$1,936) of variable interest payments representing an average variable rate of 4.11% (2015 - 4.09%) to a fixed interest payment of \$2,206 (2015 - \$2,295), representing an average fixed rate of 4.98% (2015 - 4.85%). These exchanges were made on a net cash basis.

9. Deferred Revenue

In fiscal 2015, the Corporation received funding from the Government of Yukon related to warranty costs for the MRI. The revenue is recognized as the Corporation incurs the related expense.

10. Long-Term Debt

In 2003, Yukon Development Corporation, 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 \$207 (2015 - \$237).

An initial payment on principal of \$200 was made by the Corporation in 2004 and since then \$279 has been repaid from the realized annual energy savings including \$45 repaid in the current year based on realized energy savings of \$90 (2015 - nil). The final payment is due in 2023.

11. 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.

	2016 \$	2015 \$
Severance	2,537	2,382
Sick leave	574	436
	<u>3,111</u>	<u>2,818</u>

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2016

(in thousands of dollars)

12. 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:

	2016 \$	2015 \$
Balance, beginning of year	111,838	114,469
Restricted Government of Yukon contributions	22,902	2,144
Restricted non-government contributions	(88)	(17)
Amount amortized to revenue	(5,117)	(4,758)
Balance, end of year	<u>129,535</u>	<u>111,838</u>

13. Investment in Capital Assets

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

	2016 \$	2015 \$
Capital assets (note 6)	133,124	120,473
Amounts financed by deferred capital contributions (net of unexpended externally restricted contributions)	(129,146)	(111,360)
	<u>3,978</u>	<u>9,113</u>

b) Change in amortization

	2016 \$	2015 \$
Amortization of deferred capital contributions	5,117	4,758
Amortization of capital assets	(6,032)	(6,282)
	<u>(915)</u>	<u>(1,524)</u>

c) Net change in invested capital assets

	2016 \$	2015 \$
Purchase of capital assets (net of contributed land)	18,682	8,528
Amounts funded by deferred capital contributions	(22,902)	(2,144)
	<u>(4,220)</u>	<u>6,384</u>

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2016

(in thousands of dollars)

13. Investment in Capital Assets (continued)

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 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. First Nations Health Program

Under an annual contribution agreement, the Government of Yukon provides funds to the Corporation for the purpose of operating the 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 the 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 the 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 FNHP and have been included in the Consolidated Statement of Operations.

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2016

(in thousands of dollars)

14. First Nations Health Program (continued)

	2016 \$	2015 \$
Revenues		
Government of Yukon contribution (note 16)	1,200	663
Other	16	15
Interest	2	7
	<u>1,218</u>	<u>685</u>
Expenses		
Payroll	961	858
Sundry	53	28
Honoraria	27	19
Material and supplies	16	9
Travel	15	24
Depreciation	-	1
	<u>1,072</u>	<u>939</u>
Surplus (deficiency) of revenues over expenses	146	(254)
Opening surplus	347	601
Net surplus	<u>493</u>	<u>347</u>

15. Other Expenses

	2016 \$	2015 \$
Property tax	1,068	1,043
Demolition of old Watson Lake Hospital (note 16)	858	-
Communications	571	583
Software maintenance	538	440
Delivery/courier/taxi	416	405
Legal and professional fees	381	340
Conference fees/travel	366	420
Insurance	317	303
Bad debt	269	140
Membership fees	226	214
Recruitment and relocation	186	163
Miscellaneous	161	312
Honorariums	152	147
Advertising	92	54
	<u>5,601</u>	<u>4,564</u>

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2016

(in thousands of dollars)

16. Related Party Transactions

	2016 \$	2015 \$
Government of Yukon Contribution		
Basic funding	58,227	56,573
First Nations Health Program (note 14)	1,200	663
Total basic funding	<u>59,427</u>	<u>57,236</u>
Other	7,586	6,692
Government of Yukon Contribution	<u>67,013</u>	<u>63,928</u>
Yukon Hospital Foundation (included in fundraising revenue)	93	98
Total Government of Yukon Contribution	<u><u>67,106</u></u>	<u><u>64,026</u></u>

Revenue received from the Government of Yukon for services was \$67,106 for 2016 (2015 - \$64,026). The 2016 contribution includes \$93 (2015 - \$98) flow through funding given to the Foundation.

During the year, the Government of Yukon contributed \$858 towards the demolition of the old Watson Lake Hospital.

Services Without Charge

The Corporation leases space to the Government of Yukon. The leases for the ambulance station, #2 Hospital Road, #4 Hospital Road, and 17,951 square feet of office space located in the Thomson Centre building are at a nominal amount. 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 2016 was \$520 (2015 - \$485).

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 consolidated financial statements (notes 5, 9, 10, 12, and 13) the Corporation enters into transactions with related entities in the normal course of business.

As at March 31, 2016 there were \$82 (2015 - \$138) of accounts payable and accrued liabilities and \$2,064 (2015 - \$1,424) of accounts receivable related to the Government of Yukon.

In fiscal 2015, the Corporation entered into three year agreements with the Government of Yukon to provide laundry and food services to the Thomson Centre. The revenue recognized from these agreements is included in Thomson Centre service contracts in the Consolidated Statement of Operations.

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2016

(in thousands of dollars)

16. Related Party Transactions (continued)

In fiscal 2015, the Corporation entered into a four year agreement with the Government of Yukon to provide funding for the Whitehorse General Hospital Expansion Project. During the year, the Corporation received \$22,635 of capital funding recorded as deferred capital contributions (note 12) (2015 - \$1,364) and \$673 of operations funding recorded as other Government of Yukon contribution (2015 - \$220).

In compliance with the Appendix H agreement, the Corporation provided goods in the amount of \$1,064 (2015 - \$961) 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 \$1,016 (2015 - \$902). 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. The transaction was recorded at fair value. The Corporation agreed that it may transfer part of the old building back to the Government of Yukon at the request of, and subject to any conditions imposed by the Government of Yukon. In addition, the Corporation may be required to grant to the Government of Yukon a lease on such terms as the Government of Yukon may require. No transfers were made back to Government of Yukon in fiscal 2016.

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 space 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 2,540 square feet of clinical space located in the Dawson City Hospital. This lease is recorded at the exchange amount which approximates fair value.

In fiscal 2015 the Corporation (the Lessor) entered into a lease with the Government of Yukon (the Lessee) for approximately 2,206 square feet of office space located in the Dawson City Hospital. This lease is recorded at the exchange amount which approximates fair value.

During the year the Corporation (the Lessor) amended a lease from fiscal 2014 with the Government of Yukon (the Lessee) for approximately 2,660 square feet of rentable space to add 2,858 square feet of space in the lower level of the Watson Lake Hospital. This lease is recorded at the exchange amount which approximates fair value.

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2016

(in thousands of dollars)

16. Related Party Transactions (continued)

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
Dawson City Hospital clinical space	95	15
Dawson City Hospital office space	69	1
Watson Lake Hospital rentable space	69	15
Watson Lake Hospital space	74	13
	1,132	

17. 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 2013. To date, neither the receiver for Dowland Contracting Ltd, Intact Insurance Company nor the Corporation have pursued a claim.

Contractual Obligations

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

	\$
2017	23,253
2018	17,647
2019	406
2020	386
2021 and thereafter	151
	41,843

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 \$39,444 (2015 - \$732) and \$2,399 (2015 - \$9,060) respectively.

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2016

(in thousands of dollars)

18. 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 cash, accounts receivables, restricted funds and contributions receivable.

Cash and Restricted Funds:

The Corporation's exposure to credit risk associated with cash and restricted funds is assessed as low because the Corporation's cash deposits are held by a Canadian Schedule 1 Chartered bank.

Accounts Receivable:

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

Allowances for doubtful accounts are provided for potential losses that have been incurred at the reporting date. The amounts disclosed on the Consolidated 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:

	2016	2015
	\$	\$
Government of Yukon	2,064	1,424
Other	469	469
Other governments	440	289
Consumers	77	183
	<u>3,050</u>	<u>2,365</u>

The Corporation's accounts receivable has a carrying value of \$3,050 as at March 31, 2016 (2015 - \$2,365). As at March 31, 2016, approximately 22% (2015 - 30%) of accounts receivable were over 90 days past due, whereas 71% (2015 - 66%) were current or less than 30

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2016

(in thousands of dollars)

18. Financial Risks (continued)

days past due. The Corporation's allowance for doubtful accounts is \$500 as at March 31, 2016 (2015 - \$615).

Contributions Receivable:

The Corporation's exposure to credit risk associated with contributions receivable is assessed as low because the amount is due from the Government of Yukon.

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 \$7,084 as at March 31, 2016 (2015 - \$5,079). As at March 31, 2016, 100% of accounts payable and accrued liabilities (2015 - 100%) was current, or less than 30 days past due. The Corporation's accrued payroll and benefits has a carrying value of \$4,662 as at March 31, 2016 (2015 - \$4,424) and is payable in the next fiscal year.

The Corporation's short-term debt has remaining undiscounted contractual cash flows of \$55,864 as at March 31, 2016 (2015 - \$61,074) and may be repayable in the next fiscal year. The Government of Yukon has committed the funds to repay the short-term debt (note 7). The Corporation's long-term debt has remaining undiscounted contractual cash flows of \$139 as at March 31, 2016 (2015 - \$109).

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.

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.

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2016

(in thousands of dollars)

19. 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 related to 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 Consolidated 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:

	2016	2015
	\$	\$
Restricted for capital purchases, internal	48	171
Restricted for pension	35,233	27,791
Unrestricted	(2,637)	(6,337)
	<u>32,644</u>	<u>21,625</u>