

**Yukon Hospital Corporation
Consolidated Financial Statements
March 31, 2020**

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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.

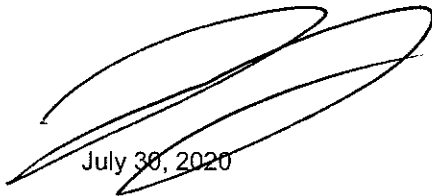
These consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. The consolidated financial statements include some amounts, such as the determination of amounts related to the estimated useful lives of capital assets, the defined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

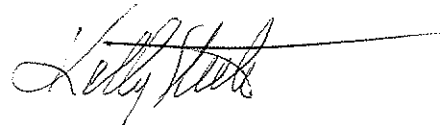
These consolidated financial statements have been independently audited in accordance with Canadian generally accepted auditing standards by the Auditor General of Canada, and her report is included with these consolidated financial statements.

Jason Bilsky
Chief Executive Officer



July 30, 2020

Kelly Steele
Chief Financial Officer



July 30, 2020



Office of the
Auditor General
of Canada

Bureau du
vérificateur général
du Canada

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the Yukon Hospital Corporation

Opinion

We have audited the consolidated financial statements of the Yukon Hospital Corporation and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 31 March 2020, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2020, and the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

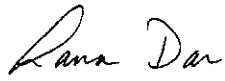
Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Vancouver, Canada
30 July 2020

Yukon Hospital Corporation

Consolidated Statement of Financial Position

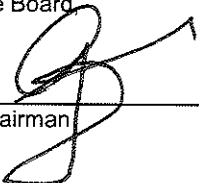
As at March 31
(in thousands of dollars)

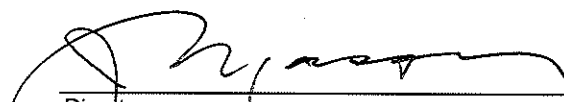
	2020 \$	2019 \$
ASSETS		
Current assets		
Cash (note 4)	3,316	5,118
Accounts receivable	7,176	2,991
Inventory (note 3)	2,538	2,421
Prepaid expenses	623	826
Short-term contributions receivable (note 7)	3,539	3,421
	<u>17,192</u>	<u>14,777</u>
Non-current assets		
Accrued pension benefit (note 5)	53,149	48,183
Capital assets (note 6)	162,982	163,837
Long-term contributions receivable (note 7)	26,271	29,810
	<u>242,402</u>	<u>241,830</u>
	<u>259,594</u>	<u>256,607</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	10,352	5,503
Accrued payroll and benefits	6,223	6,362
Short-term debt (note 8)	32,873	33,231
Deferred revenue (note 9)	377	477
	<u>49,825</u>	<u>45,573</u>
Non-current liabilities		
Long-term debt (note 10)	85	85
Employee future benefits other than pensions (note 11)	2,502	2,490
Deferred capital contributions (note 12)	155,890	158,343
Asset retirement obligation	285	285
	<u>158,762</u>	<u>161,203</u>
	<u>208,587</u>	<u>206,776</u>
NET ASSETS		
Investment in capital assets (note 13)	7,585	6,044
Restricted for First Nations Health Program, external (note 14)	419	204
Restricted for capital purchases, internal	48	183
Restricted for pension, internal	53,149	48,183
Unrestricted	(10,194)	(4,783)
	<u>51,007</u>	<u>49,831</u>
	<u>259,594</u>	<u>256,607</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)

	2020 \$	2019 \$
Revenues		
Government of Yukon contribution (note 16)	76,080	72,250
Amortization of deferred capital contributions (note 12)	7,073	7,047
Patients	5,312	5,261
Other government contracts (note 16)	2,216	2,080
Other	626	698
Fundraising	704	598
Cafeteria	335	314
Interest	236	255
	<u>92,582</u>	<u>88,503</u>
Expenses		
Compensation and benefits	49,205	46,145
Supplies	14,945	14,396
Amortization of capital assets (note 6)	7,906	8,313
Contracted services	7,184	6,504
Other (note 15)	6,092	5,599
Equipment and building services	2,888	2,584
Interest on short-term debt	1,588	1,742
Pension benefits cost (note 5)	1,299	257
Fundraising	290	253
Loss on disposal of capital assets	9	8
	<u>91,406</u>	<u>85,801</u>
Surplus of revenues over expenses	<u>1,176</u>	<u>2,702</u>

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

Yukon Hospital Corporation
Consolidated Statement of Changes in Net Assets

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

	Investment in Capital Assets (note 13)	Restricted for First Nations Health Program (note 14)	Restricted for Capital Purchases Internal	Restricted for Pension	Unrestricted	2020 Total	2019 Total
	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of year	6,044	204	183	48,183	(4,783)	49,831	47,129
Surplus (deficiency) of revenues over expenses	(833)	215	(135)	4,966	(3,037)	1,176	2,702
Net change in investment in capital assets (note 13)	2,374	-	-	-	(2,374)	-	-
Balance, end of year	7,585	419	48	53,149	(10,194)	51,007	49,831

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)

	2020 \$	2019 \$
Operating Activities		
Surplus of revenues over expenses	1,176	2,702
Items not involving cash		
Amortization of capital assets	7,906	8,313
Loss on disposal of capital assets	9	8
Amortization of deferred capital contributions	(7,073)	(7,047)
Bad debt expense	98	301
Decrease (increase) in prepaid expenses	203	(117)
Increase in accrued pension benefit	(4,966)	(3,234)
(Increase) decrease in non-cash working capital	(740)	163
Cash (used in) generated through operating activities	(3,387)	1,089
Capital Activities		
Purchases of capital assets	(5,930)	(5,545)
Proceeds on disposal of capital assets	-	12
Cash used in capital activities	(5,930)	(5,533)
Financing Activities		
Repayment of short-term debt	(3,421)	(3,308)
Issuance of short-term debt	3,063	-
Cash received for capital purchases	7,873	6,190
Cash generated through financing activities	7,515	2,882
Decrease in cash	(1,802)	(1,562)
Cash, beginning of year	5,118	6,680
Cash, end of year	3,316	5,118
Interest paid	1,551	1,742
Interest received	236	255

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

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2020

(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 has historically been dependent on the Government of Yukon to maintain its operations and meet its liabilities. It is expected that the ongoing operations of the Corporation will depend on continued financial support 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") and externally restricted funds. 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. The cost of a capital asset includes the cost to acquire, construct, develop or better the capital asset and includes all costs directly attributable to the acquisition, construction, development or betterment of the capital asset including the cost of installation and overhead costs. Except for land, all capital assets are recorded net of accumulated amortization.

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2020

(in thousands of dollars)

2. Significant Accounting Policies (continued)

e) Capital Assets (continued)

Interest on loans during construction of capital assets is capitalized. Amortization is calculated by the straight line method over the assets' expected useful lives. Construction in progress costs are capitalized as incurred. They are transferred to various categories of capital assets and are amortized on a basis consistent with similar assets, once the assets are placed in service.

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

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.

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2020

(in thousands of dollars)

2. Significant Accounting Policies (continued)

g) Inter-entity Transactions (continued)

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.

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.

Short-term debt includes a demand loan with the Government of Yukon. The loan is repayable in full at the end of the term of the loan. Interest compounds on a semi-annual basis and is accrued within accounts payable and accrued liabilities on the Consolidated Statement of Financial Position.

j) Financial Instruments

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

The following is a list of the Corporation's financial instruments and their related measurement basis as at March 31, 2020.

Financial Assets

Cash
Accounts receivable
Contributions receivable

Measurement Basis

Cost
Cost
Cost

Financial Liabilities

Accounts payable and accrued liabilities

Measurement Basis

Cost

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2020

(in thousands of dollars)

2. Significant Accounting Policies (continued)

j) Financial Instruments (continued)

Accrued payroll and benefits	Cost
Short-term debt	Amortized Cost
Long-term debt	Amortized Cost

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

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

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

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 ("EARSLS") 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, 2020

(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 especially given the added uncertainties resulting from the COVID-19 pandemic declared by the World Health Organization (note 20).

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2020

(in thousands of dollars)

3. Inventory

	2020 \$	2019 \$
Pharmacy	944	871
Material Management	748	701
Operating Room	541	589
Laboratory	305	260
Total Inventory	<u>2,538</u>	<u>2,421</u>

4. Restricted Funds

Included in cash are the following amounts:

	2020 \$	2019 \$
Externally restricted – capital	492	552
Externally restricted – other	247	195
	<u>739</u>	<u>747</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.

	2020 \$	2019 \$
Balance, beginning of year	552	475
Contributions received during the year	108	77
Amounts used for capital purchases during the year	(168)	-
Balance, end of year	<u>492</u>	<u>552</u>

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.

	2020 \$	2019 \$
Balance, beginning of year	195	109
Contributions received during the year	116	146
Amounts disbursed during the year	(64)	(60)
Balance, end of year	<u>247</u>	<u>195</u>

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2020

(in thousands of dollars)

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 2020, Group 1 members were required to contribute to the plan at a rate of 8.10% (calendar 2019 – 8.10%) of annualized earnings up to the Year's Maximum Pensionable Earnings ("YMPE") plus 10.10% (calendar 2019 – 10.10%) of annualized earnings in excess of YMPE. Group 2 members were required to contribute to the plan at a rate of 7.00% (calendar 2019 – 7.00%) of annualized earnings up to the YMPE plus 9.00% (calendar 2019 – 9.00%) 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 \$127,640 as at March 31, 2020 (2019 - \$136,531).

An actuarial valuation for accounting purposes was performed as at March 31, 2020 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, 2021.

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 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.

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2020

(in thousands of dollars)

5. Pension Costs and Obligations (continued)

Contributions

Historically, the contribution rates for employee and employer contributions were 40% and 60% respectively. Changes to the plan in January 2015 saw a gradual increase of contribution rates to a 50/50 cost-share. This was achieved by January 2019.

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:

	2020	2019
Weighted Average Assumptions for Net Period Pension Cost for Fiscal Year		
Discount rate	6.00%	6.00%
Expected long-term rate of return on plan assets	6.00%	6.00%
Rate of compensation increase (exclusive of seniority, merit)	2.50%	2.50%
Expected average remaining service lifetime (EARSL)	8.9	8.8
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)	8.9	8.8

As at March 31, 2020, pension fund assets are valued at market value. No adjustment is made for benefits payable or contributions receivable.

	2020 \$	2019 \$
Change in Accrued Benefit Obligation		
Accrued benefit obligation, beginning of year	96,636	89,064
Current period benefit cost (employee and employer), excludes provision for non-investment expenses	5,241	4,735
Interest cost	5,807	5,314
Benefits paid	(4,964)	(5,733)
Actuarial losses	1,774	3,256
Accrued benefit obligation, end of year	<u>104,494</u>	<u>96,636</u>

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2020

(in thousands of dollars)

5. Pension Costs and Obligations (continued)

	2020 \$	2019 \$
Change in Plan Assets		
Fair value of plan assets, beginning of year	136,531	130,341
Actual return on plan assets	(12,539)	6,203
Employer contributions	6,265	3,491
Employee contributions	2,653	2,605
Benefits paid	(4,964)	(5,733)
Actual plan expenses	(306)	(376)
Fair value of plan assets, end of year	127,640	136,531
Reconciliation of Funded Status		
Accrued benefit obligation	104,494	96,636
Fair value of plan assets	(127,640)	(136,531)
Funded surplus	(23,146)	(39,895)
Unamortized actuarial losses	(30,003)	(8,288)
Accrued pension benefit asset	(53,149)	(48,183)
Pension Benefits Cost		
Current period benefit cost, includes provision for non-investment expenses	5,565	5,048
Amortization of actuarial losses	881	320
Employee contributions	(2,653)	(2,605)
Benefit expense	3,793	2,763
Interest on expected average accrued benefit obligation	5,807	5,314
Expected return on plan assets	(8,301)	(7,820)
Pension benefits cost	1,299	257

As at December 31, 2019 the pension plan had a solvency deficit of \$31,970 (December 31, 2018 - \$25,991) if valued on the basis that the pension plan were terminated/wound up as at December 31, 2019. The solvency ratio of the plan is 84% (85% in 2018). In accordance with the *Pension Benefits Standards Act, 1985*, the Corporation is required to make special payments to eliminate the solvency shortfall. The Corporation is permitted to cover up to a specified maximum of 15% of the solvency liability with a conforming letter of credit. As at March 31, 2020 the Corporation has a conforming letter of credit totaling \$26,508 (2019 - \$24,081). The actuary has determined that the special payment shortfall for calendar 2020 is \$4,940 (2019 - \$4,524) (note 21).

During the year, the Corporation received \$3,063 (2019 - \$0) from the Government of Yukon related to the calendar year 2019 special payment in the form of a loan and the Corporation contributed this amount to the pension plan. This loan from the Government of Yukon is included in short-term debt in the Consolidated Statement of Financial Position (note 8).

Yukon Hospital Corporation
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6. Capital Assets

	Land	Land Improvements	Buildings	Building Improvements	Equipment & Vehicles	Computer Hardware & Systems Development	Construction In Progress	2020 Total	2019 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost, beginning of year	1,751	1,391	194,648	4,620	23,144	7,755	916	234,225	229,215
Acquisitions	-	-	-	1,291	1,581	149	4,361	7,382	5,294
Transfers	-	-	-	-	-	-	(322)	(322)	-
Disposals	-	-	-	-	(142)	(27)	-	(169)	(284)
Cost, end of year	1,751	1,391	194,648	5,911	24,583	7,877	4,955	241,116	234,225
Accumulated amortization, beginning of year	-	302	48,562	2191	12,752	6,581	-	70,388	62,339
Amortization expense	-	124	5,400	306	1,929	147	-	7,906	8,313
Disposals	-	-	-	-	(133)	(27)	-	(160)	(264)
Accumulated amortization, end of year	-	426	53,962	2,497	14,548	6,701	-	78,134	70,388
Net book value	1,751	965	140,686	3,414	10,035	1,176	4,955	162,982	163,837

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, 2020			
Crocus Ridge building	10,104	(903)	9,201
Watson Lake Hospital	12,227	(1,318)	10,909
Dawson City Hospital	10,900	(1,200)	9,700
	<u>33,231</u>	<u>(3,421)</u>	<u>29,810</u>
Short-term contributions receivable			3,539
Long-term contributions receivable			<u>26,271</u>
			<u>29,810</u>

	Commitment	Principal Payment	Total
	\$	\$	\$
March 31, 2019			
Crocus Ridge building	10,961	(857)	10,104
Watson Lake Hospital	13,479	(1,252)	12,227
Dawson City Hospital	12,100	(1,200)	10,900
	<u>36,540</u>	<u>(3,309)</u>	<u>33,231</u>
Short-term contributions receivable			3,421
Long-term contributions receivable			<u>29,810</u>
			<u>33,231</u>

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2020

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8. Short-Term Debt

	2020 \$	2019 \$
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.	10,909	12,227
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.	9,700	10,900
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.	9,201	10,104
Demand term loan with Government of Yukon with interest on letter of credit portion at 65bps. Annual interest rate for the first year is prime (3.95%). Thereafter, annual interest rate will be determined on the anniversary date of the advance and will be set at prime rate charged by the Government of Yukon's banker. Term of loan is 15 years, with final payment due on December 11, 2034.	3,063	-
	32,873	33,231

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

O.I.C 2019/121 Financial Administration Act – Health Act, Yukon Hospital Corporation Loan Regulation, was made to allow the Minister responsible for the Department of Health and Social

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2020

(in thousands of dollars)

8. Short-Term Debt (continued)

Services to make a loan of public money in the purpose of assisting the Corporation in meeting the prescribed tests and standards for Solvency required under the Pension Benefits Standards Act, 1985 (Canada). In December 2019, the Government of Yukon loaned the Corporation \$2,892 (2019 - \$0) to meet the solvency requirement and \$171 (2019 - \$0) for letter of credit interest payments.

Principal Repayment Schedule

Principal repayment on the indebtedness over the next five years and thereafter are as follows:

	\$
2021	3,539
2022	3,663
2023	3,793
2024	3,931
2025	4,076
2026 and thereafter	13,871
	<u>32,873</u>

In addition to its repayment schedule, the demand term instalment loans with CIBC require that the Corporation exchange the variable interest payment with a fixed interest payment. Under these agreements, the Corporation exchanged with CIBC \$1,284 (2019 - \$1,447) of variable interest payments representing an average variable rate of 4.07% (2019 - 4.15%) to a fixed interest payment of \$1,577 (2019 - \$1,695), representing an average fixed rate of 5.00% (2019 - 4.86%). These exchanges were made on a net cash basis.

9. Deferred Revenue

The balance is comprised of \$119 (2019 - \$269) received from the Government of Yukon related to MRI warranty costs, and \$258 (2019 - \$208) 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 \$89 (2019 - \$119).

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 \$0 repaid in the current year based on realized energy savings of \$0 (2019 - \$2). The final payment is due in 2023.

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

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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.

	2020 \$	2019 \$
Severance	2,262	2,354
Sick leave	714	696
Less: short-term portion (included in accrued payroll and benefits)	(474)	(560)
	<u>2,502</u>	<u>2,490</u>

12. Deferred Capital Contributions

Deferred capital contributions represent restricted contributions received or receivable to purchase capital assets. The changes in the deferred capital contributions balance for the year are as follows:

	2020 \$	2019 \$
Balance, beginning of year	158,343	162,478
Restricted Government of Yukon contributions	4,677	3,128
Restricted non-government contributions	(57)	(216)
Amount amortized to revenue	(7,073)	(7,047)
Balance, end of year	<u>155,890</u>	<u>158,343</u>

13. Investment in Capital Assets

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

	2020 \$	2019 \$
Capital assets (note 6)	162,982	163,837
Amounts financed by deferred capital contributions (net of unexpended externally restricted contributions)	(155,397)	(157,793)
	<u>7,585</u>	<u>6,044</u>

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

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13. Investment in Capital Assets (continued)

b) Change in amortization

	2020 \$	2019 \$
Amortization of deferred capital contributions	7,073	7,047
Amortization of capital assets	(7,906)	(8,313)
	<u>(833)</u>	<u>(1,266)</u>

c) Net change in invested capital assets

	2020 \$	2019 \$
Purchase of capital assets (net of contributed land)	7,060	5,294
Amounts funded by deferred capital contributions	(4,677)	(3,128)
Disposal of capital assets (net of accumulated amortization)	(9)	(20)
	<u>2,374</u>	<u>2,146</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, 2020

(in thousands of dollars)

14. First Nations Health Program (continued)

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

	2020 \$	2019 \$
Revenues		
Government of Yukon contribution (note 16)	1,200	1,200
Interest	12	7
Other	16	-
	<u>1,228</u>	<u>1,207</u>
Expenses		
Payroll	926	934
Sundry	41	50
Travel	21	29
Honorariums	15	15
Material and supplies	10	10
	<u>1,013</u>	<u>1,038</u>
Surplus of revenues over expenses	215	169
Opening surplus	204	35
Net surplus, restricted for FNHP	<u>419</u>	<u>204</u>

15. Other Expenses

	2020 \$	2019 \$
Property tax	1,303	1,278
Delivery/courier/taxi	712	613
Legal and professional fees	695	419
Software maintenance	689	569
Communications	640	642
Recruitment and relocation	402	239
Conference fees/travel	396	431
Insurance	344	314
Miscellaneous	332	284
Membership fees	279	294
Honorariums	121	118
Bad debt	98	301
Advertising	81	97
	<u>6,092</u>	<u>5,599</u>

Yukon Hospital Corporation

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16. Related Party Transactions

	2020 \$	2019 \$
Government of Yukon contribution		
Basic funding	70,934	67,088
First Nations Health Program (note 14)	1,200	1,200
Total basic funding	72,134	68,288
Other	3,946	3,962
Total Government of Yukon contribution	76,080	72,250

Revenue received from the Government of Yukon for services was \$76,080 for 2020 (2019 - \$72,250). The 2020 contribution includes \$93 (2019 - \$93) flow-through funding provided to the Foundation.

	2020 \$	2019 \$
Other government contracts		
Thomson Centre contracts	824	764
Cost recovery arrangement	1,392	1,316
Total other government contracts	2,216	2,080

In fiscal 2020, the Corporation entered into a three year agreement with the Government of Yukon to provide laundry and food services to the Thomson Centre. The revenue recognized from these agreements is included in Other government contracts in the Consolidated Statement of Operations.

In compliance with 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), the Corporation provided goods in the amount of \$1,392 (2019 - \$1,316) 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 \$1,319 (2019 - \$1,260). As this is a cost recovery arrangement, the revenues and cost of sales have been reported on a gross basis.

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

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16. Related Party Transactions (continued)

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 29,679 square feet of office space located in the Thomson Centre building are at an annual nominal amount of \$1.

Appendix H outlines Whitehorse General Hospital's obligation to provide residual services to Yukon communities at no charge. The total cost of providing these services for 2020 was \$563 (2019 - \$518).

Other Related Party Transactions

In addition to those related party transactions disclosed elsewhere in these consolidated financial statements (notes 5, 7, 8, 9, 10, 12, 13 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, 2020 there were \$287 (2019 - \$201) of accounts payable and accrued liabilities and \$652 (2019 - \$1,651) of accounts receivable related to the Government of Yukon.

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 2020.

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.

Yukon Hospital Corporation

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16. Related Party Transactions (continued)

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.

In fiscal 2019 the Corporation (the Lessor) entered into a lease with the Government of Yukon (the Lessee) for approximately 97 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 2019 the Corporation (the Lessor) entered into a lease with the Government of Yukon (the Lessee) for approximately 147 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 2019 the Corporation (the Lessor) entered into a lease with the Government of Yukon (the Lessee) for approximately 153 square feet of clinical space and approximately 22 square feet of storage space located in the Dawson City Hospital. This lease is recorded at the exchange amount which approximates fair value.

Details of the leases are outlined as follows:

	Annual Lease Payments \$	Term Years
Crocus Ridge 1 st and 2 nd floor office space	825	10
Dawson City Hospital clinical space	95	15
Dawson City Hospital office space	69	12
Dawson City Hospital office space	5	3
Dawson City Hospital office space	3	2
Dawson City Hospital clinical space	7	10
Watson Lake Hospital rentable space	69	15
Watson Lake Hospital space	74	13
	<u>1,147</u>	

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

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(in thousands of dollars)

17. Contractual Obligations

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

	\$
2021	8,510
2022	4,653
2023	1,173
2024	981
2025 and thereafter	126
	<u>15,443</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 and thereafter for each category are \$1,421 (2019 - \$5,147) and \$14,022 (2019 - \$3,911) respectively.

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 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, and contributions receivable.

Cash:

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

Yukon Hospital Corporation

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18. Financial Risks (continued)

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:

	2020 \$	2019 \$
Government of Yukon	4,865	1,651
Consumers	1,580	461
Other governments	540	509
Other	191	370
	<u>7,176</u>	<u>2,991</u>

The Corporation's accounts receivable has a carrying value of \$7,176 as at March 31, 2020 (2019 - \$2,991). As at March 31, 2020, approximately 43% (2019 - 37%) of accounts receivable were over 90 days past due, whereas 50% (2019 - 44%) were current or less than 30 days past due. The Corporation's allowance for doubtful accounts is \$412 as at March 31, 2020 (2019 - \$535).

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 \$10,352 as at March 31, 2020 (2019 - \$5,503). As at March 31, 2020, approximately 4% (2019 - 0%) of accounts payable were over 90 days past due, whereas 64% (2019 - 100%) were current or less than 30 days past due. The Corporation's accrued payroll and benefits has a carrying value of \$6,223 as at March 31, 2020 (2019 - \$6,362) and is payable in the next fiscal year.

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2020

(in thousands of dollars)

18. Financial Risks (continued)

The Corporation's short-term debt has remaining undiscounted contractual cash flows of \$41,219 as at March 31, 2020 (2019 - \$40,780) and may be repayable in the next fiscal year. The Government of Yukon has committed the funds to repay the short-term debt owed to third parties (note 7). The Corporation's long-term debt has remaining undiscounted contractual cash flows of \$91 as at March 31, 2020 (2019 - \$94).

c) Market Risk

Currency Risk

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

Interest Rate Risk

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

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

For its short-term debt with CIBC, 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. The short-term loan with the Government of Yukon is at the Government's prime rate and is subject to market fluctuations. Due to the loan balance the variability in interest rates is not expected to have a significant impact on the Corporation.

19. Capital Management

The Corporation is subject to the financial management and accountability provisions of the *Hospital Act*, the *Yukon Financial Administration Act*, and the *Yukon Act* which impose 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

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2020

(in thousands of dollars)

19. Capital Management (continued)

(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:

	2020 \$	2019 \$
Restricted for capital purchases, internal	48	183
Restricted for pension	53,149	48,183
Unrestricted	(10,194)	(4,783)
	<u>43,003</u>	<u>43,583</u>

20. Impact of COVID-19 pandemic response

On March 11, 2020, the World Health Organization declared the Coronavirus COVID-19 (COVID-19) outbreak a pandemic which resulted in a series of public health and emergency measures that have been put in place.

As a result of the Corporation's COVID-19 response, the Corporation experienced a change in demand for its services and worked diligently to mitigate the financial impacts while carrying out its response to the impacts of COVID-19.

For the year ended March 31, 2020, the Government of Yukon committed \$200 to cover COVID-19 related incremental expenses. These amounts have been recorded in various expense accounts in the Consolidated Statement of Operations as determined by the nature of the expense. The Government of Yukon contribution is currently recognized in accounts receivable on the Consolidated Statement of Financial Position.

The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the severity and length of COVID-19 will have on the financial results and condition of the Corporation in future periods, including the fair value of the pension plan assets and the fundraising activities by the Foundation. As part of its mitigation response, the Corporation has continued to take the necessary steps to ensure that it has appropriate personal protective equipment available. The overall impact on the inventory balance subsequent to year-end is unknown at this time.

21. Subsequent events

Pension Solvency Relief

The Federal Government Department of Finance's *Solvency Special Payments Relief Regulations, 2020* that came into force on May 27, 2020, has provided the Corporation solvency relief in the form of a moratorium on solvency payments and or necessary increases to the letter of credit for the 2020 calendar year. The amount of payments/LOC that will not be required total

Yukon Hospital Corporation

Notes to the Consolidated Financial Statements

March 31, 2020

(in thousands of dollars)

21. Subsequent events (continued)

\$3,705 and represents the amount remaining from the actuarially determined special payment shortfall for calendar year 2020 (note 5).

Other Pension Related regulatory adjustments

In order to provide organizations with increased stability of pension plans, on March 27, 2020 the Office of the Superintendent of Financial Institutions (OSFI) announced a series of regulatory adjustments to support the financial and operational resilience of federally regulated pension plans. This includes freezing portability transfers and annuity purchases relating to defined benefit provisions in pension plans given that the current financial market conditions have negatively affected the funding status of pension plans.

On May 7, 2020 OSFI revised these regulations to provide automatic consent to portability transfers to locked-in vehicles for members who are eligible for early retirement subject to specific conditions.