

**YUKON HOSPITAL CORPORATION**

**FINANCIAL STATEMENTS**

**March 31, 2011**

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## Management Responsibility

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

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for not-for-profit organizations. The consolidated 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 consolidated financial statements.

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

The Board of Trustees of the Corporation is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal controls. The Board exercises this responsibility through an 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 Interim Auditor General of Canada, and his report is included with these consolidated financial statements.

Joe MacSillivray  
CEO

October 13, 2011

Kelly Steele  
CFO

October 13, 2011



## 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 2011, 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 generally accepted accounting principles, 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 qualified opinion on the results of operations and my unmodified audit opinion on the financial position and cash flows.

### *Basis for Qualified Opinion on the Results of Operations*

Because the Yukon Hospital Corporation did not perform a physical inventory count as at 1 April 2009, I was not able to observe the counting of the physical inventories at the beginning of fiscal year 2010 or satisfy myself concerning those inventory quantities by alternative means. Since opening inventories affect the determination of the results of operations, I was unable to determine whether adjustments to the results of operations might be necessary for fiscal year 2010. My audit opinion on the consolidated financial statements for the year ended 31 March 2010 was modified accordingly. My opinion on the current year's consolidated financial statements is also modified because of the possible effects of this matter on the comparability of the current period's figures and the comparative information.

### *Qualified Opinion on the Results of Operations*

In my opinion, except for the possible effects on the comparative information of the matter described in the Basis for Qualified Opinion paragraph, the consolidated statement of operations and consolidated statement of changes in net assets present fairly, in all material respects, the results of operations of the Yukon Hospital Corporation for the year ended 31 March 2011 in accordance with Canadian generally accepted accounting principles.

### *Opinion on the Financial Position and Cash Flows*

In my opinion, the consolidated statement of financial position and consolidated statement of cash flows present fairly, in all material respects, the financial position of the Yukon Hospital Corporation as at 31 March 2011 and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Guy LeGras, CA  
Principal  
for the Interim Auditor General of Canada

13 October 2011  
Vancouver, Canada

# Yukon Hospital Corporation

## Consolidated Statement of Financial Position

As at March 31

	2011 \$	2010 \$
(thousands of dollars)		
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	3,634	3,537
Accounts receivable (note 11)	1,158	2,177
Inventory (note 3)	2,315	2,006
Prepaid expenses	514	783
	<u>7,621</u>	<u>8,503</u>
Non-current assets		
Restricted funds (note 4)	204	108
Accrued pension benefit (note 5)	9,306	6,833
Capital assets (note 6)	67,263	49,410
Contributions receivable (note 7)	22,513	6,692
	<u>106,907</u>	<u>71,546</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities (note 11)	4,727	3,845
Accrued payroll and benefits	3,406	3,014
Deferred revenue	192	435
Short-term debt (notes 10 & 11)	18,477	4,322
	<u>26,802</u>	<u>11,616</u>
Long-term liabilities		
Employee future benefits other than pensions (note 8)	2,179	1,863
Deferred capital contributions (note 9)	61,739	45,034
Long-term debt (notes 10 & 11)	116	138
Asset retirement obligation (note 18)	356	177
	<u>64,390</u>	<u>47,212</u>
	<u>91,192</u>	<u>58,828</u>
<b>NET ASSETS</b>		
Investment in capital assets (note 12)	4,531	3,398
Contributed surplus (note 2)	1,393	1,393
Restricted - First Nations Health Program (note 14)	1,876	2,196
Restricted for capital purchases, external (note 4)	204	108
Restricted for capital purchases, internal	276	113
Unrestricted	7,435	5,510
	<u>15,715</u>	<u>12,718</u>
	<u>106,907</u>	<u>71,546</u>

Contingencies and dontractual obligations (note 17)

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

	2011 \$	2010 \$
	(thousands of dollars)	
<b>Revenues</b>		
Government of Yukon - basic funding (note 13)	41,602	36,004
Government of Yukon - other (note 13)	4,014	3,797
Patients	3,694	2,748
Amortization of deferred capital contributions (note 9)	2,460	2,583
Government of Yukon - services without charge (note 13)	1,118	1,061
Fundraising	828	569
Other	683	417
Cafeteria	303	266
Interest	67	46
	<u>54,769</u>	<u>47,491</u>
<b>Expenses</b>		
Compensation and benefits	29,249	24,420
Supplies	6,962	5,806
Amortization of capital assets	3,486	3,357
Contracted services	3,267	2,916
Other (note 15)	3,209	3,266
Pension (note 5)	2,068	2,043
Equipment and building services	1,944	1,883
Government of Yukon - services without charge (note 13)	1,118	1,061
Fundraising	161	155
	<u>51,464</u>	<u>44,907</u>
<b>Surplus of revenues over expenses</b>	<u><u>3,305</u></u>	<u><u>2,584</u></u>

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

**Yukon Hospital Corporation**  
**Consolidated Statement of Changes in Net Assets**

For the year ended March 31

	Invested in Capital Assets (note 12)	Contributed Surplus	Restricted For First Nations Health Program (note 14)	Restricted For Capital Purchases External (note 4)	Restricted For Capital Purchases Internal	Unrestricted	2011 Total	2010 Total
	\$	\$	\$	\$	\$	\$	\$	\$
	(thousands of dollars)							
Balance, beginning of year	3,398	1,393	2,196	108	113	5,510	12,718	10,766
Surplus (deficiency) of revenue over expenses	(1,052)		(320)		163	4,514	3,305	2,584
Net change in investment in capital assets (note 12)	2,185					(2,185)	-	-
Contributions				22,655		8	22,663	6,802
Purchases of Capital Assets				(22,559)		(412)	(22,971)	(7,434)
Balance, end of year	4,531	1,393	1,876	204	276	7,435	15,715	12,718

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

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

# Yukon Hospital Corporation

## Consolidated Statement of Cash Flows

For the year ended March 31

	2011	2010
	\$	\$
	(thousands of dollars)	
<b>Cash flows used in operating activities</b>		
Receipts from and on behalf of patients	\$35,687	\$36,703
Payments to and on behalf of employees	(33,082)	(27,746)
Payments to suppliers and contractors	(14,520)	(13,963)
	<hr/>	<hr/>
Cash flows used in operating activities	(11,915)	(5,006)
<b>Cash flows used in investing activities</b>		
Purchase of capital assets	(21,350)	(9,122)
Proceeds from disposal of capital assets	64	-
	<hr/>	<hr/>
Cash flows used in investing activities	(21,286)	(9,122)
<b>Cash provided by financing activities</b>		
Cash received for capital purchases	19,165	7,433
Loans payable	14,133	4,182
	<hr/>	<hr/>
Cash flows from financing activities	33,298	11,615
Net increase/(decrease) in cash	97	(2,513)
Cash and cash equivalents, beginning of the year	3,537	6,050
	<hr/>	<hr/>
Cash and cash equivalents, end of the year	\$3,634	\$3,537
Represented by:		
Cash	\$782	\$793
Cash and cash equivalents - First Nations Health Program	1,972	2,155
Cash and cash equivalents - Yukon Hospital Foundation	880	589
	<hr/>	<hr/>
	\$3,634	\$3,537

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



**Yukon Hospital Corporation**  
**Notes to the Consolidated Financial Statements**  
March 31, 2011

**1 - PURPOSE**

a) The Yukon Hospital Corporation ("The Corporation") is a charitable organization established under the *Hospital Act* of the Yukon. The objectives of the Corporation are to provide hospital and medical services to meet the needs of people in the Yukon. The Corporation is a registered charity and accordingly is exempt from income taxes, provided certain requirements of the Federal *Income Tax Act* are met.

b) The Yukon Hospital Foundation ("The Foundation") is a society incorporated under the *Societies Act* of the Yukon. The purpose of the 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 - SIGNIFICANT ACCOUNTING POLICIES**

**Basis of presentation**

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

**Financial statements**

The consolidated financial statements include the accounts of Yukon Hospital Corporation and Yukon Hospital Foundation. All significant inter-company transactions and balances have been eliminated on consolidation.

**Cash and cash equivalents**

Cash and cash equivalents also includes amounts for the First Nations Health Program. Cash equivalents are recorded at cost, which approximates fair value. The First Nations Health Program is part of the Yukon Hospital Corporation.

**Inventory**

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

**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. Interest on loans during construction of capital assets is capitalized. Amortization is calculated by the straight line method over the assets' expected useful lives (see note 6).

Estimated useful life	Years
Medical equipment	6.7
Information systems	5
Buildings	10-40
Building improvements	20
Equipment	10
Yukon Hospital Foundation Property & Equipment	5
First Nations Health Program Property & Equipment	10

**Revenue recognition**

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

Revenue from other provinces and uninsured patients, operational revenue and ancillary services are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue for funded programs is recognized in the period expenses are incurred.

Interest income is recorded on an accrual basis and is recognized as revenue when earned.

Restricted contributions, including interest earned, are recognized as direct increases in Restricted for Capital Purchases - External - Net Assets.

**Yukon Hospital Corporation**  
**Notes to the Consolidated Financial Statements**  
March 31, 2011

**2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Donated services**

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

**Financial instruments**

All financial instruments reported on the Consolidated Statement of Financial Position of the Corporation are classified as follows:

**Classification**

Cash and cash equivalents - Held for trading

Accounts receivable - Loans and receivables.

Accounts payable and accrued liabilities, accrued payroll and benefits - Other liabilities

Short-term and Long-term debt - Other liabilities

Held-for-trading

These financial assets are measured at fair value at the Consolidated Statement of Financial Position date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in interest income.

Loans and receivables

These financial assets are initially measured at fair value and thereafter are measured at amortized cost using the effective interest rate method, less any impairment.

Other liabilities

These financial liabilities are recorded at amortized cost using the effective interest rate method.

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

**Pensions**

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

Pensions are based on length of service and final average earnings. Cost of living increases are provided annually to pensioners, as well as upon retirement for deferred pensioners. The expected return on plan assets is based on the fair value of plan assets at the beginning of each fiscal year. Cumulative unrecognized actuarial gains and losses in excess of 10% of the greater of the accrued benefit obligation and the market value of plan assets are amortized on a straight-line basis over the expected average remaining service lifetime ("EARSL") of active employees expected to receive benefits under the plan. Past service credits and costs arising from retroactive plan amendments are amortized on a straight-line basis over the EARSL of active members expected to receive benefits under the plan. Further details with respect to the pension are contained in note 5.

**Employee future benefits other than pensions**

Employees are entitled to specified severances and sick leave benefits as provided for under union contracts and conditions of employment. There are no segregated assets for the employee future benefits other than pensions and benefits are paid on a pay-as-you-go basis. The obligation for these payments is estimated and recorded in the accounts as the benefits accrue to the employees.

The disclosure items in respect to the specified severance benefits are based on an actuarial valuation performed by Towers Watson, the actuary, for accounting purposes. Cumulative unrecognized actuarial gains and losses in excess of 10% of the accrued benefit obligation in respect of the severance benefits are amortized on a straight-line basis over the expected average remaining service lifetime ("EARSL") of active employees expected to receive benefits under the plan. Past service credits and costs arising from retroactive plan amendments are amortized on a straight-line basis over the EARSL of active members expected to receive benefits under the plan.

Management estimates a sick leave liability as the amount which they will likely payout to employees in the future based on the employee's terms and conditions of employment. All gains and losses are recognized immediately in the net periodic benefit cost.

Further details with respect to the employee future benefits other than pensions are contained in note 8.

**Yukon Hospital Corporation**  
**Notes to the Consolidated Financial Statements**  
 March 31, 2011

**2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**  
**Use of estimates**

The preparation of consolidated 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 consolidated 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 estimated useful lives of capital assets, determination of the defined benefit pension plan surplus and the liabilities for accrued severance, retirements and sick leave benefits. Financial results as determined by actual events could differ significantly from these estimates.

**Contributed surplus**

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

**Future Accounting Changes**

**Changes in Accounting Framework**

In October 2010, the Public Sector Accounting Board (PSAB) approved the incorporation of the "4400 series" of standards, which discusses the accounting for the unique circumstances of government not-for-profit organizations (GNFPO's), from the CICA Handbook-Accounting into the CICA Public Sector Accounting Handbook ("PSA Handbook"). This set of standards will be appropriately modified to fit with the public sector accounting standards. Effective for fiscal years beginning on or after January 1, 2012, public sector NFPOs will have the option to apply either the PSA Handbook with or without the NFPO standards. Earlier adoption is permitted. The Corporation is reviewing both options and has not yet determined the impact of adoption on its consolidated financial statements.

**3 - INVENTORY**

Inventory	2011	2010
	\$	\$
	(thousands of dollars)	
• Pharmacy	610	538
• Material Management	732	768
• Operating Room Inventory	801	575
• Laboratory Inventory	172	125
<b>Total Inventory</b>	<b>2,315</b>	<b>2,006</b>

**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 Net Assets Restricted for Capital purchases, external.

	2011	2010
	\$	\$
	(thousands of dollars)	
Balance, Beginning of year	108	197
Contributions during the year	22,655	6,812
Purchases during the year	(22,559)	(6,901)
<b>Balance, End of year</b>	<b>204</b>	<b>108</b>

**5 - PENSION COSTS AND OBLIGATIONS**

Yukon Hospital Corporation sponsors a contributory defined benefit pension plan. The Corporation contributes amounts as prescribed by an independent actuary. In 2010 members were required to contribute to the plan at a rate of 5.75% (2009 - 5.5%) of annualized earnings up to the Year's Maximum Pensionable Earnings ("YMPE") plus 7.75% (2009 - 7.5%) of annualized earnings in excess of YMPE for the plan year. In 2011, members are required to contribute to the plan at a rate of 6.00% (2010 - 5.75%) of annualized earnings up to the YMPE plus 8.00% (2010 - 7.75%) of annualized earnings in excess of YMPE for the plan year.

A separate pension fund is maintained to hold plan assets. Yukon Hospital Corporation has contracted with external organizations to provide trustee and investment management services for the fund. Pension fund assets are invested in balanced pooled funds of the investment manager. The market value of plan assets was \$53,007,000 as at December 31, 2010 (2009 - \$44,017,000).

An actuarial valuation for accounting purposes was performed as of December 31, 2010 by Towers Watson, using the projected benefits method prorated on services. The actuarial valuation included services rendered by members under the Yukon Hospital Corporation Employees' Pension Plan since the inception of the plan in 1993, as well as service credits in respect of pre-1993 service transferred to the Yukon Hospital Corporation Employees' Pension Plan from the Public Service Pension Plan under the Special Reciprocal Transfer Agreement dated June of 1995. The next actuarial valuation for accounting purpose will be performed as at December 31, 2011.

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

**Yukon Hospital Corporation**  
**Notes to the Consolidated Financial Statements**  
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**PENSION COSTS AND OBLIGATIONS (continued)**

Weighted-Average Assumptions for Net Period Pension Cost for Fiscal Year	2011	2010
• Discount rate	6.00%	6.50%
• Expected long-term rate of return on plan assets	7.00%	7.00%
• Rate of compensation increase (exclusive of seniority, merit and promotion increases)	3.00%	3.00%

Weighted-Average Assumptions for Benefit Obligation at Fiscal Year Ending March	2011	2010
• Discount rate	5.25%	6.00%
• Rate of compensation increase (exclusive of seniority, merit and promotion)	2.50%	3.00%

As at December 31, 2010, pension fund assets are valued at market value. No adjustment is made for benefits payable or contributions receivable.

	2011	2010
	\$	\$
	(thousands of dollars)	
<b>Change in accrued benefit obligation</b>		
• Accrued benefit obligation - end of prior year	44,631	37,449
• Employer current service cost	2,008	1,491
• Interest cost	2,797	2,519
• Employee contributions	1,120	948
• Benefits paid	(1,152)	(1,324)
• Actuarial losses	2,494	3,548
• Accrued benefit obligation - end of year	<u>51,898</u>	<u>44,631</u>
<b>Change in Plan Assets</b>		
• Fair value of plan assets - end of prior year	44,017	34,205
• Actual return on plan assets	5,181	6,035
• Employer contributions	4,029	4,307
• Employee contributions	1,120	948
• Benefits paid	(1,152)	(1,324)
• Actual plan expenses	(188)	(154)
• Fair value of plan assets - end of year	<u>53,007</u>	<u>44,017</u>
<b>Market value of plan assets - end of year</b>	<b>53,007</b>	<b>44,017</b>
<b>Reconciliation of Funded Status</b>		
• Accrued benefit obligation	51,898	44,631
• Fair value of plan assets	<u>53,007</u>	<u>44,017</u>
• Funded surplus (deficit)	1,109	(614)
• Employer contributions made between measurement date and fiscal year end	1,821	1,309
• Unamortized past service (credits) costs	277	434
• Unamortized actuarial (gains) losses	<u>6,099</u>	<u>5,704</u>
• Accrued benefit asset (liability) - end of year	<u>9,306</u>	<u>6,833</u>
<b>Classification of accrued benefit asset (liability)</b>		
• Other assets	<u>9,306</u>	<u>6,833</u>
• Accrued benefit asset (liability) - end of year	<u>9,306</u>	<u>6,833</u>
<b>Components of Net Periodic Pension Cost</b>		
• Current service cost (employer portion) including provision for administrative expenses	2,193	1,649
• Interest cost	2,797	2,519
• Actual return on plan assets	(5,181)	(6,035)
• Actuarial (gains) losses on accrued benefit obligation	<u>2,494</u>	<u>3,544</u>
Cost arising in the period	<u>2,303</u>	<u>1,677</u>
<b>Differences between costs arising in the period and costs recognized in the period in respect of:</b>		
• Return on plan assets	1,966	3,509
• Actuarial (gains) losses	(2,358)	(3,300)
• Past service (credits) costs	157	157
Net periodic pension cost recognized	<u>2,068</u>	<u>2,043</u>
<b>Plan Assets By Asset Category</b>	<b>Dec 31, 2010</b>	<b>Dec 31, 2009</b>
• Equity securities	65.0%	64.0%
• Debt securities	34.0%	34.0%
• Other	1.0%	2.0%
Total	<u>100%</u>	<u>100%</u>

**Yukon Hospital Corporation**  
**Notes to the Consolidated Financial Statements**  
March 31, 2011

**5 - 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 consolidated financial statements as of March 31.

The accrued benefit asset of \$9,306,000 (2010 - \$6,833,000) has been recorded on the Corporation's books of account and is included on the Consolidated Statement of Financial Position as at March 31, 2011.

The funded status of the pension plan (\$1,109,000 as at December 31, 2010) presented in these consolidated financial statements has been determined on the basis that the pension plan remains a going concern.

As at December 31, 2010 the pension plan had a deficit of \$14.4 million if valued on the basis that the pension plan were terminated/wound up as at December 31, 2010. The solvency ratio of the plan is 79%. 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 \$204,784 over the 2011 year. In lieu of solvency special payments, the Corporation may obtain a conforming letter of credit to satisfy some or all of the solvency special payment. During the fiscal year, the Corporation contributed \$4,541,000 to the plan, of which \$1,624,000 related to solvency deficiency payments for 2010. Also during the fiscal year, the Corporation received \$1,944,000 from the Government of Yukon to fund its pension plan.

**6 - CAPITAL ASSETS**

	Cost	Accumulated amortization	2011	2010
			Net	Net
	\$	\$	\$	\$
	(thousands of dollars)			
Medical equipment	5,289	2,634	2,655	2,748
Information systems	5,611	4,094	1,517	1,680
Buildings	53,563	19,764	33,799	34,833
Buildings work-in-progress	24,429	-	24,429	6,692
Building improvements	2,328	1,026	1,302	1,394
Equipment	3,220	1,078	2,142	1,004
Land				
transferred	1,134	-	1,134	1,009
Land Improvements - parking lot paving	287	14	273	28
Yukon Hospital Foundation property & equipment	43	34	9	18
First Nations Health Program property & equipment	36	33	3	4
	<u>95,940</u>	<u>28,677</u>	<u>67,263</u>	<u>49,410</u>

During the fiscal year, the Corporation capitalized loan interest in the amount of \$321,813 (2010 - \$12,499). This amount is included in the cost of buildings.

**7 - CONTRIBUTIONS RECEIVABLE**

During the current year the Corporation started several major capital projects. As at March 31, 2011 the Corporation has spent \$22.513 million (2010 \$6.692 million) on these projects. The Corporation has secured financing with the CIBC for these projects and the Government of Yukon has committed funds to be paid each year beginning in 2011-12 to repay the loans. As a result, the Corporation has set up a contribution receivable in the amount of \$22.513 million and increased its deferred capital contribution by the same amount.

**8 - EMPLOYEE FUTURE BENEFITS OTHER THAN PENSIONS**

The Corporation provides severances and sick leave benefits to its employees. This benefit plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation. Benefits will be paid from future sources of revenue.

An actuarial valuation of the specified severance benefits was performed for accounting purposes as of December 31, 2010 by Towers Watson, the actuary, using the projected benefits method prorated on services. The actuarial valuation included services rendered by eligible employees at December 31, 2010. The next actuarial valuation for accounting purposes will be performed as at December 31, 2011.

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

**Yukon Hospital Corporation**  
**Notes to the Consolidated Financial Statements**  
March 31, 2011

**8 EMPLOYEE FUTURE BENEFITS OTHER THAN PENSIONS (continued)**

**Actuarially Determined Employee Future Benefits**

Weighted-Average Assumptions for Net Periodic Benefit Cost for Fiscal Year	2011	2010
• Discount rate	5.00%	N/A*
• Rate of compensation increase (exclusive of seniority merit and promotion)	3.00%	N/A*
*Comparative percentages were not available in 2010		
Weighted-Average Assumptions for Benefit Obligation at Fiscal Year Ending March	2011	2010
• Discount rate	4.50%	5.00%
• Rate of compensation increase (exclusive of seniority, merit and promotion)	2.50%	3.00%
	2011	2010
	\$	\$
	(thousands of dollars)	
<b>Change in accrued benefit obligation</b>		
• Accrued benefit obligation - end of prior year	1,742	1,781
• Employer current service cost	141	150
• Interest cost	93	-
• Benefits paid	(51)	(16)
• Actuarial (gains) losses	32	(173)
• Accrued benefit obligation - end of year	<u>1,957</u>	<u>1,742</u>
<b>Reconciliation of Funded Status</b>		
• Accrued benefit obligation	<u>1,957</u>	<u>1,742</u>
• Funding surplus (deficit)	<u>(1,957)</u>	<u>(1,742)</u>
• Unamortized actuarial gains	<u>(141)</u>	<u>(173)</u>
• Accrued benefit liability - end of year	<u>(2,098)</u>	<u>(1,915)</u>
<b>Classification of accrued benefit asset (liability)</b>		
• Current liability	<u>(275)</u>	<u>(202)</u>
• Other long-term liability	<u>(1,823)</u>	<u>(1,713)</u>
• Accrued benefit liability - end of year	<u>(2,098)</u>	<u>(1,915)</u>
<b>Components of Net Periodic Benefit Cost</b>		
• Current service cost	141	150
• Interest cost on benefit obligation	93	-
• Actuarial (gains) losses	32	(173)
Cost arising in the period	<u>266</u>	<u>(23)</u>
Differences between costs arising in the period and recognized in the period in respect of:		
Net periodic benefit cost recognized	<u>266</u>	<u>(23)</u>

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

The funded status of the specified severance benefits component of the employee future benefits other than pensions (a deficit of \$1,957,000 as at December 31, 2010) presented in these consolidated financial statements has been determined on the basis that the severances benefits remain a going concern.

**Sick Leave Liability**

Sick leave benefits totalling \$356,000 (2010 - \$150,000) were determined by management estimates and are not included in the actuarially determined employee future benefits, but are included in the total employee future benefits other than pensions in the Statement of Financial Position.

**Reconciliation to Consolidated Statement of Financial Position**

	2011	2010
	\$	\$
	(thousands of dollars)	
<b>Total liability for employee future benefits other than pensions</b>		
• Employee future benefits - retirement and resignation	2,098	1,915
• Sick leave liability	356	150
<b>Total employee future benefits other than pensions</b>	<u>2,454</u>	<u>2,065</u>
• Less: short-term portion (included in accrued payroll and benefits)	<u>(275)</u>	<u>(202)</u>
• Long-term employee future benefits other than pensions	<u>2,179</u>	<u>1,863</u>

**Yukon Hospital Corporation**  
**Notes to the Consolidated Financial Statements**  
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**8 - EMPLOYEE FUTURE BENEFITS OTHER THAN PENSIONS (continued)**

The accrued benefit liability of \$2,454,000 is included on the Statement of Financial Position as \$2,179,000 in long-term employee future benefits other than pensions and \$275,000 as a short term liability included in accrued payroll and benefits.

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 consolidated financial statements as the probability of pay out within the next fiscal year is considered low.

**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:

	2011	2010
	\$	\$
	(thousands of dollars)	
Balance, Beginning of year	45,034	40,185
Restricted government contribution	18,753	7,088
Restricted capital contributions (non-government)	412	344
Amount amortized to revenue	(2,460)	(2,583)
Balance, End of year	<u>61,739</u>	<u>45,034</u>

**10 - INDEBTEDNESS**

	2011	2010	2011	2010
	(thousands of dollars)		(thousands of dollars)	
	Short Term	Short Term	Long Term	Long Term
			\$	\$
Yukon Development Corporation	46	70	116	138
Canadian Imperial Bank of Commerce Bank Loan	<u>18,431</u>	<u>4,252</u>	-	-
	<u>18,477</u>	<u>4,322</u>	<u>116</u>	<u>138</u>

**Yukon Development Corporation**

In 2003, Yukon Development Corporation financed an electric boiler system for the Corporation for a total cost of \$596,000. The long-term debt repayment portion is 50% of the energy savings total. An initial payment on principal of \$200,000 was made by Yukon Hospital Corporation in 2004.

\$162,000 remains from the original \$596,000 flexible term note bearing interest at 7.5% repayable in annual instalments, based on annual energy savings realized, secured by a general security agreement on building improvements with a net book value of \$357,000. (2010 - \$387,000)

The energy savings realized to date are as follows:

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

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

**CIBC Loans**

In 2010, the Corporation entered into a Demand Construction Loan Facility with the Canadian Imperial Bank of Commerce (CIBC) to be used for financing costs of the new staff residence and medical services facility. The estimated costs are expected to be up to \$17 million. The Demand Construction Facility will be repaid in full from the proceeds of a Demand Term Instalment loan in September 2011.

In 2011, the Corporation entered into a Demand Construction Loan Facility with the CIBC to be used for financing costs of the new Watson Lake Hospital facility. The estimated costs are expected to be up to \$22 million. The Demand Construction Facility will be repaid in full from the proceeds of a Demand Term Instalment loan upon substantial completion of the project estimated to be January 2012.

In 2011, the Corporation entered into a Demand Construction Loan Facility with the CIBC to be used for financing costs of the Dawson City Hospital facility. The estimated costs are expected to be up to \$28 million. The Demand Construction Facility will be repaid in full from the proceeds of a Demand Term Instalment loan upon substantial completion of the project estimated to be September 2012.

**Yukon Hospital Corporation**  
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March 31, 2011

**10: INDEBTEDNESS CONTINUED**

In 2011, the Corporation entered into a Demand Construction Loan Facility with the CIBC to be used for financing costs of renovating a portion of the Thomson Center facility. The estimated costs are expected to be up to \$2.99 million. The Demand Construction Facility will be repaid in full from the proceeds of a Demand Term Instalment loan upon substantial completion of the project in September 2011.

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.

**CIBC Bank Loans - Interest rate swaps**

The Corporation has entered into four Demand Construction Loan Facilities with the CIBC. The amounts obtained under these Demand Construction Facilities are to be used for financing the costs of the new staff residence, Watson Lake Hospital, Dawson City Hospital and the Thomson Center with an estimated cost of \$69.9M. Interest is to be calculated at Prime Rate per annum, payable in advance. The Demand Construction Facilities will be repaid in full from the proceeds of four Demand Term Instalment Loans upon substantial completion of each Project.

The Corporation has entered into an interest rate swap agreements with the CIBC to reduce its exposure to fluctuations in interest rates on a portion of its debt (see table below). Interest rate swap agreements are transactions in which two parties exchange interest flows on a specified notional amount on predetermined dates for a specific period of time using agreed upon fixed or floating rates of interest. Notional amounts upon which the interest payments/receipts are based are not exchanged. The floating rate for the initial calculation period remains to be determined but the floating rate option will be based on the Canadian Dollar - Bankers Acceptance - Canadian Dealer Offer Rate (CAD-BA-CDOR). The spread is 0.85000%. These agreements will take effect once the demand construction loans have been converted into demand instalment loans. This conversion will take place upon completion of the projects.

Projects	(thousands of dollars)		
	Amount Booked	Interest Rate	Date Booked
	\$		
New Residence	16,000	5.23%	Feb 2/10
New Residence	1,000	4.71%	Dec 16/10
Watson lake Hospital	20,000	5.15%	Jul 27/10
Dawson City Hospital	8,000	5.18%	Dec 16/10
Thomson Center	2,990	4.22%	Dec 16/10
	47,990		

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

The carrying amount and estimated fair value of the debt financial instruments are as follows:

	2011		2010	
	(thousands of dollars)			
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	\$	\$	\$	\$
YDC Short and Long-term debt	162	189	208	245
CIBC Short-term debt and Long-term debt	18,431	18,377	4,252	4,201
	18,593	18,566	4,460	4,446

**Risk Management**

The Corporation, through its financial assets and liabilities, is exposed to the following risks from its use of financial instruments: credit risk, liquidity risk, interest rate risk, and currency risk. The Corporation manages these risk exposures on an ongoing basis.

**Credit Risk**

Credit risk on financial instruments arises from the possibility that the issuer of a financial instrument fails to meet its obligation. The carrying amount of cash and cash equivalents and accounts receivable represents the maximum credit exposure.

The Corporation's accounts receivable has a carrying value of \$1,158,000 as of March 31, 2011 (2010 - \$2,177,000). There is no concentration of accounts receivable with any one customer. As at March 31, 2011, approximately 18% (2010 - 9%) of accounts receivable were over 90 days past due, whereas 53% (2010 - 65%) were current or less than 30 days past due. The Corporation's allowance for doubtful accounts is \$200,000 as at March 31, 2011 (2010 - \$92,000).

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



**Yukon Hospital Corporation**  
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**11 - FAIR VALUE OF FINANCIAL INSTRUMENTS - continued**

**Liquidity Risk**

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation's objective is to have sufficient liquidity to meet these liabilities when due. The Corporation monitors its cash balance and cash flows generated from operations to meet its liquidity requirements.

The carrying amount of accounts payable and accrued liabilities, accrued payroll and benefits and short-term and long-term debt represent the maximum exposure to liquidity risk. The Corporation's accounts payable and accrued liabilities had a carrying value of \$4,727,000 as at March 31, 2011 (2010 - \$3,845,000). As at March 31, 2011, 100% of accounts payable (2010 - 100%) were current, or less than 30 days past due. The Corporation's accrued payroll and benefits has a carrying value of \$3,406,000 as at March 31, 2011 (2010 - \$3,014,000) and is repayable in the next fiscal year.

The carrying amounts of short-term and long-term debt also represents exposure to liquidity risk. The Corporation's short-term debt has a carrying value of \$18,361,000 as at March 31, 2011 (2010 - \$4,322,000) and is repayable in the next fiscal year. The Corporation's long-term debt has a carrying value of \$116,000 as at March 31, 2011 (2010 - 138,000).

**Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. YDC Long term debt has interest rates fixed for long periods of time with the debt intended to be repaid in accordance with corresponding energy savings.

The Corporation is exposed to interest rate risk on its construction loans. The construction loan interest rate is the prime rate and the exposure relates to fluctuations of this rate. The fair value of the construction loan agreements as at March 31, 2011 was a liability of \$18,377,000 (2010 - \$4,201,000). A 100 basis point decrease/increase in the prime interest rate would result in an increase/decrease of \$107,000 (2010 - \$35,000) respectively at March 31, 2011.

**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.

**12 - INVESTED IN DEPRECIABLE CAPITAL ASSETS**

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

	2011	2010
	\$	\$
	(thousands of dollars)	
Capital assets (note 6) less land in Net assets	66,264	48,401
Amounts financed by deferred capital contributions	<u>(61,733)</u>	<u>(45,003)</u>
	<u>4,531</u>	<u>3,398</u>

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

(b) Change in Amortization

Amortization of deferred capital contributions	2,434	2,513
Amortization of capital assets	<u>(3,486)</u>	<u>(3,357)</u>
	<u>(1,052)</u>	<u>(844)</u>

(c) Net change in invested capital assets

Purchase of capital assets	21,350	9,122
Amounts funded by deferred capital contributions	<u>(19,165)</u>	<u>(7,433)</u>
	<u>2,185</u>	<u>1,689</u>

**13 - RELATED PARTY TRANSACTIONS**

	2011	2010
	\$	\$
	(thousands of dollars)	
<b>Government of Yukon Contribution</b>		
• Basic Funding	40,939	35,322
• First Nations Health Program (note 14)	663	682
Total Basic Funding	<u>41,602</u>	<u>36,004</u>
• Other	4,014	3,797
• Yukon Hospital Foundation (included in fundraising revenue)	85	75
Total Government of Yukon Contribution	<u>45,701</u>	<u>39,876</u>

Revenue received from the Government of Yukon for services was \$ 45,701,000 for 2011 (2010 - \$39,876,000). The 2011 contribution includes \$85,000 (2010 - \$75,000) flow through funding given to Yukon Hospital Foundation. The other funding includes \$1,654,778 (2010 - \$1,556,350) for the pension solvency deficiency payments.

**Yukon Hospital Corporation**  
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**13 - RELATED PARTY TRANSACTIONS (continued)**

**Services Without Charge**

The value of services provided without charge by the Government of Yukon is estimated to be \$1,118,000 (2010 - \$1,061,000). This amount consists of operating and maintenance expenses of \$398,000 (2010 - \$359,000) and property taxes of \$720,000 (2010 - \$702,000) for facilities owned by the Corporation but used by the Government. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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 2011 was \$208,000 (2010 - \$196,000).

In compliance with the Appendix H agreement, the Corporation provides goods in the amount of \$933,000 (2010 - \$1,141,000) to related parties which includes a 15% administration charge on Material Management supplies purchased in excess of \$80,000. The Corporation recovers only the cost of goods of \$898,000 (2010 - \$1,005,000). As this is a cost recovery arrangement, the revenues and cost of sales have been netted in Revenues - Other in the Consolidated Statement of Operations. The services without charge are reflected and flow through the Consolidated Statement of Operations of the Corporation.

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 \$2,424,000. The transaction was recorded at fair value. The Corporation agreed that it may transfer part of the old building back to the Government at the request of, and subject to any conditions imposed by the Government. In addition, the Corporation, may be required to grant to the Government a lease in portions of the future hospital on such terms as the Government may require.

**14 - FIRST NATIONS HEALTH PROGRAM**

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

	2011	2010
	\$	\$
	(thousands of dollars)	
<b>Revenues</b>		
Government of Yukon - Transfer agreement (note 13)	663	682
Interest	19	12
Other	-	10
	<u>682</u>	<u>704</u>
<b>Expenses</b>		
Payroll	898	789
Travel	13	30
Scholarships	7	11
Contribution - Council of Yukon First Nations Health Commission	30	30
Sundry	22	12
Material & Supplies	16	16
Honoraria	15	19
Depreciation	1	1
	<u>1,002</u>	<u>908</u>
<b>Deficiency of Revenues over Expenses</b>	<u>(320)</u>	<u>(204)</u>
<b>Opening Surplus</b>	<u>2,196</u>	<u>2,400</u>
<b>Net Surplus</b>	<u>1,876</u>	<u>2,196</u>

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

**Yukon Hospital Corporation**  
**Notes to the Consolidated Financial Statements**  
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**15 - OTHER EXPENSE**

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

	2011	2010
	\$	\$
	(thousands of dollars)	
Legal and professional fees	606	462
Conference fees/travel	563	414
Software maintenance	340	293
Delivery/courier/taxi	318	256
Miscellaneous	298	368
Insurance	276	207
Communications	210	186
Honorariums	149	168
Recruitment and relocation	113	254
Bad debt	108	58
Membership fees	92	83
Advertising	89	88
CYFN Health Commission contribution - First Nations Health (note 14)	30	30
Watson Lake project	10	384
Scholarships First Nations Health (note 14)	7	11
Security	-	4
	<u>3,209</u>	<u>3,266</u>

**16 - 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 Yukon Government. The Corporation considers its capital to be its Net Assets - 'Restricted for capital purchases, external', 'Restricted for capital purchases, internal' and 'unrestricted'.

The Corporation defines and computes its capital as follows:

	2011	2010
	\$	\$
	(thousands of dollars)	
Restricted for capital purchases, external	204	108
Restricted for capital purchases, internal	276	113
Unrestricted	<u>7,435</u>	<u>5,510</u>
	<u>7,915</u>	<u>5,731</u>

The Corporation's financial objectives are to comply with externally imposed restrictions and manage its capital as a by-product of managing revenues, expenses, assets and liabilities. The Corporation's financial objectives as stated above have remained unchanged from the prior year. The Corporation has complied with the externally imposed restrictions on the funding provided.

**17 - CONTINGENCIES AND CONTRACTUAL OBLIGATIONS**

**Contingencies**

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 consolidated 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.

**Contractual obligations**

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

	\$
	(thousands of dollars)
2012	44,695
2013	134
2014	112
2015	95
2016	95
	<u>45,131</u>

Contractual commitments fall under two major categories, contracts related to construction projects and contracts related to scheduled maintenance of medical equipment and other equipment. Contractual commitments over the next 5 years for each category are \$44,395,000 (2010 - \$16,580,000) and \$736,000 (2010 - \$1,517,000) respectively.

**Yukon Hospital Corporation**  
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**18 - ASSET RETIREMENT OBLIGATIONS**

The Corporation has identified asset retirement obligations for specific equipment as requiring special demolition and disposal treatment. The aggregate amount of the liability relating to the disposal of this equipment can reasonably be determined as of March 31, 2011 as \$356,000 (2010 - \$177,000).

**19 - TRUST ASSETS**

	2011	2010
	\$	\$
	(thousands of dollars)	
Deferred salary leave plan funds held in trusts	73	82

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 consolidated financial statements.

**20 - ECONOMIC DEPENDENCE**

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

**21 - SUBSEQUENT EVENTS**

Recent changes to federal regulations, that govern the *Pension Benefits Standard Act*, now provide the Corporation with the option of entering into Letters of Credit to cover future pension solvency deficits. On May 31, 2011 the Corporation entered into a Standby Letter of Credit with the CIBC. The value of this Letter of Credit at May 31, 2011 was \$204,784 and will increase each month until January 31, 2012 when the Letter of Credit value will total \$2,045,554.

**22 - COMPARATIVE FIGURES**

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