

YUKON HOSPITAL CORPORATION

FINANCIAL STATEMENTS

March 31, 2008

(audited)

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Management Responsibility

The accompanying financial statements of Yukon Hospital Corporation, and all information in the annual report pertaining to the Corporation, are the responsibility of management, and have been approved by the Board of Directors.

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for not-for-profit organizations. The financial statements include some amounts, such as the determination of the defined benefit pension plan surplus and the liabilities for accrued severance, retirement and sick leave benefits, that are necessarily based on management's best estimates and judgement. Management has determined such amounts on a reasonable basis. Financial information used in the annual report is consistent with that in the financial statements.

Management maintains a system of internal accounting and administrative controls designed to provide reasonable assurance as to the reliability of financial information and the safeguarding of assets.

The Board of Directors of the Corporation is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal controls. The Board exercises this responsibility through an Audit Committee consisting of five non-management members. The Audit Committee meets regularly with management and with the external auditors to review the scope and result of the annual audit, and to review the financial statements and related financial reporting matters prior to submitting the financial statements to the Board of Directors for approval.

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

Nick Leenders
Director of Finance



July 12, 2007

Kelly Steele
Manager, Accounting Services



July 12, 2007



AUDITOR'S REPORT

To the Directors of the Yukon Hospital Corporation

I have audited the consolidated statement of financial position of the Yukon Hospital Corporation as at March 31, 2008 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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

Vancouver, Canada
July 11, 2008

Yukon Hospital Corporation

Consolidated Statement of Financial Position

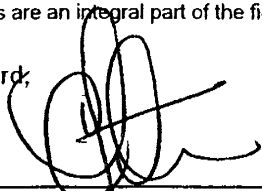
As at March 31

	2008	2007
	\$	\$
ASSETS		
Current assets		
Cash & cash equivalents	4,968,980	3,819,965
Accounts receivable	1,701,024	1,213,555
Inventory (note 4)	890,653	851,485
Prepaid expenses	274,643	294,295
	<u>7,835,300</u>	<u>6,179,300</u>
Non-current assets		
Restricted funds (note 5)	689,793	602,652
Accrued pension benefit (note 13)	3,051,000	2,326,700
Capital assets - net (note 6)	5,437,385	6,212,668
	<u>17,013,478</u>	<u>15,321,320</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	1,877,995	1,335,179
Accrued payroll and benefits	2,251,706	2,020,221
Deferred revenue	71,191	149,500
	<u>4,200,892</u>	<u>3,504,900</u>
Long-term liabilities		
Employee future benefits other than pensions (note 7)	1,415,938	1,400,087
Deferred capital contributions (note 8)	2,169,466	2,928,418
Long-term debt (note 9 & 10)	350,884	395,898
	<u>3,936,288</u>	<u>4,724,403</u>
	<u>8,137,180</u>	<u>8,229,303</u>
Net Assets		
Invested in capital assets (note 11)	2,420,777	2,613,831
Contributed surplus (note 12)	1,393,007	1,393,007
Restricted - First Nations Health Fund (note 15)	2,547,755	2,575,763
Restricted for capital purchases, external (note 5)	689,793	602,652
Restricted for capital purchases, internal	562,329	325,878
Unrestricted	1,262,637	(419,114)
	<u>8,876,298</u>	<u>7,092,017</u>
	<u>17,013,478</u>	<u>15,321,320</u>
Contingent liabilities and commitments (note 18)		

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

On behalf of the Board,

Chairman



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Director



Yukon Hospital Corporation

Consolidated Statement of Operations

For the year ended March 31

	2008	2007
	\$	\$
Revenues		
Government of Yukon - basic (note 14)	29,717,243	28,738,647
Government of Yukon - other (note 14)	1,772,909	4,702,871
Patients	2,500,641	2,130,996
Government of Yukon - in kind (note 14)	1,649,980	1,622,516
Amortization of deferred capital contributions (note 8)	1,080,726	1,343,670
Fundraising	558,736	433,775
Interest	711,726	559,037
Other	331,727	269,036
Cafeteria	206,041	196,446
	<u>38,529,729</u>	<u>39,996,994</u>
Expenses		
Compensation and benefits (note 7)	20,289,400	18,846,521
Pension (note 13)	1,746,000	2,325,000
Supplies	5,819,755	5,451,976
Contracted services	2,078,605	2,046,052
Sundry (note 16)	2,093,599	1,917,864
Amortization of capital assets	1,590,856	1,492,179
Equipment and building services	1,220,779	1,124,819
Equipment and building services - in kind (note 14)	1,649,980	1,622,516
Improvements - Thomson Center (note 17)	176,725	503,439
Fundraising	156,890	182,738
	<u>36,822,589</u>	<u>35,513,104</u>
Surplus of revenue over expenses	<u>1,707,140</u>	<u>4,483,890</u>

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

Yukon Hospital Corporation
Consolidated Statement of Changes in Net Assets

For the year ended March 31

	Invested in Capital Assets (note 11)	Contributed Surplus	Restricted For First Nations Health Fund (note 15)	Restricted For Capital Purchases External (note 5)	Restricted For Capital Purchases Internal	Unrestricted	2008 Total	2007 Total
	\$	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of year	2,613,831	1,393,007	2,575,763	602,652	325,878	(419,114)	7,092,017	2,515,534
Surplus (deficiency) of revenue over expenses	(686,855)		(28,008)		236,451	2,185,552	1,707,140	4,483,890
Net change in invested in capital assets (note 11)	493,801					(493,801)		
Contributions				148,439		(13,000)	135,439	117,981
Purchases of Capital Assets				(61,298)		3,000	(58,298)	(25,388)
Balance, end of year	<u>2,420,777</u>	<u>1,393,007</u>	<u>2,547,755</u>	<u>689,793</u>	<u>562,329</u>	<u>1,262,637</u>	<u>8,876,298</u>	<u>7,092,017</u>

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

Yukon Hospital Corporation

Consolidated Statement of Cash Flows

For the year ended March 31

	2008	2007
	\$	\$
Cash flows provided by (used in) operating activities:		
Receipts from and on behalf of patients	36,303,972	38,365,192
Payments to employees	-21,788,064	-24,909,502
Payments to suppliers and contractors	-12,873,092	-13,305,095
	<hr/>	<hr/>
Cash flows from operating activities	1,642,816	150,595
Cash flows used in investing activities		
Purchase of capital assets	-815,575	-922,502
	<hr/>	<hr/>
Cash flows used in investing activities	-815,575	-922,502
Cash provided by financing activities		
Cash received for capital purchases	321,774	475,000
	<hr/>	<hr/>
Cash flows from financing activities	321,774	475,000
Net increase (decrease) in cash	1,149,015	-296,907
Cash & cash equivalents, beginning of the year	3,819,965	4,116,872
	<hr/>	<hr/>
Cash & cash equivalents, end of the period	4,968,980	3,819,965
Represented by:		
Cash	1,299,276	692,975
Cash and cash equivalents - First Nations Health Program	2,689,503	2,536,184
Cash and cash equivalents - Yukon Hospital Foundation	980,201	590,806
	<hr/>	<hr/>
	4,968,980	3,819,965

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

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2008

1. PURPOSE

- a) Yukon Hospital Corporation ("The Corporation") is a charitable organization established under the *Hospital Act* of the Yukon. The objectives of the Corporation are to provide hospital and medical services to meet the needs of people in the Yukon. The Corporation is a registered charity and accordingly is exempt from income taxes, provided certain requirements of the *Federal Income Tax Act* are met.
- b) The Yukon Hospital Foundation ("The Foundation") is a society incorporated under the *Societies Act* of Yukon. The purpose of the society is to promote health of people in the Yukon, to raise money for hospital and medical care and services, supervised residential care and continuing care, and rehabilitative care and services. The Foundation also grants funds and provides equipment, services and facilities to health facilities in the Yukon, and in particular to the Yukon Hospital Corporation.

2. CHANGE IN ACCOUNTING POLICY

Adoption of new accounting policies

Effective April 1, 2007 the Corporation adopted the new Canadian Institute of Chartered Accountant Handbook Sections 3855, Financial Instruments - Recognition and Measurement, Section 3861, Financial Instruments - Disclosure and Presentation, and Section 3865, Hedges. As required by the new standards, prior period results have not been restated. Under the new standards, financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on their classification. Held-to-maturity financial assets and loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method. Held for trading and available for sale financial assets are measured at fair value. Financial liabilities are categorized as held for trading or other financial liabilities.

The Corporation's financial assets include Accounts receivable, Due from Government of Yukon and Due from First Nations Health program, which are classified as "Loans and receivables", while its financial liabilities include Accounts payable and Long-term debt and are classified as "Other financial liabilities".

As the basis of accounting of these financial instruments has not changed and they continue to be recorded at amortized cost, the adoption of the financial instruments standards had no material impact on the Corporation's financial statements.

The adoption of CICA Handbook Section 3865, Hedges by the Corporation did not have an impact on the Corporation because it does not apply hedge accounting.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for not-for-profit organizations. The consolidated financial statements include the accounts of Yukon Hospital Corporation and Yukon Hospital Foundation. All significant inter-company transactions and balances have been eliminated on consolidation.

Cash and cash equivalents

Cash and cash equivalents also includes amounts for the First Nation Health Program. Cash equivalents are recorded at cost, which approximates fair value, and consists of investments in bankers acceptances with maturities of three months or less from the date of acquisition.

Inventory

Inventory is valued at the lower of cost, determined on the first-in, first out basis, and net realizable value.

Capital assets

Capital assets are recorded at cost except for a contributed capital asset which is recorded at fair market value at the date of contribution. Amortization is calculated by the straight line method over the assets' expected useful lives (see note 3). Small equipment costing under \$2,500 is expensed when incurred.

Revenue Recognition

The Corporation follows the deferral method of accounting for contributions. Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Interest income is recognized as revenue when earned.

Operating contribution agreement amounts are recorded as revenue in the period to which they relate. Where a portion of a contribution relates to a future period, it is deferred and recognized in the subsequent period.

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.

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2008

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated services

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Pensions

Eligible employees of the Corporation participate in the Yukon Hospital Corporation Employees Defined Benefit Pension Plan, administered by the Corporation's Board of Trustees. Contributions to the plan are required from both the employees and the Corporation. Contributions to the plan made during the year by the Corporation on behalf of its employees are included in the statement of operations.

Pensions are based on length of service and final average earnings. Cost of living increases are provided annually to pensioners, as well as upon retirement for deferred pensioners. The expected return on plan assets is based on the fair value of plan assets at the beginning of each fiscal year. Cumulative unrecognized gains and losses in excess of 10% of the greater of the accrued benefit obligation and the market value of plan assets are amortized on a straight-line basis over the expected average remaining service period ("EARSL") of active employees expected to receive benefits under the plan. Past service costs arising from retroactive benefit improvements are amortized on a straight-line basis over the EARSL of active members expected to receive benefits under the plan. Further details with respect to the pension are contained in note 13.

Employee future benefits other than pensions

Employees are entitled to specified severances and sick leave benefits as provided for under union contracts and conditions of employment. The liability for these payments is estimated and recorded in the accounts as the benefits accrue to the employees. Management determines the accrued benefit obligation based on assumptions that the following percentages of employees will not stay with the Corporation until retirement.

Age 18-25	100%
Age 26-35	75%
Age 36-45	60%
Age 46-55	20%
Age 55+	0%

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures during the reporting period. Significant areas requiring the use of management estimates relate to the determination of the defined benefit pension plan surplus and the liabilities for accrued severance, retirements and sick leave benefits. Financial results as determined by actual events could differ significantly from these estimates.

Future Accounting Changes - Financial Instrument Disclosures and Capital Disclosures

On December 1, 2006, the CICA issued three new accounting standards: CICA Section 3862 Financial Instruments - Disclosures, Section 3863 Financial Instruments - Presentation; and Section 1535 Capital Disclosures. These standards apply to fiscal years beginning on or after October 1, 2007 and accordingly will be effective for the Corporation on April 1, 2009.

Sections 3862 and 3863 replace Section 3861 Financial Instruments - Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections increased emphasis on disclosure about the nature and extent of risks arising from financial instruments and how the Corporation manages those risks. These sections are currently being assessed by management to determine applicability and impact on the Corporation's financial statements.

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the Corporation regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. This section is expected to have limited impact on the Corporation's financial statements.

Section 3031 is a new recommendation for the measurement and disclosure of inventories. This section provides guidance on the determination of cost and its subsequent recognition as an expense, including any write down to net realizable value and on the cost formulas that are used to assign costs to inventories. This section is currently being assessed by management to determine applicability and impact on the Corporation's financial statements.

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements

March 31, 2008

4. INVENTORY		
	2008	2007
Inventory	\$	\$
• Pharmacy	446,390	456,213
• Material Management	444,264	395,272
Total Inventory	890,653	851,485

5. RESTRICTED FOR CAPITAL PURCHASES - EXTERNAL		
	2008	2007
	\$	\$
Balance, Beginning of year	602,652	510,059
Contributions during the year	148,439	117,981
Purchases during the year	(61,298)	(25,388)
Balance, End of year	689,793	602,652

\$650,416 (2007 - \$573,277) is held in separate bank accounts representing donations made to Run for Mom and the Endowment

6. CAPITAL ASSETS				
			2008	2007
	Rate	Cost	Accumulated amortization	Net
		\$	\$	\$
Medical equipment	15%	6,995,076	4,250,539	2,744,537
Information systems	20%	3,572,636	2,829,967	742,669
Building improvements	5%	1,618,675	701,073	917,602
Land				
transferred	0%	1,009,213	-	1,009,213
Yukon Hospital Foundation Property & Equipment	20%	27,559	11,023	16,536
First Nations Health program Property & Equipment		36,059	29,231	6,828
		13,259,218	7,821,833	5,437,385
				6,212,668

The land on which the hospital building is located is owned by the Corporation. The hospital building itself is owned by and recorded in the books of the Government of Yukon. The Corporation is responsible for the maintenance and upkeep of the building and grounds.

Equipment and fixtures amounting to \$1,036,955 are no longer reported on the financial statements as the assets are no longer in use.

7. EMPLOYEE FUTURE BENEFITS OTHER THAN PENSIONS		
	2008	2007
Accrued benefit obligation	\$	\$
Beginning of year	1,550,087	1,431,366
Cost for the year	150,000	248,425
Benefits paid during the year	(134,149)	(129,704)
Accrued benefit obligation end of year	1,565,938	1,550,087
Short-term portion	150,000	150,000
Long-term portion	1,415,938	1,400,087

A large portion of the accrued payroll benefits relating to severance, retirement and sick leave have been classified as a long-term liability in the accompanying financial statements as the probability of pay out within the next fiscal year is considered low.

8. DEFERRED CAPITAL CONTRIBUTIONS		
	2008	2007
	\$	\$
Balance, Beginning of year	2,928,418	3,797,088
Restricted government contribution	321,774	475,000
Amount amortized to revenue	(1,080,726)	(1,343,670)
Balance, End of year	2,169,466	2,928,418

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements

March 31, 2008

9. LONG-TERM DEBT

	2008	2007
	\$	\$
Yukon Development Corporation	350,884	395,898

\$395,898 flexible term note bearing interest at 7.5% repayable in annual instalments, based on annual energy savings realized, secured by a general security agreement on building improvements with a net book value of \$446,923. (2007 \$476,718)

In 2003, Yukon Development Corporation financed an electric boiler system for the Corporation for a total cost of \$595,898. The long-term debt repayment portion is 50% of the savings total. An initial payment on principal of \$200,000 was made by Yukon Hospital Corporation in 2004.

The savings realized to date are as follows:

	\$
2004	77,461
2005	109,494
2006	112,000
2007	191,073
	<u>490,028</u>

Yukon Development Corporation is related to the Corporation as they are both under common control by the Government of Yukon. This transaction took place under normal trade terms.

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Corporation's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, accrued payroll and benefits and long-term debt. The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, accrued payroll and benefits approximate their fair values due to the short-term nature of these financial assets and liabilities.

The fair value of long-term debt is based on management estimates and is determined by discounting cash flows required at the interest rate currently estimated to be available for loans with similar terms.

The carrying amount and estimated fair value of the long-term debt financial instruments are as follows.

	2008		2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	\$ 350,884	\$ 411,556	\$ 395,898	\$ 455,362
	<u>350,884</u>	<u>411,556</u>	<u>395,898</u>	<u>455,362</u>

Credit Risk

In addition, the Corporation is also exposed to credit and concentration risk for its cash and cash equivalents and accounts receivable. Credit risk is minimized substantially by ensuring that cash and cash equivalent assets are placed with Canadian chartered banks. The average annual return on investments for 2008 is 4.50% (2007 - 4.23%)

Account receivable, accounts payable and accrued liabilities are the result of transactions incurred in the normal course of business, do not have significant credit risk, and are non-interest bearing.

Interest Rate Risk

The Corporation is not exposed to significant interest rate risk due to its long-term debt having fixed interest rates.

11. INVESTED IN CAPITAL ASSETS

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

	2008	2007
	\$	\$
Capital assets (note 6) less land in Net assets - Contributed Surplus	4,428,172	5,203,455
Amounts financed by deferred capital contributions	<u>(2,007,395)</u>	<u>(2,589,624)</u>
	<u>2,420,777</u>	<u>2,613,831</u>

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

(b) Deficiency of revenue over expenses

Amortization of deferred capital contributions	904,001	840,231
Amortization of capital assets	<u>(1,590,856)</u>	<u>(1,492,179)</u>
	<u>(686,855)</u>	<u>(651,948)</u>

(c) Net change in invested capital assets

Purchase of capital assets	815,575	922,502
Amounts funded by deferred capital contributions	<u>(321,774)</u>	<u>(475,000)</u>
	<u>493,801</u>	<u>447,502</u>

12. CONTRIBUTED SURPLUS

Certain assets including land were transferred from the Government of Canada and the Government of Yukon to the control of the Yukon Hospital Corporation on April 1, 1993 and January 19, 1994.

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements

March 31, 2008

13. PENSION COSTS AND OBLIGATIONS

Yukon Hospital Corporation sponsors a contributory defined benefit pension plan. Effective June 25, 2006, the Plan has been amended so that members are required to contribute to the plan 5.5% of annualized earnings up to the Year's Maximum Pensionable Earnings ("YMPE") plus 7.5% of annualized earnings in excess of YMPE for the Plan year.

The Corporation contributes amounts as prescribed by an independent actuary.

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 \$39,396,000 as at December 31.

An actuarial valuation for accounting purposes was performed as of December 31, 2007 by Towers Perrin, using the projected benefits method prorated on services. The actuarial valuation included services rendered by members under the Yukon Hospital Corporation Employees' Pension Plan since the inception of the plan in 1993, as well as service credits in respect of pre-1993 service transferred to the Yukon Hospital Corporation Employees' Pension Plan from the Public Service Pension Plan under the Special Reciprocal Transfer Agreement dated June of 1995. The next actuarial valuation for accounting purpose will be performed as of December 31, 2008.

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:

	2008	2007
Weighted-Average Assumptions for Expense		
• Discount rate	5.25%	5.00%
• Expected long-term rate of return on plan assets	7.00%	7.00%
• Rate of compensation increase (exclusive of SMP increases)	3.00%	3.00%
Weighted-Average Assumptions for Disclosure		
• Discount rate	5.00%	5.25%
• Rate of compensation increase (exclusive of SMP increases)	3.00%	3.00%

As at December 31, 2007, pension fund assets are valued at market value. No adjustment is made for benefits payable or contributions receivable.

	2008	2007
Change in accrued benefit obligation		
• Accrued benefit obligation - end of prior year	38,780,000	37,071,200
• Employer current service cost	2,008,000	2,183,500
• Interest cost on benefit obligation	2,125,000	1,849,900
• Employee contributions	798,000	703,400
• Benefits paid	(1,439,000)	(850,600)
• Actuarial gains (losses)	1,840,000	(2,177,100)
• Accrued benefit obligation - end of year	44,112,000	38,780,300
Change in Plan Assets		
• Fair value of plan assets - end of prior year	37,116,000	28,139,800
• Actual return on plan assets	(110,000)	3,814,000
• Employer contributions	3,254,000	5,674,600
• Employee contributions	798,000	703,400
• Benefits paid	(1,439,000)	(850,600)
• Actual plan expenses	(223,000)	(365,000)
• Fair value of plan assets - end of year	39,396,000	37,116,200
Market value of plan assets - end of year	39,396,000	37,116,200
Reconciliation of Funded Status		
• Accrued benefit obligation - end of year	44,112,000	38,780,300
• Fair value of plan assets	39,396,000	37,116,200
• Funding deficit	(4,716,000)	(1,664,100)
• Employer contributions made between measurement date and fiscal year end	859,000	1,642,600
• Unamortized past service costs	748,000	905,000
• Unamortized actuarial loss	6,160,000	1,443,200
Accrued benefit asset (liability)	3,051,000	2,326,700
Components of Net Periodic Pension Cost		
• Current service cost (employer portion) including provision for administrative expenses	2,149,000	2,322,500
• Interest cost on benefit obligation	2,125,000	1,849,900
• Actual return on plan assets	110,000	(3,814,000)
• Actuarial gains (losses) on accrued benefit obligation	1,840,000	(2,177,100)
Cost arising in the period	6,224,000	(1,818,700)
Differences between costs arising in the period and costs recognized in the period in respect of:		
• Return on plan assets	(2,795,000)	1,655,600
• Actuarial (loss) gain	(1,840,000)	2,330,700
• Plan amendments	157,000	157,400
• Transitional obligation (asset)	-	-
Net periodic pension cost recognized	1,746,000	2,325,000
Plan Assets By Asset Category	Dec 31, 2007	Dec 31, 2006
• Equity securities	61%	58.9%
• Debt securities	36%	33.5%
• Other	3%	7.6%
Total	100%	100%

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements

March 31, 2008

13. PENSION COSTS AND OBLIGATIONS (continued)

The Yukon Hospital Corporation adopted a measurement date of December 31 in respect of its pension obligations. Consequently, both benefit obligations and plan assets are measured as of December 31 for presentation in the financial statements as of March 31.

The accrued benefit asset has been recorded on the Corporation's books of account and is included on the balance sheet as at March 31, 2008.

The funded status of the pension plan (a deficit of \$4,716,000 as at December 31, 2007) presented in these financial statements has been determined on the basis that the pension plan remains a going concern. As at December 31, 2007 the pension plan had a deficit of \$5.6 million if valued on the basis that the pension plan were terminated/wound up as at December 31, 2007.

The solvency ratio of the plan is 88%. Since it is less than 100%, to be in accordance with the *Pension Benefits Standards Act, 1985*, the Corporation is required to make special payments to eliminate the solvency shortfall. The payments have been actuarially determined as follows: quarterly payments of \$143,000 per year over five years starting in 2005, quarterly payments of \$181,400 per year over five year starting in 2006 and an additional quarterly solvency payment of \$137,184 beginning in 2008. During the fiscal year, the Corporation contributed \$2,426,961 to the plan, of which \$1,484,480 related to solvency deficiency payments for 2008. Also during the fiscal year, the Corporation received \$1,052,250 from the Government of Yukon and was owed \$617,350 at year-end to fund these payments.

The projected amount the Corporation will need to pay for pension deficit is summarized as follows:

	\$
2008	1,846,300
2009	1,846,300
2010	1,303,300
2011	577,700
2012	548,700
	<u>6,122,300</u>

This amount is subject to re-evaluation after each actuarial valuation.

14. RELATED PARTY TRANSACTIONS

	2008	2007
Government of Yukon Contribution	\$	\$
• Basic Services	29,054,243	28,041,225
• First Nations Health program (note 15)	663,000	697,422
Total Basic Funding	<u>29,717,243</u>	<u>28,738,647</u>
• Other	1,772,909	4,702,871
• Yukon Hospital Foundation (included in fundraising revenue)	75,000	75,000
Government of Yukon Contribution	<u>31,565,152</u>	<u>33,516,518</u>

Revenue received from the Government of Yukon for services was \$31,565,152 for 2008 (2007 \$33,516,518). The 2008 contribution includes \$75,000 (2007 \$75,000) flow through funding given to Yukon Hospital Foundation. The other funding includes \$1,052,250 (2007 \$4,627,871) for the pension solvency deficiency payments.

	2008	2007
Services Provided Without Charge	\$	\$
• Rent	1,008,896	1,008,896
• Property taxes	641,084	613,620
Government of Yukon - In Kind	<u>1,649,980</u>	<u>1,622,516</u>

Services provided without charge represents costs associated with facilities provided by the Government of Yukon at a reduced rate or no charge. The estimated value of these services is based on the Government's amortization expense, plus any related operating expenses.

Other services are provided to related parties at no charge based on the agreement outlined in the Appendix H agreement. Appendix H is a transfer agreement between the Corporation and Government of Yukon which outlines Whitehorse General Hospital obligation to provide residual services to Yukon Communities. The total cost of providing these services for 2008 was \$149,225 (2007 \$138,000).

In compliance with its Appendix H agreement, the Corporation provides goods in the amount of \$791,950 (2007 \$794,886) to related parties which includes a 15% administration charge on Material Management supplies purchased in excess of \$80,000. The Corporation recovers only the cost of goods of \$757,418 (2007 \$735,720). 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.

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements

March 31, 2008

15 - FIRST NATIONS HEALTH PROGRAM

The following amounts have been used in the First Nations Health program and have been included in the Consolidated Statement of Operations.

	2008	2007
	\$	\$
Revenues		
Government of Yukon - Transfer agreement (note 14)	663,000	663,000
Interest	110,564	103,723
Government of Yukon Contributions Health Partnership and Secondments	-	34,422
	<u>773,564</u>	<u>801,145</u>
Expenses		
Payroll	641,222	635,440
Material & Supplies	8,193	14,088
Travel	21,679	24,437
Honoraria	9,400	8,850
Sundry	23,928	50,465
Scholarships	28,528	25,500
Donations - Under our Wing Campaign	-	30,000
Contribution - Council of Yukon First Nations Health Commission	30,000	25,000
Depreciation	38,623	-
	<u>801,573</u>	<u>813,780</u>
Net Surplus	2,547,755	2,575,763

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

16 - SUNDRY EXPENSE

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

	2008	2007
	\$	\$
Software maintenance	178,449	288,685
Conference fees/Travel	287,619	311,426
Legal and professional fees	268,787	262,309
Recruitment and relocation	221,299	67,749
Delivery/Courier/Taxi	220,679	194,347
Diabetes Grant	158,492	-
Insurance	138,250	137,444
Security	137,694	105,166
Bad debt	142,290	96,661
Miscellaneous	78,217	202,286
Communications	57,807	53,630
Honorariums	56,891	46,264
Advertising	42,736	69,700
Membership fees	45,860	56,696
CYFN Health Commission contribution - FNH	30,000	-
Scholarships FNH	28,528	25,500
	<u>2,093,599</u>	<u>1,917,864</u>

17 - IMPROVEMENTS - THOMSON CENTER

The Thomson Center is a building owned by the Government of Yukon and was built adjacent to the Whitehorse General Hospital on land owned by the Corporation. The improvements to the Thomson Center consisted of repairs and upgrades funded by capital contributions provided by the Government of Yukon. As a result, these improvements have been expensed and not capitalized in these financial statements.

18 - CONTINGENT LIABILITIES AND COMMITMENTS

The nature of the Corporation's activities is such that there may be litigation pending or in prospect at any time. No provision has been made for loss in these financial statements, as in management's opinion, there are no active claims which could have a material adverse effect on its financial position or result of operations.

19 - TRUST ASSETS

	2008	2007
	\$	\$
Deferred salary leave plan funds held in trusts	109,207	145,644

The Corporation administers trust accounts on behalf of employees in regards to its deferred salary leave plan. The deferred salary leave plan funds held in trusts are not included in the accompanying financial statements.

20 - ECONOMIC DEPENDENCE

The Corporation receives approximately 90% of its income from the Government of Yukon.

21 - COMPARATIVE FIGURES

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