

YUKON HOSPITAL CORPORATION

FINANCIAL STATEMENTS

March 31, 2018

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Yukon Hospital Corporation

Management Responsibility Statement

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

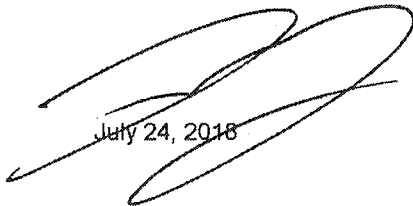
These consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. The consolidated financial statements include some amounts, such as the determination of amounts related to the estimated useful lives of capital assets, the defined benefit pension plan obligation, the calculation of allowance for doubtful accounts and the liabilities for accrued severance, retirement and sick leave benefits, that are necessarily based on management's best estimates and judgement. Management has determined such amounts on a reasonable basis.

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

The Board of Trustees of the Corporation is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Board exercises this responsibility for financial reporting through the delegation of the approval of the consolidated financial statements by the Executive Committee consisting of three non-management members. The Executive Committee meets regularly with management and with the external auditors to review the scope, results of the annual audit, and to review and approve the consolidated financial statements and related financial reporting matters.

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

Jason Bilsky
Chief Executive Officer



July 24, 2018

Kelly Steele
Chief Financial Officer



July 24, 2018



Office of the
Auditor General
of Canada

Bureau du
vérificateur général
du Canada

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 2018, and the consolidated statement of operations, consolidated statement of change in net assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Yukon Hospital Corporation as at 31 March 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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

24 July 2018
Vancouver, Canada

Yukon Hospital Corporation
Consolidated Statement of Financial Position

As at March 31
(in thousands of dollars)

	2018	2017
	\$	\$
ASSETS		
Current assets		
Cash	6,096	3,844
Accounts receivable	2,945	2,521
Inventory (note 3)	2,595	2,364
Prepaid expenses	709	582
Short-term contributions receivable (note 7)	3,309	3,203
	<u>15,654</u>	<u>12,514</u>
Non-current assets		
Restricted funds (note 4)	584	580
Accrued pension benefit (note 5)	44,949	41,145
Capital assets (note 6)	166,876	160,825
Long-term contributions receivable (note 7)	33,231	36,539
	<u>245,640</u>	<u>239,089</u>
	<u>261,294</u>	<u>251,603</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	6,213	10,425
Accrued payroll and benefits	5,326	4,706
Short-term debt (note 8)	36,539	39,742
Deferred revenue (note 9)	528	569
	<u>48,606</u>	<u>55,442</u>
Non-current liabilities		
Long-term debt (note 10)	85	117
Employee future benefits other than pensions (note 11)	2,711	2,890
Deferred capital contributions (note 12)	162,478	149,880
Asset retirement obligation	285	285
	<u>165,559</u>	<u>153,172</u>
	<u>214,165</u>	<u>208,614</u>
NET ASSETS		
Investment in capital assets (note 13)	5,164	11,601
Restricted for First Nations Health Program (note 14)	35	239
Restricted for capital purchases, internal	186	276
Restricted for pension	44,949	41,145
Unrestricted	(3,205)	(10,272)
	<u>47,129</u>	<u>42,989</u>
	<u>261,294</u>	<u>251,603</u>
Contractual obligations (note 17)		

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

On behalf of the Board,

Chairman

Director

Yukon Hospital Corporation

Consolidated Statement of Operations

For the year ended March 31

(in thousands of dollars)

	2018	2017
	\$	\$
Revenues		
Government of Yukon contribution (note 16)	70,269	67,350
Amortization of deferred capital contributions (note 12)	5,853	5,141
Patients	4,996	4,658
Other (note 2(p))	1,760	695
Thomson Centre service contracts (note 16)	750	629
Fundraising	594	634
Cafeteria	312	314
Interest	191	129
	<u>84,725</u>	<u>79,550</u>
Expenses		
Compensation and benefits	43,884	41,594
Supplies (note 2(p))	13,294	10,668
Amortization of capital assets (note 6)	6,915	5,944
Contracted services	5,970	5,670
Other (note 15)	5,198	4,570
Equipment and building services	2,599	2,373
Interest on short-term debt	1,920	2,054
Pension benefits cost (note 5)	673	588
Fundraising	309	215
Gain on disposal of capital assets	(177)	-
	<u>80,585</u>	<u>73,676</u>
Surplus of revenues over expenses	<u>4,140</u>	<u>5,874</u>

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

Yukon Hospital Corporation
Consolidated Statement of Change in Net Assets

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

	Investment in Capital Assets (note 13)	Restricted for First Nations Health Program (note 14)	Restricted for Capital Purchases Internal	Restricted for Pension	Unrestricted	2018 Total	2017 Total
	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of year	11,601	239	276	41,145	(10,272)	42,989	37,115
Surplus (deficiency) of revenues over expenses	(1,062)	(204)	(90)	3,804	1,692	4,140	5,874
Net change in investment in capital assets (note 13)	(5,375)	-	-	-	5,375	-	-
Balance, end of year	<u>5,164</u>	<u>35</u>	<u>186</u>	<u>44,949</u>	<u>(3,205)</u>	<u>47,129</u>	<u>42,989</u>

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

Yukon Hospital Corporation

Consolidated Statement of Cash Flows

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

	2018 \$	2017 \$
Operating Activities		
Surplus of revenues over expenses	4,140	5,874
Items not involving cash		
Amortization of capital assets	6,915	5,944
Gain on disposal of capital assets	(177)	-
Amortization of deferred capital contributions	(5,853)	(5,141)
Bad debt expense	149	129
(Increase) decrease in prepaid expenses	(127)	85
Increase in accrued pension benefit asset	(3,804)	(5,912)
(Increase) decrease in non-cash working capital	(822)	1,260
Cash generated through operating activities	<u>421</u>	<u>2,239</u>
Capital Activities		
Purchases of capital assets	(16,699)	(31,460)
Proceeds on disposal of capital assets	225	-
Cash used in capital activities	<u>(16,474)</u>	<u>(31,460)</u>
Financing Activities		
Repayment of debt	(3,235)	(3,102)
Cash received for capital purchases	21,540	28,320
Cash generated through financing activities	<u>18,305</u>	<u>25,218</u>
Increase (decrease) in cash	2,252	(4,003)
Cash, beginning of year	3,844	7,847
Cash, end of year	<u>6,096</u>	<u>3,844</u>
Interest paid	1,920	2,054
Interest received	191	129

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

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2018

(in thousands of dollars)

1. Purpose

- a) The Yukon Hospital Corporation ("Corporation") is a charitable organization established under the *Hospital Act* of the Yukon. The objectives of the Corporation are to provide hospital and medical services to meet the needs of people in the Yukon. The Corporation is a registered charity and accordingly is exempt from income taxes, provided certain requirements of the Federal *Income Tax Act* are met. The Corporation receives approximately 83% (2017 – 85%) of its income from the Government of Yukon.
- b) The Yukon Hospital Foundation ("Foundation") is a society incorporated under the *Societies Act* of the Yukon. The purpose of the Foundation is to promote health of people in the Yukon and to raise money for hospital and medical care and services, supervised residential care and continuing care, and rehabilitative care and services. The Foundation also grants funds and provides equipment, services and facilities to health facilities in the Yukon, and in particular to the Corporation.

2. Significant Accounting Policies

a) Basis of Accounting

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

b) Basis of Consolidation

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

c) Cash

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

d) Inventory

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

e) Capital Assets

Capital assets are recorded at cost except for contributed capital assets which are recorded at fair market value at the date of contribution. Except for land, all capital assets are recorded net of accumulated amortization. Interest on loans during construction of capital assets is capitalized. Amortization is calculated by the straight line method over the assets' expected useful lives.

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2018

(in thousands of dollars)

2. Significant Accounting Policies (continued)

e) Capital Assets (continued)

Capital Asset	Estimated Useful Life
Computer, hardware & systems development	2-10
Equipment & vehicles	5-15
Buildings	10-40
Building improvements	10-20
Land improvements	8-20

When a capital asset no longer has any long-term service potential to the Corporation, the excess of its net carrying amount over any residual value is recognized as an expense in the Consolidated Statement of Operations. Write-downs are not reversed.

f) Revenue Recognition

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

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

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

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

g) Inter-entity Transactions

The Corporation is related in terms of common ownership to all Government of Yukon departments, corporations, and agencies. Inter-entity transactions are those occurring between commonly controlled entities.

The Corporation records inter-entity transactions undertaken on similar terms and conditions to those adopted if the entities were dealing at arm's length and inter-entity cost allocation and recovery transactions at the exchange amount. The exchange amount is the amount of consideration given for the item transferred or service provided as established and agreed to by the related parties.

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2018

(in thousands of dollars)

2. Significant Accounting Policies (continued)

g) Inter-entity Transactions (continued)

Inter-entity transfers of assets or liabilities for nominal or no consideration are measured at the carrying amount by the Corporation, as transferor, and at the carrying amount or fair value by the Corporation, as transferee. As transferor, any difference between the exchange amount and the carrying amount of the transferred asset or liability results in the recognition of a gain or loss in the Consolidated Statement of Operations.

h) 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.

i) Short-Term Debt

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

j) Financial Instruments

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

The following is a list of the Corporation's financial instruments and their related measurement basis as at March 31, 2018.

Financial Assets	Measurement Basis
Cash	Cost
Accounts receivable	Cost
Contributions receivable	Cost
Restricted funds	Cost
Financial Liabilities	Measurement Basis
Accounts payable and accrued liabilities	Cost
Accrued payroll and benefits	Cost
Short-term debt	Amortized Cost
Long-term debt	Amortized Cost

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2018

(in thousands of dollars)

2. Significant Accounting Policies (continued)

j) Financial Instruments (continued)

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

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

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

k) Contingent Liabilities

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

l) Pensions

Eligible employees of the Corporation participate in the Yukon Hospital Corporation Employees' Pension Plan, a defined benefit plan administered by the Corporation's Board of Trustees. Contributions to the plan are required from both the employees and the Corporation.

In general, pensions are based on 2% of the best five years of continuous service minus any adjustments required by the Canada Pension Plan and provisions under the Special Reciprocal Transfer Agreement. The plan members can accumulate up to 30 years of continuous service. Cost of living increases are provided annually to pensioners, as well as upon retirement for deferred pensions.

The expected return on plan assets is based on the fair value of plan assets at the beginning of each fiscal year. Cumulative unrecognized actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service lifetime ("EARSL") of active employees expected to receive benefits under the plan. Past service credits and costs arising from retroactive plan amendments are recognized in the year of plan amendments.

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2018

(in thousands of dollars)

2. Significant Accounting Policies (continued)

m) Employee Future Benefits Other Than Pensions

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

n) Asset Retirement Obligation

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

o) Use of Estimates and Measurement Uncertainty

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards applicable for government not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the reporting period. By their nature, these estimates and assumptions are subject to measurement uncertainty. Significant areas requiring the use of management estimates relate to the estimated useful lives of capital assets, determination of the defined benefit pension plan obligation, calculation of allowance for doubtful accounts and actuarial gains or losses, and the liabilities for accrued severance, special leave, retirements and sick leave benefits. Financial results as determined by actual events could differ significantly from these estimates.

p) Accounting Standard Changes

The Public Sector Accounting Board has issued new standards PS 2200 related party disclosures, PS 3210 assets, PS 3320 contingent assets, and PS 3380 contractual rights. The Corporation has adopted these standards effective April 1, 2017. No significant changes were required as a result of implementing these new standards.

The Corporation also adopted PS 3420 inter-entity transactions, effective April 1, 2017, on a prospective basis. This Section establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. The Corporation's policy is disclosed in note 2(g).

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2018

(in thousands of dollars)

2. Significant Accounting Policies (continued)

p) Accounting Standard Changes (continued)

The impact upon adoption of PS 3420 is a change from net to gross presentation of the Corporation's cost recovery arrangement, described in note 16. The effect of the change on the Consolidated Financial Statements of the current period is an increase of the amounts reported for other revenue and for supplies expense of \$1,180 compared to what they would have been under the previous accounting policy.

3. Inventory

	2018	2017
	\$	\$
Pharmacy	1,121	918
Material Management	622	585
Operating Room	618	626
Laboratory	234	235
Total Inventory	<u>2,595</u>	<u>2,364</u>

4. Restricted Funds

	2018	2017
	\$	\$
Externally restricted – capital	475	480
Externally restricted – other	109	100
	<u>584</u>	<u>580</u>

a) Externally Restricted for Capital

The Corporation has control over restricted funds which have been contributed for specific capital purchases. The balance in the fund represents the difference between restricted contributions received for capital assets and the funds spent thus far based on the restrictions attached to the contributions.

	2018	2017
	\$	\$
Balance, beginning of year	480	312
Contributions received during the year	80	208
Amounts used for capital purchases during the year	(85)	(40)
Balance, end of year	<u>475</u>	<u>480</u>

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2018

(in thousands of dollars)

4. Restricted Funds (continued)

b) Externally Restricted for Other

The Corporation has control over restricted funds which have been contributed for specific disbursements to eligible Yukon residents. The balance in the fund represents the difference between restricted contributions received and the funds disbursed thus far based on the restrictions attached to the contributions.

	2018 \$	2017 \$
Balance, beginning of year	100	-
Contributions received during the year	19	100
Amounts disbursed during the year	(10)	-
Balance, end of year	<u>109</u>	<u>100</u>

5. Pension Costs and Obligations

The Corporation sponsors a defined benefit pension plan. The Corporation contributes amounts as prescribed by an independent actuary. Effective January 1, 2015 changes to the pension plan outlined below divides the Corporation's employees into two groups. In calendar 2018, Group 1 members were required to contribute to the plan at a rate of 8.10% (calendar 2017 – 7.10%) of annualized earnings up to the Year's Maximum Pensionable Earnings ("YMPE") plus 10.10% (calendar 2017 – 9.10%) of annualized earnings in excess of YMPE. Group 2 members were required to contribute to the plan at a rate of 7.00% (calendar 2017 – 6.00%) of annualized earnings up to the YMPE plus 9.00% (calendar 2017 – 8.00%) of annualized earnings in excess of YMPE.

A separate pension fund is maintained to hold plan assets. The Corporation has contracted with external organizations to provide trustee and investment management services for the fund. Pension fund assets are invested in balanced pooled funds of the investment manager. The market value of plan assets was \$130,341 as at March 31, 2018 (2017 - \$121,883).

An actuarial valuation for accounting purposes was performed as of March 31, 2018, using the projected benefits method prorated on services. The actuarial valuation included services rendered by members under the Yukon Hospital Corporation Employees' Pension Plan since the inception of the plan in 1993, as well as service credits in respect of pre-1993 service transferred to the Yukon Hospital Corporation Employees' Pension Plan from the Public Service Pension Plan under the Special Reciprocal Transfer Agreement dated June 1995. The next actuarial valuation for accounting purposes will be performed as at March 31, 2019.

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

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2018

(in thousands of dollars)

5. Pension Costs and Obligations (continued)

eligibility for an unreduced pension as well as a gradual change in cost sharing of contributions to the plan.

Increases to the age of eligibility for an unreduced pension

The normal retirement age for all members is age 65. Existing plan members as of December 31, 2014 may retire with an unreduced pension at age 60, or after having completed 30 years of continuous service. Plan members who join the Corporation on or after January 1, 2015, will be able to retire with an unreduced pension at age 65, or after having completed 30 years of continuous service.

Increases to the early retirement age

Existing plan members as of December 31, 2014 may retire as early as age 50 with a reduced pension, if they have two years of continuous employment service. Plan members who join the Corporation on or after January 1, 2015, will be able to retire early with a reduced pension at age 55, if they have two years of continuous employment service.

Contributions

Historically, the contribution rates for employee and employer contributions were 40% and 60% respectively. Changes to the plan will see equal contributions from both the employee and employer. As such, starting January 1, 2015 and into 2018, contribution rates will gradually increase towards 50/50 cost-sharing.

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

	2018	2017
Weighted Average Assumptions for Net Period Pension Cost for Fiscal Year		
Discount rate	6.00%	6.50%
Expected long-term rate of return on plan assets	6.00%	6.50%
Rate of compensation increase (exclusive of seniority, merit)	2.50%	2.50%
Expected average remaining service lifetime (EARSL)	8.4	8.3
Inflation rate	2.00%	2.00%
Weighted Average Assumptions for Benefit Obligation at Fiscal Year		
Discount rate	6.00%	6.00%
Rate of compensation increase (exclusive of seniority, merit)	2.50%	2.50%
Expected average remaining service lifetime (EARSL)	8.4	8.3

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2018

(in thousands of dollars)

5. Pension Costs and Obligations (continued)

As at March 31, 2018, pension fund assets are valued at market value. No adjustment is made for benefits payable or contributions receivable.

	2018 \$	2017 \$
Change in Accrued Benefit Obligation		
Accrued benefit obligation, beginning of year	83,061	70,614
Current period benefit cost (employee and employer)	4,882	4,225
Transfers in/service buybacks	-	-
Interest cost	5,026	4,593
Benefits paid	(3,457)	(4,116)
Actuarial losses	(448)	7,745
Accrued benefit obligation, end of year	<u>89,064</u>	<u>83,061</u>
Change in Plan Assets		
Fair value of plan assets, beginning of year	121,883	100,809
Actual return on plan assets	5,392	16,588
Employer contributions	4,477	6,500
Employee contributions	2,272	2,256
Transfers in/service buybacks	-	-
Benefits paid	(3,457)	(4,116)
Actual plan expenses	(226)	(154)
Fair value of plan assets, end of year	<u>130,341</u>	<u>121,883</u>
Reconciliation of Funded Status		
Accrued benefit obligation	89,064	83,061
Fair value of plan assets	(130,341)	(121,883)
Funded surplus	(41,277)	(38,822)
Unamortized actuarial losses	(3,672)	(2,323)
Accrued pension benefit asset	<u>(44,949)</u>	<u>(41,145)</u>
Pension Benefits Cost		
Current period benefit cost	5,182	4,530
Amortization of actuarial gains	142	419
Employee contributions	(2,272)	(2,256)
Benefit expense	3,052	2,693
Interest on expected average accrued benefit obligation	5,026	4,593
Expected return on plan assets	(7,405)	(6,698)
Pension benefits cost	<u>673</u>	<u>588</u>

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2018

(in thousands of dollars)

5. Pension Costs and Obligations (continued)

As at December 31, 2017 the pension plan had a solvency deficit of \$24,006 (December 31, 2016 - \$32,481) if valued on the basis that the pension plan were terminated/wound up as at December 31, 2017. The solvency ratio of the plan is 86% (80% in 2016). 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 \$431 over the 2018 year. The Corporation will obtain a conforming letter of credit for a portion of the solvency shortfall for the calendar year and will contribute \$1,123 in cash payments. During the fiscal year, the Corporation entered into letters of credit totaling \$18,905 (2017 - \$14,826) related to solvency deficiency payments. The Corporation also received \$3,463 for calendar year 2017 and \$2,245 for calendar year 2018 from the Government of Yukon to fund its pension plan.

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements

March 31, 2018

(in thousands of dollars)

6. Capital Assets

	Land	Land Improvements	Buildings	Building Improvements	Equipment & Vehicles	Computer Hardware & Systems Development	Construction In Progress	2018 Total	2017 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost, beginning of year	1,751	314	140,020	3,090	16,643	7,177	48,908	217,903	184,271
Acquisitions	-	-	-	166	1,949	41	10,857	13,013	33,645
Transfers	-	1,021	53,765	-	3,557	1,268	(59,611)	-	-
Disposals	-	-	-	-	(821)	(880)	-	(1,701)	(13)
Cost, end of year	1,751	1,335	193,785	3,256	21,328	7,606	154	229,215	217,903
Accumulated amortization, beginning of year	-	108	38,431	1,816	10,331	6,392	-	57,078	51,147
Amortization expense	-	74	4,786	157	1,445	453	-	6,915	5,944
Disposals	-	-	-	-	(774)	(880)	-	(1,654)	(13)
Accumulated amortization, end of year	-	182	43,217	1,973	11,002	5,965	-	62,339	57,078
Net book value	1,751	1,153	150,568	1,283	10,326	1,641	154	166,876	160,825

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements

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7. Contributions Receivable

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

	Commitment	Principal Payment	Total
	\$	\$	\$
March 31, 2018			
Crocus Ridge building	11,774	(813)	10,961
Watson Lake Hospital	14,668	(1,189)	13,479
Dawson City Hospital	13,300	(1,200)	12,100
	<u>39,742</u>	<u>(3,202)</u>	<u>36,540</u>

Short-term contributions receivable	3,309
Long-term contributions receivable	33,231
	<u>36,540</u>

	Commitment	Principal Payment	Total
	\$	\$	\$
March 31, 2017			
Crocus Ridge building	12,547	(773)	11,774
Watson Lake Hospital	15,797	(1,129)	14,668
Dawson City Hospital	14,500	(1,200)	13,300
	<u>42,844</u>	<u>(3,102)</u>	<u>39,742</u>

Short-term contributions receivable	3,203
Long-term contributions receivable	36,539
	<u>39,742</u>

Yukon Hospital Corporation
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8. Short-Term Debt

	2018 \$	2017 \$
Demand term installment loan with CIBC with interest calculated at Bankers' Acceptance with stamping fees calculated at 85 bps per annum exchanged for fixed rate by way of interest rate swap fixed at 5.15% per annum for the Watson Lake Hospital construction project. Blended payments of \$160 due monthly beginning on December 30, 2011 with the final payment due on December 31, 2026.	13,478	14,668
Demand term installment loan with CIBC with interest calculated at Bankers' Acceptance with stamping fees calculated at 85 bps per annum exchanged for fixed rate by way of interest rate swap fixed at 4.525% per annum for the Dawson City Hospital construction project. Principal payments of \$100 due monthly beginning on May 1, 2013 with the final payment due on April 1, 2028.	12,100	13,300
Demand term installment loan with CIBC with interest calculated at Bankers' Acceptance with stamping fees calculated at 85 bps per annum exchanged for a fixed rate by way of interest rate swap fixed at 5.23% per annum for the Crocus Ridge construction project. Blended payments of \$117 due monthly beginning December 15, 2010 with the final payment due on March 15, 2028.	10,961	11,774
	36,539	39,742

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

Principal Repayment Schedule

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

	\$
2019	3,309
2020	3,421
2021	3,539
2022	3,663
2023	3,793
2024 and thereafter	18,814
	36,539

8. Short-Term Debt (continued)

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

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In addition to its repayment schedule, the demand term instalment loans with CIBC require that the Corporation exchange the variable interest payment with a fixed interest payment. Under these agreements, the Corporation exchanged with CIBC \$1,596 (2017 - \$1,747) of variable interest payments representing an average variable rate of 4.19% (2017 - 4.23%) to a fixed interest payment of \$1,901 (2017 - \$2,057), representing an average fixed rate of 4.98% (2017 - 4.87%). These exchanges were made on a net cash basis.

9. Deferred Revenue

The balance is comprised of \$419 (2017 - \$569) received from the Government of Yukon related to MRI warranty costs, and \$109 (2017 - \$0) of other externally restricted funds.

10. Long-Term Debt

In 2003, Yukon Development Corporation, a common control entity of the Government of Yukon, financed an electric boiler system for the Corporation for a total cost of \$596. The long-term debt bears interest of 7.5% which is payable in an annual installment. The principal is repayable based on 50% of the realized annual energy savings. The long-term debt is secured by a general security agreement on building improvements with a net book value of \$149 (2017 - \$179).

An initial payment on principal of \$200 was made by the Corporation in 2004 and since then \$311 has been repaid from the realized annual energy savings including \$32 repaid in the current year based on realized energy savings of \$64 (2017 - \$0). The final payment is due in 2023.

11. Employee Future Benefits Other Than Pensions

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

	2018	2017
	\$	\$
Severance	2,265	2,575
Sick leave	658	605
Less: short-term portion (included in accrued payroll and benefits)	(212)	(290)
	2,711	2,890

12. Deferred Capital Contributions

Yukon Hospital Corporation
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(in thousands of dollars)

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:

	2018 \$	2017 \$
Balance, beginning of year	149,880	129,535
Restricted Government of Yukon contributions	18,247	25,218
Restricted non-government contributions	204	268
Amount amortized to revenue	(5,853)	(5,141)
Balance, end of year	<u>162,478</u>	<u>149,880</u>

13. Investment in Capital Assets

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

	2018 \$	2017 \$
Capital assets (note 6)	166,876	160,825
Amounts financed by deferred capital contributions (net of unexpended externally restricted contributions)	(161,712)	(149,224)
	<u>5,164</u>	<u>11,601</u>

b) Change in amortization

	2018 \$	2017 \$
Amortization of deferred capital contributions	5,853	5,141
Amortization of capital assets	(6,915)	(5,944)
	<u>(1,062)</u>	<u>(803)</u>

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2018

(in thousands of dollars)

13. Investment in Capital Assets (continued)

c) Net change in invested capital assets

	2018	2017
	\$	\$
Purchase of capital assets (net of contributed land)	13,013	33,645
Amounts funded by deferred capital contributions	(18,340)	(25,218)
Disposal of capital assets (net of accumulated amortization)	(48)	-
	<u>(5,375)</u>	<u>8,427</u>

Contributed Land

Certain assets in Whitehorse, including land were transferred from the Government of Canada and the Government of Yukon to the control of the Corporation on April 1, 1993 and January 19, 1994. Contributed land also includes land transferred from the Government of Yukon on May 14, 2010 in Watson Lake, in April 2011 in Dawson City, and on May 12, 2011 for the escarpment behind the existing Whitehorse General Hospital.

In fiscal 2012, the Government of Yukon transferred land and building in Dawson City, as well as land behind Whitehorse General Hospital to the Corporation at no cost. The value of this additional land and buildings is \$741. The land and buildings were recorded at fair value.

14. First Nations Health Program

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

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

Yukon Hospital Corporation
Notes to the Consolidated Financial Statements

March 31, 2018

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14. First Nations Health Program (continued)

The following amounts pertain to the FNHP and have been included in the Consolidated Statement of Operations.

	2018 \$	2017 \$
Revenues		
Government of Yukon contribution (note 16)	850	750
Interest	3	7
Other	-	16
	<u>853</u>	<u>773</u>
Expenses		
Payroll	967	933
Sundry	42	24
Travel	31	29
Material and supplies	9	14
Honoraria	8	27
	<u>1,057</u>	<u>1,027</u>
(Deficit) surplus of revenues over expenses	(204)	(254)
Opening surplus	239	493
Net surplus, restricted for FNHP	<u>35</u>	<u>239</u>

15. Other Expenses

	2018 \$	2017 \$
Property tax	1,245	1,096
Communications	651	601
Legal and professional fees	515	281
Delivery/courier/taxi	490	469
Software maintenance	450	477
Conference fees/travel	360	385
Miscellaneous	340	224
Insurance	323	309
Membership fees	268	244
Recruitment and relocation	190	225
Bad debt	149	60
Honorariums	114	111
Advertising	103	88
	<u>5,198</u>	<u>4,570</u>

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2018

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16. Related Party Transactions

	2018 \$	2017 \$
Government of Yukon Contribution		
Basic funding	63,541	59,595
First Nations Health Program (note 14)	850	750
Total basic funding	<u>64,391</u>	<u>60,345</u>
Other	5,878	7,005
Total Government of Yukon Contribution	<u>70,269</u>	<u>67,350</u>

Revenue received from the Government of Yukon for services was \$70,269 for 2018 (2017 - \$67,350). The 2018 contribution includes \$93 (2017 - \$93) flow through funding provided to the Foundation.

Services Without Charge

The Corporation leases space to the Government of Yukon. The leases for the ambulance station, #2 Hospital Road, #4 Hospital Road, and 24,510 square feet of office space located in the Thomson Centre building are at an annual nominal amount of \$1.

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 2018 was \$513 (2017 - \$470).

Other Related Party Transactions

In addition to those related party transactions disclosed elsewhere in these consolidated financial statements (notes 5, 7, 9, 10, 12, and 14) the Corporation entered into the following transactions with related entities on similar terms and conditions as entities at arm's length.

As at March 31, 2018 there were \$115 (2017 - \$113) of accounts payable and accrued liabilities and \$1,572 (2017 - \$1,261) of accounts receivable related to the Government of Yukon.

In fiscal 2018, the Corporation entered into one year agreements with the Government of Yukon to provide laundry and food services to the Thomson Centre. The revenue recognized from these agreements is included in Thomson Centre service contracts in the Consolidated Statement of Operations.

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2018

(in thousands of dollars)

16. Related Party Transactions (continued)

In fiscal 2015, the Corporation entered into a four year agreement with the Government of Yukon to provide funding for the Whitehorse General Hospital Expansion Project. During the year, the Corporation received \$17,811 of capital funding recorded as deferred capital contributions (note 12) (2017 - \$21,997) and \$2,176 of operations funding recorded as other Government of Yukon contributions (2017 - \$689).

In compliance with the Appendix H agreement, the Corporation provided goods in the amount of \$1,180 (2017 - \$1,037) to related parties which includes a 15% administration charge on material management supplies purchased in excess of \$80. The Corporation recovered only the cost of goods of \$1,123 (2017 - \$987). As this is a cost recovery arrangement, the revenues and cost of sales have been reported on a gross basis.

The Government of Yukon and the Corporation entered into an agreement transferring ownership of the Watson Lake Hospital to the Corporation effective April 1, 2010. The Watson Lake Hospital transfer included land, buildings and medical equipment worth \$2,424. The transaction was recorded at fair value. The Corporation agreed that it may transfer part of the old building back to the Government of Yukon at the request of, and subject to any conditions imposed by the Government of Yukon. In addition, the Corporation may be required to grant to the Government of Yukon a lease on such terms as the Government of Yukon may require. No transfers were made back to Government of Yukon in fiscal 2018.

In fiscal 2012 the Corporation (the Lessor) entered into a lease with the Government of Yukon (the Lessee) for approximately 22,075 square feet of office space located on the 1st and 2nd floor of the Crocus Ridge building. This lease is recorded at the exchange amount which approximates fair value.

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

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

In fiscal 2016 the Corporation (the Lessor) amended a lease from fiscal 2014 with the Government of Yukon (the Lessee) for approximately 2,660 square feet of rentable space to add 2,858 square feet of space in the lower level of the Watson Lake Hospital. This lease is recorded at the exchange amount which approximates fair value.

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2018

(in thousands of dollars)

16. Related Party Transactions (continued)

Details of the leases are outlined as follows:

	Annual Lease Payments \$	Term Years
Crocus Ridge 1 st and 2 nd floor office space	825	10
Dawson City Hospital clinical space	95	15
Dawson City Hospital office space	69	12
Watson Lake Hospital rentable space	69	15
Watson Lake Hospital space	74	13
	<u>1,132</u>	

17. Contractual Obligations

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

	\$
2019	1,260
2020	747
2021	406
2022	252
2023 and thereafter	91
	<u>2,756</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 \$0 (2017 - \$17,069) and \$2,644 (2017 - \$2,361) respectively.

The Corporation has included in accounts payable and accrued liabilities holdbacks of \$847 (2017 - \$4,533) to be released to the contractor upon substantial completion of the Whitehorse General Hospital expansion project. These holdbacks are expected to be released in fiscal 2019.

18. Financial Risks

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

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

Yukon Hospital Corporation

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(in thousands of dollars)

18. Financial Risks (continued)

regularly to the Board of Trustees on its activities. The Corporation has experienced no change in its risk exposure and has not made any changes to its risk management policies and procedures.

a) Credit Risk

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

Cash and Restricted Funds:

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

Accounts Receivable:

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

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

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

	2018	2017
	\$	\$
Government of Yukon	1,572	1,261
Consumers	586	285
Other governments	508	458
Other	280	517
	<u>2,946</u>	<u>2,521</u>

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

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(in thousands of dollars)

18. Financial Risks (continued)

The Corporation's accounts receivable has a carrying value of \$2,945 as at March 31, 2018 (2017 - \$2,521). As at March 31, 2018, approximately 25% (2017 - 40%) of accounts receivable were over 90 days past due, whereas 50% (2017 - 47%) were current or less than 30 days past due. The Corporation's allowance for doubtful accounts is \$105 as at March 31, 2018 (2017 - \$629).

Contributions Receivable:

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

b) Liquidity Risk

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

The liquidity risk arises from the financial liabilities consisting of accounts payable and accrued liabilities, accrued payroll and benefits, short-term debt and long-term debt. The Corporation's accounts payable and accrued liabilities had a carrying value of \$6,213 as at March 31, 2018 (2017 - \$10,425). As at March 31, 2018, 100% of accounts payable and accrued liabilities (2017 - 100%) was current, or less than 30 days past due. The Corporation's accrued payroll and benefits has a carrying value of \$5,326 as at March 31, 2018 (2017 - \$4,706) and is payable in the next fiscal year.

The Corporation's short-term debt has remaining undiscounted contractual cash flows of \$45,758 as at March 31, 2018 (2017 - \$50,862) and may be repayable in the next fiscal year. The Government of Yukon has committed the funds to repay the short-term debt (note 7). The Corporation's long-term debt has remaining undiscounted contractual cash flows of \$100 as at March 31, 2018 (2017 - \$148).

c) Market Risk

Currency Risk

Currency risk is the risk that the value of financial assets and liabilities denominated in foreign currencies will fluctuate due to changes in their respective exchange rates. The Corporation is not exposed to any significant currency risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Corporation is not exposed to any significant interest rate risk.

Long-term debt has interest rates fixed for long periods of time with the debt intended to be repaid in accordance with corresponding energy savings.

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2018

(in thousands of dollars)

18. Financial Risks (continued)

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

19. Capital Management

The Corporation is subject to the financial management and accountability provisions of the *Hospital Act* which imposes restrictions in relation to borrowings and acquisitions of investments. The Corporation receives its principal source of capital through funding received from the Government of Yukon. The Corporation's financial objectives are to comply with externally imposed restrictions and manage its capital as a by-product of managing revenues, expenses, assets and liabilities. The Corporation considers its capital to be its net assets related to restricted for capital purchases, internal; restricted for pension; and unrestricted. The Corporation's financial objectives as stated above have remained unchanged from the prior year. The Corporation has complied with the externally imposed restrictions on the funding provided.

Internally restricted capital purchases are used to cover commitment or obligations that are expected to arise in the future. The restricted for pension capital is the difference between the contributions to the pension plan and the actuarially determined pension expense and is recorded as an accrued pension benefit asset (non-current assets) and restricted for pension (net assets) on the Consolidated Statement of Financial Position. This entry reflects trapped capital as these contributions cannot be touched and remain in the plan.

The Corporation computes its capital as follows:

	2018 \$	2017 \$
Restricted for capital purchases, internal	186	276
Restricted for pension	44,949	41,145
Unrestricted	(3,205)	(10,272)
	<u>41,930</u>	<u>31,149</u>

20. Comparative Figures

Certain comparative figures for 2017 have been reclassified to conform with the 2018 presentation.

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